



Airport Congestion, Deregulation, and Rent

By Dr. Mason Gaffney

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91

Airport congestion, deregulation, and rent

Mason Gaffney, 12/87

Airline deregulation was supposed to prove the superiority of free markets, and compete away monopoly rents skimmed off by airlines having superior routes and schedules. Great idea: but now every time we get stacked up over a hub airport, or overcharged for an emergency trip, we wonder if this is really Utopia. We are tempted to grumble at Alfred E. (Fred) Kahn, The Great Deregulator who sold us all this -- under Jimmy Carter, yet. Tell us again, Fred -- we get so discouraged.

But perhaps the trouble is that Kahn didn't get enough of his way. Here is what he says now:

"We are pricing those scarce spaces at congested airports at times of peak use insanely.... The landing fee at Washington National Airport, which is among the most precious pieces of ground in the universe, is 57 cents a thousand pounds. That comes to between \$2.75 and \$6 for landing the small craft that my charter operator lands. And a maximum of \$700 or \$800 for a 727. That's crazy. No wonder you have a shortage. No wonder planes are lined up and queuing the way they do at a meat shop in Poland.

"They should be charging thousands of dollars for their landing. That would translate into maybe \$25 or \$40 a ticket. That means that the people to whom it's important to land at that very precious time and space will be able to do so without delays, weather permitting. ..."

(Interview by Keith Bradsher, L.A. Times, 22 Nov 87, Part IV, p.3)

OK, Fred, now we begin to read you. Deregulation created a tragedy-of-the-commons effect at hub airports, where access is free or underpriced. Deregulation won't work right until users have to pay the rent which demand creates.

We do wish, though, he'd made more of the point that small charter craft, using half the time-slots, clog up the hubs while mass transit, serving most of the people, pays the tab. Remember the tax on airline tickets?

Next question, who should collect that rent, and what do with it? The airways are public domain, regulation preempted by the Feds -- that's why they can fly over your house -- so we all have a claim on it, subject perhaps to some sharing with those who pay for building and operating the airports. (Why "perhaps"? Because cities build airports mainly to enhance local land values, and those beneficiaries should pay.)

There should be a nice net surplus for the general fund, to help abate other taxes. What does Fred Kahn say now? Alas, having told us how to stop messing up the system in the present way, he proposes a new way:

"And if you then use the money that you get in that way to subsidize landings off peak or in uncongested airports, that would

translate into lower fares and there would be bargains for people who don't find it necessary to use the very scarce times and places."

How sad! After such a good start, Professor Kahn has succumbed to regulator's disease after all. He would save us from dissipating rent through queuing, only to dissipate it in overexpanding. He would internalize all the rents in the air transit system, cross-subsidizing subeconomic operations from rentable ones.

This is the same mindset that leads the Forest Service to extend costly, erosive, damaging logging roads into fragile, submarginal wilderness areas just to spend the rents it receives from its good lands and timber; that leads highway departments to spend gas-tax money on new roads in the deserts; etc.

Some day some true free market proponent will sell the idea that rents from natural resources should be returned to all citizens as social dividends, so they can spend them as they see fit, not as some bureaucracy prefers. Isn't that what consumer sovereignty is all about?