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Socketing it to the Airlines at Pittsburgh International

With all the problems air carriers face with high fuel costs and a looming recession, slapping them with a 48.5 percent increase in per passenger costs at Pittsburgh International is probably the most counterproductive move the Airport Authority could make. Amazingly, that is what they have just done, approving a budget that includes revenues generated from a \$5.43 per passenger cost hike from higher terminal charges, a big jump in ramp fees and substantially greater landing fees.

According to the airport's executive director, he is concerned about raising fees but was compelled to by falling revenues caused by the declining number of flights. Obviously, the director wants us to forget a very important part of the story. In a New Year's Eve surprise last year the County grabbed \$19.9 million of Gaming Tourism and Economic Development funds that had been earmarked for the airport. And it appears the airport management is not counting on getting any gaming funds for 2009, as the County Chief Executive has designs on another \$20 million.

When gaming was passed in Pennsylvania, it was understood that \$150 million would be made available to the Pittsburgh airport to help pay the debt service on bonds issued to build the new facility. In fact, that provision is part of the gaming legislation. The money was to come to the airport in ten to twelve installments. Instead, the airport will only get \$110 million beginning in 2010, which means the airlines will be assessed \$40 million over the two years 2008 and 2009 above what they would have been charged if the gaming dollars were not diverted from the airport.

The County Executive claims the airport owes the County \$40 million dating back to the construction of the airport and he is simply taking what the County is owed. Sadly, the Airport Authority has acquiesced to that claim, allowing the Chief Executive to take the money. Our analysis of audited financial statements has been unable to find any such debt owed to the County. It is not on the County's financial statements or the Airport Authority's statements for the years leading up to the County's grabbing of the money.

Be that as it may, as we pointed out ten months ago when the episode occurred, even if there was a legitimate debt, what sense does it make for the County to seize \$40 million in two years when the airport desperately needs the money so that it does not have to impose massive fee increases on carriers operating at Pittsburgh International? Why not

just take \$5 million a year for eight years and let the airport keep \$10 million for the eight years? The \$10 million from 2007 and the presumed \$10 million from 2008 would have helped hold down the fee increases and would have made relationships with the airlines much friendlier.

Pittsburgh International is trying to get more carriers to come here, especially ones that will offer international flights. And it is asking existing carriers to offer more domestic flights. What sense does it make to spend significant time, energy and money to market the airport while at the same time undercutting your credibility as a host by being so obstinate about the gaming money? The airlines know what is going on and they cannot be happy about it.

Allegheny County and Pennsylvania have a great stake in the success of the Pittsburgh airport. Future economic growth in the region will require adequate and expanding air service. The need to produce a return on the investment at the airport, the enormous tract of land that goes untaxed and the millions to build new roads to serve the facility, should give policy makers incentive to do better than this. It is not the time to take a cavalier approach to the carriers.

Let the airport keep most of the 2009 gaming money installment and pass the savings on to the carriers as was intended by the gaming legislation in 2004. Obviously, one can make a good free market case that the gaming money should never have been dedicated to the airport in the first place. But the law was passed and the airlines have operated under the assumption that some relief from high fees was coming.

The pattern of sticking it to chosen sectors of the business community in order to fund the County's ailing fiscal situation is a very disturbing development. A drink tax and a car rental tax were put in place to fill a budget void. Then \$20 million dollars that would have helped lower costs at the airport went into County coffers. This trend needs to stop now.

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