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What Is To Be Done With Pittsburgh International Airport?

The new terminal at Pittsburgh International Airport (PIT) was constructed in the early 1990s at the behest of US Airways to strengthen Pittsburgh's status as the principal "hub" in the airline's system. Nearly twenty years later PIT sits grossly underutilized and still has about $450 million in outstanding debt from that construction. US Airways, after two bankruptcies in the early 2000s, has all but abandoned the airport, dropping from more than 500 flights a day to fewer than 50 by late 2010. Recently the County Executive has promised to make PIT his top priority in the last year of his term. While the object is to increase utilization by increasing the number of flights at PIT, how does that happen and how can the airport and surrounding property begin to pay the dividends needed to justify the huge investment in the new terminal?

Two major events caused a spiraling decline in passenger traffic at PIT: the first was the terrorist attacks of 2001 that caused a steep decline in airline travel nationally; the second was the loss of major hub status in 2004 after US Airways chose to concentrate hub activities at Philadelphia and Charlotte. The new terminal and accompanying improvements were designed to accommodate as many as 30 to 40 million passengers. At its peak in the 1990s, about 21 million passengers went through the airport. Airport figures for 2009 show that fewer than 8 million passengers used PIT. To be sure the number of cities served by direct flights has fallen dramatically.

One positive effect of losing the US Airways' hub has been an increase in the number of carriers using the airport and accompanying lower fares. In 2000 there were only seven airlines offering service at PIT. By 2009 that number had doubled to 14. While there are several "discount" airlines now operating out of the airport, US Airways was still carrying the most passengers in 2009 with 29 percent of the total, ahead of second place Southwest Airlines at 19 percent. That market share leadership may be coming to an end soon as Southwest Airlines was recently granted permission by the Justice Department to acquire AirTran Airways (8 percent of PIT passengers) giving it almost as high a percentage of passengers as US Airways.

While the slide in traffic at PIT is well known in the Pittsburgh area, how does it compare with other airports in regions with similar size populations? In 2004 the Federal Aviation Administration (FAA) reduced PIT's standing from a large hub (L) to a medium hub (M).

We compared PIT to activity at the four medium hubs of Austin, TX, Indianapolis, Kansas City, and Milwaukee.

The FAA's passenger boarding data from 2004 until 2008 (pre-recession) show that of the five airports examined only PIT had a drop in enplanements, declining 35 percent. Austin had the largest increase of the sample group with a rise of 24 percent; Milwaukee was second with a 17 percent increase while Kansas City had an increase of 7 percent and Indianapolis 2 percent. The FAA ranked PIT as the 32^{nd} busiest airport in the country in 2004 and by 2009 it had slipped to 45^{th}. Austin (44^{th}) and Kansas City (34^{th}) both leapt over PIT during the period.

It is possible that the continued loss of passengers at PIT has more to do with US Airways rapidly shrinking presence than other economic factors. However, without a major hub origination and destination passenger demand will dictate the number of flights as well as the number of cities with direct service. Thus airport utilization will be driven principally by the ability of PIT to grow locally generated demand for air travel.

And as we have written many times before, the Pittsburgh area's employment gains have been disappointing when compared to other areas around the country. Of the five metros mentioned above, Pittsburgh had the slowest growth in average annual total private employment from 2004 to 2008 (1.7 percent). The fastest growing metro was Austin (17.6 percent), followed by Kansas City (4.7 percent), Indianapolis (3.4 percent) and Milwaukee (2.6 percent).

It appears very unlikely that PIT will ever return to major hub status. The issue that helped drive US Airways into bankruptcy was its very high operating costs, especially at PIT owing to the expensive facility itself and US Airways' labor costs. For the foreseeable future the creation of new major hubs by airlines seems to be on hold. The advent of the smaller regional jet and basic economics mitigate against new major, fortress hubs such as PIT once was.

By the same token, PIT has a chance to reduce its terminal related fees imposed on carriers and through the $150 million in gaming money as directed by the gaming law. However, the County Executive grabbed the first $42 million (*Policy Brief Volume 8, Number 4*) rather than sharing with PIT, delaying the reduction of carrier fees. Presumably, PIT will receive the remainder of this money and be able to bring costs down to keep current or entice new carriers.

If creating a significant new hub at PIT is not in the cards, increasing the airport's utilization level will depend on growth in local demand, which in turn will be predicated on three factors: (1) expansion of the local economy and rise in the number of people using air travel, (2) the ability to attract more travelers from surrounding communities in Ohio, West Virginia, etc. and (3) the arrival of more low cost carriers with service to more destinations that generate greater demand for air travel.

Absent a major rise in demand, the best hope for PIT to become an economic generator for the County and region may lie in its vast tracts of land. The only hitch in using the land for either economic development or for natural gas drilling is the FAA. Permission from the FAA will be required for the use of any of the acreage surrounding airport facilities. This may require a coordinated effort by County, state, and Federal elected officials. But even if the FAA gives permission to sell off land for development or allow gas drilling, there are many questions to be resolved as to exactly how the development will be allowed to unfold and how the benefits will be divided among the stakeholders; i.e., the taxpayers, investors, the Airport Authority, and the FAA. Can County government be counted on not to grab airport related money to plug its own budget shortfalls?

Pittsburgh International Airport looms large as an issue for current and future County officials. Its role as an economic generator never materialized as hoped when the new terminal was being built. The question before us now is how can the enormous facility be leveraged into a highly productive resource for the benefit of the local economy and taxpayers? Imagination and a reliance on market forces will be important elements in PIT's future.

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