

AIR TRAVEL IN WISCONSIN GAINS ALTITUDE, BUT STILL TRAILS PRE-PANDEMIC LEVELS

Passenger volumes on commercial flights in Wisconsin increased in 2021 after the freefall of a year earlier, but continued to trail pre-pandemic levels to a greater extent than the nation. Milwaukee and Madison airports remained farther behind 2019 levels than smaller airports, amid diminished business travel. While 2022 looks promising, these trends bear watching, as restoring air service is essential for economic development.

At Wisconsin’s eight airports that provide commercial air service, passenger numbers for domestic flights increased more than 78% in 2021, after they plummeted by a previously unthinkable 62% in 2020, according to data from the U.S. Bureau of Transportation Statistics. That rebound, while considerable, still left passenger levels nearly 32% lower in 2021 than in 2019 – compared to a nearly 25% decline seen nationally (see Figure 1).

This was driven by the fact that Wisconsin’s two airports that remained farthest from pre-pandemic passenger levels also are the two responsible for more than three-fourths of its passenger totals. These are Milwaukee Mitchell International Airport – which alone accounted for nearly 60% of the state’s commercial air passenger volume in 2021 – and Dane County Regional Airport in Madison. In 2021, domestic flight passenger levels at

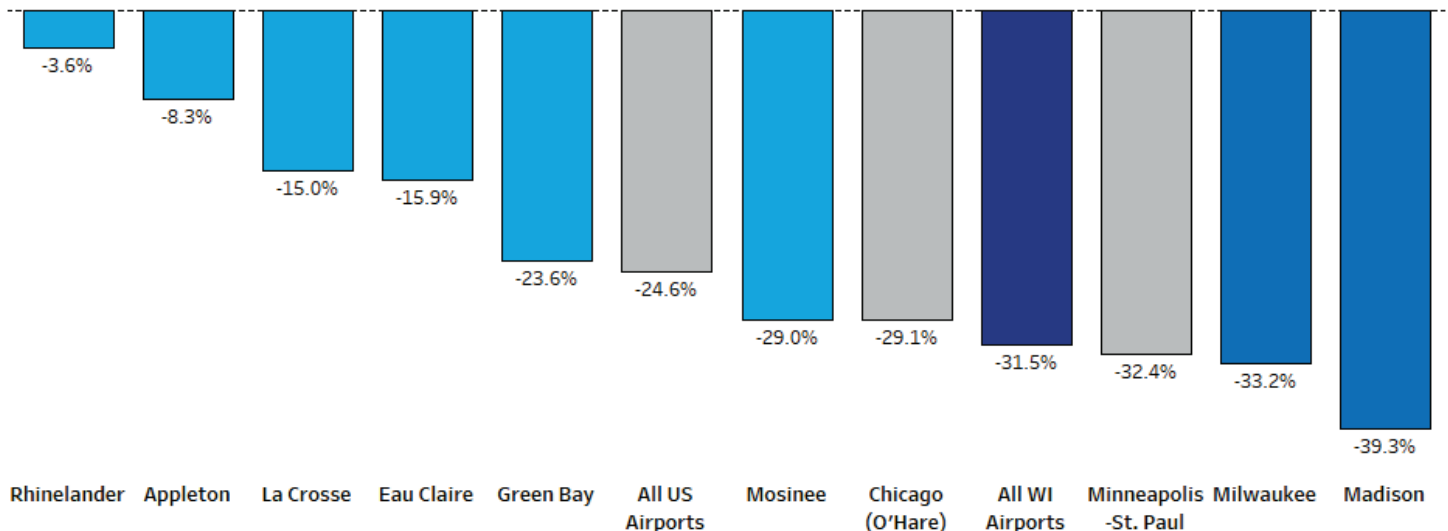
Milwaukee were 33.2% below 2019; Madison was 39.3% below.

Two large airports just outside Wisconsin that attract considerable use by its residents, Chicago-O’Hare and Minneapolis-St. Paul, also had greater declines in 2021 over 2019 compared to the rest of the country. Minneapolis-St. Paul was down 32.4%; Chicago-O’Hare was 29.1% lower.

Meanwhile, while none of Wisconsin’s airports recaptured their pre-pandemic passenger levels in 2021, some of its smallest commercial air hubs came close. Two that rebounded most strongly in 2021 were also two of the smallest by passenger volume: Rhinelander and Eau Claire, which were 3.6% and 15.9% below 2019 levels, respectively. The state’s third-largest airport by passenger volume, Appleton,

Figure 1: Major Wisconsin Airports Fare Worse Than Nation, Nearby Competitors

Change in total passengers by airport, 2021 vs. 2019



Source: Bureau of Transportation Statistics. Includes all eight commercial airports in Wisconsin.



also had a comparatively strong rebound in 2021, finishing the year down 8.3% from 2019.

MORE IMPROVEMENT IN LATE 2021

For this analysis, we rely on data reported by air carriers to the federal government on a monthly basis. We limit our focus to domestic flights since international travel has been severely restricted at times during the pandemic. Notably, at all Wisconsin airports except Milwaukee, the volume of international flights is negligible or non-existent.

Looking at the volume of flights going to and from airports, the trend in Wisconsin more closely mirrors the nation. Total flights to and from all Wisconsin airports in 2021 was down 21.6% from 2019, compared to a 21.0% decline seen nationally. Once again, smaller airports have made greater headway in recovering than Milwaukee and Madison.

One bright spot came from indications that air travel increased in 2021 as more Americans became vaccinated. Looking at passenger levels in only the fourth quarter of 2021, they had grown closer to, if still somewhat below, pre-pandemic levels.

Combined passenger levels at all eight Wisconsin airports were down 18.7% in the fourth quarter of 2021 compared to the same period in 2019, compared to a

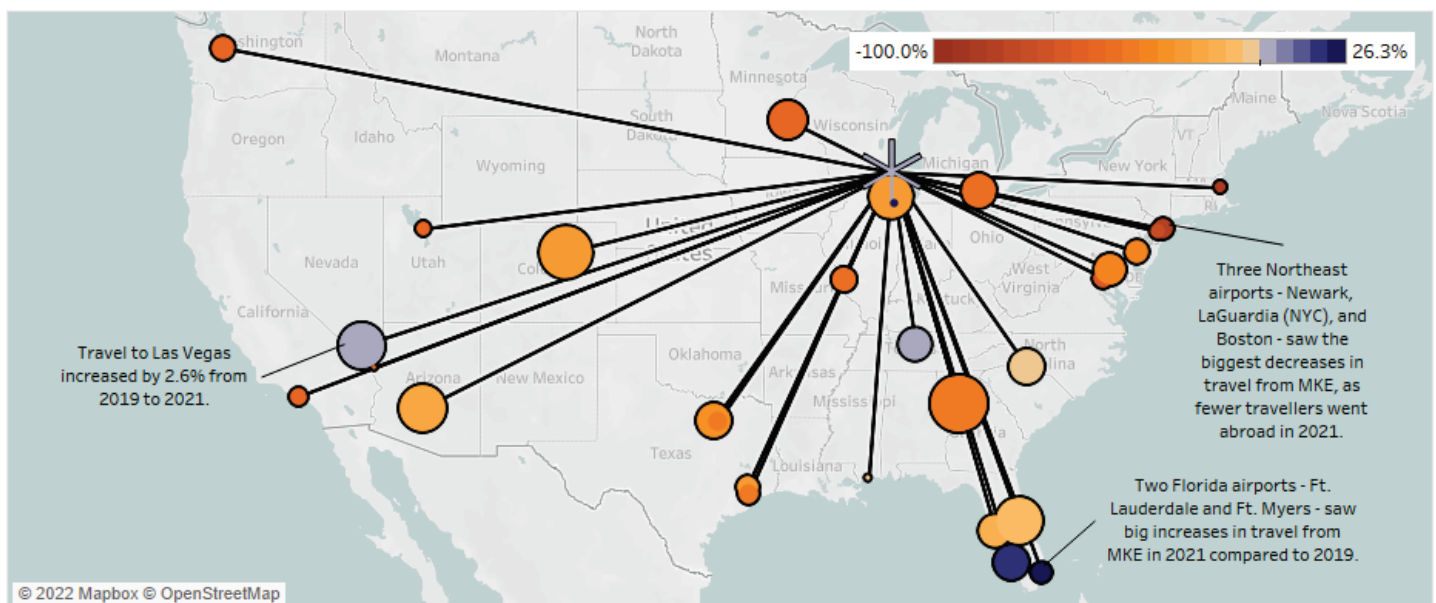
decline of 12.1% for the nation as a whole. Once again the largest airports, Milwaukee and Madison, remain the farthest off their 2019 levels, along with Green Bay and Mosinee. The remaining four airports were much closer to pre-pandemic levels, with Appleton faring the best, declining less than 1% for the quarter compared to two years prior.

CORPORATE TRAVEL DOWN, SUN BELT STILL A DRAW

Some of the shifts seen in recent months may hint at longer-term changes that could affect air travel and the travel and hospitality industry more broadly. [There is considerable evidence](#) that [business air travel has been much slower to rebound](#) from the 2020 downturn than leisure travel. If true, that could mean airports with a greater share of passengers traveling for business could be slower to recover than those with a greater share of leisure travelers.

This possibility would appear to be supported by our analysis of the top destinations for passengers flying out of Milwaukee in 2021. For this analysis, we compared passenger levels relative to 2019 to see which destinations were more or less popular last year. Shown here in Figure 2, we included a total of 30 destinations – all the ones that saw 1,000 or more passengers depart from Milwaukee in both 2019 and 2021.

Figure 2: More Leisure, Less Business Flights from Milwaukee
Change in total passengers* originating at Milwaukee Mitchell International Airport, 2021 vs. 2019



Source: Bureau of Transportation Statistics. *Includes 30 destinations with at least 1,000 passengers originating at MKE in 2019 and 2021.



An important caveat in interpreting these data: many of the most heavily visited destinations may not be final travel destinations, but rather are major connecting hub airports such as Atlanta, Chicago, and Denver. Still, the patterns are striking. Recreational Sun Belt destinations such as south Florida, Las Vegas, and Nashville actually saw increases in Milwaukee passengers last year relative to 2019 (in fact, Mitchell Airport officials say their service to Florida was the most robust ever in 2021).

Meanwhile, Upper Midwest and East Coast cities experienced large decreases. Notably, part of the decline for East Coast destinations could be related to the massive downturn in international travel since 2020, as travel abroad was heavily restricted.

It's possible these shifts could reverse in 2022 and beyond. However, an analysis of the [travel outlook for this year by the private consulting firm Deloitte Development](#) found that “even assuming the best possible COVID-19 outcomes, corporate travel in 2022 is unlikely to reach or even near 2019 levels.” Other projections find at least some portion of this shift could be permanent, as a greater share of business that previously required travel to conduct in-person is now done remotely.

Officials at Mitchell Airport point to another factor that could hamper the swift restoration of routes lost during the pandemic or the initiation of new service: labor shortages. Such shortages impact all aspects of airline and airport operations and may depress service levels in both the near and long term.

UNDERSTANDING AIRPORT FINANCES

Wisconsin's commercial service airports are owned by the cities or counties in which they operate and typically are financed through enterprise funds that keep their finances separate from general city or county finances. Airport operations are financed through a range of user fees, including leases with air carriers. At Mitchell Airport, the terms of these leases stipulate that air carriers typically would offset any operating deficits (while any operating surpluses are reflected as credits in subsequent years).

However, amid the unprecedented circumstances of 2020, an unparalleled federal relief effort largely allowed Wisconsin airports to maintain baseline service levels without requiring substantial additional support

from air carriers. For example, budget documents show that Mitchell Airport relied on more than \$20.8 million in federal relief funds to balance its 2020 budget, as well as spending cuts linked to lower passenger and service levels. The airport plans to draw on an additional \$10.7 million in federal relief aid to balance its 2022 budget.

In total, Wisconsin airports received more than \$163 million in federal relief grants from the three largest pandemic relief laws: the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Consolidated Appropriations Act, and the American Rescue Plan Act (ARPA), according to figures compiled by Federal Funds Information for States and provided by the Wisconsin Department of Administration.

The Mitchell Airport budget notes that while these measures have been sufficient to balance its operating budget, the downturn in air travel could have a sizable impact on its capital budget, which is funded by revenues from user fees on items like parking, concessions, and car rentals.

CONCLUSION

Wisconsin airports underwent a previously unthinkable plunge in commercial passenger levels in 2020, then a partial bounce-back in 2021. Looking to 2022 and beyond, passenger levels during the first quarter of this year at Mitchell Airport continued to trail pre-pandemic levels. Preliminary data show its passenger volumes were down relative to the same month in 2019 by 21.8% in January, 18.3% in February, and 19.6% in March, respectively.

There are encouraging signs that service is ramping up. JetBlue Airways has begun providing direct flights from Milwaukee to Boston and New York, and Delta announced plans for nonstop flights to John F. Kennedy International Airport in New York. Milwaukee Mitchell also recently announced that beginning in June, Air Canada will resume daily nonstop service between Milwaukee and Toronto, re-establishing a key international link.

Of particular interest will be the performance of Dane County Regional Airport, which serves the state's fastest-growing metro area. Returning its passenger levels and flights to pre-pandemic levels could be crucial for the region to continue its economic growth.



Boosting passengers and service at all of the state's eight commercial airports is also time-sensitive, for reasons including the timeline to expend the federal funds. Mitchell Airport will have until 2025 to utilize its most recent allotment of federal aid. Fortunately, a user-fee-based model of airport finance means taxpayers in places such as Milwaukee County should not be on the hook for any operating deficit at the airport should revenues fall short.

Time will tell if recent trends in business travel represent long-term shifts. But even if business travel never returns fully to pre-pandemic levels, maintaining a robust network of commercial air service throughout Wisconsin will remain essential to the state's competitiveness in a global economy.

