

# Airport Drop Off and Pick Up Charges

## A Rising Trend across Great Britain

(Will it come to North America???)

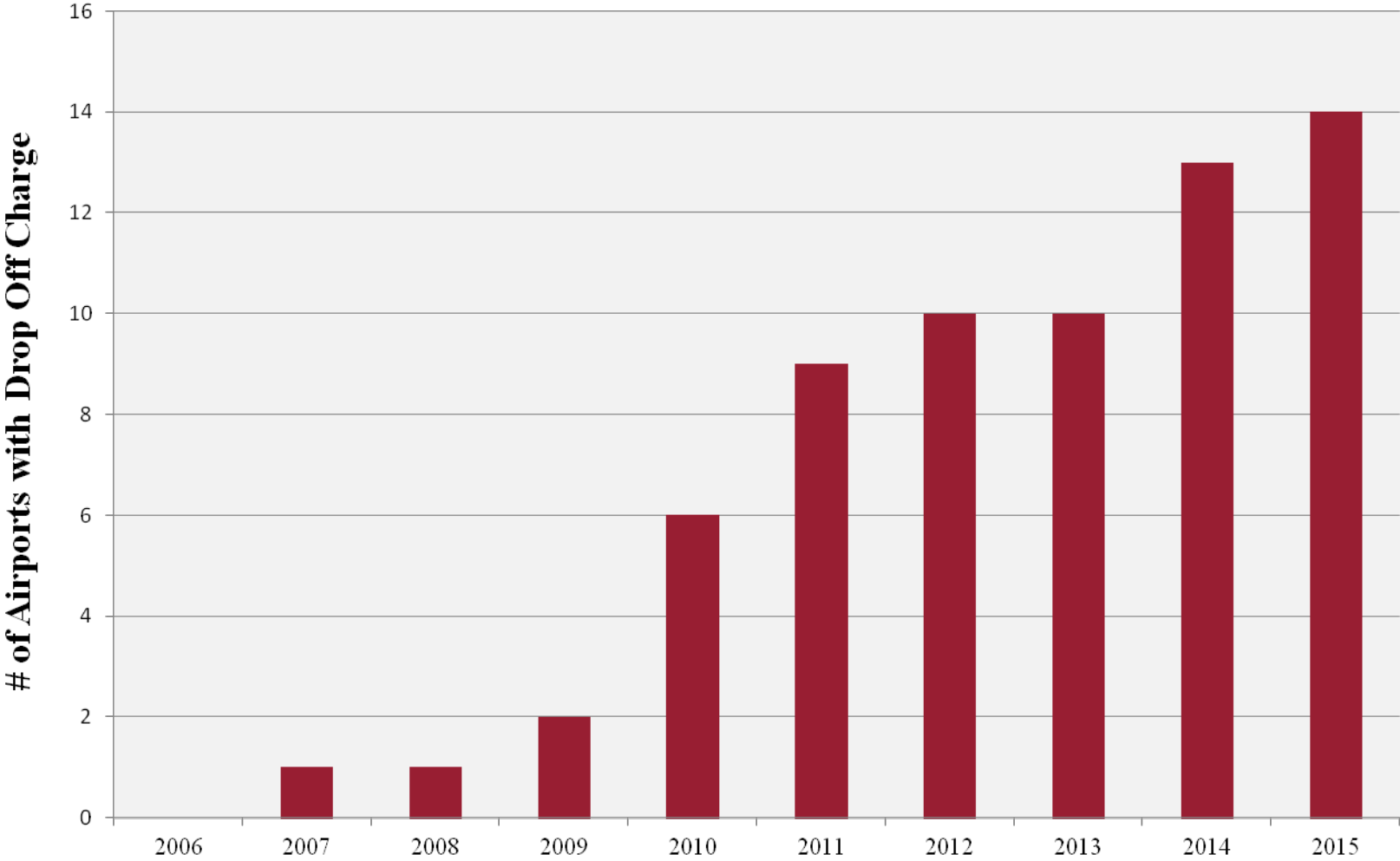
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under the Direction of Ray A. Mundy  
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# The Rise of UK Airport Drop Off Charges

- Drop off charges require vehicles to pay to unload passengers in a designated area.
  - Began in 2007 with Birmingham Airport.
  - 14 airports across Britain have now adopted this policy.
  - Pricing schedules vary by airport.
    - 8 airports offer a free window, but impose a charge thereafter.



# The Rise of UK Airport Drop Off Charges



# Examples of Airport Drop Off Pricing Schedules

- Flat Rate for given time period, with fine thereafter:

Aberdeen Airport	£1 for 10 minutes
London Luton Airport	£2 for 15 minutes

- Increasing Pricing Schedule:

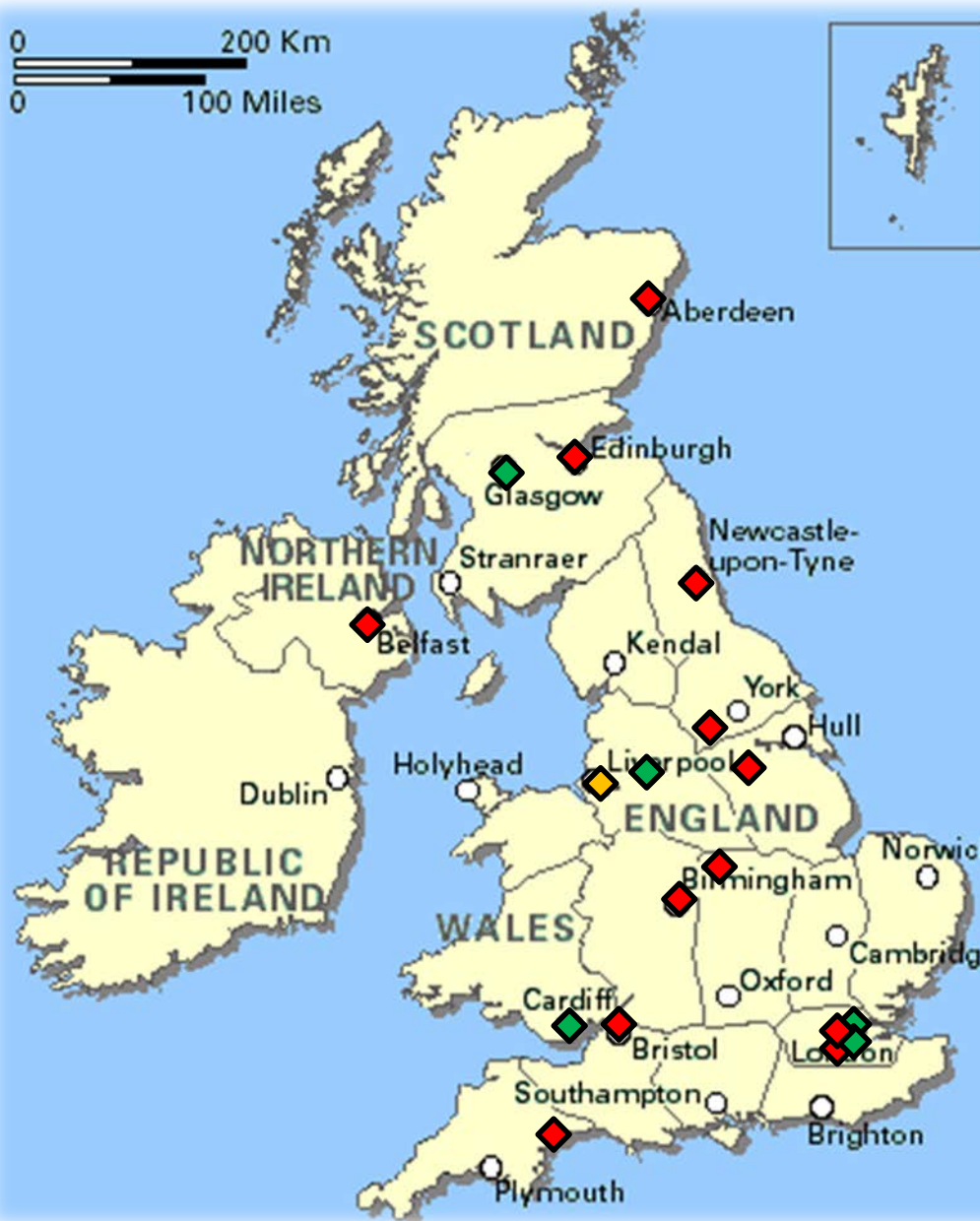
Edinburgh Airport	£1 for 0-5 minutes; £3 for 5-10 minutes; £5 for 10-20 minutes; £7 for 20-60 minutes
London Stansted Airport	£2 for 10 minutes; £2 every minute thereafter

*\*\* 1 British Pound is equal to 1.54 U.S. Dollars (July 8, 2015)*




# Many airports charge for pick up as well

- Prices may be different from drop off charge.
- Pick up zone may be in a different location than drop off zone.
- More airports charge to pick up passengers than to drop off.
  - Example of airports that charge to pick up, but not to drop off:

London Heathrow Airport	£3.50 for 30 minutes; £6.50 for 30-60 minutes
Manchester Airport	£2.90 for 30 minutes



British Airport with a...

-  Drop off and pick up charge
-  Drop off charge only
-  Pick up charge only

# How It Works

- License plate recognition system records when a vehicle enters the drop off zone.
  - Allows traffic to flow naturally into the zone.
- Appropriate charge is given to vehicle upon exit.
  - Fines are awarded for:
    - Exceeding time limits.
    - Dropping passengers in unauthorized areas.
- Free drop off is often still available at car parks located farther away.



# Benefits of Drop Off Charge

Airports give similar justifications for the charge:

1. Reduce Congestion,
2. Improve Air Quality,
3. Provide a Safer Drop Off Zone,
4. Encourages Public Transport,
5. Offset operating costs.

However, no airports publically disclose the revenue they make from the scheme.





# Civil Aviation Authority Data

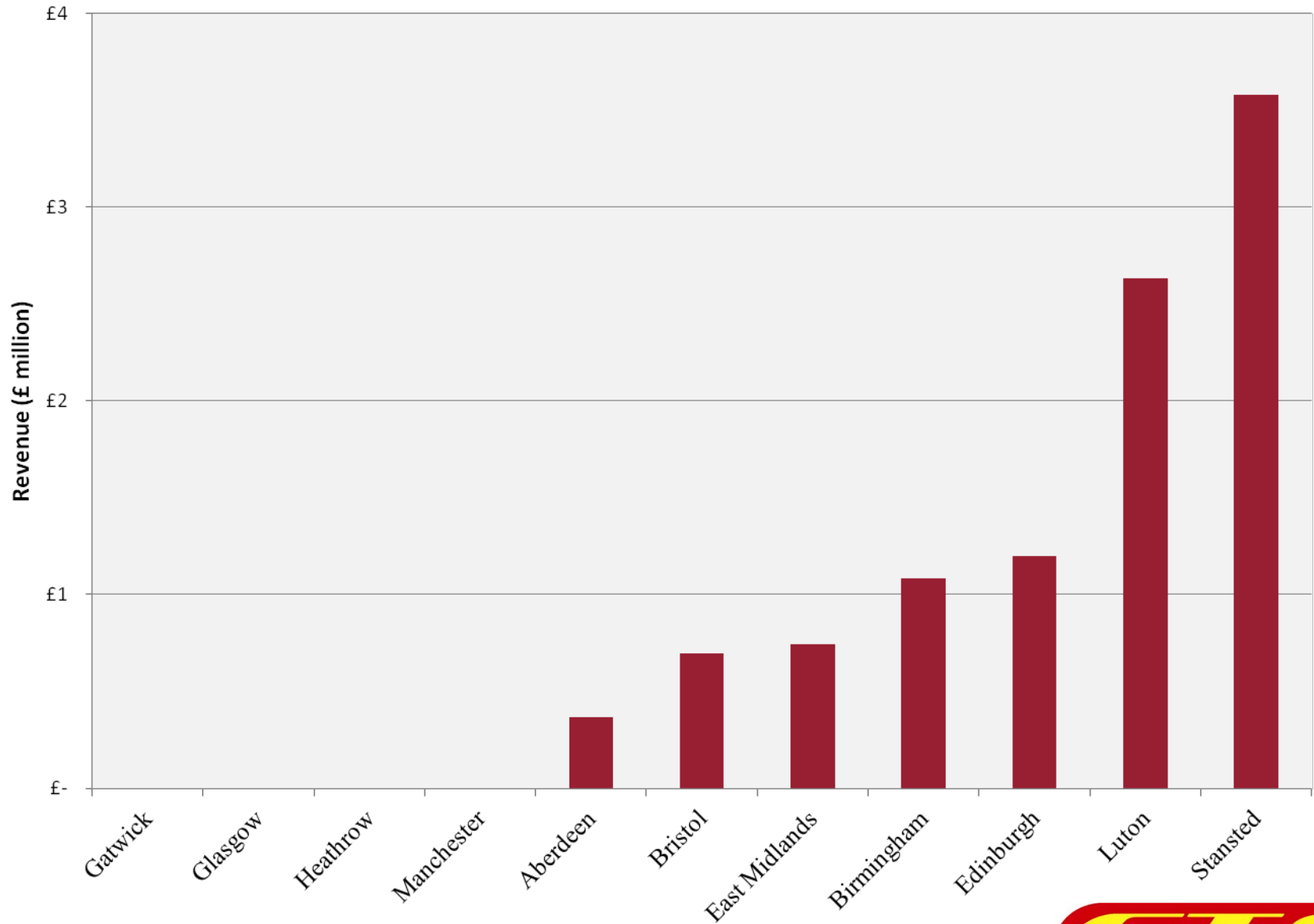
- The CAA conducts surveys on various British airports every year.
  - Asks about modal choice to arrive at the airport.
  - Assumes people arrive and depart from the airport using the same mode.
- Using most recent data, an estimate can be calculated for total revenues.
  - Upper bound estimate because it assumes all vehicles go through drop zone rather than free alternative lots.

<b>Airport</b>	<b>Total Terminating Passengers (000's)</b>	<b>Dropped Off in Private Vehicle (%)</b>	<b>Drop Off Charge</b>	<b>Approximate Drop Off Revenue</b>
Stansted	17,051	21	£ 2.00	<b>£ 3,580,710.00</b>
Luton	9,399	28	£ 2.00	<b>£ 2,631,720.00</b>
Edinburg	9,578	25	£ 1.00	<b>£ 1,197,250.00</b>
Birmingham	8,656	25	£ 1.00	<b>£ 1,082,000.00</b>
East Midlands	4,262	35	£ 1.00	<b>£ 745,850.00</b>
Bristol	5,805*	24	£ 1.00	<b>£ 696,600.00</b>
Aberdeen	2,529	29	£ 1.00	<b>£ 366,705.00</b>
Gatwick	32,306	16	£ 0	<b>£ 0</b>
Glasgow	6,860	36	£ 0	<b>£ 0</b>
Heathrow	45,563	15	£ 0	<b>£ 0</b>
Manchester	19,786	29	£ 0	<b>£ 0</b>

\*All terminating passenger figures come from the 2013 CAA survey, except Bristol, where the most recent estimate is on the 2012 survey.

As “terminating passenger” represents any non-connecting passenger who arrives to or departs from the airport, the figure is divided in half to calculate revenue from drop off charges.

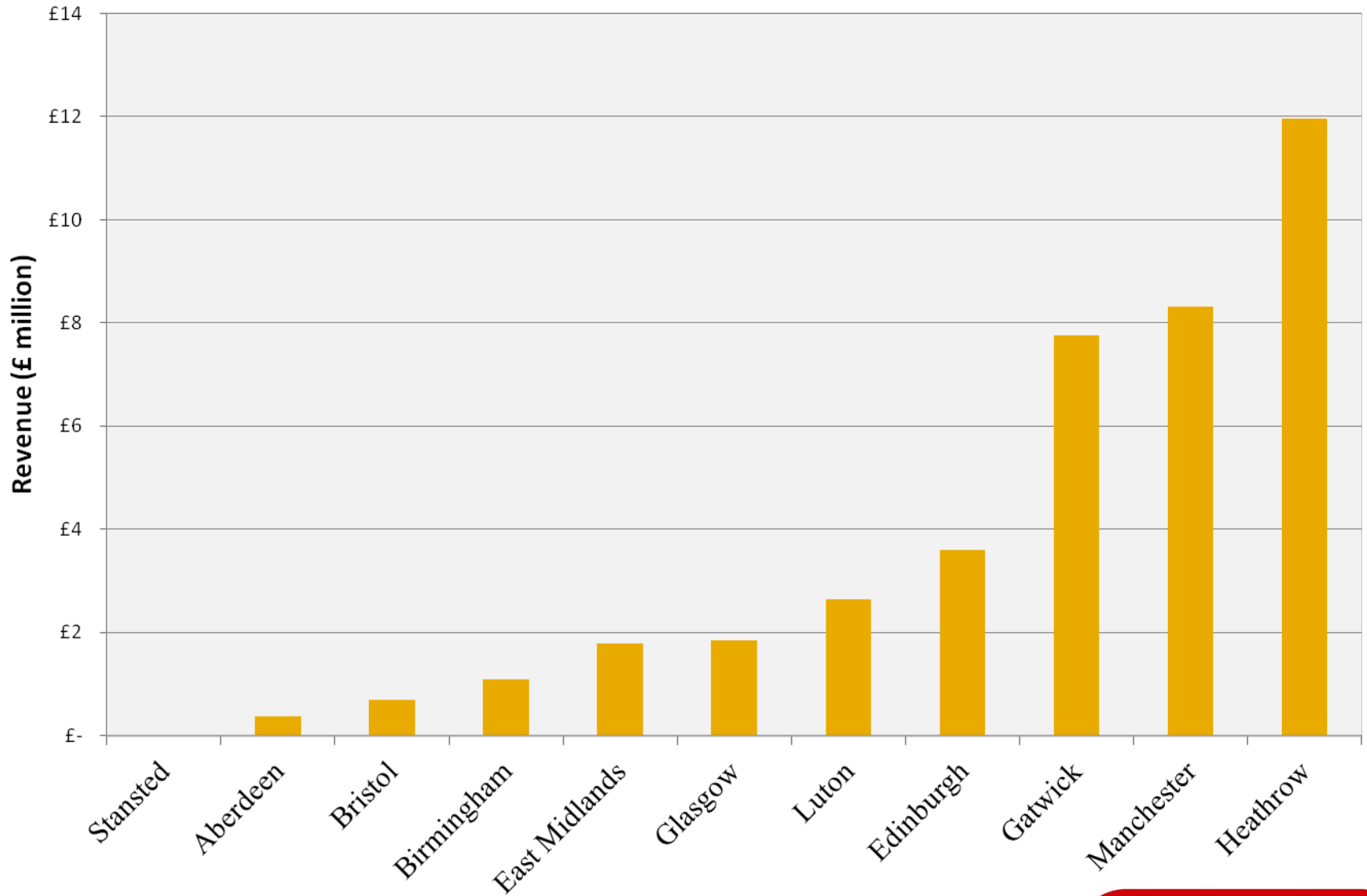
# Upper Bound Revenue Estimate for Drop Off Charge, by Airport



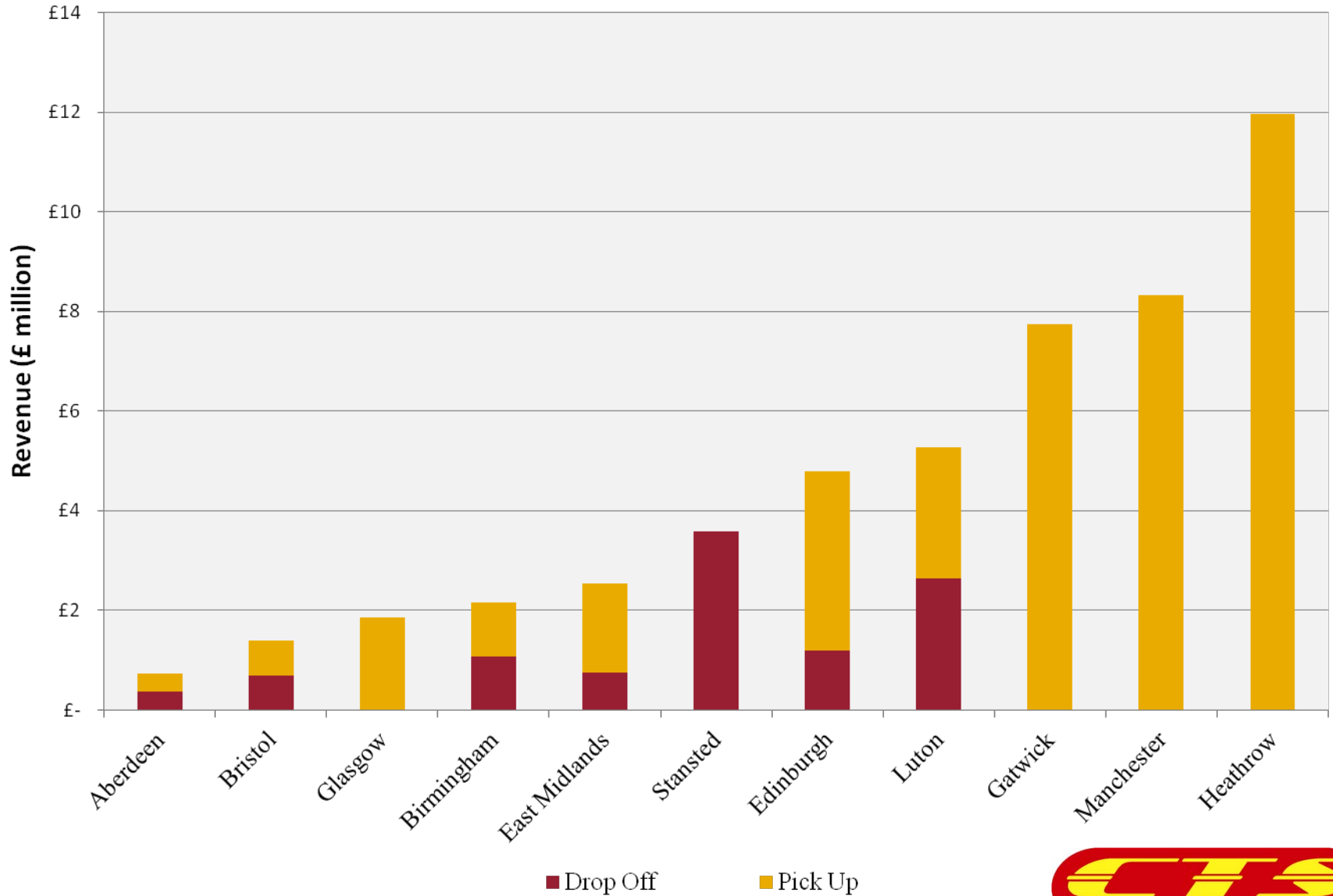
<b>Airport</b>	<b>Total Terminating Passengers (000's)</b>	<b>Dropped Off in Private Vehicle (%)</b>	<b>Pick Up Charge</b>	<b>Approximate Pick Up Revenue</b>
Heathrow	45,563	15	£ 3.50	<b>£ 11,960,287.50</b>
Manchester	19,786	29	£ 2.90	<b>£ 8,320,013.00</b>
Gatwick	32,306	16	£ 3.00	<b>£ 7,753,440.00</b>
Edinburgh	9,578	25	£ 3.00	<b>£ 3,591,750.00</b>
Luton	9,399	28	£ 2.00	<b>£ 2,631,720.00</b>
Glasgow	6,860	36	£ 1.50	<b>£ 1,852,200.00</b>
East Midlands	4,262	35	£ 2.40	<b>£ 1,790,040.00</b>
Birmingham	8,656	25	£ 1.00	<b>£ 1,082,000.00</b>
Bristol	5,805	24	£ 1.00	<b>£ 696,600.00</b>
Aberdeen	2,529	29	£ 1.00	<b>£ 366,705.00</b>
Stansted	17,051	21	£ 0	<b>£ 0</b>

Assumes passengers arrive and depart from airport using same mode of transport.

## Upper Bound Revenue Estimate for Pick Up Charge, by Airport



# Total Upper Bound Revenue Estimates for Drop Off and Pick Up Charges, by Airport



# Possible Charges in the United States?

- The US does not currently have drop off or pick up charging schemes.
- Using available airport data on:
  - Number of non-connecting passengers,
  - Percent of passengers dropped-off.

Potential revenues can be estimated for several major airports in the US.

<b>Airport</b>	<b>Total Annual Passengers (2013)</b>	<b>Non-Connecting Passengers (%)</b>	<b>Dropped Off (%)</b>	<b><i>Estimated Upper Bound Revenues</i></b>
LAX	66,702,252	62	37	<b>\$ 15,301,496.61</b>
Miami	40,563,071	55	45	<b>\$ 10,039,360.07</b>
Atlanta	94,430,785	35	25	<b>\$ 8,262,693.69</b>
JFK	50,423,765	65	25	<b>\$ 8,095,535.47</b>
Boston Logan	30,236,200	90	28	<b>\$ 7,619,522.40</b>
Newark	35,016,236	60	35	<b>\$ 7,224,199.65</b>
O'Hare	66,883,271	45	22	<b>\$ 6,621,443.83</b>
Portland	15,029,196	85	36	<b>\$ 4,598,933.98</b>
Midway	20,491,422	73	27	<b>\$ 4,038,859.28</b>
San Jose	8,783,319	91	49	<b>\$ 3,916,481.94</b>
LaGuardia	26,722,183	78	19	<b>\$ 3,892,700.56</b>
Oakland	9,742,887	95	42	<b>\$ 3,887,411.91</b>

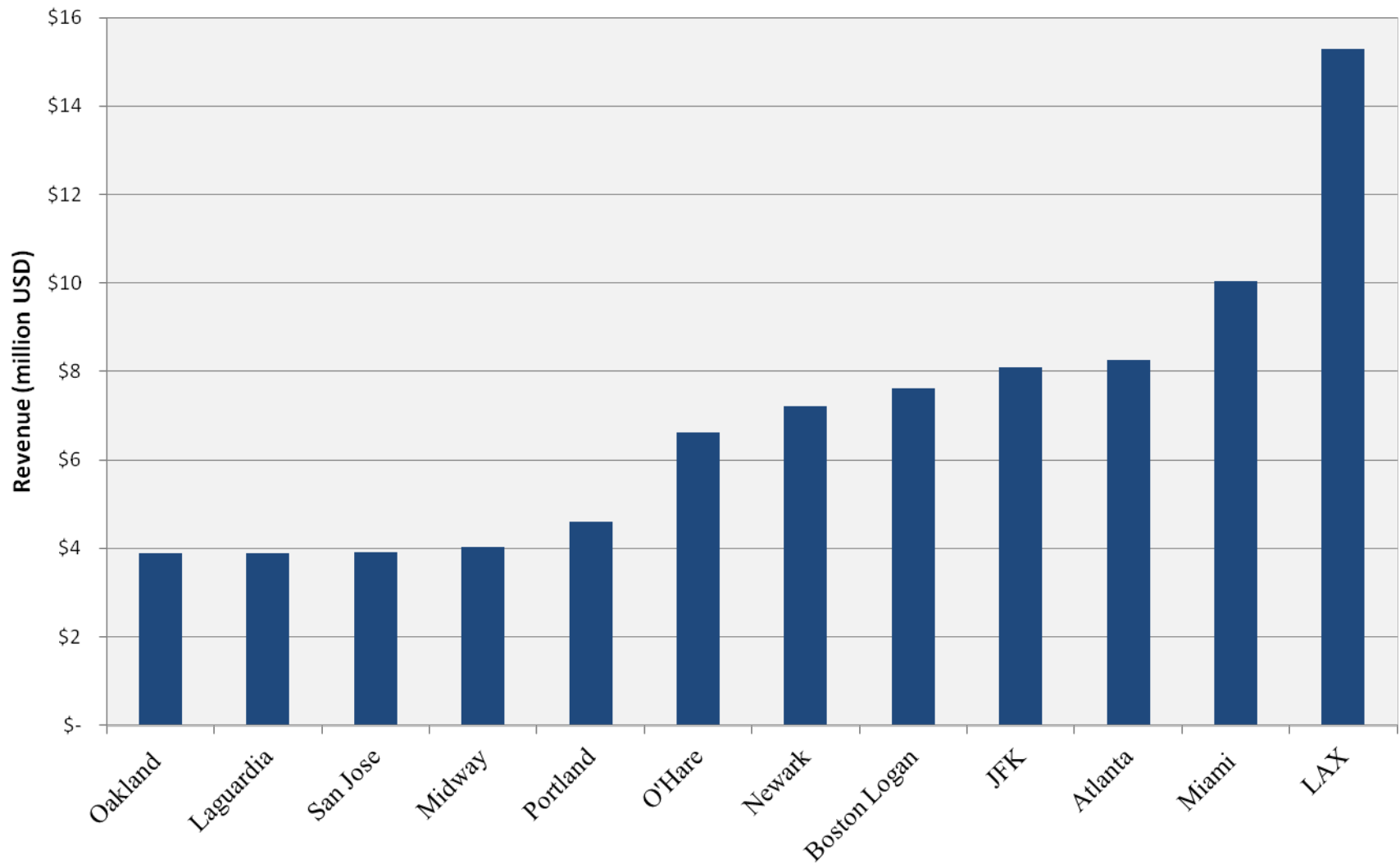
\*\*Using \$1 drop off and \$1 pick up charge for first 10 minutes, then escalating

Assumes departing and arriving passengers use same modes of transport.





## Upper Bound Estimate for Annual Drop Off and Pick Up Charge Revenue, by Airport



Assume \$1 drop off and \$1 pick up charge, and a 50-50 split of passengers arriving and departing airport.

# Reaction to Drop Off Charge

- Public response has been generally negative:
  - “Outrageous” and a “Rip off;” another example of airports nickel and diming customers,
  - Signage is not always clear.
- Alternative drop off areas are inconvenient:
  - Heavy luggage,
  - Long wait times,
  - Bad weather,
  - Free lots often have strict time limit.

# Effects on Taxi Industry



- Unless the ride was schedule ahead of time, drivers did not *initially* have a way to transfer charge on to customers.
  - A £1-2 charge could produce as much as a 10% loss in profit for taxis making frequent airport trips
- Legislation has since been passed which allows taxi drivers to transfer charge.
- Self-employed drivers are the most affected.

# Effects of the Charge

- Data is so far inconclusive:
  - May create a safety hazard as drivers rush through the zone to avoid steeper charges.
  - No observed increase or decrease in public transport use after imposing the charge.
  - Environmental benefit would be small compared to total airport emissions.
- Yet, airports are profiting from the charge.

# Future of Drop Off Charges



- The continued adoption of the practice suggests that drop off charges are here to stay in Great Britain.
  - Generates revenue benefits.
  - Few negative consequences on airport use.
- Will it come to the United States?
  - Perhaps.
- As revenue benefits are further realized, the likelihood that airports outside of the UK will adopt the practice increases.