

# Scarce Slots? Hold an Auction

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PARIS - In April, Congress passed a law intended to stimulate competition at La Guardia Airport and increase service to small communities. In response, the Federal Aviation Administration substantially increased the number of flights allowed to operate at La Guardia, already one of the nation's busiest airports.

Unfortunately, La Guardia simply couldn't handle the new traffic. Something had to be done, and a week ago, the F.A.A. rolled back the number of daily flights to pre-April levels. Then it held a lottery for operating slots that gave preference to nine small airlines.

Reducing operating slots in this way clearly ameliorates crowding. But it does so in a wasteful way, one that guarantees continued unfairness and frustration for area travelers.

Slots at crowded airports are a valuable economic resource, much like scarce seats on an oversold flight. History has taught us a valuable lesson about how best to allocate seats on oversold flights, one with a message for the problem of crowded airports.

Carriers once handled oversold flights on a first-come, first-served basis. If 120 passengers presented tickets for a flight with 100 seats, only the first 100 got to go. For passengers coming from connecting flights, this was like a lottery. If your connecting flight was late, you got bumped.

This solution never considered that individuals have different needs. People with urgent schedules were often forced to wait, while those less pressed made their flights.

Parallel issues arise with overcrowded airports. Just as a plane can accommodate only so many passengers, an airport can handle only

so many operations. So every time a 19-seat Beechcraft 1900 uses La Guardia, the F.A.A. must deny permission to some larger plane -- say, a Boeing 757 with several hundred passengers. Today, even among carriers currently authorized to use La Guardia, delays and flight cancellations are legion. More important, a host of carriers would like to provide large-aircraft service to La Guardia but are not authorized to use the airport at all. That means some travelers have to use less convenient airports, just as someone has to wait when flights are oversold. In both cases we have a strong interest in minimizing total inconvenience.

On this score, the La Guardia lottery is even worse than first-come, first-served. Not only does it make no attempt to minimize the number of diverted passengers, but it actively increases their number by setting aside special slot allocations for carriers that serve small communities with small aircraft.

There are better ways to solve both problems. In 1979, the Civil Aeronautics Board called for carriers to offer cash payments, free tickets or other rewards to induce volunteers to relinquish their seats on oversold flights. Passengers could decide for themselves how important it was to avoid waiting. Those with pressing business simply wouldn't volunteer. The board's proposal was adopted and soon became widely recognized as both more fair and more efficient than the earlier system.

Scarce operating slots at La Guardia can be allocated in essentially the same way. Rather than give them away by lottery, the F.A.A. could sell them to the highest-bidding airlines. If the market value of a slot were, say, \$5,000, carriers would have to charge travelers on a 20-passenger flight \$250 more for a one-way ticket, while those on a 200-passenger flight would have to pay only \$25 extra. Passengers on small flights would thus have a strong incentive to divert to less crowded times or less crowded airports.

For oversold flights, the auction solution works because it gives people an incentive not to use a scarce seat unless its value is high to them. Similarly, auctioning operating slots at crowded airports creates an incentive to use those airports only if the value of doing so is high.

Granted, this doesn't do much for passengers from Ames, Iowa, who want to visit New York City. But they can still fly to nearby airports, especially in Westchester or Long Island. And if aviation authorities really wanted to help the citizens of small communities, they could sell scarce slots to the highest bidders, then give cash compensation to those communities that suffered as a result.

Even if such compensation is impractical, we should bite the bullet and realize that the best way of minimizing the inconvenience we impose on air travelers is to charge handsomely for the convenience of landing at La Guardia.