

LAND and LIBERTY

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COVER PHOTO: Queen Elizabeth II — made richer by the Poll Tax, but her subjects riot. Story, Page 37.

Unhappy landings

RENT is usually assumed to be a charge for occupying space. In fact, it's two dimensional.

Take airports. Aeroplanes not only need to occupy space on the runway, they also demand time — the landing slots, a scarce natural resource which is in desperately short supply at many of the world's busiest airports.

Not surprisingly, at these "hub" airports the landing fees are expensive but not as expensive as they perhaps ought to be.

The British Airport Authority, taking its profit-seeking cue from Prime Minister Margaret Thatcher, has just caused outrage among the smaller airlines by raising its charges by £50 to £400 for peak-hour landings at Heathrow, London.

The charges for landing at the less-popular Gatwick Airport, in Sussex, were also raised to £315 for jets and £299 for turboprops. In answer to the complaints about the BAA's charges, an official explained: "The idea is to recognise the value of scarce resources at peak periods at our airports."

The rental value of these slots are not determined in an arbitrary manner: they reflect the demand for a resource that is fixed in supply. Time slots are part of what the classical economist calls "land": a natural resource.

Raising the rents for these slots is necessary, both for economic efficiency and social justice, as we are beginning to see in the United States.

There, deregulation in the skies led to increased competition. The customer benefited, because the cost of flying was reduced enormously compared with the price of occupying seats in, say, Europe, where the cartels continue to carve up the skies at the expense of the consumer.

But along with the increased competition there arrived the phenomenon of over-crowding of the skies; the demand for the time slots increase beyond the supply, in certain locations. This congestion is reported to be threatening

competition at some airports. This, we fear, is special pleading.

NATURALLY, the airlines do not like paying high rents for the time slots: the more they pay, the less they pocket. And the greatest resentment is expressed by the least competitive airlines.

But if the airports did not raise the rents, the economic benefits of monopolising these time slots would simply be claimed by the shareholders of the airlines. Time slots are not an infinitely reproducible commodity: in other words, anyone who occupies them is privileged — for he is denying others access to a piece of space at a particular moment in time.

Fair competition, then, demands that the full market price for the time slot ought to be charged to the highest bidder — which usually means the airline that is most adept at satisfying its customers. This happens to be the most effective way of combating the entrepreneurs who try to stave off competition. Europe is a case in point.

The major national carriers like British Airways and Holland's KLM have now entered into mergers and alliances that have little to do with efficiency, but everything to do with defensive protection of their share of the air transport business.

Air France, for example, has secured a majority stake in UTA, its privately-owned competitor; in doing so, it acquired the domestic airline, Air Inter, giving it control of 90% of French flights.

The European Commission is investigating these deals. But the Brussels bureaucrats prefer to view the virtues of competition through the prism of regulation. Fiscal policy is a more efficient solution to the threat of a carve-up of the markets.

Small firms may be squeezed out by the giants, but the monopoly profits that consequently accrue can be soaked away by charging the competitive rent for natural resources — in this case, for the use of time in space.