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FAA regulation among reasons why DIA cuts Colorado Springs Airport traffic

by Neil McCabe December 20, 2013

Most Americans probably think of Transportation Security Administration security lines when asked about Washington's role in commercial airline travel, but the federal government is a major player at virtually every level of the industry.

That's a mixed blessing for many in the industry, especially those associated with the 109 commercial airports the Federal Aviation Administration defines as medium and small hubs.

They must play second fiddle to the 29 large-hub airports that each account for at least 1 percent of all commercial flights, according to the FAA.

It's great to be a large hub like Denver International Airport, but the system leaves mostly crumbs for the rest, including the small-hub Colorado Springs Airport.

Dan Gallagher, interim aviation director at the Colorado Springs Airport, said the airport is taking drastic steps to become more competitive after years of decline. He said traffic at the airport is down 37 percent since 2007.

"Smaller airports have been hurt by high and volatile fuel prices, the sluggish economy and airlines merging and consolidating," he said.

Regional aircraft are less fuel-efficient than the larger planes serving longer routes and large-hub airports, so airlines cut regional flights before cutting routes serviced by larger planes, Gallagher said.

Airlines are parking the regional planes rather than routing them to Colorado Springs at a loss, he said.

But the biggest factor in Colorado Springs' drop in air travel: DIA is too close.

"What really kicks our tail is our proximity to Denver and its three hubbing airlines," Gallagher said. The Denver facility is a major connecting airport for Frontier Airlines, United Airlines and Southwest Airlines.

"We are competing with airlines at Denver that are not even making a profit on routes because they are trying to kill the competition," he said. As the country's fifth-busiest airport, Denver also offers a wider selection of direct flights to more destinations.

An example of the fierce competition at Denver is the recent complaint with the Department of Justice filed by Frontier against Southwest for allegedly unfair and predatory trade practices.

Frontier filed its complaint after Southwest raised prices everywhere except Denver, where it competes head-to-head with Frontier, Gallagher said.

Despite the pull of Denver, Colorado Springs still attracts nearly 700,000 passengers every year, he said. "So, the deal made sense for those 700,000."

Gallagher said airlines eventually will stop flying routes that lose money, but rather than wait that out, the airport is taking drastic steps to make itself more enticing to travelers and airlines.

"We can't sit back," he said. The airport administration has cut positions from 121 to 96, with more cuts coming, he said. The airport is also refinancing its bonds to take advantage of lower interest rates.

Cash freed up by cost-cutting will enable the airport to lower rents, terminal leases and landing fees, he said. "We're going to go from $69 per square foot inside the terminal to probably $51 a square foot in the terminal."

Gallagher said his pitch to the airlines is that, if so many people from the Pikes Peak region are flying out of Denver, it makes sense for the airlines to go where the travelers are and expand in his city.

There are one million passengers who should be flying out of Colorado Springs who are instead using Denver, he said.

What can be done for airports like Colorado Springs? The key is encouraging genuine deregulation, according to Chris Edwards, who edits the Washington-based Cato Institute's downsizinggovernment.org website.

As a starting point, Edwards says the TSA, after a decade of making commercial flying much more difficult, should be privatized.

"One way it has gotten worse is all of the extra security that has slowed down airports and made it so people have to get to the airports much earlier before flights," said Edwards.

"None of this should be in government control," he said. In Canada, airport security, as well as air traffic control, is privately owned and operated. The same is true for a growing number of countries in Europe.

"It's crazy," he said. "America was the great entrepreneur in aviation for the 20th century, and here we are stuck in the 21st century with a backward, socialistic industry - it makes no sense at all."

Edwards argues that terminal leases illustrate how excessive government controls create incentives that favor large hubs at everybody else's expense.

"Because airports are government-owned, they are not very entrepreneurial," he said. "What they tend to do is give one big airline an essential monopoly on gates."

This practice is a major contributor to development of the hub system, he said. "Governments like the one, big tenant."

A new approach pioneered in Europe is to hold real-time auctions for gates, so prices rise and fall with demand and the airlines can manage gates as they would any other inventory, he said.

In the large-hub, mega-gate-deal system, large airlines hold onto gates they do not need to block competition, which is often the smaller upstart firms, Edwards said.

Privatizing airport security, air traffic control and gate management would all improve service and efficiency, he said.

Ultimately, entire airports could be sold off by their government deed holders through initial public offerings or straight-out distributions of shares, he said. In most cases, there could be an IPO with some stock given directly to stakeholders, such as unions.

If there were more private airports, it would be in the interests of everybody who suffers under the current hub system to work hand-in-hand to create more competition, he said.

Tomorrow: Deregulation didn't fail, it was never really tried