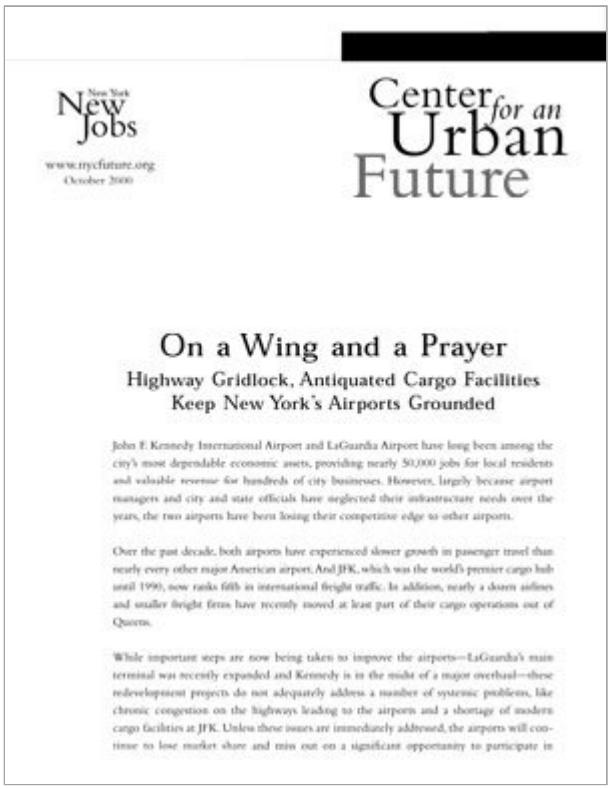


Report - October 2000

On a Wing and a Prayer

In this report, the Center details how highway gridlock and antiquated cargo facilities keep New York's airports grounded.

by Jon

This is an excerpt. Click here to read the full report (PDF).

Highway Gridlock, Antiquated Cargo Facilities Keep New York's Airports Grounded

John F. Kennedy International Airport and LaGuardia Airport have long been among the city's most dependable economic assets, providing nearly 50,000 jobs for local residents and valuable revenue for hundreds of city businesses. However, largely because airport managers and city and state officials have neglected their infrastructure needs over the years, the two airports have been losing their competitive edge to other airports.

Over the past decade, both airports have experienced slower growth in passenger travel than nearly every other major American airport. And JFK, which was the world's premier cargo hub until 1990, now ranks fifth in international freight traffic. In addition, nearly a dozen airlines and smaller freight firms have recently moved at least part of their cargo operations out of Queens.

While important steps are now being taken to improve the airports—LaGuardia's main terminal was recently expanded and Kennedy is in the midst of a major overhaul—these redevelopment projects do not adequately address a number of systemic problems, like chronic congestion on the highways leading to the airports and a shortage of modern cargo facilities at JFK. Unless these issues are immediately addressed, the airports will continue to lose market share and miss out on a significant opportunity to participate in record growth in both the passenger and cargo aviation industries.

As part of a continuing focus on strengthening New York's most vital industries, the Center for an Urban Future conducted a

ten-month study of the economic importance of the city's two airports— focusing special attention on the air cargo industry at JFK—and the obstacles to their future growth. The Center interviewed dozens of people working in aviation-related businesses, both on and off the airports, as well as airport managers, aviation experts and local elected officials.

In at least one respect, the findings were not surprising: The city's two airports are much more than simple jumping-off points for travelers.

More than 47,000 people work at the two airports in jobs ranging from airline mechanics and ticket agents to foodpreparation workers and baggage handlers. Another 270,000 airport-related jobs—including freight forwarders, limousine drivers, travel agents and truck drivers—are scattered throughout the city. The air transportation industry accounts for nearly nine percent of all jobs in Queens, making it the borough's second largest industry, behind health care. While some airport jobs do not pay especially well, wages in Queens' air transportation sector averaged $41,200 in 1998, well above the borough's average of $32,600.

The airports' combined economic impact on the region is estimated to be $30.1 billion. Fifty-five million passengers fly in and out of the two airports every year, and many of them come from out-of-town and spend money on taxis, restaurants, hotels and other local businesses. The city also benefits from Kennedy's status as one of the world's leading cargo hubs. Its vast network of freight companies not only process goods originating in, or destined for, the New York area, but also handles products coming from and going to cities up and down the Eastern seaboard.

The airports have many competitive advantages. LaGuardia's proximity to Manhattan, for instance, makes it a natural hub for domestic passengers, particularly business travelers. And Kennedy still has more international passengers than any other airport in the U.S., one of the reasons why it remains a premier cargo hub (most freight is shipped in the bellies of passenger aircraft). JFK's cargo operations are strong also because the airport boasts an unmatched network of experienced cargo professionals who know how to expedite freight shipments through the often sticky customs process.

But despite these advantages, both city airports have suffered a series of setbacks in recent years:

* Over the past eight years, Kennedy has slipped from the seventh to the 14th busiest American passenger airport. During the same period, from 1991 to 1999, LaGuardia has gone from the 15th busiest passenger airport in the U.S. to the 20th busiest. Newark is currently the 11th busiest passenger airport.

* Between 1991 and 1999, passenger airline traffic grew by 46 percent at Newark; 41 percent at Los Angeles International Airport; 27 percent at Miami International Airport; 23 percent at Chicago O'Hare Airport; and 106 percent at Atlanta Hartsfield International Airport. During the same period, it grew by just 16 percent at both JFK and LaGuardia.

* Kennedy handled more cargo than any other airport in the world until 1990. Now it is fifth in the world and third in the U.S.

* Between 1991 and 1999, cargo traffic increased by 126 percent at Newark International Airport; by 72 percent at Los Angeles International Airport; by 71 percent at Miami International Airport; and by 50 percent at Chicago O'Hare Airport. During the same period, cargo traffic at Kennedy grew by a modest 37 percent.

* Between 1989 and 1999, Newark added 10,718 new on-airport jobs, a 79 percent spike. During the same time,employment at JFK declined by 3,578 jobs, a nine percent drop. At LaGuardia, employment increased by 1,204, or 14 percent.

To some extent, the airports' recent decline can be attributed to changes in the airline industry. In the past, most international flights originated in a few major airports, like Kennedy, and travelers from smaller cities invariably had to make a connection to one of them for overseas flights. Thanks to technological advances, smaller aircraft can fly longer distances and cities that would have trouble filling up seats on large 747s now offer regular overseas flights. As a result, airports in Chicago, Miami, Atlanta and Newark now compete with JFK for international passengers and freight business.

Nevertheless, many of the airports' problems could have been averted if airport managers and local government officials had aggressively planned for the airports' future growth. Instead, for much of the past two decades, the airports' importance has been taken for granted, their infrastructure has been neglected and their needs have been ignored.

To begin with, no recent mayor or governor has even attempted to address the mounting delays on the highways in Queens and Brooklyn that lead to the airports. Airlines, passengers and civic groups have been calling attention to chronic congestion on the Van Wyck Expressway and the Belt Parkway—the main routes to Kennedy—for more than 20 years, but there have been no significant improvements. As a result, JFK today is probably the least accessible airport in the U.S. The failure of government officials to deal with this problem has significantly affected the airport's competitiveness and caused it to lose both passengers and cargo business.

The unpredictability of the commute to Kennedy—getting there from Manhattan by car or taxi can take as little as 30 minutes or as much as two hours, depending on traffic—has caused an increasing number of New York-based travelers to fly out of Newark Airport in recent years.

Mounting traffic problems in Queens pose an even greater threat to the future of New York's air cargo industry, a sector of the city's economy that shouldn't be taken lightly—the cargo industry accounts for 44 percent of all employment at Kennedy and 45 percent of total wages earned at the airport.

Because the Belt Parkway is closed to commercial traffic, the hundreds of trucks that drop off and pick up cargo shipmentsat Kennedy every day are left with just one option to reach the airport from most parts of the city: the chronically crowded Van Wyck Expressway. The notorious delays on this overburdened route—and the additional shipping costs that ensue from the delays—have caused several airlines to relocate much or all of their freight business in the New York area from Kennedy to Newark. For instance, most of the major overnight freight companies, which thrive on speed, have greatly reduced their presence at JFK.

The delays have also prompted several other cargo carriers to shift freight business to more accessible airports in otherparts of the country. Ten months ago, for instance, Nippon Cargo Airlines decided to shift much of the freight it ships between Japan and the East Coast from JFK to Chicago's O'Hare Airport.

"The biggest problem that Kennedy has is whether its status as one of the premier cargo airports can continue," says David Plavin, president of the North American chapter of Airports Council International. "Whether it can grow the way cargo is growing in general is going to depend on whether or not trucks can get in and out of the airport more easily than they can right now."

Just as city and state officials have long neglected to address infrastructure needs outside the airports' gates, the Port Authority—the bi-state agency that manages JFK, LaGuardia and Newark airports—has done little to invest in, or even promote, needed infrastructure projects at the airports for much of the past two decades. As a result, the passenger terminals and cargo facilities at both city airports are, on average, are older, less attractive and less efficient than similar structures at most other airports.

In particular, there is a troubling shortage of modern cargo facilities at and around the airport. According to a recent analysis by a national airport developer, Kennedy is short air cargo warehouse space by roughly two million square feet. Moreover,

the majority of existing cargo facilities at the airport are more than 25 years old; in fact, several were built prior to 1960. Space is so tight and modern facilities in such short supply that a handful of airlines at the airport run their cargo operations out of lofty hangars—buildings that were originally designed to house airplanes, not cargo. These buildings lack the time-saving features found in more modern freight facilities.

In addition, real estate prices at the airport are significantly higher than at most other airports in the nation. When serviceslike utilities and security are factored in, rental prices at JFK can run as much as $35 a square foot, often for sub-par space. In contrast, the most expensive cargo facility at Miami International Airport—a state-of-the-art building that opened three years ago—rents for $14 a square foot.

In recent years, the combination of high real estate prices and the lack of modern facilities has forced at least a half-dozen airlines to relocate some or all of their operations to cheaper sites in Westchester, Long Island and Newark. Others, like Polar Air Cargo, recently decided to expand their operations elsewhere simply because they weren't able to find space at the airport.

Escalating real estate prices have forced an even greater number of freight forwarders and customs brokers out of the city. These businesses are essential to Kennedy's operations, but because most are small, they are particularly vulnerable to cost pressures like real estate. For years, most freight forwarders and customs brokers that could no longer afford to rent space at the airport moved to Springfield Gardens, a Queens neighborhood that is directly across Rockaway Boulevard from JFK's cargo areas. Today, however, space is just as tight in Springfield Gardens as it is on the airport. As a result, several dozen of these businesses have recently relocated to newer industrial parks in Nassau County.

To its credit, the Port Authority is now presiding over an infrastructure modernization program at JFK. Airlines there have committed $5.1 billion to redevelop all nine passenger terminals and the Port Authority has channeled federal grants and its own funds to build new roads and parking garages. And in contrast to the inaction of city and state officials on the issue of access, the Port Authority is now developing a much-needed on-airport rail system to connect passenger terminals with the Long Island Railroad station in Jamaica, Queens and investing additional funds to expand ferry service to LaGuardia.

These are all important projects that will help make the airports more passenger-friendly. However, the bulk of the new developments at JFK only benefit the airport's passenger areas. The Port Authority has not invested the same energy or money to upgrade Kennedy's archaic and overburdened cargo areas. Despite all of the problems on the airport's cargo side, the Port Authority has no master plan to replace obsolete freight buildings with more modern structures and ensure that the airport's existing cargo facilities are adequate to handle expected growth in the freight industry. And while other leading cargo hubs, including airports in Miami and Atlanta, have aggressively helped to develop modern, affordable freight facilities in recent years, the Port Authority has stubbornly refused to even pay for the cost of demolishing obsolete warehouses and hangars.

Finally, infrastructure and real estate are by no means the only issues crucial to the long-term strength of the city's aviation industry. Another big obstacle to the industry's future growth is the growing problem of gridlock in the skies above New York. The region has the most congested air space in the world, and things have only been getting worse. Continued delays may cause airlines to add new service and make major capital investments elsewhere.

Technology to ease air traffic congestion is available, but the Federal Aviation Administration (FAA) bungled previous efforts to adopt newer air traffic control systems and, in recent years, Congress repeatedly refused to allocate adequate funding for the agency to get the job done. In March, Congress finally passed a bill that includes funding for this project. However, the same bill also allows for hundreds of new flights on small regional jets at LaGuardia and JFK, which will only add to the delays.

To be sure, Kennedy and LaGuardia are still world-class airports. Yet, many problems must be overcome to ensure that

these enormous job and revenue generators stay in stride with their competitors and grow. With airline traffic and cargo shipments projected to increase substantially in the years ahead, the Port Authority, City Hall and the airlines must come together to address the industry's pressing needs.

CENTER FOR AN URBAN FUTURE
120 Wall Street, 20th Floor, New York, NY 10005

cuf@nycfuture.org © All Rights Reserved.