



Weakness in activity at Pittsburgh International Airport continued in October

Summary: Like the region's employment recovery through October, activity at Pittsburgh International Airport (PIT) has yet to return to the pre-pandemic levels of 2019 or 2018, for that matter.

Employment

Private-sector jobs in the seven-county Pittsburgh Metropolitan Statistical Area (MSA) for October 2022 stood at 1.052 million, the lowest October level since 2013 when employment was 1.0469 million. Indeed, in the 22 years from October 2000 to October 2022 private jobs in the Pittsburgh MSA rose a scant 2.3 percent—and they remain below the eight-year ago readings.

The relatively good gains between 2016 and 2019 represented the best three-year gain in any period since 2000, except for a recovery from the deep 2009-2010 recession. The 2016 to 2019 gains were wiped out by the pandemic. Then, too, it is noteworthy that jobs statewide have yet to recover to levels posted in 2019.

The region's job recovery falls below the national rate and trails far behind the growth in several metro areas, especially in the southern states (as outlined in *Policy Brief Vol. 22, No. 32*). While employment gains are not the only driver of air travel demand, it is certainly a very important factor for an airport that is not a major hub.

Population growth has also been very anemic (*Policy Brief, Vol. 22, No. 18*).

The loss of the USAirways hub in the early 2000s made a major dent in the region's employment count as well as causing a large drop in flights and passenger boardings and deplanements at the airport. While air transportation employment statistics are not shown separately in the MSA data, they are shown separately in the state figures. That data showed a decline of 11,000 air transport employees from 2001 to 2008 with most of that decline undoubtedly traceable to the loss of the USAirways' hubbing activity at PIT.

Transportation and warehouse employment dropped by 8,300 from 46,100 in 2001 to 37,800 in 2008. Trucking jobs held steady over the same period.

State data also show a strong rise in warehouse employment over the period. These data, taken together, point to an air transportation jobs decline in the region of close to 10,000 over the seven-year period. That represents a sizable share of the area's poor jobs performance over the last two decades, both directly and indirectly, because of the multiplier effect that further weakened labor demand in the region.

Activity at PIT

More importantly, recent developments at PIT are not encouraging. Total passenger counts at PIT remained 13.8 percent behind the October 2019 posting. This is a poorer performance than in September when the total passenger count was 11.8 percent under the 2019 figure. Meanwhile, Transportation Security Administration national numbers for October showed a much smaller shortfall (5.5 percent) than PIT's from October 2019's count of people going through security check points. And, as has been noted in earlier *Policy Briefs*, the TSA count is a good comparison measure for non-hub airport passenger counts.

But it gets worse. The international passenger count at PIT in October was still 43 percent behind the October 2019 reading and 42 percent below the October 2018 level. This despite the return of the British Airways (BA) subsidized travel in June.

Moreover, airport operations remained 20 percent behind the 2019 October reading and nearly 22 percent below the October 2018 level. And still more worrisome, cargo handled at the airport, which had picked up strongly in 2020 and 2021, nosedived by 28.6 percent in October below the year-earlier reading. Even more alarming was the decline in the cargo level—6 percent lower than the October 2019 figure. Cargo handling had been the one bright spot in airport activity data.

More subsidies for British Airways

In light of the dismal performance at PIT in recovering the loss in passenger count, especially international travel despite paying BA a hefty subsidy to bring flights to the airport, a junket of regional political and business leaders flew to London to entreat BA to add more daily flights. And a deal was struck. BA will add two more weekly flights beginning next spring for \$500,000. Nothing has been said about whether the current subsidy of \$1.5 million per year for the current four weekly flights will be continued.

Note the comment by a BA official regarding the new flights, "We are delighted to be increasing our flight frequency from Pittsburgh to London next summer. ... As the only airline to operate a direct route between Pittsburgh and London Heathrow, these additional flights will give our customers even greater flexibility when travelling to Britain and beyond." (*BlueSky*, a webzine publication of the airport, Nov. 10, 2022).

Interestingly, there was no mention of British customers flying to the U.S. Is it because the overwhelming share of passengers are U.S. citizens traveling to England? This is very likely since the airport has never published the percentages of U.S. and European passengers. And that is important because estimates of the economic impact of the flights rely heavily on the number of foreign travelers to the region and spending money in the Pittsburgh area. Earlier estimates of the impact on the Pittsburgh region of BA flights were totally debunked (*Policy Brief, Vol. 19, No. 14*).

In the same *BlueSky* posting, an airport publicist writes, “The flexibility the additional frequencies offer to passengers isn’t just about departure and arrival times at PIT and LHR. They offer more chances to make connections to international routes that aren’t as frequent.” Thus, even the airport’s own public relations department alludes to the added convenience for domestic travelers making connections at Heathrow.

The CEO of the Airport Authority weighed in on the need for the junket to convince BA to add flights. “Pittsburgh is a global brand, and we need to tell that story whenever and wherever we get the chance. That’s vital to building partnerships and increasing international air service. Thanks to our partners at British Airways for taking the time to understand and believe in this market.”

If all that is true, if Pittsburgh is a standout market in the world, why is it necessary to go to great lengths to sell it? How is it that after the time it has been operating at PIT, BA did not see the need to add flights? Were they unaware of the “global brand” that justified more flights?

Drawbacks to subsidies

Subsidizing local citizens to fly to London is not a good or appropriate use of public money. Local residents go to England and other points on to the continent and spend money. Subsidies to the carrier and the ticket revenue for the carrier are dollars leaving the country before the passengers even arrive at their destinations abroad and spend more money. Many might have traveled without the subsidy using a one-stop connection and most likely would have bought their tickets on a U.S. airline. Many others may not travel to Europe through PIT at all without the BA subsidy.

If subsidizing business travel is aimed at creating sales abroad then the counties in the region (especially Allegheny where the airport is located) should lower any tax that is levied on business so firms would have more dollars to spend on travel. Note the state corporate net income tax is slated to decline in 2023.

Lowering taxes is far fairer to other businesses that don’t have overseas dealings. Indeed, subsidizing companies to do overseas business by subsidizing the airlines is inherently unfair. Just as subsidizing personal travel is likely to benefit residents who are more affluent.

Conclusion

The Pittsburgh regional economy has far bigger problems than lack of flights to Europe. Indeed, there are many options to get to London on one-stop flights for people who really need or want to go. As noted earlier, regional employment is not expanding, population growth is nearly non-existent, and the core city is essentially living on its past glories.

The problem is fundamental: Pittsburgh is not a business-friendly region. Labor issues, taxes and the regulatory environment are major roadblocks to achieving the kind of growth many areas of the country are enjoying.

All the special development programs and subsidizing this or that flavor-of-the-month sector, including air travel to England, are very poor substitutes for an economic climate that is business friendly.

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