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THE STAKE OF THE SCHEDULED AIRLINES IN SOUND AIRPORT DEVELOPMENT

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For the better part of two decades scheduled airlines and airport operators from coast to coast have been slugging it out over the conference table to reach agreement on rates, charges and rights at existing or contemplated airport facilities. Out of these agreements has developed a national structure of rates, charges and rights at airline airports which is generally considered to reflect the desires of the scheduled airlines.1 At least it can be said that at most of the nation's major air traffic centers, airline-airport agreements have been executed which incorporated substantially the arrangements desired at the time by the representatives of the scheduled airlines.

With this background, one might reasonably expect to find in the United States today a system of airline airports which would be able to contribute in full measure to the maximum development of commercial air traffic, and the accommodation of that traffic by scheduled airlines at minimum expense. Unfortunately, the nation's present airline airport system falls far short of meeting this test. For example,

1—LAGUARDIA at New York, which handles more scheduled air passengers than any other airport, has outmoded terminal facilities which require costly duplicate installations by the scheduled airlines and the processing of the bulk of airline passengers through temporary facilities remote from restaurants, bars, and other revenue-producing concessions.

2—CHICAGO, the nation's second largest airline stop, is struggling with almost impossible congestion at its present airport. In seeking to concentrate all scheduled airline business for the entire Chicago region at its new O'Hare Airport, it may well be further hurting the scheduled airlines by putting an impossible barrier of ground time in the way of traffic which otherwise would move by air.

3—WASHINGTON, the country's third largest center for scheduled air passengers, has recently been much in the news because of its congested air space which is aggravated by the proximity of two military air bases.

4—DETROIT, potentially one of the nation's top airline markets, is increasingly handicapped by having its airline airport 31 miles

1 Charles S. Rhyne, Airport Lease and Concession Agreements.
from the center of the city, and even further from some of its major air traffic centers.

5—BOSTON, with a heavy State investment in Logan International Airport, still lacks a permanent central terminal building and faces the prospect of activating its new Apron Building without the facilities for developing concession revenues and other ancillary income which should be available from its heavy airline traffic.

Cleveland, Newark, St. Louis, Houston, Cincinnati, Kansas City and Philadelphia are others among the nation's larger air centers which are facing major problems of airport development,—and there are many more. Hardly a day passes which does not see an airport operator somewhere in the country making decisions which will have their reflection in the future profit and loss statements of the scheduled airlines.

It must be emphasized that these are not rate decisions, but much more basic decisions as to airport location, layout and design, facilities, and operating procedures. These are the decisions which determine in the long run:

1—How much traffic the scheduled airlines can develop at the airport.
2—How economically that traffic can be handled.
3—How much ancillary revenue can be developed to reduce the burden of terminal charges on the scheduled carriers.

And these are also the decisions which emphasize the community of interest between airport operators and the scheduled airlines. Forty acres and a mule may make a farm, but 500 acres and an airplane are a long way from being an airport. Without adequate airport facilities, the airline is helpless to develop its full traffic potential or handle its traffic economically. Without effective development of the air traffic, the continued operation and development of adequate airport facilities cannot be justified. The functions of the airport operator and the scheduled airline are completely complementary. Here are two parties who certainly ought to be scratching each other's backs, not scratching each other's eyes out.

There isn't much question that by and large the airport operators appreciate their stake in sound airline development. Generous incentive leases in city after city have resulted in the absorption of continuous deficits by airport operators to provide facilities for scheduled airlines at a price which the airlines felt they could afford to pay. But this preoccupation with price on the part of the airlines, to the exclusion of the quality of the facilities, has produced a system of airline airports which falls woefully short of meeting present and prospective airline needs.

Stake Greater Than Price

It is time to appreciate that the stake of the scheduled airlines in sound airport development is far greater than merely the price paid for the use of the facilities or the rights which can be negotiated as part of
that price. Suppose, for example, that the scheduled airlines, as the result of their airport negotiations, were paying one-third less today for the use of airport facilities than they would otherwise have to pay. Through concentration on the price phase of their stake in airport development, they enjoy, therefore, an annual saving of probably no more than $2 million.

Against that, however, they have a system of airline airports which is not conducive to full development of air traffic in many communities; which is seldom geared to economical airline operation; and which is often lacking in facilities for the development of ancillary revenues. Let's see what concentration on some of these factors might mean to the airlines in dollars and cents:

1 – An annual increase in revenue passenger miles of only 1/2 of 1% as the result of improvements in airport location, access highways, ground transportation arrangements, and in-town terminals would mean, at current volume, increased annual airline passenger revenues of about ................... $2,000,000

2 – At present ratios between freight and passenger revenues, this would mean increased annual freight revenue of about ................... $ 200,000

3 – An average saving of only 50¢ per scheduled aircraft movement from improvement in airport layout to reduce taxiing distances between runways, terminals and hangar areas would mean, at current volumes, an annual saving of about ................... $1,800,000

4 – Most terminal buildings and the adjacent ramp area have not been designed for economical airline operation. The handling of passengers' baggage and mail and the costs of spotting and servicing aircraft on the ramp are usually higher than they would need to be with efficient terminal ramp design. If, through cooperative effort, the airlines could save only 1/2 of 1% of their ground costs, they would enjoy an additional annual saving of about ........... $1,000,000

5 – The development of additional net concession revenue to the airports of only 5¢ per airline passenger per year from improvements in terminal design and passenger handling procedures would mean additional annual airport revenue not required from the scheduled airlines of about ................... $1,500,000

These few examples illustrate the fact that the scheduled airlines have a much greater stake in sound airport development than merely the price tag which goes on the finished product. Airlines and airports together have far more to gain in dollars and cents by working together
to expand air traffic and airport revenue and to reduce airline operating costs than they can save or gain by placing their primary emphasis on rates and charges. To paraphrase the slogan of a popular radio program, "It's cooperation, — three to one."

The typical pattern of airline-airport cooperation in the United States has been to delegate discussions of airport location, layout and design, facilities, and operating procedures to so-called "Technical Committees" of airline personnel. In general there is no question but that these Committees have done a constructive, worthwhile job in working with airport operators. But their primary function has not been to relate location, design and layout, facilities, and operating procedures to the broad policy problems which confront airports and airlines alike, — that is to the questions of expanding air traffic, reducing air carrier costs and expanding non-flight revenue.

When the negotiations have reached the level of the so-called "Top Committees," where policy might appropriately be considered, the emphasis is usually shifted to a concerted drive by the airport operator to get rates as high as possible and a concerted effort by the airline representatives to get rates as low as possible, neither group having too much regard either for what is a fair rate for the facilities and services offered or whether those facilities will really be suitable for full development of air traffic, economical air carrier operation and efficient exploitation of ancillary revenues.

The real future of air transportation lies on the ground. In the past eight years, the flying costs per available ton-mile of the domestic scheduled airlines have remained almost unchanged, — while ground and indirect expenses have increased about 20 percent. In September, 1949, there were 693 communities in the United States certificated for scheduled air service, of which 254 were not being served, many because of the lack of adequate airport facilities. You can fly from Los Angeles to New York at 6¢ per passenger mile, but when you get on the ground at LaGuardia Airport, you will pay 13.5¢ per mile to ride the airport limousine to mid-town Manhattan. A 100-pound shipment of air freight from New York to Chicago will cost only $8.80 for the line-haul transportation, but pick-up in New York and delivery in Chicago will add 27%, or another $2.35.

The location of airports, the economy and efficiency of ground transportation of air passengers and cargo, the economy and efficiency of airport installations and operating procedures, and the ability of airport facilities to produce ancillary revenue are the keys to expanded air traffic, reductions in costs of operation for scheduled airlines, and the absorption of a greater portion of airport costs by non-airline revenues. Airport operators throughout the country are being called upon every day to make decisions on these problems which are of vital consequence to the scheduled airlines. Unfortunately many such decisions are being made without the cooperation of the scheduled airlines, per-
haps because of their traditional preoccupation with the price tag on airport facilities and services, or perhaps because they fail to appreciate the importance to their industry of sound airport development and operation. In either event, it will be worthwhile to discuss the effect of some of these decisions on the volume of traffic and economy of operation of the scheduled airlines.

LOCATION OF NEW AIRPORTS

Between 15 and 20 of the country's major air traffic centers will outgrow their present airport facilities in the next five years. In many cases the existing airport does not lend itself to expansion and new airport sites will have to be selected and developed. With limited municipal borrowing power, the cheapest site is usually the most attractive. But the cheapest site is usually the most distant from the center of the city and therefore the least productive of air traffic. Cooperation in airport location studies at major air centers can pay the scheduled airlines handsome profits through the increased traffic which can be generated at good airport locations. It will be good business to pay higher rates for a close-in airport which will generate maximum air traffic, rather than to seek a bargain-counter airport which usually is not a good traffic generator.

RUNWAY LENGTH AND STRENGTH AT EXISTING AND NEW AIRPORTS

The larger and heavier aircraft now in use and in prospect mean lower line-haul costs per seat-mile and per available ton-mile, but they mean heavier costs to the airport operator in terms of more expensive runway, taxiway, and apron construction and higher maintenance charges. Obviously such improved aircraft cannot be of maximum benefit to the airlines unless airports are available which will permit their use without crippling restrictions on payload such as now exist at a good many airports.

To get such airports, however, costs money. At existing airports, the airport operator finds little inducement to strengthen or lengthen the runways to accommodate new aircraft since his flight fees are usually fixed under long-term leases. Any additional capital investment under such inflexible arrangements simply means a greater deficit for the airport. Where new airports are under consideration, it is easy to build the type of runways which will best serve the scheduled air carriers if the carriers will agree on the kind of runways they want, and if they will avoid trying to price their use of the airport so low that the desired runways are impossible to finance. That is the real nub of the problem.

In this connection, it is worthwhile to remember that if restrictions at a particular airport reduce the payload of only one scheduled flight per day by 1000 pounds, it will mean a loss to the carrier at an average haul of only 200 miles of about 75,000 available ton-miles per year.
At 60% potential load factor and 40¢ per ton-mile average revenue, this means a revenue loss to the carrier from one scheduled flight per day of $18,000 per year, or about $50 per departure. Pricing problems at airports are of minor significance compared to stakes of this magnitude which can be gained through sound airport development.

**AERIAL APPROACHES TO EXISTING AND NEW AIRPORTS**

The advent of larger and heavier aircraft and the concurrent development of improved instrument landing devices and procedures have resulted at many airports in serious problems with respect to the marking or removal of obstructions to aerial navigation in the vicinity of the airport. An airport designed or planned for operation with 40 to 1 approach protection under conditions of 500 foot ceilings and 1-mile visibility, faces a very substantial capital outlay to provide 50 to 1 approach protection and provision for operation under conditions of 200 foot ceilings and 1/4 mile visibility. But scheduled airlines cannot develop their full traffic potential unless they can achieve greater schedule reliability than has been possible in the past. The CAA program for the installation of improved landing aids has gone a long way toward making this technically possible, provided the airport approaches permit utilization of this equipment to its full potential. But the rub again is the cost of protecting these approaches. It has been estimated that the scheduled airlines in 1948 lost millions of dollars because of weather delays and cancellations. Here again the scheduled airlines could expect a handsome profit from sound business arrangements with airport operators which would permit the airports to finance the acquisition of land and air easements and the marking of obstructions so as to realize the full benefits of the costly landing aids which the Federal government is now installing throughout the country.

**RUNWAY LAYOUT**

Expansion of present airports and planning of new airports brings into sharp focus the problem of runway layout and its effect on costs of operation of scheduled airlines. The problem has two facets:

1. The number of runways to be provided.
2. The layout of those runways.

Larger and heavier aircraft now in use and in prospect can land and take-off safely with a much higher cross-wind component than the aircraft previously in use. This means that in most locations, there is no longer need for the conventional 3-runway airport for commercial air transportation. Substantial savings can be made in initial investment and maintenance costs by substituting a 2-runway or in some cases even a single-runway plan. A similar dividend can be realized at many existing airports by abandoning an existing runway or runways and developing non-flight revenues from the land so released. But such
planning requires close and sympathetic cooperation between the air-
port operator and the scheduled airlines who ultimately will reap the
greatest benefit from the airport's savings from a smaller number of
runways.

Entirely apart from the number of runways, their layout in relation
to terminal buildings and hangars can make a great difference in the
cost of operation of scheduled airlines. At many airports it is necessary
to taxi a country mile to and from the hangars and the terminal build-
ing. And taxing costs money, not only in terms of direct costs, but
also in terms of reduced equipment utilization and slower schedules.
Consider, for example, that in the twelve months ended September 30,
1949, there were 3,600,000 commercial aircraft movements at airports
in the continental United States. If only 50¢ per movement were saved
through improved airport layout which would decrease taxiing dis-
tance and time, the airlines would save $1,800,000 per year in operat-
ing costs. But such savings can only be realized through close coopera-
tion between airlines and airport operators.

**Terminal Building Design and Operation**

Nowhere do the airlines and the airport operators have so strong a
community of interest as in the design and operation of the terminal
building. Here air transportation and ground transportation meet and
are married, — either efficiently and productively, or inefficiently and
unproductively. To achieve efficiency and productivity for both airline
and airport operator requires agreement on objectives and operating
techniques which has been missing in many negotiations.

Some airline executives see an airport as nothing more than a trans-
portation terminal, and have a consuming desire to reduce the terminal
building to a glorified platform across which to hustle their passengers
with the greatest possible dispatch. Some airport executives on the
other hand see an airport as everything but a transportation terminal,
and would willingly subordinate the terminal handling of passengers,
freight, mail, and aircraft to the sale of peanuts, popcorn, and cracker-
jack.

Design and operating decisions which are being made now in many
major air centers can put a needless cost burden on the scheduled air-
lines for years to come. To avoid this burden, agreement is needed on
many basic questions. For example:

1. Should the terminal building provide for centralized or de-
centralized handling of air passengers?
2. Should the terminal provide loading gates for the exclusive
use of individual airlines, or should all gates be available for
use in common?
3. Should ramp service be provided by individual airlines, or on
a consolidated basis either by the airlines, the airport or a
private contractor?
4 — How will air freight be handled at the airport?
5 — How will porter and other terminal services be provided?

These are but a few of the many problems with respect to terminal building design and operation which have an important bearing on the costs of scheduled airlines as well as on the revenues of airport operators. There are many others. The potential savings are great enough to merit the attention of the best brains in both industries working cooperatively for their mutual advantage.

Handling of Aviation Gasoline

The increasing size and range of aircraft, coupled with heavier volumes of air traffic, have so increased the volume of gasoline loaded at individual airports as to make the problem of safe and efficient gasoline handling one of the most pressing problems now facing airport operators. It is equally important to scheduled airlines whose consumption is so great that techniques which decrease the cost a fraction of a cent per gallon will mean important dollar savings in the course of a year.

Today at most terminal-type airports the scheduled airlines buy their gasoline from a supplier of their choice who delivers it to airline storage tanks located on airport property. It is then delivered into planes by gasoline tank trunks rented from or donated by the gasoline supplier, which trucks are manned by airline personnel. As a result, each airline must have sufficient storage capacity, sufficient tank trucks, and sufficient gasoline-handling personnel to handle its own individual peak requirements. If one gasoline supplier has three airline customers at the same airport, there will be three separate storage installations for the same brand of gasoline, and three separate fleets of tank trucks for that brand, — one for each airline which uses it. At LaGuardia Airport where this technique was established by the airlines, it has been estimated that there are three times as many gasoline tank trucks in service on the airport as would be required under a more efficient system of gasoline handling.

From the airport operator's standpoint, there is a limit to the size of the tank farm which can safely be located on airport property, and to the number of gasoline tank trucks, each loaded with 2,000 to 4,000 gallons of high-octane gasoline, which can safely be accommodated on the airport highways and ramp area, — to say nothing of the cost of providing such facilities for which the airline leases frequently provide no rental payments. And the whole system becomes impracticable when one thinks in terms of loading 500,000 gallons of gasoline per day at one airport, as may be the case at New York International Airport within the next ten years.

There are several alternatives which offer a better basis both for the airport operator and for the airline. It would serve no useful purpose to pro and con each of these here. It is important, however, to
remember that the fundamental objective is to store gasoline at airports and deliver it into the planes at the lowest possible cost to the user. To achieve that objective requires airline-airport cooperation in planning efficient and economical airport facilities and procedures. Neither party can do it alone.

**FINANCING OF AIRPORT IMPROVEMENTS**

There is no major air traffic center whose airport doesn't require some type of capital improvement. These include new or extended runways, new or expanded terminal buildings, additional land, and air rights to protect the aerial approaches to the facility. In almost every case, however, the competition for limited municipal borrowing power is being decided in favor of schools, hospitals, libraries, streets, sewers, water systems, and other essential municipal services, and against additional general obligation funds for airport development.

Essential improvements at both Cleveland and San Francisco have been delayed more than a year because of the failure of the voters to approve the necessary bond issues in the fall of 1948. In the New York Region, it is doubtful if The Port of New York Authority would be in the airport business had not the cities of Newark and New York found it impossible further to finance their airport programs with general obligation bonds.

These examples reflect the increasing unwillingness of cities to absorb continuing airport deficits now that commercial air transportation has matured and taken its place as a permanent and essential part of the domestic transportation system. That business generally shares this view is indicated by the December, 1949, conclusion of the Transportation and Communications Department Committee of the United States Chamber of Commerce that, "Airports should be placed on a self-sustaining basis as soon as possible." Only through putting their relations with airports on a sound business basis can the scheduled airlines reasonably expect airport operators to seek to finance the heavy backlog of essential airport development required at major air terminals.

This does not mean that the scheduled airlines should pay more than their fair share of airport costs. It does involve, however, a recognition on the part of the scheduled airlines that the airport operator has an obligation to see to it that his rates reflect his costs and other pertinent factors, that they have sufficient flexibility to protect him against changes in his costs, and that they do not unjustly discriminate against any of his various classes of tenants and airport users. Such a basis for airport negotiations should certainly impose no undue burden on scheduled air carriers since these are the same factors which must, of necessity, be considered by any landlord with whom they may negotiate for space or privileges.
CONCLUSION

These few examples illustrate the significance to scheduled airlines of sound airport development entirely apart from the price which may finally be agreed upon for the use of such facilities. Manufacturing to a price seldom results in a high-grade product, — and that is as true of airports as it might be of hair pins. The stake which the scheduled airlines have in sound airport development is far greater than any transitory gain which may be realized through price pressures. If agreement be reached on favorable airport location, efficient and economical airport layout and design, productive airport facilities and economical airport operating procedures, it will not be difficult to arrive at a fair price for their use. But that price will be a minor factor compared to the tangible financial benefits which can accrue to the scheduled airlines from sound airport development.