



The Raja Plan for the Airport Authority

A Vision for the Future

Executive Summary

Pittsburgh International Airport (PIT) is a world renowned facility. Built in the early 90's at a time when Pittsburgh was a U.S. Airways hub, the airport now sits dramatically underutilized. PIT went from handling over 500 flights at its peak to a little over 100 today. This dramatic decline has had serious consequences for the county. The county is still saddled with a considerable amount of debt related to the facilities construction. As a result landing and gate fees are higher than any similar sized airport. This great asset for the region has so far not lived up to its original potential.

The Raja Plan for the Airport Authority recognizes the importance of PIT as an economic development asset for the entire county. As county executive, Raja will work to develop the thousands of acres of land on the airport property. Raja proposes an innovative business park development called the Innovation Zone. The zone will combine Marcellus Shale exploration with Marcellus Shale businesses, spin-offs, and other high tech energy related start-ups. Complementing the Innovation Zone, Raja will investigate ways to attract more carriers and flights to the region. Additionally the airports underutilized capacity will be promoted as a benefit over more crowded east coast airports. Finally the Raja Plan for the Airport Authority calls for the continuation of long term rapid transit planning to connect the airport with downtown and Oakland to allow for quick transportation between three of Allegheny County's most important economic assets.

The Raja Plan for the Airport Authority

When Pittsburgh International Airport opened on October 1, 1992 it was heralded as the premier airport in the country. At the time Pittsburgh was one of U.S. Airways principal hubs in the United States and as such the airport was designed to accommodate a significant amount of traffic. Airline mergers and the decline in air travel following the 9/11 attacks have led to a significant reduction in air travel across the country. After two bankruptcies in the early 2000's, U.S. Airways has all but abandoned the facility. The airports daily flights have plummeted from a one time high of over 500 to around 155 per day.^{1 2} The drastic decline in passenger traffic at the airport has made it more difficult to for the Allegheny County Airport Authority to pay down the remaining debt owed for the facility. As of last August when the airport authority refunded its debt, around \$435 million remains to be paid.³ In an attempt to pay off the debt the county raised landing and gate fees to a level which puts Pittsburgh International at an uncompetitive standing with other similar sized facilities. These fees have made it more difficult to attract new airlines to the airport and make it more difficult for the county to attract travelers and conventions to the region. For too long this important asset for Allegheny County has set underutilized and a lack of vision amongst leaders have prevented it from becoming the economic driver that it can become.

Even though the airport is underutilized, it is still at its current state a very important component to the economy of Allegheny County and the region. A 2009 Economic Impact Report found that PIT and the Allegheny County Airport combined are responsible for 72,850 jobs, \$2.2 billion in payroll and \$6.1 billion in economic activity.⁴ While the airport is an obvious economic driver, Raja believes that it has a lot of potential that has yet to be realized. The airport offers many advantages that competing airports cannot. It occupies thousands of acres of developable land with rich natural gas deposits underneath. It also has the capacity for increased passenger and cargo traffic due to its size, something that many larger east coast airports cannot offer. As county executive, Raja will work to develop these assets and turn Pittsburgh International Airport into the economic driver that its designers had intended.

The Raja Plan will work to increase the utilization and economic impact of Pittsburgh international Airport by focusing on the following areas:

¹ *What Is To Be Done With Pittsburgh International Airport*. Rep. Allegheny Institute for Public Policy, 9 Feb. 2011. Web. <<http://www.alleghenyinstitute.org/component/content/article/28-pitairport/624-what-is-to-be-done-with-pittsburgh-international-airport.html>>.

² "PIT - Pittsburgh International Airport : Fact Sheet." *Fly Pittsburgh*. Allegheny County Airport Authority. Web. <http://www.pitairport.com/PIT_fact_sheet>.

³ "ACAA Announces Successful Debt Refunding." *Fly Pittsburgh*. Allegheny County Airport Authority. Web. <http://www.pitairport.com/ACAA_Announces_Successful_Debt_Refunding>.

⁴ *Economic Impacts of Pittsburgh International Airport and Allegheny County Airport*. Rep. Allegheny County Airport Authority, Sept. 2009. Web. <http://www.pitairport.com/UserFiles/File/pdf/ACAA_Full_Technical_Report_September_2009.pdf>.

1. Develop Land at Airport
2. Increase Air Traffic at Airport
3. Long Term Rapid Transit Planning

1. Develop Land at Airport i.e. Innovation Zone

Pittsburgh International Airport sits on 9,000 acres of land, making it one of the largest airports by land area in the United States. A report by the Allegheny County Airport Authority states that of those 9,000 acres around 1,971 are suitable for structural development. An additional 1,800 acres are not suited for structural development but still could serve economic value for drilling.⁵ The Raja Plan calls for the leasing of land to be utilized for Marcellus Shale related development and exploration. Revenues from the leasing of land for Marcellus Shale exploration on airport property can be used to help develop about 1,971 acres of land suitable for structural development at Pittsburgh International Airport into a specialized business and research park known as the Innovation Zone. This property offers exciting opportunities for development and offers the potential to become an economic engine for the county. Revenue from the airport development could provide the county enough revenue to pay down the remaining debt on the international airport and in turn allow the county to lower landing and gate fees. Additionally land surrounding the airport offers the potential for meaningful economic development due to its proximity to both downtown and to the airport itself. Raja believes that by bringing the right group of stakeholders to the table that we can develop this airport land and the land around it into a center for the Marcellus Shale industry that will act as a catalyst for other business development on and around the airport property. The Raja Plan will accomplish this goal by focusing on the following goals and principles.

- High-Tech Incubator - Located within the Innovation Zone at the airport will be a new university high-tech incubator that focuses on the commercialization of innovative research in the energy field. The Innovation Zone would offer multiple advantages for firms that locate there. The start-up companies would have the infrastructure needed to cutting edge technology such as access to broadband, clean rooms, and production space.
- Marcellus Shale Companies - There is almost 1,800 more acres of land not suitable for structural development at the airport due to the geography of the site that can be used for Marcellus Shale exploration.⁶ The site would be attractive to Marcellus Shale companies due to proximity to well locations. Additionally the site would be attractive to Marcellus Shale companies since many already own and operate their own aircraft to quickly move their employees around the country.⁷

⁵ *Pittsburgh International Airport Development Master Plan*. Rep. IDC Architects, 2011. Print.

⁶ *Pittsburgh International Airport Development Master Plan*. Rep. IDC Architects, 2011. Print.

⁷ *Airports and Marcellus Shale: Marcellus Shale Case Study - Williamsport Regional Airport*. Rep. L.R. Kimball. Web. <<http://www.slideshare.net/LRKimball/marcellus-shale-case-study-williamsport-regional-airport>>.

- Shale byproduct Companies - Shale byproducts can be used to produce products such as ethane, plastics and other chemical products. These products can become a significant industry in itself. Because of this the county would work to attract firms that produce products using shale byproducts. Along with being located near high tech start-ups, these companies would benefit from being located so close to wells located on the airport property.
- Safety and Environmental Companies - A major part of the Innovation Zone's mission will be the promotion of responsible drilling by addressing safety and environmental issues. The county will work to market the zone to shale spin-off companies and high tech start-ups that produce technology that could make Marcellus Shale exploration safer, more efficient, and cleaner.
- Transportation based companies - Other companies could be attracted to the Innovation Zone due to the availability of hanger space and easy access to a runway. Dicks Sporting Goods recently constructed its new corporate headquarters on Pittsburgh International Runway with its own hanger and taxiway for that reason.
- Shale as the Allegheny County's "New Oil": The natural gas that is extracted from the Marcellus Shale could be used to power vehicles through either compressed natural gas (CNG) or liquefied natural gas (LNG) produced from natural gas extracted from right here in Allegheny County. Raja proposes that the county and the Port Authority of Allegheny County study the feasibility of using busses that run on either CNG or LNG. CNG generally is 15 to 40 percent less expensive than gasoline or diesel fuel. In addition to being a cheaper alternative to raising diesel prices, CNG has been shown to reduce carbon monoxide, carbon dioxide, nitrogen oxide, and non-methane hydrocarbon emissions as well as little or no particulate matter emissions.⁸
- None Shale Related Companies: Along with attempting to attract Marcellus Shale and related companies to the airport and its surrounding area, the county will continue to market the area as the ideal location for all types of businesses to locate.
- Development around Pittsburgh International: The County will continue to investigate potential development opportunities around the airport with partners in the public, private, and nonprofit sectors. There is the potential for significant economic and community development in the areas around the airport that will complement the proposed Innovation Zone. A potential area of opportunity is to continue to study the

⁸ Alternative & Advanced Vehicles. Rep. United States Department of Energy. Web. <http://www.afdc.energy.gov/afdc/vehicles/natural_gas_emissions.html>.

recent proposal on development around University Boulevard that could lead to the creation of a true urban center in this area of the county.⁹

2. Increase Air Traffic at Airport

Pittsburgh International Airport was built to the specifications of U.S. Airways when Pittsburgh served as one of the airlines principle eastern hubs. The airport was built to hand a maximum of 30-40 million passengers a year. At the height of the height of the airport in the late 90's, 21 million people passed through the airport a year and it handled almost 500 flights per day. Since the departure of U.S. Airways, passenger traffic at Pittsburgh International has seen a sharp decline. In 2010 passenger traffic at the airport was estimated to be around 8.2 million people and handles around 155 flights per day.^{10 11} This important asset for Allegheny County is currently underutilized, making it much more difficult to pay off the \$450 million in outstanding debt left over from its construction almost twenty years ago.¹² As a result Pittsburgh International has some of the highest landing and gate fees of any comparable airport. Lowering these fees may help attract more air traffic, but other opportunities exist that could help increase the profitability of this very important Allegheny County asset.

- **OND Support:** During the heyday of U.S. Airways operations at Pittsburgh International, the airport enjoys Hub status. With the dramatic decline in daily flights the airport has since reclassified as an Origination and Destination location (OND). It is likely that Pittsburgh International will no longer be a major hub and we must embrace that the airport now serves people coming to or leaving the region. To that extent we must ensure that airport and local taxes and fees are competitive and are attractive to large conventions which attract a large amount of travelers and associated economic activity. We have a world class convention center and we need to set the appropriate policies in order to fully utilize this asset.
- **Lower Landing and Gate Fees:** Landing and gate fees at Pittsburgh International have risen over the years in response to lower traffic and the need to pay down the debt the county still owes on the airport itself. In 2000 when the airport was handling considerably more flights, the cost per enplanement was \$5.98. The current cost is \$14.80 on average, which rivals some larger markets such as San Francisco, New York's LaGuardia, and Boston's Logan airport.¹³ Lowering landing and gate fees at Pittsburgh

⁹ Gough, Paul J. "Plans Envision Pittsburgh Airport of Future." Business News - The Business Journals. 14 June 2011. Web. <<http://www.bizjournals.com/pittsburgh/news/2011/06/14/plans-envision-airport-of-future.html>>.

¹⁰ *Pittsburgh International Airport: Summary of Airline Traffic December 2010*. Rep. Allegheny County Airport Authority. Web. <http://www.pitairport.com/UserFiles/File/stats/DECEMBER_2010_SHORT_E-MAIL_REPORT.pdf>.

¹¹ "PIT - Pittsburgh International Airport : Fact Sheet."

¹² *What Is To Be Done With Pittsburgh International Airport*.

¹³ Belko, Mark. "Pittsburgh International Airport Cutting Fees to Attract More Flights." *Post-Gazette.com*. 31 Mar. 2009. Web. <<http://www.post-gazette.com/pg/09151/973762-28.stm>>.

International will not bring the airport back to its former levels of service but lower fees could help attract a few other low cost carriers. If we had lower rates we may not have lost out on Spirit Airlines which is now offering direct flights to Fort Lauderdale and Myrtle Beach out of Latrobe.

- Continuing to Modernize the Airport: The airport is now twenty years old. While it does not receive the type of wear and tear that its designers had hoped it would, it is still essential that Pittsburgh International is considered one of the top airports in the country. As County Executive, Raja will work with the public and private sectors in order to keep the airport up to date.
- Market PIT as a Cargo Hub: Raja believes that Pittsburgh International Airport's current underutilization may make it easier to sell the airport as a cargo hub for the Eastern United States. Last year airport official's toured China touting the region as a perfect cargo destination and as a preferred alternative to busier east coast airports.¹⁴ The Raja Plan calls for continued work to make this vision a reality. Pittsburgh International has many benefits that make it ideal as both an import and export center for commerce. The airport is located within close proximity to over 70% of the U.S. population and offers easy access to highways, rail lines, and river transit.
- Other Options: If elected as County Executive, Raja will use his experience as a CEO to work with major airlines as well as increasingly competitive low cost airlines to market Pittsburgh International as a potential hub to their operations. The airport is able to handle significantly more traffic than it currently handles and as such could make the airport more attractive to low cost airlines. Lowering landing and gate fees would assist in attracting these carriers.

3. Long Term Transit Planning

For years there has been studies and talks about eventually connecting downtown Pittsburgh to Pittsburgh International Airport via some form of rapid transit. Traditionally these conversations have been centered on extending the "T" light-rail system to the airport or the possibility of an experimental maglev line. Both proposals would be very costly, each estimated in the billions of dollars. However there is merit to investigating the possibilities of the development of rapid transit service between Oakland, downtown. Faster and more direct linkages between the universities and the airport would expedite the development of university research and spin offs at the airport due to the ease of access between the two locations. As county executive Raja will continue to work with the Port Authority and investigate possible P3 Partnerships to develop

¹⁴ Marcus, Bill. "'Sister Cities' Meet as Mayor's Visit to China Ends." *Post-Gazette.com*. 13 Oct. 2010. Web. <<http://www.post-gazette.com/pg/10286/1094708-53.stm>>.

some form of rapid transit. One of the most exciting possibilities is Bus Rapid Transit (BRT) technology. BRT systems operate like light-rail but on dedicated bus lanes. There has been preliminary discussion on a BRT system connecting downtown and Oakland, with a considerable amount of community support. BRT systems offer the benefits of fast and efficient rail like service for a fraction of the cost because little new infrastructure needs to be developed. Additionally Raja will work with stakeholders across the county to investigate all other options for improving transit service between major economic assets in Allegheny County.