



Capacity Management at LaGuardia

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Topics

- Characteristics of LaGuardia
- Efforts to balance demand with capacity
- Air carrier and airport/FAA response
- Prerequisites for capacity management
- Considered capacity management options for LGA
- Federal concerns and issues regarding capacity management implementation
- Comments on capacity management options

Characteristics Of LaGuardia

- LaGuardia Airport is a capacity constrained airport located on just 680 acres, bordered by Flushing and Bowery Bays
- No single carrier dominates the airport, as a result, air carriers aggressively compete for market share on price, frequency of service, and number of cities served
- Absent any operational limit on flights, the airport has experienced unacceptable levels of delay which also affect the NAS

Efforts to Balance Demand with Capacity

- **1968 High Density Rule (HDR)** – Established operational limits at LaGuardia and other Key Constrained Airports
- **Scheduling Committees** – Provided a mechanism to allocate capacity
- **1985 Buy/Sell Rule** – Represented the first federally initiated allocation procedures for slots. Key features included:
 - Grandfathering of slots to incumbents
 - Creation of a secondary market for the transfer of slots
 - Establishment of a minimum usage requirement
- **AIR-21** – HDR phased out and granted essentially unlimited access for new entrants and carriers serving small communities

Air Carrier, Airport & FAA Response

Air Carrier Response to AIR-21:

- Requested 600 slot exemptions
- 300+ new flights were operating by November 2000

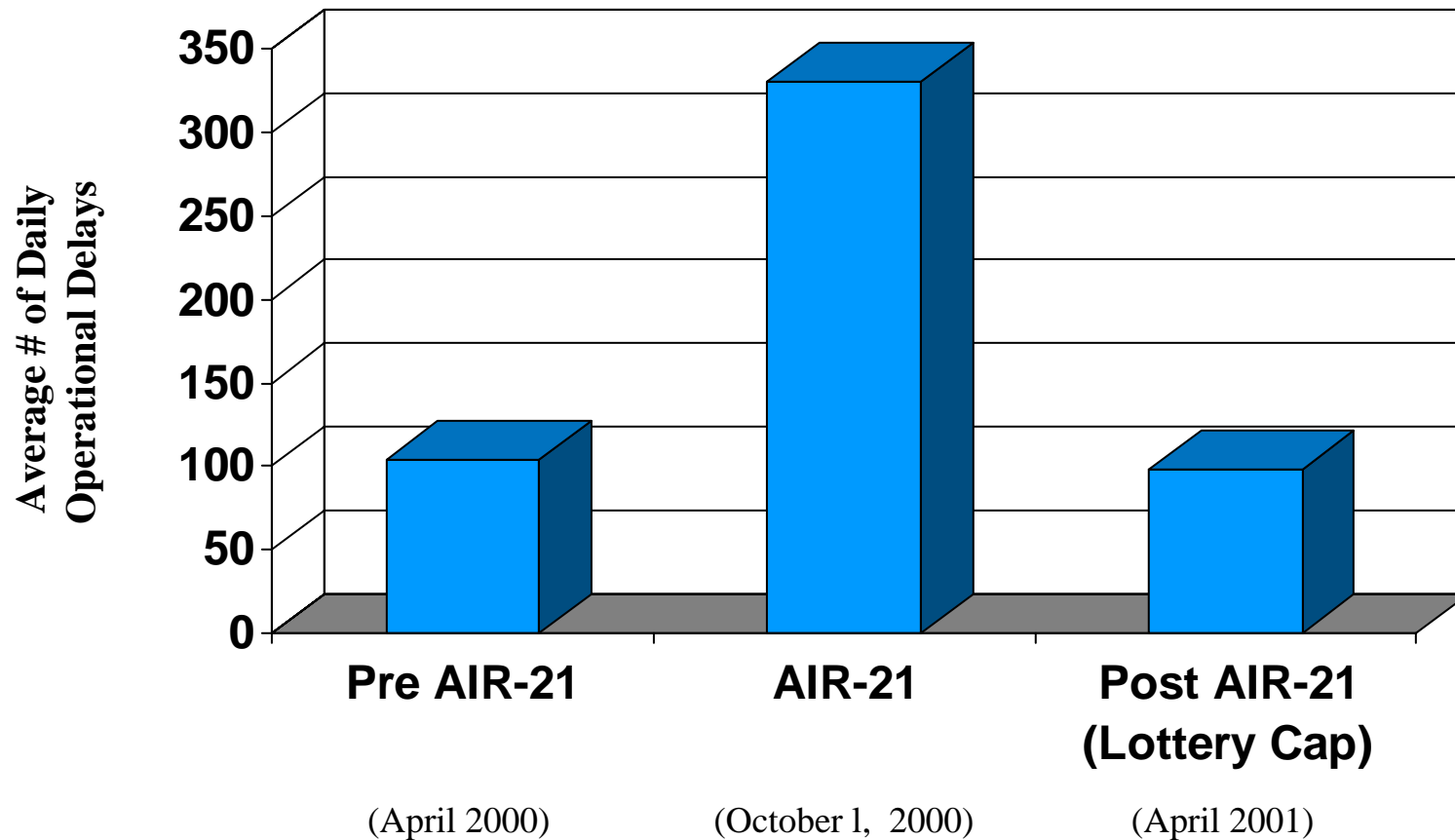
Impact of Carrier Response:

- Flight delays/cancellations increased significantly
- Created disruption in airline schedules

Efforts to Manage capacity:

- PANYNJ announced a temporary moratorium on new flights and requested FAA assistance
- FAA established a cap of 75 scheduled operations per hour and limited AIR-21 operations to 159 per day. These slot exemptions were then allocated by lottery

Average Delays Pre and Post AIR-21



Prerequisites for Capacity Management

- Excess demand resulting in a constant and increasing level of delay
- Prominence of the airport and impact on NAS
- Inability to increase capacity in the near term

Federal Concerns & Issues with Implementation

- Efficiency improvement
- Capacity expansion
- Consumer welfare
- Airline competition
- Regional access
- Compliance with the law
- International agreements
- Airport use agreements
- Ease of administration

Capacity Management Options Considered for LGA

- Establishing new operational limits
- Lotteries
- Establishing minimum aircraft size
- Auctions
- Congestion pricing

Comments on Capacity Management Options (cont'd)

Operational limits

- Immediately controls Capacity
- Who sets the limit
- How to allocate/increase efficiency
- No runway capacity gain

Comments on Capacity Management Options (cont'd)

Lotteries

- Need operating limits
- Immediately controls congestion
- Random as opposed to an efficient allocation
- Who conducts the lottery
- No capacity gain

Comments on Capacity Management Options (cont'd)

Minimum Aircraft Size

- Need operating limits
- Iterative/dynamic process
- Who sets the minimum
- Efficient allocation
- Enplanement capacity increases
- Competition/regional access

Comments on Capacity Management Options (cont'd)

Auctions

- Efficient allocation
- Immediately controls congestion
- Need operating limits
- Property rights
- Application of proceeds
- Competition/regional access
- Consumer welfare

Comments on Capacity Management Options (cont'd)

Congestion Pricing

- Interactive/dynamic process
- Efficient Allocation
- Who is the seller
- Application of proceeds
- Competition/regional access
- Consumer welfare

Final Thoughts

“Economic theory is often abused in practical policy-making. There is frequently excessive focus on sophisticated theory at the expense of elementary theory; too much economic knowledge can sometimes be a dangerous thing. Too little attention is paid to the wider economic context, and to the dangers posed by political pressures. Superficially trivial distinctions between policy proposals may be economically significant, while economically irrelevant distinctions may be politically important. “ -- Paul Klemperer, Nuffield College