

# COMPETITIVE AWARD OF SCARCE AIRPORT SLOTS: AN EMPIRICAL ANALYSIS

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*This paper explores the welfare impacts of introducing a market-based mechanism for the allocation of scarce airport take-off and landing slots. Instead of the usual revealed preference approach that recovers values from optimal bids, slot values are obtained as the incremental mark-up that an airline can generate by operating a flight in that slot. A flight-level structural model of demand and supply of airline tickets is developed that accounts for consumer departure time preferences, scheduling efficiencies, and aircraft-specific costs. Counterfactual simulations assess welfare impacts of auctioning slots on an airport-by-airport basis, as well as the role of departure hub economies of scale, budget constraints, and quantity caps.*

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*Keywords: Airline industry, Entry barriers, Slot auctions, Structural estimation*

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