



Transportation Seminar Series

*Friday, February 13, 2009
4 - 5 p.m. in 240 Bechtel Engineering Center*

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Taxing for Takeoff: Incidences of Airport Taxes

Abstract: The study uses the different start dates of U.S. airport taxes as a natural experiment to estimate how tax affects airfares. Based on over 10 million plane tickets from 1993 to 1995, it shows that with the same tax added, fares go up significantly for nonstop tickets but stay constant for connecting tickets.

For public economics, two hypotheses hence find empirical support. First, prices increase more for products with lower demand elasticity (i.e. nonstop tickets); second, tax can be over-shifted to consumers as a \$3 tax on nonstop tickets pushes fares up by about \$7.

For public policy, instead of relying on statutory tax rates, we now know the incidences that account for market responses. With such information, we are better prepared to address other concerns like efficiency and equity besides hitting revenue targets.

Bio: Mr. Huang spent his undergraduate years at two universities: National Taiwan University where he received his bachelor's degree in civil engineering and University of Western Ontario in Canada where he was an exchange student. He then worked at Taiwan Air Force as an airport engineer and at Civil Aeronautical Administration as a flight operations officer. Before coming to Berkeley, he also spent a year in Czech Republic on a travel-study fellowship. He is currently a PhD candidate at UC Berkeley, and his research focuses on transportation economics, finance, and policy.

Please join us for a TRANSOC-sponsored cookie hour in the ITS library at 3:30 p.m.