

POLICY BRIEF

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USAirways: A Major Player in Pennsylvania's Economy

USAirways' history is so deeply intertwined with that of Pennsylvania that restating facts concerning the airline seem a rehash of the obvious. But facts are important. If overlooked, facts can have a way of coming back to haunt us, usually when it's too late.

USAirways is Pennsylvania's second largest private employer. Though headquartered in Washington, DC, the airline employs 18,000 in the Commonwealth, and spends over \$2 billion on operations here. The visiting passengers it brings to Pennsylvania add another \$1.7 billion to our economy each year. Using a conservative multiplier to capture the airline's effect on Pennsylvania, we find that USAirways' total impact in Pennsylvania is \$7.5 billion per year and over 70,000 jobs. And that does not attempt to include the jobs that are located here because of the businesses that require ready access to non-stop air travel to many destinations.

City	Number of Employees	Total USAirways Expenses (Millions)
Allentown/Bethlehem/Easton	51	\$5.5
Erie	32	\$2.7
Harrisburg	52	\$6.5
Philadelphia	6,317	\$662.5
Pittsburgh	11,691	\$1,399.4
Wilkes-Barre/Scranton	43	\$3.9
<i>Totals</i>	<i>18,186</i>	<i>\$2,080.4</i>

In the past, the Allegheny Institute has reported its concerns about the high airfares at Pittsburgh International Airport (PIT). However, we recognize that without USAirways, PIT simply would not exist in anything approaching its present dimensions. Besides, airfares are moving toward the national average and USAirways has recently demonstrated it can and will compete there on the basis of price. And while the airfares at smaller, regional airports in Pennsylvania are frustrating to local officials and travelers, these fares are typical of those at smaller airports around the country. When there is no effective competition from a low cost carrier, fares on most routes will reflect the pricing strategy of the traditional airlines. Unfortunately, there is little chance that low cost airlines will enter the smaller markets any time soon.

Still, none of that changes the reality facing Pennsylvania. To put the situation in starkest terms, without the presence of USAirways' major hubs at PIT and at Philadelphia some 16,000 jobs and \$1.8 billion of the previously mentioned economic benefits would not exist; or worse, they might exist in another state. And that state would be crowing about the overall impact--32, 000 jobs and

\$3.6 billion in annual spending that are the total benefits Pennsylvania now enjoys thanks to USAirways hubbing operations in this state.

And what does the impending merger hold for Pennsylvania? A successful merger of United Airlines with USAirways would result in upwards of \$5 billion in additional economic activity and lead to the creation of 9,000 new jobs per year. Should the merger not go forward, the resulting economic loss to Pennsylvania will likely reach \$4 billion per year. The demise of USAirways as a viable independent airline will create a void in this state unlikely to be filled by the remaining competitors in the domestic airline industry.

Our research shows that there is no viable antitrust basis on which to oppose the combining of the two airlines, especially in light of the agreement to sell off flights at Reagan National. Congress dropped its opposition to the American Airlines' acquisition of TWA when it realized that 20,000 jobs at TWA would be lost without it. Senator Charles Schumer of New York lobbied the Justice Department heavily for approval of that merger--and he succeeded, even though his state had only 4,000 jobs at risk.

Meanwhile, County Executive Jim Roddey, Airport Authority Executive Director Kent George, the Pittsburgh Regional Alliance, and the Greater Pittsburgh Chamber of Commerce have worked assiduously with USAirways and United Airlines to bring the case in favor of the merger before Attorney General Ashcroft, Secretary of Transportation Minetta, and our own Congressional Delegation. Thanks to them, Washington, DC has the facts; and, should the merger go forward, the individuals and groups named above would deserve much of the credit.

Given its importance to Pennsylvania's future, the cavalier and seemingly hostile attitude displayed by some elected officials toward the merger outside the Pittsburgh region -- particularly in Philadelphia-- is astounding.

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