



MARKS
AVIATION

The Tarmac Rule: Adjustments Needed

A response to DOT claims

Webinar

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**Full materials and supporting exhibits at:
www.tarmaclimits.com**

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Overview

What did the three-hour rule do?

- 1. Three-hour taxi limit** for domestic flights
- 2. Threat of punitive multi-million dollar fines** for even minor violations
- 3. Vague enforcement standards** with no detail about waivers for safety, security, airport congestion or other factors

DOT claims the tarmac rule is a complete success.

We show it comes at a heavy price.

Our Analysis

Prior Reports (July and November 2010)

1. **Tarmac delays ended, and collateral damage is high**
2. **Expect cancellations directly from the rule between 5,000 and 6,000 annually**
3. **Passenger re-booking time 15-20 hours each from cancellations**
4. **Small communities hit hardest** as airlines prioritize larger aircraft
5. **Net public cost of \$3.9 billion** and rising

Today

1. **DOT is not using percentage rates, masking the cost of the rule**
2. **The rule caused a 42% increase in cancellation rates**
3. **Legislating the three-hour rule is a terrible idea – adjustments needed**

Latest DOT Statements

March 2011:

**DOT released data purporting to show:
Cancellations have not increased due to
the three-hour tarmac rule.**

Our Focus

We focus on two statements made by DOT

Statement #1: Post-Departure cancellations allegedly increased marginally

Looking at the May through October 2009 timeframe there were 224 flights that had 2-hour or more tarmac delays that were eventually cancelled, with 72 of those flights cancelled after experiencing tarmac delays of more than 3 hours. During the May through October 2010 time frame there were 230 flights with 2-hour tarmac delays that were cancelled, with only 7 being cancelled just a few minutes after 3 hours. Clearly this six flight difference does not reflect a cancellation problem caused by the tarmac delay rule and so far is well within the cancellation estimates made by the Department's economists when the tarmac delay rule was adopted.

- Post-rule, cancellations of flights after two-hour taxi times increased by just 6.
- Therefore there is no cancellation problem.

Statement #2: Pre-cancellations of flights post-rule allegedly are down

added to the total numbers of flights being compared. These data showed that in the May through October 2009 time frame there were 8,696 flight cancellations reported by carriers, both proactive and after tarmac delays at airports, on days with serious weather/congestion issues. During the same period in 2010, there were only 7,120 such cancellations.

- On days with two-hour tarmac delays, cancellations due to weather and airspace supposedly dropped.

DOT Is Wrong With Data Sampling

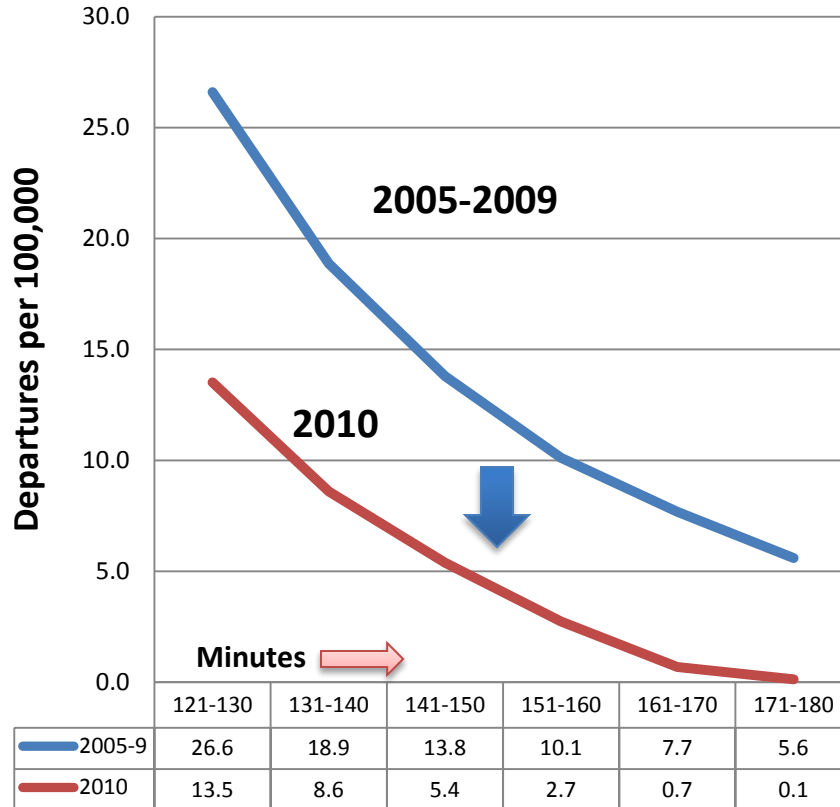
DOT's statements give the wrong message that the rule works without consequences. We have a problem with that.



- **DOT uses percentages for everything except tarmac cancellations. Why is this?**
- **DOT's data is based on a comparison of very different flight schedules**
- **DOT arbitrarily ignores 100,000 flights at tarmac-prone airports this year versus last year**

Visualizing the Change in 2hr Taxi Times

NUMBER OF TAXI-OUTS: 2-3 HOURS May-Nov 2010 vs. 2005-2009 Average



Number of departures per 100,000
with taxi-out time in each time bracket

Two-hour taxi times dropped 47%
and cancellation rate increased 93%

May-Oct	2+ Hr Taxi	Cancel	% Cancel
2009	3,716	224	6.0%
2010	1,978	230	11.6%
Change	(1,738) (-47%)	+6 Flights	93% Rate Increase

Source: DOT Transtats On-Time Database, Reporting Carriers Part 234 ASQP Filings

The Statement

What DOT says:

1. Systemwide cancellations are irrelevant to tarmac analysis
2. Two hour tarmac delays indicate days with bad weather
3. Therefore measuring cancellations only when two-hour delays occur is best
4. **DOT says cancellations down on these days**
so the rule works without damage
5. The airlines are wrong – even their public statements

*Airlines say they have cancelled **thousands** of flights
due specifically to the tarmac rule*

DOT's Error

DOT's sample is fundamentally different in 2010



DOT arbitrarily rejects thousands of flights and cancellations

DOT's Methodology

Was there more than one 2-hour tarmac delay at that airport on that day?



Collect all cancellations to/from that airport



Reject all carrier-coded cancellations and sum the results

The methodology is important in establishing the credibility of DOT's claims.

1. Identify all flights with a two-hour tarmac delay May-Oct. 2010 and May-Oct. 2009
2. Arbitrarily ignore airports with one two-hour delay on a given date – Count only if 2+ delays
3. Collect departures & arrivals at that airport/date
4. Tally all flights cancellations and diversions that did not complete
5. Exclude all cancellations coded “carrier” or “security” because, well, because.

But the excluded codes represent 20% of the 230 2-hr tarmac cancellations in May-Oct 2010 quoted by DOT!

The Core Questions

Two fundamental questions to assess DOT's claims:

1. How does the 47% drop in two-hour tarmac delays change what flights are counted in DOT's analysis?
2. What does that tell us about the *rate* of cancellations pre- and post-rule?

Rebuilding the DOT data set

DOT proves our point.

DOT only counts flights to airports where 2+ two-hour taxi delays occur.

1. Almost 100,000 fewer flights counted this year vs. last year
2. Cancellation rate **rose from 3.6% to 5.1% post-rule (42% increase)**
3. DOT's subset of cancellations showed a rate increase to 4.0% **(25% increase)**

Cancellation rates on bad weather days increased significantly.

May-Oct	2009	2010
2-Hour Taxi Times Reported	3,716	1,978
Unique Airport "Tarmac Days"	405	249
Unique flights on impacted dates	274,646	177,399
DOT's Cancel Subset	8,696	7,120
DOT's Cancel Rate	3.2%	4.0%
All Cancellations	9,955	8,989
Total Cancel Rate	3.6%	5.1%

Full flight rosters and supporting methodology can be found at www.tarmaclimits.com

Cancellations Jump At Key Hubs – And Systemwide

<u>Days with two or more 2-hr tarmac taxi times May through October</u>	All Cancellations (All reported causes & diversion cancellations)			“DOT Method” Weather + Airspace + Inbound Diversions Only
	2009	2010	Inc. in Rate	Increase in Rate
Atlanta (ATL)	2.0%	5.0%	150%	208%
Chicago (ORD & MDW)	3.7%	7.0%	89%	118%
Dallas (DFW)	6.0%	14.4%	140%	175%
Detroit (DTW)	3.5%	7.1%	103%	91%
Minneapolis (MSP)	1.4%	3.8%	171%	78%
Systemwide 2hr Days	3.6%	5.1%	42%	25% (a)

(a) Uses DOT reported totals of 8,696 in May-Oct 2009 and 7,120 in May-Oct 2010

<u>All days, systemwide, full set May through January</u>	All Cancellations			“DOT Method”
	2009	2010	Inc. in Rate	Increase in Rate
Systemwide All Days	1.3%	1.7%	26%	31%

Let's be clear

DOT says they control for airline-specific factors and provide a true indication of cancellations due to the three-hour rule.

DOT shows a 42% increase in cancellation rates.

**This is statistically consistent with the surge
on a systemwide basis
since the rule became effective.**

The rule causes cancellations and public harm

The impact on America

Let's reiterate the impact this increase in cancellation rates has on the U.S. consumer.

1. 481,000 impacted passengers in first seven months – **not including** winter weather cancellations
2. Cancellations impact small communities disproportionately
 - Twice as many flights cancel to many small cities
3. Rebooking time is significant
4. The economic harm is in the billions

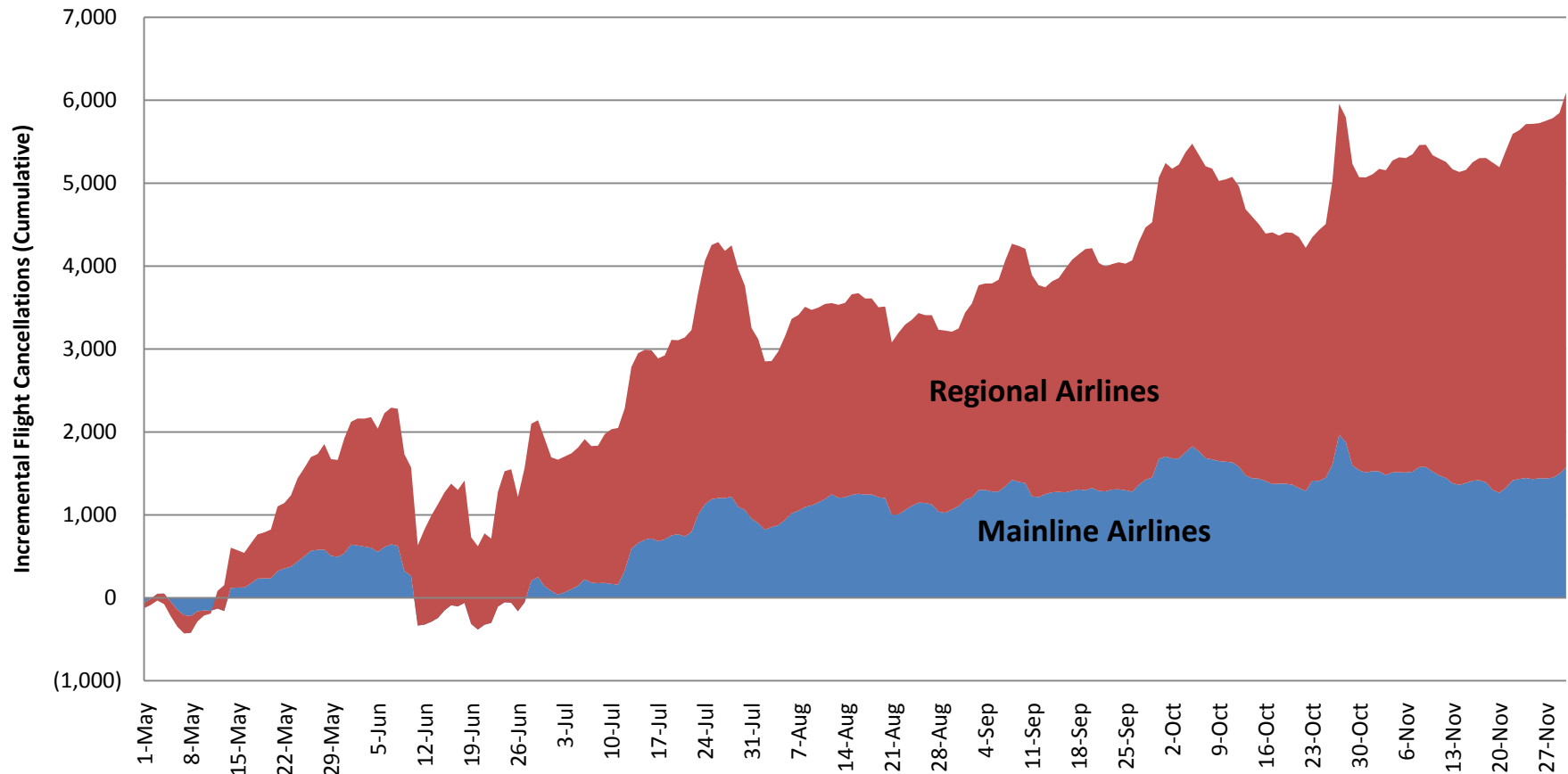
For detail on 481,000 passengers, please see Appendix.

Punitive Fines force Regional Cancellations

Major vs. Regional Airline Cumulative Cancellations May through November 2010 vs. 2009

Major Airlines: AA, AS, B6, CO, DL/NW, F9, FL, HA, UA, US, WN

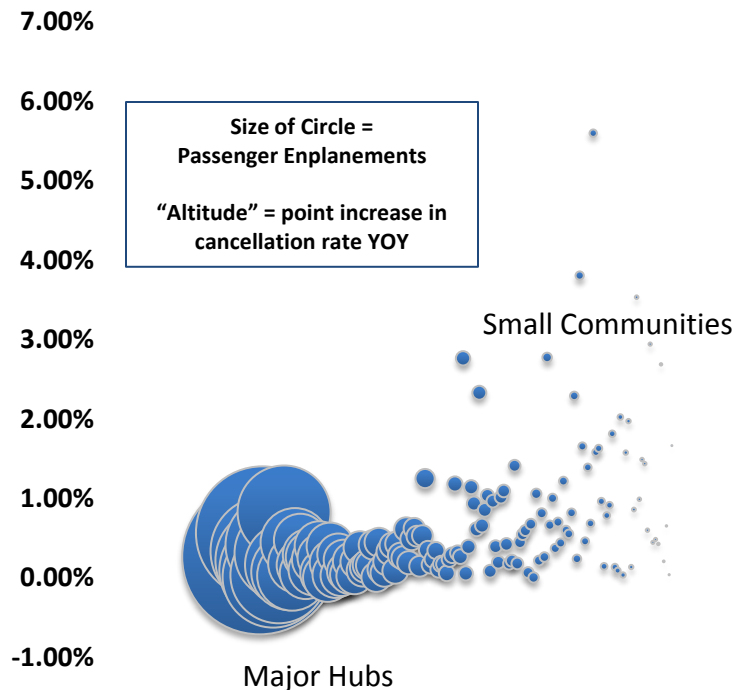
Regional Airlines: 9E, EV, MQ, OH, OO, XE, YV



Source: DOT Transtats On-Time Database, Reporting Carriers Part 234 ASQP Filings

Small Communities Impacted Most

**Airport Enplanements vs.
Cancellation Increase
(Change in Percentage Points)**



The increase in regional flight cancellations hurts small cities

- Cancellation rates in many small communities have doubled, or more
- Fewer flights = longer passenger rebooking time
- Up to two days needed to rebook passengers at peak times
- Major stress from cancellations versus minor taxi-out delays where flights arrive at destination

Source: DOT T-100 Airport Enplanement Data, Reporting Carriers Part 234 ASQP Filings

Many Small Community Cancellations Doubled... or more!

Change in Cancellation Rate (Points) – Top 20 Airports May-October 2010 vs. May-October 2009

Rank by Change	Airport Code	Airport Name	Cancel Rate MAY-OCT 2009	Cancel Rate MAY-OCT 2010	Change (Points)
1	ACV	Eureka/Arcata, CA	4.10%	9.99%	5.89 pts
2	LWB	Lewisburg, WV	0.00%	5.23%	5.23 pts
3	GFK	Grand Forks, ND	1.15%	5.04%	3.89 pts
4	MOD	Modesto, CA	3.13%	6.91%	3.78 pts
5	ADK	Adak Island, AK	0.00%	3.77%	3.77 pts
6	SPI	Springfield, IL	2.65%	6.11%	3.45 pts
7	CWA	Wausau/Marshfield, WI	1.26%	4.13%	2.87 pts
8	IYK	Inyokern, CA	1.66%	4.36%	2.70 pts
9	DLG	Dillingham, AK	0.00%	2.63%	2.63 pts
10	CMX	Hancock/Houghton, MI	3.14%	5.71%	2.56 pts
11	EYW	Key West, FL	0.57%	3.00%	2.43 pts
12	ERI	Erie, PA	0.34%	2.47%	2.14 pts
13	CLL	College Station/Bryan, TX	2.36%	4.32%	1.97 pts
14	DBQ	Dubuque, IA	2.49%	4.41%	1.92 pts
15	BRW	Barrow, AK	0.99%	2.86%	1.87 pts
16	HTS	Ashland, WV	0.00%	1.84%	1.84 pts
17	BRO	Brownsville, TX	0.53%	2.36%	1.83 pts
18	RST	Rochester, MN	2.30%	3.96%	1.66 pts
19	PSE	Ponce, PR	1.45%	3.05%	1.59 pts
20	GTR	Columbus, MS	0.90%	2.47%	1.57 pts

FULL LIST PROVIDED IN EXHIBIT P (SMALL COMMUNITY IMPACT)

Economic Harm

From July 2010 Report	Economic Impact
DOT baseline welfare	+\$69.1 million (20 yrs)
Cost of flights returning to gate (using DOT costs)	All flights 2.5-3.0 hours -\$12.6 million
Longer passenger re-booking time	18.6 hours vs. 5.9 hours -\$30.8 million
Incremental Cancellations	2:1 ratio of cancellations to prevented tarmac delays plus 1:1 indirect to direct ratio; 1,481 prevented delays (DOT) 5,924 cancellations -\$3.9 billion
Net public welfare change	-\$3.9 billion and rising

Conclusions

- DOT data show cancellation rates during events that cause tarmac delays are up 42%
 - **This is the first proof DOT has given that the rule is harming consumers**
- DOT refuses to collect tarmac cancellation data
- Apples to apples comparisons require percentages
- The impact is felt most by small communities and big hubs
- Economic harm is at \$3.9 billion and rising.
 - This rule harms passengers – 481,000 before the winter
 - Objective: End tarmac delays without cancellation surge

Recommendations

- Embrace a fifth cancellation code for tarmac-related cancellations by airlines
- Clarify enforcement guidance immediately
- Acknowledge the success of the international approach – allowing airlines to set their own standards (and holding them to it) also stops egregious tarmac delays without collateral cancellation harm during weather events
- Flatten the fine at a reasonable level – equalize the playing field between small communities and big markets

And...

It's Too Early To Legislate the Three Hour Rule

What DOT said:

[T]he Enforcement Office and BTS reiterate that the 6-months of comparative data currently available and reviewed is insufficient to reach any final conclusions on all the effects of the 3-hour rule.

We agree.

Using all available data drives informed analysis.

Enormous uncertainty about the impact on public welfare.

Therefore, legislating the three-hour limit now is premature.

Keep policy flexible until the data prove the welfare impact.

Summary: Seven-Month Impacted Passengers

Category	Passenger Change YOY May - Nov	Methodology
Passengers Having 3+ hr Onboard Delay	-61,230	Seats per each 3+ hour delayed flight, 2009 & 2010; applied load factor
Passengers on Cancelled Flights	+462,092 (2,159 per day)	Seats on board each cancelled flight May-Nov 10 vs. 09 with load factor
Passengers Delayed by Gate Returns	+80,033	Passengers on incremental gate returns due to rule where flights did not cancel; average 64 min. additional delay
Seven-Month Change in Impacted Passengers	+480,895	Passengers impacted by the tarmac rule who would not have experienced a lengthy on-board delay

Notes:

On-board delay calculation based on per-airline, per-month analysis of impacted flights and metrics from May-Sep 2010. Aircraft type from FAA Registry Database. Seat counts and load factors from airline financial reports. Mandatory gate returns based on actual gate returns (net of cancellations) due to rule multiplied by 110 passengers per flight.