

POLICY BRIEF

An electronic publication of
The Allegheny Institute for Public Policy

March 15, 2011

Volume 11, Number 16

Pittsburgh Airport Costs Could Hinder Growth

Pittsburgh International Airport (PIT) has failed to live up to its potential since construction was completed nearly two decades ago. As we wrote in a previous *Policy Brief* (Volume 11, Number 8), it was built to handle approximately 30-40 million passengers as the key hub in the US Airways system. Passenger traffic reached its peak in the late 1990s when about 21 million passengers passed through the airport but had fallen to 8.2 million in 2010. In January the County Executive claimed that he would make increasing activity at PIT a priority in 2011.

That *Policy Brief* noted it was very unlikely that PIT would regain major hub status and therefore the best chance for expanded use would hinge on an increase in origination and destination traffic. While some airlines have partially filled the void left by the dramatic downsizing of US Airways, attracting significantly more flights will pose a tremendous challenge for airport and the County Executive.

The most recent plan offered up would work like this: ask the Federal Aviation Administration (FAA) to set limits on traffic at the larger more congested airports along the east coast (New York (2), Newark, and Philadelphia) to their “hourly optimal capacity”. Once that capacity was met, the FAA would direct other airlines to land any “overflow” to PIT from which passengers would be reconnected to their final destinations. The plan also asks the Federal government for \$24 million over five years to subsidize the landing fees these airlines would incur.

The plan implicitly assumes that a preponderance of the passengers on planes headed to New York City have a final destination other than New York City. If, as seems likely, most passengers are going to New York what purpose is served by diverting them to PIT? If there are passengers on New York bound flights that have destinations other than New York, are those destinations served from PIT? If not, sending them to PIT makes no sense. All this will need very careful study before the plan can be considered seriously.

Despite support from officials at PIT, one national analyst called the plan “absolutely nothing short of piracy”. Whether or not it gets support from the FAA remains to be seen. But the idea of having the Federal government subsidize landing fees brings up an interesting question: how do fees charged to airlines at PIT compare to other similarly-

sized airports? Will the fees be an impediment to bringing in new carriers or to increasing flights by airlines already providing service?

In terms of passengers, the most recent FAA data ranks PIT the 45th largest commercial airport in 2009 with about 8 million passengers. We sampled nine other airports ranked from 32nd (Cincinnati) to 50th (Dallas Love Field). Other cities in the sample are Kansas City, Cleveland, Raleigh, Nashville, Houston (Hobby), Austin, and Indianapolis. The table below shows their 2009 passenger levels and ranking along with landing fees.

There are two categories of landing fees; for signatory and for non-signatory airlines. A signatory airline has entered into a specific lease agreement with that airport. Fees for signatory airlines are typically lower than for non-signatory airlines. Charges are quoted in dollars per 1,000 pounds. Of the ten airports in the sample, Cleveland-Hopkins (CLE) signatory landing fees are nearly twice the sample average and rank as the highest by a substantial margin. The lowest signatory landing fees are found at Dallas' Love Field. PIT's signatory landing fees are below only CLE and Greater Cincinnati (CVG) and are significantly above most of the other airports in the sample standing 34 percent higher than the sample average of \$2.606.

The average non-signatory landing fee in the sample is \$3.35 per 1,000 pounds. The highest non-signatory landing fee belongs to Austin-Bergstrom (AUS) followed closely by CLE. PIT also ranks third highest in this category and is 26 percent higher than the sample average.

City/Airport	2009 Passengers (in millions)	2009 FAA Rank	2010-2011 Airline Landing Fees	
			Signatory	Non-Signatory
Cincinnati/Northern KY (CVG)	10.39	32	\$ 3.998	\$ 4.094
Kansas City (MCI)	9.79	34	1.96	2.45
Cleveland Hopkins (CLE)	9.41	35	4.65	6.395
Raleigh (RDU)	8.87	38	1.9214	1.9214
Nashville (BNA)	8.77	39	1.26	3.96
Houston/William P Hobby (HOU)	8.18	43	2.094	2.094
Austin (AUS)	8.05	44	3.21	6.42
Pittsburgh International (PIT)	7.99	45	3.5147	4.23
Indianapolis (IND)	7.47	49	1.95	2.96
Dallas/Love Field (DAL)	7.35	50	1.50	2.00
<i>Averages</i>	<i>8.63</i>	<i>41</i>	<i>2.606</i>	<i>3.35</i>
Note: Landing Fees in \$ per 1,000 lbs.				

Among airports of similar size (based on passenger levels), PIT's landing fees, both signatory and non-signatory, are well above the average and rank near the highest in each category. For PIT to begin attracting more airlines, reducing landing fees to a more competitive level must be a top priority.

In that regard, the Commonwealth has designated a portion of gaming tax revenues, \$150 million over ten years, to help accomplish the goal of lower fees. But as mentioned in previous *Policy Briefs*, the first \$42 million was intercepted by the County, delaying the reduction of such fees. Presumably, PIT will receive the remainder of the money and begin the process of lowering fees to more competitive levels.

The scheme to divert planes from high-volume airports on the east coast seems like a long shot at best. Whether the scheme is viable in terms of increasing passenger traffic that would be served or whether carriers would have flights available to serve those not traveling to the east coast are questions requiring in-depth analysis. Moreover, the likelihood that costs for passengers and airlines would increase in such a scheme would make it a harder to sell to the FAA. Reducing carrier fees, such as landing fees, will take some imagination and perhaps belt tightening in airport expenditures. But for PIT to begin attracting new flights, it is a must since growing origination and destination passengers is still the best option to increase utilization of the PIT facilities.

Frank Gamrat, Ph.D., Sr. Research Assoc.

Jake Haulk, Ph.D., President

Policy Briefs may be reprinted as long as proper attribution is given.

For more information about this and other topics, please visit our website:

www.alleghenyinstitute.org

<p>Allegheny Institute for Public Policy 305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234 Phone (412) 440-0079 * Fax (412) 440-0085 E-mail: aipp@alleghenyinstitute.org</p>
