

Small Airports and LCCs Lead the Recovery

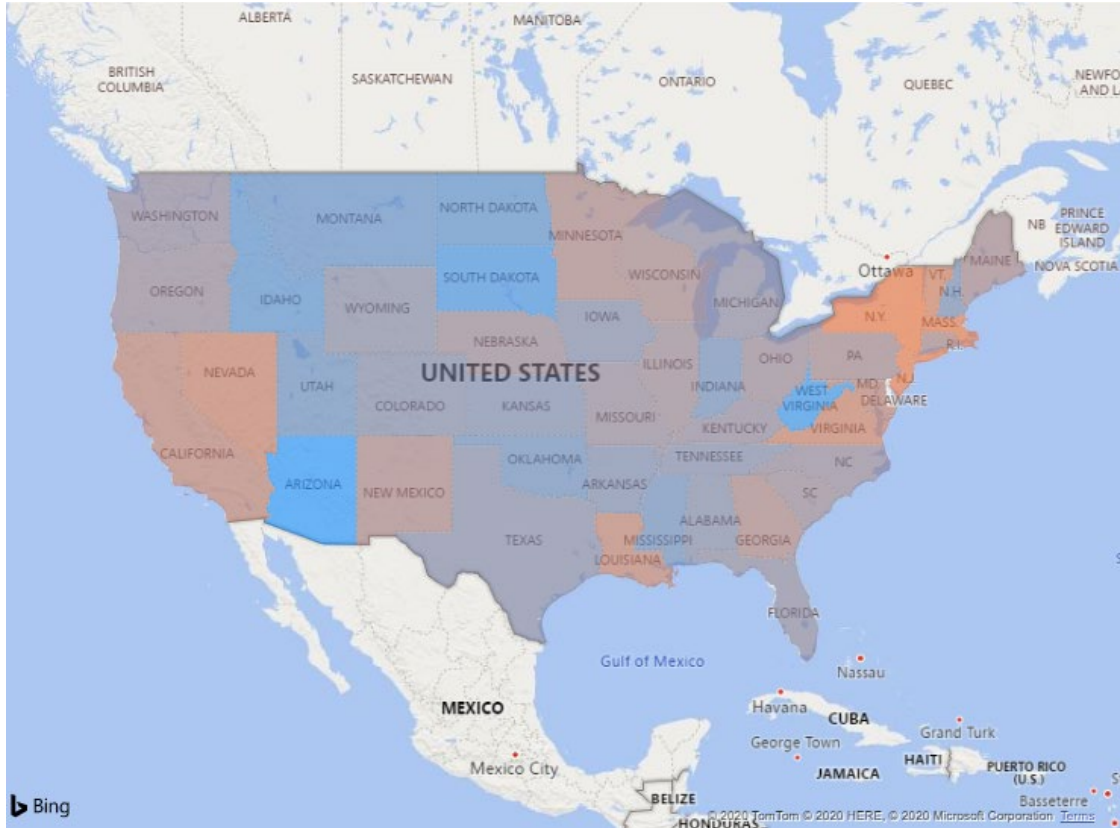
Introduction

As air traffic recovers from the severe and sudden drop in demand as a result of COVID-19, CMT took a deep dive into unique data from the Transportation Security Administration (TSA) to better understand exactly what the recovery is looking like to date. This dataset allows us to look at the throughput through every TSA checkpoint in the country. We compared this both to prior year data and lined it up with scheduled seat capacity information from Airline Data Inc. to understand how traffic volumes are impacted by ongoing capacity changes. Through extensive analysis, we found that the recovery so far is favoring low-cost airlines, particularly Allegiant and smaller airports.

Initial Decline and Recovery

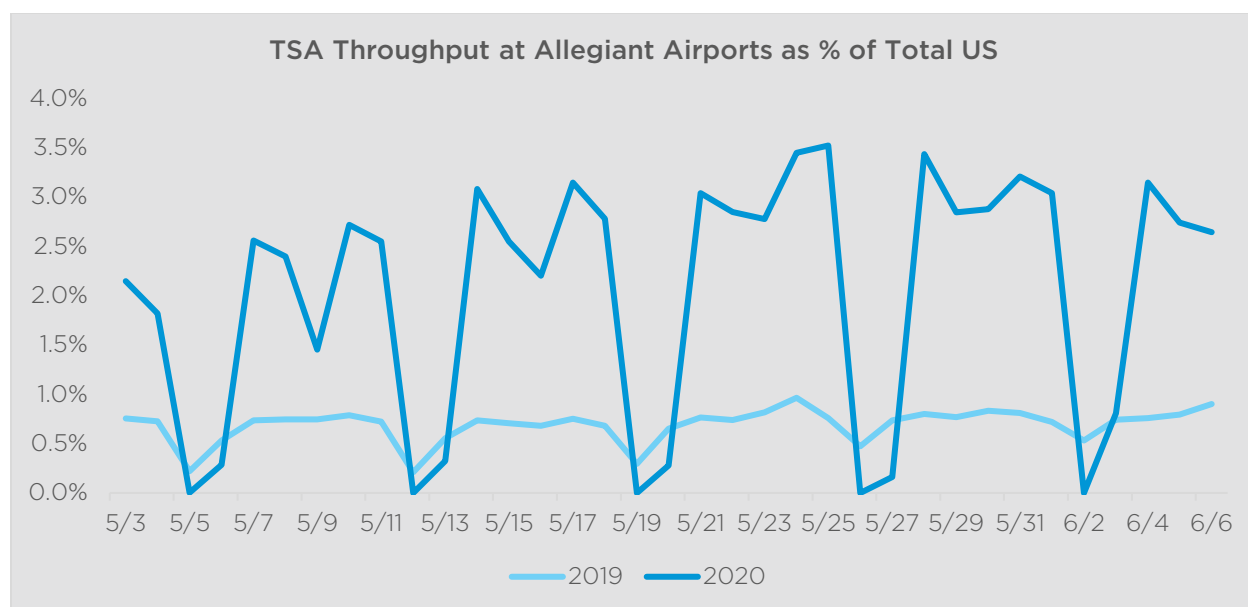
The initial decline in traffic as a result of the coronavirus was steep in March and April and impacted airports of all sizes across the country. In April*, nationwide throughput at TSA checkpoints was down 95.3% with every state other than Alaska seeing at least a 90% decline. States in the Northeast had some of the steepest declines, Massachusetts, New York, and New Jersey were all down more than 97%. Arizona was the strongest performer in the contiguous U.S. down “only” 90.6%. All sizes of airport were hurt; non-hub airports had the least decline at down 93.9%.

When we get to May, it is clear from the national data that a recovery was starting, but not uniformly across the country. Arizona again had the strongest performance, down 80.5%, while New York stayed down 95.1%, both significantly different than the national average of 88.9%. As shown in the map below, the northeast and California continue to have some of the worst performance (red colors are lower performance), while states in the middle of the country generally perform better (blue colors indicate stronger performance). Smaller airports across the country also outperformed large airports. Large hub airports were down 90.9%, medium hubs down 89.0%, small hubs down 86.6%, and non-hub commercial airports down 85.0%.



Allegiant

Allegiant appears to be seeing some of the strongest signs of recovery of any airline. In their May 2020 traffic release, Allegiant noted that over Memorial Day weekend, Allegiant travelers were about 8% of all passengers going through a TSA checkpoint, vs. 2% last year. While we cannot match that statistic without internal booking data, we can look at airports that Allegiant dominates to see how they have changed in 2020 vs. 2019. From May 3rd through June 6th, there were 16 airports where Allegiant had more than 90% of the scheduled seats; for the purposes of this analysis, we will call them “Allegiant airports.” In 2019, those 16 airports saw 0.7% of total throughput at U.S. TSA checkpoints. But in 2020, those airports represented 2.2% of the total, up more than 200%. If we exclude Tuesdays and Wednesdays when Allegiant barely operates, Allegiant airports represented 2.8% of the total in 2020, up from 0.8% in 2019. While Memorial Day seems to be the peak to date, the trend certainly wasn’t limited to that single holiday.



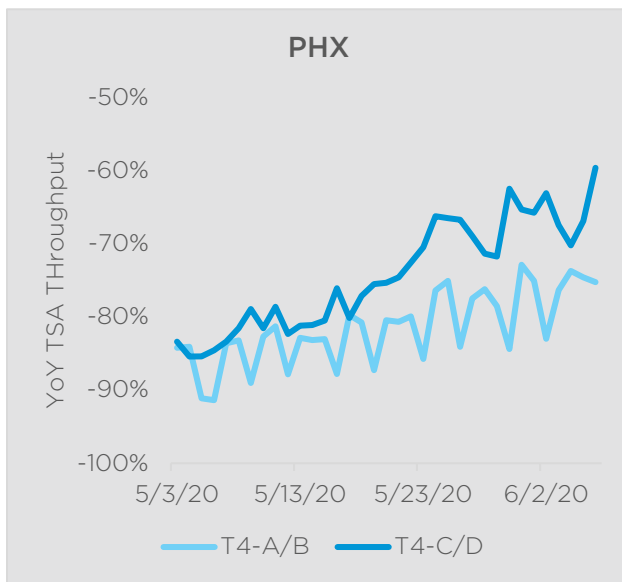
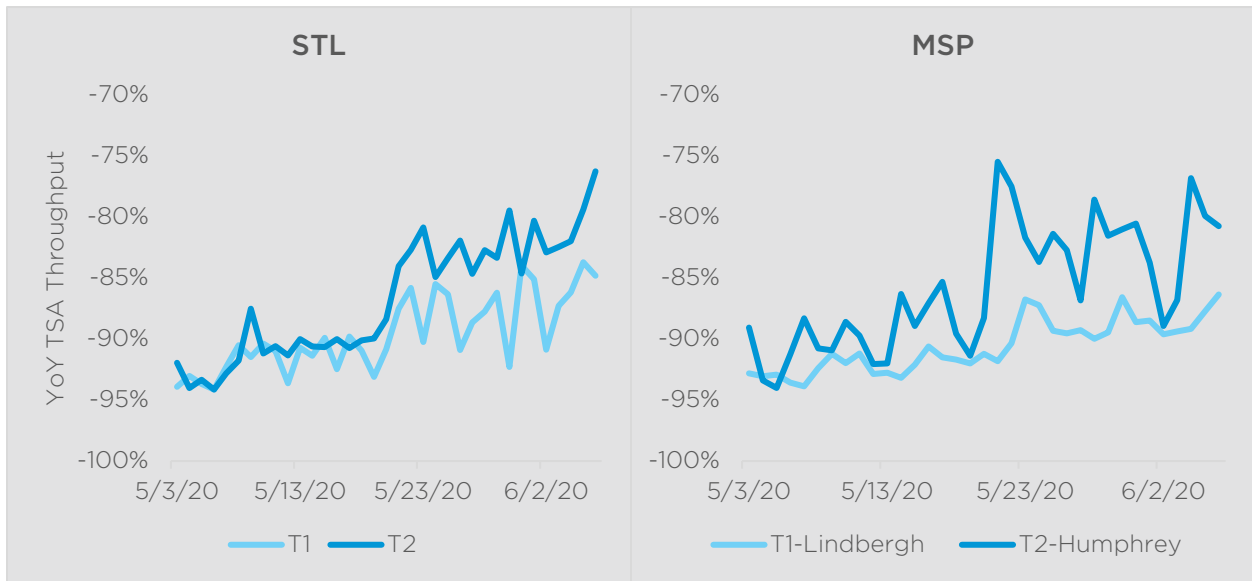
Furthermore, when we examine regions where Allegiant operates in a multi-airport metro area, we consistently see that the Allegiant airport’s passenger share (as measured by TSA throughput) is significantly higher in 2020 than 2019, as shown in the table to the right. Airports in Florida tended to show the biggest gain in throughput share, which matches our recovery hypothesis that leisure traffic is returning first, and that Allegiant is well positioned to capture that leisure traffic. The regions with the least benefit tend to be those where the Allegiant airport serves a more distinct local market, such as example Stockton (SCK) or Santa Maria (SMX), or where there are other factors at play, like in New York Stewart (SWF), where other airlines suspended service this year.

TSA Throughput Share of Allegiant Airport				
Allegiant Airport	Other Airport(s)	2019	2020	Diff
PIE	TPA	10%	25%	14.7pts
PGD	RSW	14%	27%	13.4pts
LCK	CMH	4%	15%	11.2pts
BLV	STL	3%	10%	6.9pts
SFB	MCO	7%	13%	6.5pts
AZA	PHX	4%	9%	4.5pts
PVU	SLC	1%	3%	2.1pts
USA	CLT	2%	3%	1.1pts
RFD	ORD/MDW	0%	1%	0.9pts
SCK	SMF	2%	2%	0.5pts
SMX	SBA	4%	4%	0.4pts
SWF	NYC*	1%	1%	0.1pts

It is far too early to tell if this could be the start of a longer-term trend toward strength at these Allegiant airports, or just a temporary feature of the recovery. But this data, combined with the data we will examine later about the strength of small airports in general, should lead to some concern for the larger airports in multi-airport regions.

LCC Terminals

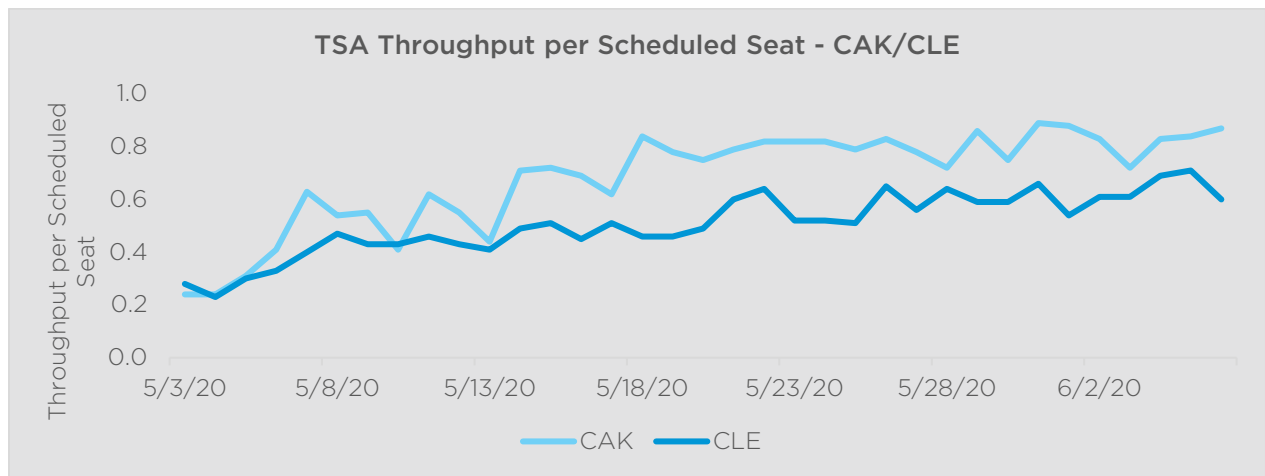
Even where low-cost carriers (LCCs) operate at the same airports as other carriers, we can see their relative strength in airports with multiple checkpoints or separate terminals served primarily by LCCs. In St. Louis (STL) and Minneapolis-St. Paul (MSP), there are separate terminals that are mostly divided between low-cost carriers and legacy carriers. At STL, TSA throughput at Terminal 2, home to Southwest, is outpacing the year/year traffic at Terminal 1, home to all other airlines, as shown in the graph below. Similarly, the gap at MSP between Terminal 1-Lindbergh (mostly legacy airlines plus Spirit) and Terminal 2-Humphrey (Sun Country, Southwest, JetBlue, Frontier, Condor, Icelandair) has been growing throughout the month as throughput at Terminal 2 continues to recovery faster.



We can also see this at an airport with connected terminals, but with distinct checkpoints. At Phoenix Sky Harbor (PHX), Terminal 4 serves American, Southwest, and some international carriers. While passengers can move between gate areas post-security, checkpoints A and B primarily serve American and the international carriers, while checkpoints C and D primarily serve Southwest. Again, the checkpoint serving the LCC carrier significantly outperforms the one serving the legacy airline.

Multi-Airport Regions

Finally, we also see that in multi-airport regions without a large Allegiant presence, the smaller airports often outperform the larger airports. Some of this is the relative strength of LCC airlines who often have more service to the smaller airports when compared to the legacy airlines who focus at the larger airports. We see this in California where Oakland (OAK) and San Jose (SJC) outperform San Francisco (SFO), and where Ontario (ONT) and Orange County (SNA) outperform Los Angeles (LAX). However, even in regions where the small airports do not have stronger LCC presences, the small airports still often do well. Looking at Akron-Canton (CAK) compared to Cleveland (CLE) in the graph below, we see that CAK is performing much stronger on a per scheduled seat basis even though CAK only had service from American, Delta, and United through this period. This data, using published schedules via Airline Data Inc., shows that on a local basis, CAK is processing 0.8-0.9 passengers through TSA for each seat, while CLE is only getting 0.6-0.7 passengers per seat. While this is not directly comparable to a traditional load factor metric (especially in airports with connecting traffic), it does provide an indicator of how many local passengers are filling up flights, and the relative strength at CAK vs. CLE.



Conclusion

Using this data from the TSA, we can get a very good sense of how individual airports are performing relative to peers and competitors and see how the recovery varies across the country. It is clear that low cost nonstop leisure demand is outpacing other market segments. The analyses presented here are only a small selection of the available ways to view this data. If you would like to understand how your airport is performing, please get in touch with us at ASD@cmtengr.com as we are always happy to help.

Notes and Data Sources

Due to an incomplete data set, we are using data from April 1-April 25, 2020 when we refer to April. Similarly, for May, we are using data from May 3-31, 2020. Year over Year data is adjusted to compare the same day of the week.

Data Sources: Transportation Security Administration; Airline Data Inc