Airport Parking is Flying High

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Gary Cudney recently co-authored an article titled, "Reclaim Your Revenue – TNCs are Impacting Your Airport's Revenue Stream," available at www.wginc.com/TNCimpact. After that article published, Ted Anglyn with Parking Property Advisors (PPA), contacted Gary and advised that PPA was also researching Transportation Network Companies' (TNCs) impact on airports. PPA compiled data for 23 airports including total enplanements, parking rates, parking revenue, and total revenue. In addition, these airports' annual reports were searched to understand the impact of TNCs, like Uber and Lyft, on the airports' overall revenue streams. This article represents a collaborative effort to evaluate the data compiled by WGI and PPA, assessing the big picture while analyzing the "TNCs effect."

Now, airports are focusing on how to better manage the congestion caused by TNCs on terminal roadways and curbside – reclaiming their revenue.

The results? Parking revenue data gathered and assessed by WGI and PPA confirm that airport parking is alive and mostly well, despite TNCs' disruptive impact.

The WGI article referenced above reported that:

"At many U.S. airports, TNC usage significantly decreases taxi and business rental car use while simultaneously lowering airport parking demand. As a result of TNCs proliferation, airport parking garages and lots don't achieve previous revenue levels. The net effect is very congested curbside pick-up and drop-off areas – and therefore a dramatic increase in curbside real-estate value."

Further, the article reported that while airline enplanements at San Francisco International Airport (SFO) from 2014 to 2017 were up 18.5 percent, parking was down 7.5 percent over the same time frame. Yet, a closer look at that data reveals that while the parking transactions were down 7.5 percent, *parking revenue was actually higher.*

The data PPA collected is from 2015 to 2018, one year later than reported in WGI's "Reclaim Your Revenue" article. This more-recent SFO data indicates enplanements were up 20.4 percent for the four years, while parking and ground transportation revenue were up even more at 21.3 percent. A caveat – SFO's Annual Reports and Annual Audited Financial Statements don't provide separate line items for "parking" and "ground transportation," unlike most other airports.

The June 30, 2018 SFO Financial Statements show parking revenue dropped in 2018 from 2017 by $5.9 million (5.5 percent) due to a reduction in average parking transaction price, even though parking transactions were up by 0.8 percent. But, the drop in parking revenue was substantially offset by a $7.1 million increase in ground transportation fees fueled by $34.5 million in TNC drop-off and pick-up fees – despite double-digit drops in the use of pre-arranged vans, shared-ride vans, limos, and taxis. These findings dovetail with Gary's suggested approaches to managing TNCs impact.

Table 1 and Chart 1 below show PPA's data collection summation for all 23 airports listed in Table 2. In most cases the data collected separate parking revenue from ground transportation revenue. However, like SFO, some airports' financial statements lump these two cost centers together. What this data illustrate are that for 2018, parking revenue for the 23 listed airports was nearly $2 billion, up 13.6 percent from 2015 – about when TNCs started to come on the scene – and up 4.3 percent from 2017. Over the same four years, total enplanements grew by 11.4 percent and total operating revenue grew by 20.6 percent. It is very interesting that during this four-year period, the parking revenue for the 23 airports grew slightly faster than total enplanements.

Table 1

Data for 24 Airports			
Parking Revenue		**% Difference from Prior Year**	**% of Total Revenue**
2015	$1,692,493,000		18.7%
2016	$1,786,811,000	5.6%	18.4%
2017	$1,844,510,000	3.2%	18.2%
2018	$1,922,958,630	4.3%	17.6%
2015 to 2018		13.6%	18.2%
Total Operating Revenue			
2015	$9,066,975,000		
2016	$9,722,715,000	7.2%	
2017	$10,159,944,000	4.5%	
2018	$10,939,117,785	7.7%	
2015 to 2018		20.6%	
Total Enplanements			**Parking Revenue per Enplanement**
2015	416,890,301		$4.06
2016	434,308,706	4.2%	$4.11
2017	445,807,070	2.6%	$4.14
2018	464,509,637	4.2%	$4.14
2015 to 2018		11.4%	$4.11

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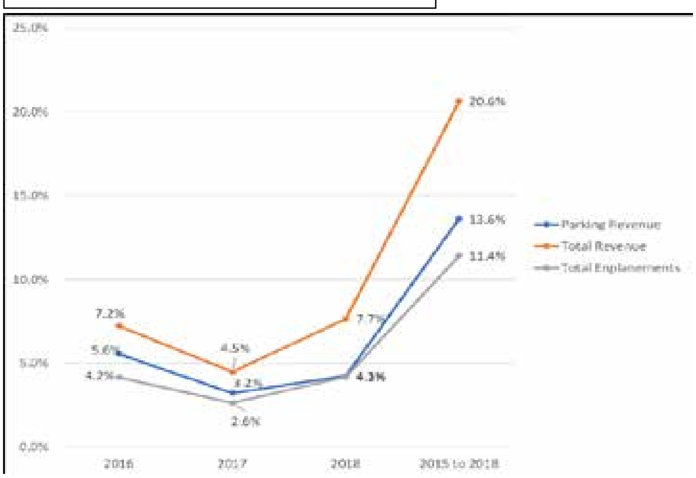
Even though parking revenue did drop as a percentage of total revenue (from 18.7 percent in 2015 to 17.6 percent in 2018 – down 6 percent), the revenue collected from TNC fees and greater enplanements increased during the four-year timeframe by 20.6 percent.

Of the 23 airports evaluated, 15 had parking revenue increases greater than total enplanements on a percent-difference basis. Of the nine airports where the enplanements grew at a higher percentage than parking revenue, only one had a decrease in parking revenue over the four-year period. Of note: the annual reports were mostly silent about factors that could affect parking and ground transportation revenue, such as:

- Increase or decrease in parking rates
- Parking lot out of service during construction of a new parking structure
- Parking out of service during renovation of an existing parking lot or structure
- Changes in the fee for TNC drop-off or pick-up
- Loss of parking supply due to creation of TNC drop-off and pick-up areas inside a terminal parking structure
- Originating and destination enplanement growth compared to total enplanements that includes connection flights whose passengers do not park or use ground transportation at the hub airport

Chart 1



Even so, some interesting facts from the data include:

- Orlando International Airport had the largest four-year percent increase in parking revenue of 28.1 percent
- Denver International Airport had the greatest 2018 parking revenue totaling about $190,000,000
- Ronald Reagan International Airport had the largest four-year decrease in parking revenue and the only negative result at -12.1 percent; the next lowest was Chicago O'Hare International Airport at 4.8 percent
- Charlotte Douglas International Airport had the greatest four-year difference in the parking revenue growth compared to enplanements at 25.2 percent and 2.4 percent respectively, such that parking revenue grew 22.8 percent more than the growth in enplanements
- Fort Lauderdale Hollywood International Airport had the greatest four-year percent increase in enplanements at 33.3 percent
- Only two airports reported a decrease in enplanements for the four years with Phoenix Sky Harbor International Airport having a -0.2 percent decrease and Philadelphia International Airport having a -1.9 percent decrease

Table 2

		2015 to 2018 Four-Year Results				
Airport Name	**Code**	**Parking Revenue Difference**	**Parking Revenue Percent of Total Revenue**	**Total Operating Revenue Difference**	**Total Enplanement Difference**	**Average Parking Revenue per Enplanement**
Hartsfield-Jackson Atlanta International Airport	ATL	19.0%	26.9%	8.8%	4.8%	$ 2.68
O'Hare International Airport	ORD	4.8%	10.8%	25.6%	13.1%	$ 2.73
Dallas/Fort Worth International Airport	DFW	12.4%	18.0%	36.8%	5.5%	$ 4.50
Denver International Airport	DEN	6.4%	24.0%	17.6%	17.2%	$ 6.36
San Francisco International Aiport	SFO	21.3%	15.4%	30.5%	20.4%	$ 5.41
McCarran International Airport	LAS	8.2%	7.1%	9.1%	12.1%	$ 1.68
Seattle-Tacoma International Airport	SEA	27.2%	14.9%	29.8%	20.2%	$ 3.30
Charlotte Douglas International Airport	CLT	25.2%	25.5%	23.6%	2.4%	$ 2.49
Orlando International Airport	MCO	28.1%	12.9%	24.8%	25.9%	$ 3.03
Phoenix Sky Harbor International Airport	PHX	8.8%	24.1%	9.7%	-0.2%	$ 4.00
George Bush Intercontinental Airport	IAH	6.6%	20.4%	7.3%	2.1%	$ 4.96
Logan International Airport	BOS	21.3%	26.3%	24.4%	24.7%	$ 9.05
Minneapolis-Saint Paul International Airport	MSP	7.2%	21.1%	17.0%	7.2%	$ 5.08
Detroit Metropolitan Airport	DTW	18.0%	20.5%	9.4%	6.2%	$ 4.48
Fort Lauderdale-Hollywood International Airport	FLL	18.5%	19.7%	33.1%	33.3%	$ 3.27
Salt Lake City International Airport	SLC	13.5%	22.6%	25.2%	13.8%	$ 2.98
Philadelphia International Airport	PHL	15.6%	7.5%	51.1%	-1.9%	$ 2.17
Ronald Reagan Washington National Airport	DCA	-12.1%	19.4%	1.7%	6.6%	$ 5.19
Washington Dulles International Airport	IAD	7.5%	14.8%	-0.4%	8.1%	$ 6.21
San Diego International Airport	SAN	27.9%	20.0%	26.3%	24.4%	$ 4.45
Tampa International Airport	TPA	12.6%	32.1%	14.3%	16.3%	$ 7.26
Columbus International Airport	CMH	17.7%	33.2%	21.8%	14.6%	$ 10.10
Albany International Airport	ALB	19.0%	30.7%	14.9%	7.1%	$ 10.80
Total All 23 Airports		**13.6%**	**18.2%**	**20.6%**	**11.4%**	**$ 4.11**

The takeaway is that TNCs disrupted airports, causing congestion, fewer parking transactions in some cases, fewer rental car transactions, and reduced usage of taxi, shuttle, and limo services. Other airports actually saw growth in parking transactions due to their originating enplanement growth. Yet, airports adapted and actually increased parking and ground transportation revenue the past four years.

Now, airports are focusing on how to better manage the congestion caused by TNCs on terminal roadways and curbside – reclaiming their revenue.

It is interesting, when you search the internet for "TNC impacts at airports," most of the articles are dated 2015 and 2016. While still creating some uncertainty, TNCs "disruption" is yesterday's news, and airports are dealing with the overall impact using some the same positive tactics mentioned in Gary's earlier article.

Not All That Disruptive

An interesting and more recent TNC-related article from Bloomberg titled, "*No, Rental Cars Aren't About to Disappear,*" by Justin Fox (dated August 2, 2018), helped bring clearer perspective to TNCs' impact. Graphs like the Bloomberg article's Chart 2 are often presented during parking conferences and in parking magazine articles. Note: the data source is Certify, a software company that manages employee expense accounts for businesses. Starting in 2015, Certify reported that its expense-account data showed that rental car usage and taxis for business travel plummeted while ride-hailing (TNCs) showed rapid growth.

What Certify, and most users of this data in presentations and articles, fail to clarify is this graph shows the number of separate expense charges on employee reports. That is significantly different than reporting market share based on revenue and qualifies for the simple reminder: make comparisons apples to apples.

Justin Fox contacted Certify, obtaining data on expense report dollar amounts for the individual charges. The results, when shown in dollars, tell quite a different story. Think of a three-day business trip. If a rental car is used, a single expense would be listed on an expense report that might be $200. Whereas, for that same three-day trip using TNCs for transportation, maybe a half dozen $15 TNC rides would have six expense listings, but only total $90.

Using the expense dollar amount data received from Certify, Fox compiled the alternate graph shown in Chart 3. It shows a stunning difference, with rental cars still accounting for about 70 percent of business travel's 2018 market share based on "revenue," while TNCs (ride hailing) were about 25 percent, and taxis falling to below 5 percent.

Many airports report similar increases in rental car revenue, fees paid, and CFCs paid, even though the transaction number was impacted by TNCs. Overall, for the three leading rental car companies, Justin Fox reported that rental car revenue was at an all-time high in 2017, as shown on Chart 4 from his article.

Chart 2

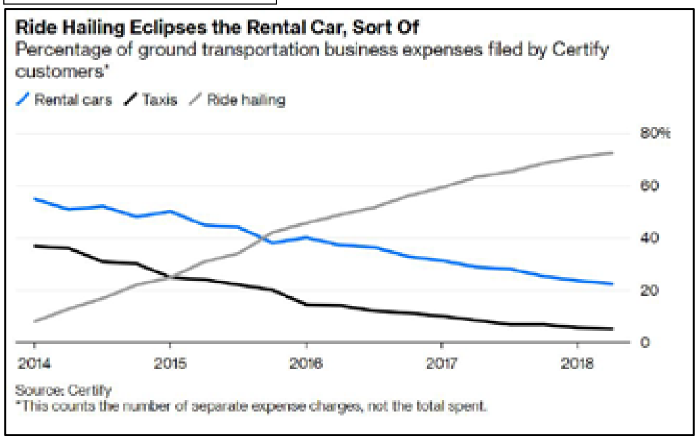


Chart 3

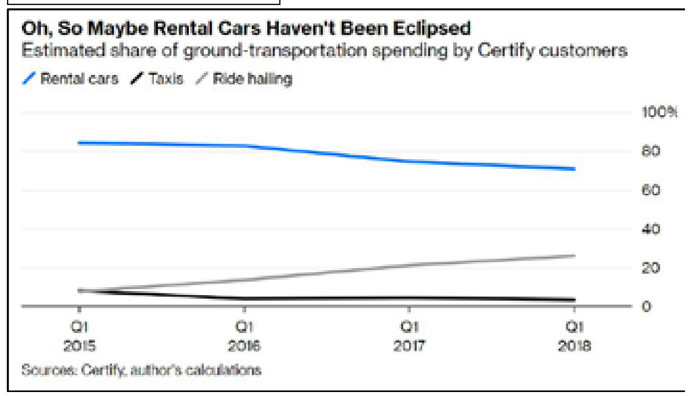
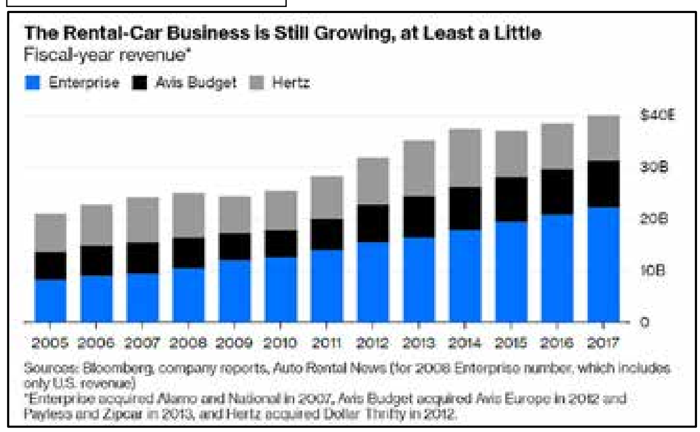


Chart 4



Not That Bad; In Fact, Pretty Good

Further supporting the idea that airport parking is healthier than some think, we were surprised to read in the airport annual reports how many of them recently built, or were building, new parking structures and rental car garages (CONRACS). Many are experiencing a growth in parking demand. John Glenn Columbus International Airport reported in its 2018 Certified Annual Financial Report that construction was approved for a, "$140 million consolidated rental-car facility to alleviate unprecedented demand on garage parking.

"The construction, which begins in 2019, will allow the Authority to reclaim two levels of the long-term parking garage and add an additional 1,400 parking spaces for the public."

This new airport parking structure and CONRACs trend was substantiated by The Parking Market Research Co. (PMRC), parking market research and monthly data reporting source.

Dale Denda with PMRC shared that the group's recent reports include 35 airport parking structures, and CONRAC projects at 26 airports. Of the 35 airport projects, 22 are, "committed and proceeding with programming, predesign,

design, and/or construction during the third quarter 2018 through the second quarter of 2019," while the other 13 are reportedly potential future projects. Of the 22 "committed" projects, 19 have parking space capacity totaling 44,800 spaces (yes, that averages about 2,360 spaces per garage), while a 20th for a CONRAC at Los Angeles International Airport could reportedly have up to 20,000 spaces.

Could It Be as Bad as It Looks for TNCs?

It's hard to ignore a headline-making factor that could strengthen airport parking – the financial struggles at Uber and Lyft, the two largest TNCs. Both companies went public this year, amid slowing revenue growth and huge losses.

Uber lost $1.8 billion in 2018. In its 2019 second-quarter earnings report, Uber had a $5.2 billion quarterly loss, with $3.9 billion due to stock-based compensation that it paid employees after going public, and $1.3 billion due to operations. Uber also reported that it expected to lose up to $3.2 billion due to operations and $7.1 billion including the stock compensation for all of 2019.

Uber also announced on July 29, 2019 that it was laying off one-third of its 1,200 marketing team members. As publicly traded companies, Uber and Lyft shareholders will presumably demand the firms become profitable, which likely means raising ride rates above their currently subsidized levels, not just cutting expenses and head counts. These anticipated price hikes would make riding a TNC to the airport more costly and likely result in a return of some travelers driving themselves – and paying for parking.

Looking Ahead…

The airports evaluated for this article report overall parking and ground transportation revenue grew on a percent-difference basis slightly faster than total enplanements. This latest trend is partly fueled by the increase in revenue collected by the airports for TNC drop-off and pick-up fees.

Airports had to explore different management approaches to land-side operations, like those indicated in WGI's "Reclaim Your Revenue" article, ranging from designating curbside space specifically for TNCs pick-ups and drop-offs to creating taxicab-like staging areas; geo-fencing terminal access roads to capture use, and then collect associated fees; creating drop-off and pick-up zones in parking structures away from terminal curbsides; to adding significant new directional and informational signage, zone creation, traffic management, security personnel, and law enforcement, and more, to fit each scenario and help future-proof airport parking revenue – and continue positive customer experience.

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