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## R SHEET ON AIRPORT RENTAL CAR ACCESS

November 2019

### BACKGROUND

America's airports are the core infrastructure of the nation's long-distance passenger transportation market. They're places where people from large regions meet to travel together to faraway cities before dispersing to their final destinations. The process works, for the most part: About 1 in 10 miles we travel is by air.<sup>1</sup> But getting all these people to and from centralized transportation hubs isn't so simple, and it has created a large market with specialized firms that must coexist with government airport infrastructure owners.

Land around airports is valuable transportation real estate, both for passengers and airport-using freight businesses. Beyond freight operations, areas immediately adjacent to airport terminals are occupied by a mix of car parking (with shorter-term lots at higher rates in closer proximity), rental car depots, and places for taxis and transportation network company drivers to wait.

Airport access points are limited, and their associated infrastructure is scarce. As the owner and regulator of those access points, airport authorities, in their role as government planners, are empowered by states to decide whether and how to manage the demands of various potential users. Their decisions determine how people get to and from their flights, and whether any particular type of access receives government preferences that safeguard their ground transportation market share. Airport parking is one such market, but one of decreasing importance with the rise of new transportation network companies. A more challenging question is how to regulate access for new types of online-platform-based rental car companies and other developing technologies.

### SUMMARY

- Governments own airports and control how ground transportation providers access them.
- Government-determined airport access is prone to picking winners and losers, creating ad hoc and uneven terms of access.
- Transparent regulations and fees can help make access to airport facilities more reflective of consumer demand.

### CURRENT DEBATE

Airport managers, like other government property managers, have a range of policy options to control private use of and access to public property. At one extreme, airport authorities can own or contract with highly regulated monopoly transportation providers. At the other, airport managers can allow airport ground transportation to be a zero-fee commons, with little-to-no airport-specific regulation.

Each airport's facilities are unique, leading authorities to exemplify both extremes, but most fall somewhere in between. Airport access for ground transportation providers is controlled by airport-level regulation, but in an uneven and sometimes haphazard way. New entrants in the industry were long scarce, allowing airport authorities to approve new providers on a one-off basis. This avoided the burdensome process of setting up formal rules and transparent fee structures in the short term, at the cost of both erecting barriers to new firms as well as creating uneven access terms for market participants.

1. "U.S. Passenger Miles," U.S. Bureau of Transportation Statistics. <https://www.bts.gov/content/us-passenger-miles>.

## ACTION ITEMS

Leveling the playing field for airport rental car access is a political decision for policymakers at local airport authorities, as well as at the state level. The goal should be to adopt an open posture for new market entrants, while at the same time requiring that all transportation companies who seek to access airport property and serve travelers are subject to the same transparent rules and fees.

While local airport authorities bear more of the cost of adapting to advances in ground transportation technology, they can limit these ongoing costs by formalizing their fees and regulations for airport ground transportation providers, such as rental car firms. The goal should be to create a transparent, publicly available airport access fee schedule that potential entrepreneurs can plan around before entering the local transportation market.

Similarly, airport authority regulation of ground transportation should be transparent, public and based on evidence that the rule is necessary to prevent the provider from imposing health, safety and congestion costs on the public infrastructure operator. Rules should be applied based on how rental and other transportation firms use airport facilities, not the internal organization of infrastructure-using companies. Where airport authorities lack a clear mandate to regulate ground transportation modes based on corporate form, states can pass laws to ensure this power is clear and without caveat. With broad authority to manage the facilities in their care, airport authorities that want to get the most out of advances in ground transportation technology stand to gain from creating simple, transparent fees and formal-but-limited regulations.

States have the ultimate authority to direct how lower-level government infrastructure managers regulate their ground-based facilities. These lawmakers are also tasked with regulating other ground transportation firms, and oversee local governments that have their own regulations of ground transportation providers. It is in the interest of a broad set of policymakers that transportation innovation allows state citizens to make more efficient use of public transportation facilities. When airports prevent new entrants from accessing their facilities, the broader region loses out both on individual access to the new product and any extra economic activity that may come from people saving time or money getting to and from the airport.

Should airport authorities choose to regulate ground transportation with one-off, ad hoc decisions, state law-

makers may see fit to ensure local airports have transparent, simple airport access fee structures and rules. These would allow new types of firms to enter the airport ground transportation market but ensure that they do so on transparent and equal terms with already-existing firms.

## CONTACT US

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