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A breath of fresh air in airline regulation [1]

Written by **Sam Bowman** [2] | Thursday 18 November 2010

Over in the think pieces section of the site, you can read Karthik Reddy?s analysis [3] of the UK?s aviation industry and his recommendations for improvement of the industry. Karthik says that among the biggest problems facing the industry is the fact that the government allocates airport take-off and landing slots to airlines based on perceived need rather than on the ability of these airlines to pay.

As with many government schemes that try to allot scarce resources along supposedly ?just? lines, the airport slot system is rife with negative unintended consequences. Because airports slots are taken away from airlines which don?t use them enough, airlines are often forced to fly nearly-empty (sometimes completely empty [4]), loss-making flights in order to maintain usage and meet the targets needed to maintain possession of the slot. Remedies to these problems, like requiring a certain number of passengers on flights, have led to ridiculous situations like the airline Flybe hiring actors [5] to fly between Dublin and Norwich to meet numbers. The problem with government targets like this is that the market is necessarily ingenious at getting around them.

The government?s attempts to be judicious with scarce airstrip slots has in fact created even more of a scarcity, by forcing airlines to fly unwanted flights at the expense of passengers for flights that are in demand. Karthik recommends that this scarcity be eliminated by auctioning off the slots to the highest bidder and allowing them to be used in the way the market deems to be the most efficient. (Note that, as well as airlines and other businesses, bidders could include local residents who want to avoid the 6am wake-up call from the local airport ? if they are prepared to put their money where their mouths are.)

As well as landing slots, Karthik discusses the regulation of airports themselves that has created poor services and a shortage of airports around London (and arguably a surplus of airports in the rest of the country due to political concerns). The think piece shows that many of the worst inefficiencies in the aviation sector come from artificial scarcities created by government. As Karthik says, we should give everybody a breath of fresh air and set Britain?s aviation industry free.

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