Since 2000, domestic airline carriers serving the New York region have seen substantial price and cost pressures. Data from the Bureau of Transportation Statistics show that in 2000, the average airfare in the New York region exceeded the average U.S. ticket price by $95, a 21% surcharge. By 2004, New York ticket prices had dropped $81 and the premium was only $20, or less than 5%.

The drop in the premium came as discount carriers, notably Jet Blue, increased their presence in the region. Between 2000 and 2007, Jet Blue grew its domestic passenger volume at JFK Airport from 1.1 million to 12.8 million and became the airport’s largest carrier. Jet Blue’s growth may have put pressure on airfares not only at JFK but at LaGuardia and Newark, as the airline grew its network to compete with other carriers’ flights to more domestic destinations. Such competition makes it more difficult for airlines to raise fares even in the face of other outside cost pressures such as elevated fuel costs.

At the same time, airlines appear to have focused on ways to optimize their networks to lower costs, with LaGuardia presenting an interesting example. The Federal government restricts the number of takeoff and landing slots at the airport, and the airport itself limits flights to an area within a 1600-mile radius of the airport, to manage congestion. Prior to the disappearance of New York’s ticket premium, airlines used LaGuardia to service many small markets across the Northeast with multiple daily flights to each market. After the price drop, airlines limited service to smaller markets while expanding aircraft sizes to gain efficiencies from economies of scale.

The trend of using larger planes with a higher share of occupied seats is not unique to LaGuardia. But slot controls at LaGuardia heighten the effect. Consolidating passengers from two flights into seats is not unique to LaGuardia. But slot controls at LaGuardia, this has translated into strong passenger growth at JFK, the Port Authority, this has translated into strong passenger growth at LaGuardia since 2011.

### Special Focus

#### Lower Ticket Prices and Bigger Planes: The Change of the New York Premium

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The trend of using larger planes with a higher share of occupied seats is not unique to LaGuardia. But slot controls at LaGuardia heighten the effect. Consolidating passengers from two flights into one allows for another profit-generating flight to be added. The strategy allowed Delta, which took over a number of US Air’s slots in 2011, to use slots saved by more efficiently serving smaller markets while expanding aircraft sizes to gain efficiencies from economies of scale.

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**TRANSPORTATION FOCUS**

In 2011 after several years of negotiations and Federal review, Delta took over a significant number of US Airways slots at LaGuardia. When US Air held the slots, it was willing to fly many smaller planes to smaller markets even though they were typically not very full. Delta used its slots at LaGuardia differently. It still serviced smaller markets, but less often and if possible with larger planes. The remaining flights to small markets were significantly fuller as a result. The change in the network also enabled Delta to free up slots to service other markets and bring even more people to LaGuardia. Thus, even though the slot restrictions at LGA have not changed we have seen record-breaking numbers of passengers at the airport.