

The luck of the Vikings

Maybe badly buffeted Norwegian Air will experience a resurgence. Maybe it'll thrive again. Maybe it'll survive only in another form under another ownership. Maybe it'll go bankrupt.

With Norwegian Air as its single international carrier at Stewart Airport, the Port Authority of New York and New Jersey is building a \$53-million terminal addition there exclusively for international travelers. It takes a lot of available capital and quite a bit of risk tolerance for an airport owner to spend that kind of money on such a wobbly entrepreneurial partner as Norwegian has turned out to be. Port Authority has both.

After the second of two air disasters, Norwegian was forced to ground its 18 Boeing 737 Max airplanes indefinitely back in March. It already had been having recurrent troubles in some of the Rolls-Royce engines in its fleet of 16 Boeing 787 Dreamliners, so Norwegian was not exactly an ambitious airport's reliable partner. But so far the airline's been hanging in there, still attracting passengers with its low ticket prices to Europe.

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Last Thursday, a journalist from industry website *One Mile at a Time* opined that the Boeing 737 Max situation had just gone from bad to worse, and that "the timeline for the plane returning to service has probably slipped quite a bit." The FAA, the federal agency which grounded the 737 Max, had "recently found [another] potential risk that Boeing must mitigate" before the plane could return to service. Industry experts remain divided as to when the planes will be permitted to fly again. After a full quarter-year of intense scrutiny after that second fatal crash in March, they're still

anticipating a time frame of several months rather than a few days before the Max can operate again. There'll be tests and more tests.

No matter what happens with Norwegian, the 2500-acre New York Stewart International Airport will remain where it is: 67 miles north of Manhattan. For the past two years, the Newburgh airport has hosted the pioneering low-cost air carrier's strategy of providing transatlantic service out of secondary metropolitan airports. In all, airport owner Port Authority has invested close to \$200 million in Stewart. What's an additional \$53 million? Port Authority has bought into the Norwegian business plan as a way of accelerating Stewart's evolution.

Just 14 months ago, Port Authority executives explained the agency's new strategy to a reporter for *The New York Times*. Other airlines would be encouraged to offer flights at Stewart if Norwegian and domestic low-cost carrier Allegiant continued to succeed there, they said. Stewart was part of a growing trend of low-cost carriers utilizing secondary airports on the outskirts of major cities, reporter Christine Negroni wrote.

Stewart general manager Ed Harrison was on vacation last week and this week and was unavailable for comment. A phone call to Port Authority media head Cheryl Albiez received no response prior to press time.

After two years of Norwegian's service, generating over a half-million paying passengers, the encouragement offered by the example of the carrier's success to "other airlines" hasn't reached the point of additional international airlines offering flights to and from Stewart.

Despite its straitened circumstances, already debt-laden Norwegian appears to have been reasonably successful at the former army base outside Newburgh. Its bet that European passengers will tolerate \$20 one-way bus rides between Stewart

and Times Square if airline fares are low enough has attracted an audience on both sides of the Atlantic. There's a substantial market for what Norwegian has been offering at Stewart. With the peak flying season approaching, there will be greater demand for passenger seats this year. Given the present circumstances, there's no way Norwegian will be able to turn a profit serving that increased demand. But it'll try.

With fewer, larger planes flying to fewer destinations since the March 737 Max groundings, Norwegian still has a solid customer base. In 2018, Stewart had its best year in a decade in terms of passenger traffic, with 690,411 revenue passengers, of which 366,130 were domestic passengers and 324,281 flew on Norwegian. This April, Norwegian managed to tally 18,561 revenue passengers at Stewart, only 4025 fewer than it had in the same month of the previous record year. To the budget-minded passenger, its low-cost flights between Stewart and Dublin are an aviation bargain.

Port Authority plays the very long game. Its bet on Stewart Airport is like paying a premium for the additional protection of an insurance policy. The place is a safety valve, a potential future resource. With 138.5 million airline passengers using all Port Authority airports in 2018, an increase of almost six million passengers over the previous year, Port Authority handles more airline passenger traffic in less than two average days in its system as it does at Stewart in an entire year. The increase in air passengers in the system in 2018 alone was about nine times Stewart's total traffic.

The interstate agency's budget for 2019 calls for spending \$3.7 billion in its capital plan and \$3.3 billion for operations. Port Authority raises the money it needs not from government taxes but through tolls, fees and other user charges. Its quasi-governmental monopoly position has earned it a unique privileged position in the financial community.

For a wonderful story about what Robert Moses was able to do with this position, read writer and researcher Robert Caro's compelling classic *The Power Broker*.

Considering the magnitude of Port Authority spending, the agency's dropping a quarter of a billion dollars over the years into future prospects at Stewart becomes less profligate a gesture. Last Tuesday, the Port Authority announced plans to spend – excuse me, invest – additional billions over the next decade on such big-ticket airport items as a monorail air-train project to LaGuardia, replacing the Newark Airport air-train, and the continuing redevelopment of JFK.

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