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Broken connections

Cleveland, Cincinnati airports suffer as legacy airlines cut back on hubs, but Port Columbus might benefit

By Marla Matzer Rose | THE COLUMBUS DISPATCH

There was a time when Columbus had airport-hub envy. For a few years, America West Airlines had what some called a mini-hub here. But Cleveland and Cincinnati boasted hubs for “legacy” carriers Continental Airlines and Delta Air Lines, respectively. And the hub-and-spoke system operated for years by major airlines boosted passenger counts, revenue and jobs in those cities.

But recent years haven’t been kind to these hubs. Delta has continued slashing flights out of the Cincinnati/Northern Kentucky International Airport after the completion of its merger with Northwest Airlines. And Cleveland Hopkins International Airport faces an uncertain future in the wake of Continental’s planned merger with United Airlines — including lingering worries that the hub there might be lost.

CINCINNATI CVG	CLEVELAND CLE	COLUMBUS CMH	DAYTON DAY
Founded 1947	Founded 1925	Founded 1929	Founded 1928
Total carriers 7	Total carriers 10	Total carriers 10	Total carriers 10
Largest carrier Delta	Largest carrier Continental	Largest carrier Southwest	Largest carrier Delta
Share of passengers 80%	Share of passengers 66%	Share of passengers 28%	Share of passengers 25%
Daily departures 214	Daily departures 260	Daily departures 150	Daily departures 75
Nonstop destinations 72	Nonstop destinations 80	Nonstop destinations 33	Nonstop destinations 21
Average airfare* \$404	Average airfare* \$371	Average airfare* \$299	Average airfare* \$314
Available outbound seats	Available outbound seats	Available outbound seats	Available outbound seats
Nov. 2009 470,664	Nov. 2009 497,502	Nov. 2009 339,939	Nov. 2009 138,220
Nov. 2010 392,256 -17%	Nov. 2010 493,140 -1%	Nov. 2010 348,338 2%	Nov. 2010 142,192 3%

* First quarter 2010 Sources: Columbus Regional Airport Authority, U.S. Bureau of Transportation

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Meanwhile, Port Columbus’ status might be viewed as hub-free — free from being tied so closely to the fortunes of a single airline, which often brings less competition and higher fares.

In fact, industry-watchers see Port Columbus as a possible beneficiary of the hub issues in Cleveland and Cincinnati.

The numbers show how closely tied the Cleveland and Cincinnati airport hubs’ fortunes are tied to their hub airlines compared with Columbus. Delta accounts for 80 percent of passenger traffic in Cincinnati, while 66 percent of passengers in Cleveland are carried on Continental (that percentage should increase somewhat with its pending

merger with United). Port Columbus' market-share leader, on the other hand, isn't a legacy carrier but lower-cost Southwest Airlines, which accounts for only 28 percent of flights locally.

"Columbus could benefit from some of the changes that are happening in the other cities," said Nawal Taneja, head of the Aviation Department at Ohio State University.

"I always used to say that Columbus was held back by being surrounded by hubs: Cleveland, Cincinnati, Pittsburgh," he said. "Now, that's changing."

Columbus' situation today looks better in comparison with those three hub airports. Although both Cincinnati and Pittsburgh have more flights and passenger traffic than Port Columbus, the once-mighty Cincinnati Delta hub and the formerly dominant US Airways hub at Pittsburgh have lost hundreds of flights and offer service only to Paris as a nonstop European destination.

Cleveland no longer has service to Europe, although it surpassed Cincinnati in terms of size and capacity last year because of Delta's cuts.

After months of talk that the Continental-United merger would mean the death of the Cleveland hub, Ohio Attorney General Richard Cordray announced last week that he'd extracted a written promise from the two airlines to keep operations there for five years. However, the airlines aren't guaranteeing that they won't reduce capacity by using smaller planes in Cleveland, and the maximum breakup fee established by the pact is \$20 million — a relatively small amount to the combined airline, which talks of yearly "synergies" of \$1 billion.

"The major airlines now are being very cautious and analyzing the profit of every route," Taneja said. "The low-cost carriers are all doing their own analysis of the opportunities opened up by changes the majors are making. I think the winner will be Columbus. Cleveland and Cincinnati will continue to have less service."

Joe Schwieterman, associate professor at DePaul University in Chicago and a former United Airlines executive, agrees.

"The de-hubbing trend at nearby airports is good news for Columbus," he said. "Columbus never had its eggs all in one basket. Service is now proportional to demand, and the Columbus economy has held up well compared to its struggling neighbors."

Another plus to not having a hub is lower airfares.

Competition between multiple carriers and the longtime presence of low-cost carrier Southwest in Columbus has kept fare prices below-average.

In fact, fares at Port Columbus are the lowest among the four biggest airports serving Ohio metro areas (Akron/ Canton, which is fifth in size, tends to be slightly lower because of its service from low-cost AirTran Airways). Looking at averages for the first three months of 2010, Cincinnati is the most-costly airport at \$404, followed closely by Cleveland at \$371. Dayton International Airport reports an average fare of \$314, with Columbus trailing at \$299.

Economic-development officials keep a keen eye on air service, because it typically not only reflects the health of the local economy but affects it as well.

“Air service is very important to businesses, since we’re in a national and global marketplace today,” said Mark Barbash, assistant director of the Ohio Department of Development. “Having strong commercial and private aviation facilities is critical to business growth and to growing the tourism economy we’re continuing to invest in.”

Recognizing the business importance of air service, the Columbus Partnership, a local CEO leadership group, has become active with the Columbus Regional Airport Authority in seeking more nonstop flights. Conversely, when NCR Corp. announced that it would move its headquarters from Dayton last year, it cited better air service as one reason for its decision to move to Atlanta.

The outlook for airlines today is not as dark as in 2008 and early 2009, when flights were being slashed and observers were watching to see which airline might falter next. It was during that period — in April 2008 — when Columbus-based Skybus Airlines went out of business.

As airlines cut back between fall 2008 and fall 2009, Ohio lost three times as many available seats — capacity, in industry terms — as the U.S. average: 13 percent, compared with 4 percent nationally.

In the past year, capacity nationwide has risen a modest 2 percent to 3 percent — about what the non-hub airports in Columbus and Dayton have had. Delta has continued to slash Cincinnati flights, while the airline has added a small number of flights in Columbus and Dayton — airports that have long served as alternatives for Cincinnati-area residents seeking lower fares. Cleveland has had a 1 percent drop in capacity in the past year.

Industry experts say this “right-sizing” to match local demand and supply is the new normal.

“For the first time in at least a couple of decades, airlines are being rational about their capacity,” said Virginia-based aviation consultant Mo Garfinkle, referring to the number of seats airlines devote to particular routes.

“The bloodletting is over, but the carriers now are continuing to right-size at their smaller hubs and at places like Port Columbus.”

For their part, Port Columbus officials say they’re pleased, but not overconfident about the way the airline business is shaping up in the state.

They’re fully aware that the loss of the America West mini-hub in 2003, the demise of Skybus Airlines and the short-lived tenure of discount carrier JetBlue Airways in Columbus during the past half-dozen years don’t represent a positive record.

“We’ve been slowly clawing back,” said David Whitaker, vice president of business development for Port Columbus. “But we’re very encouraged by recent service announcements from the airlines here, and we think there’s no shortage of opportunity

for us to get either domestic or international service from carriers.”
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