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Airport Auctions

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The captain has locked the armored cockpit door, the engines whine, and the plane pushes off, rolling away from the gate so another can take its place. Then it stops. After the safety briefing the pilot tells you the bad news — there are 40 or 50 planes ahead of you, all waiting their turn to slip the surly bonds of earth. As if the uncomfortable flight weren't enough, you are now condemned to spend another hour or two waiting on the ground. Who's surly now?

For the year ending August 2007, a third of scheduled flights left the John F. Kennedy airport more than 15 minutes late. The average delay for late departures was just over an hour. That's the average, so for every flight that leaves a tolerable 30 minutes late there is another in which passengers sit and fume for 90.

In response, the Federal Aviation Administration pulled out a big stick last week, threatening to limit the number of flights leaving JFK to 80 an hour. "About time," you say. Something should be done to address the problem. Consider the waste of fuel as 40 jets idle on the tarmac, moving like the Long Island Expressway at 5 p.m. Jets burn fuel quickly while idle — the engines are designed to be efficient at high speeds and high altitudes. And as Sir Richard Branson of Virgin Atlantic has pointed out, planes waiting for take-off also cause significant environmental damage. Moreover, these delays fray the nerves and waste the time of millions of travelers.

To avoid the FAA's stick, JetBlue and Delta announced "voluntary" schedule changes intended to spread out the number of flights. But allowing the airlines to make these decisions isn't the solution. No airline wishes to schedule flights at less popular times so its competitors can take the better slots. The situation will improve temporarily, then the temptation to overbook popular times will put us right back where we started.

This is a classic economic problem. If JetBlue or Delta cut flights at popular times, all other airlines and their customers will benefit while these carriers bear the cost. JetBlue and Delta will capture only a fraction of the benefit of reducing congestion. It would be a bad business decision to make more than the barest minimum change, just enough to keep the FAA from imposing a cap.

There is a better way. Economists have long urged regulators to allocate departure and arrival slots by auction. Some flight times are more desirable than others. Early morning and late afternoon departures let business travelers spend another night at their own beds or get home before Emily or Jacob go to bed. I can often be found on the JetBlue flight 45 departing Rochester for New York at 6 a.m. or JetBlue flight 32 bringing me home at 5:10 p.m.

Flights to Europe bunch up in the evening. Of the 23 non-stop flights to London from JFK, five are before 9 a.m. and the rest leave after 6 p.m. The early morning flights allow you to try to sleep with the locals. The evening flights let you pretend you've slept on the plane, arriving ready for a day of meetings. If you leave New York at 3 p.m. you'd find yourself wandering London too late to sleep and too early to do anything else. Southwest Airlines built a business on using less popular airports — places like Long Island MacArthur in Islip, Baltimore-Washington International, and Chicago Midway. That was the bad news — the good news was lower fares. Let's apply the lesson to departure times. If I could save \$100 on my fare to London, I might accept a 3:07 a.m. arrival at Heathrow.

It is time for the FAA to set up an auction for departure times. The airlines can bid for the best times and pass the cost

(or savings) on to their customers. Some of us will choose to fly at less desirable times in exchange for a lower fare. Others will pay up for the best schedule. Frankly, the airlines already have us trained. If I wanted to fly to Columbus, Ohio next weekend, American offers me three different departure times with fares ranging between \$134 for an 8:30 a.m. departure from LaGuardia and \$254 for a 3:55 p.m. departure from Newark. In effect, the airlines' sophisticated demand-driven pricing already lets them charge travelers for popular departures. An auction for departure slots would shift the value of this premium to the public and encourage more efficient scheduling.

This approach would also encourage a better allocation of takeoff slots to planes by size. The FAA's 80 departures per hour from JFK would apply to all planes, from a Learjet 23, which is about 35 feet long and seats six, to the double-decker Airbus A380, which is nearly 240 feet long and can accommodate as many as 853 passengers. Business jets and small commuter planes would be encouraged, not by words but by cold, hard cash, to use less crowded times and less crowded airports.

We passengers would spend less time sitting on the tarmac, waiting our turn to rattle and roll down the runway. While the delays at JFK have been getting much of the attention, Newark and LaGuardia are hardly better. For the year ending August 2007, 32% of Newark flights and 28% of LaGuardia flights left 15 minutes or more after their scheduled departure time. Newark's delayed departures were 68 minutes late on average while LaGuardia delays averaged 61 minutes. Looking at domestic flights alone, that carried 36.4 million passengers, there were about 468,000 departures at the three airports over the year. If the delayed flights carried the average number of passengers (78), over 11 million passengers spent more than an hour sitting on the tarmac or waiting in the terminal for their flights to board. What's it worth to you to leave on time? Suppose you are sitting on a stuffy plane and the pilot announces, "The flight attendants will now be passing through the aisles collecting contributions. If we raise \$10 per passenger we'll leave now. Otherwise we'll wait an extra hour. The FAA accepts VISA, Mastercard, American Express, Discover, and PayPal." If the time wasted is worth only \$10 per hour, the value of timely departures is about \$120 million per year for domestic departures. With international departures added in, the annual cost tops \$170 million.

Let's not rely on the voluntary scheduling of the airlines nor on arbitrary rules designed by the FAA. The market can work — let it do its job.

Mr. Gardner is president and chief economist of the Center for Governmental Research, a nonprofit with offices in Rochester and Albany.



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