Quality Disclosure and Gaming: Do Employee Incentives Matter?

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Abstract

We investigate gaming of a public disclosure program and, in particular, whether gaming depends on the incentives provided to the employees who are most likely to carry out the gaming. We do this in the context of the government-mandated disclosure of airline on-time performance. While this program collects data on the actual minutes of delay incurred on each flight, it ranks airlines based only on the fraction of their flights that arrive 15 or more minutes late. This creates incentives for airlines to game the program by reducing delays on specifically those flights they expect to arrive with about 15 minutes of delay. In addition, several airlines have introduced employee incentive programs based explicitly on the airline's performance in the government program. Our empirical analysis finds no evidence of gaming by airlines without incentive programs or with incentive programs with targets that are unrealistically hard to achieve. On the other hand, we find strong evidence of gaming by airlines that implemented incentive programs with targets that could be – and were - achieved. Specifically, we find that their flights that are predicted to arrive with about 15 minutes of delay have significantly shorter taxi-in times and are significantly more likely to arrive exactly one minute sooner than predicted. Our findings highlight that gaming of a disclosure program will not only depend on the design of the program but will also depend on if and how the measured quality dimensions can be manipulated and whether those who are in a position to manipulate them have incentives to do so.

Key words: Disclosure; Gaming; Incentives

JEL codes: L2, L5

I. Introduction

Disclosure programs exist in many industries in which consumers are imperfectly informed about product quality.[1] While the empirical literature on these programs has generally found that they result in improvements in product quality, there is also considerable evidence that firms make targeted efforts to improve their *reported* quality, potentially at the expense of other quality dimensions (see, for example, Dranove *et al.*, 2003, Jacob, 2005, Werner and Asch, 2005, Lu, 2009 and Neal and Schanzenbach 2010). Such gaming may both distort the information being conveyed to consumers as well as lead firms to inefficiently allocate resources.[2] The existing evidence implies that, in addition to considering the cost, precision and usefulness of the information being provided, the design of an optimal disclosure program must also anticipate the ability of firms to game the program.[3] However, the potential for gaming will depend not only on features of the program but also on the characteristics of the product as well the organizational structure and incentives in place at the firm. For example, whether gaming takes place will depend on which dimensions of product quality are measured, if and how these dimensions can be manipulated and whether those who are in a position to manipulate them have incentives to do so.

This paper begins to explore this problem by investigating the relationship between gaming and the incentives provided to the employees who are most likely to implement the actions required for gaming to occur. While we focus on a particular

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[1] See Dranove and Jin (2010) for a review of the literature on disclosure programs.

[2] In designing disclosure programs, policy makers face a trade-off between providing information that is comprehensive on all dimensions of quality versus information that is sufficiently easy for consumers to process and understand (e.g. Hastings and Weinstein, 2008). This is particularly important when consumers are heterogeneous in their valuation of different quality dimensions.

[3] A related literature on "notches" points out that similar issues exist in the design of taxes and subsidies (see, e.g., Sallee and Slemrod, 2010).

empirical context, the issues we consider are re

whole placed at or near the top of the DOT ranking. While all of the programs potentially faced a free-rider problem, the programs differed significantly in how easy it was to achieve the target ranking and thus in the strength of the incentives provided to employees.

Finally, the richness of the data available allows us to identify gaming in a very precise way. Because we observe each stage of a flight, we can calculate an estimate of a flight's *expected* delay at various points in its progression. This allows us to identify flights that are expected to arrive right around the 15 minute cutoff. We can then estimate whether delays on *subsequent* stages of the flight are systematically different for those flights that are close to the cutoff. Moreover, because we observe tens of thousands of flights each year, we can construct quite precise counterfactuals of what these flights' delays would have been absent the incentive to game.

Our empirical analysis uses the very data that is collected by the DOT under the

Perhaps surprisingly, we do not find evidence of gaming by airlines without employee bonus programs in place. However, we find strong evidence of gaming by the first two of the five airlines that introduced these types of incentive programs - Continental Airlines (in 1995) and TWA (in 1996). During the first three years of its bonus program, Continental's taxi-in times for flights expected to be between 15 and 16 minutes late were about 13 percent shorter than its taxi-in times for flights with expected delays of less than 10 minutes. We see effects of a very similar magnitude when we look at TWA. Moreover, the estimates for Continental and TWA reveal a discontinuous relationship between taxi-in times and expected delay right around the 15 minute threshold. While one might have thought that airlines have the greatest incentive to reduce very long delays (because the costs of delays may be convex), we find that taxi-in times for the flights with predicted delays in the critical 15 minute range are significantly shorter thantes for C

programs had been introduced, the DOT rankings had expanded to include between 17 and 20 - rather than 10 – airlines. At least one of these airlines – Hawaiian Airlines – consistently had much better on-time performance than any of the large network carriers.

The gaming we document may impact welfare in two ways. First, it may distort the information being conveyed to consumers. We carry out simulations that show that airlines' selective reduction in taxi-in times of threshold flights can result in an improvement in their DOT rank of at least one place. To the extent that the 15 minute cutoff used in the ranking is imperfectly correlated with the dimensions of on-time performance that consumers care about, then changes in rankings that are simply due to gaming may cause consumers to believe that an airline has improved on the dimensions they care about when they have not. Second, if the reductions in delay for the threshold flights are achieved by reallocating scarce resources, then there could be negative externalities on other flights in the form of longer delays. In our empirical setting, identifying such externalities without knowledge of when and from where resources are reallocated is difficult because, at the times when resources are scarce, any one of a very large number of flights could potentially be affected. We have not found evidence of externalities in the data, but we also cannot rule out that they exist.

We believe that this paper makes an important contribution to the existing literature in this area. To our knowledge, it is the first large-scale empirical analysis of gaming to explicitly investigate the link between gaming by firms and changes in the incentives in place inside those firms.[5] Our results show that despite the incentives for gaming that are inherent in the design of the DOT disclosure program, gaming only takes

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[5] There is a related literature on gaming of employee incentive programs, including Oyer (1998), Courty and Marschke (2004) and Larkin (2007).

place when the employees who are in the position to improve the relevant dimension of quality are explicitly incentivized to do so. More generally, we believe this paper highlights the importance of considering interactions between the design of a disclosure program design - specifically, the dimensions of quality that are being measured - how, when and by whom these dimensions can be manipulated and the incentive schemes in place at a firm. Finally, we also see this paper as contributing to the ongoing policy discussion on the use of disclosure programs to resolve informational asymmetries in areas such as public education, health care and environmental regulation. For example, our results suggest that recent efforts to financially reward public school teachers based on the percentage of their students who pass standardized tests may exacerbate the teachers' incentives to focus their efforts on students who are near the threshold for passing, at the expense of other students.[6]

The rest of the paper is organized as follows. Section II provides institutional background on the government disclosure program and on the airline bonus programs. Section III describes our data and sample. We outline our empirical approach in Section IV and present our results in Section V. A final section concludes.

II. Institutional Background

II.A. Disclosure of Airline On-Time Performance

All airlines that account for at least one percent of U.S. domestic scheduled passenger revenues have been required to submit information on their on-time performance to the Department of Transportation under Title 14, Part 234 of the Code of

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[6] The results in Neal and Schanzenbach (2010) suggest that the introduction of accountability programs has already shifted teachers' attention to students near the threshold.

The DOT uses the data it collect to issue monthly reports that rank airlines based on the percentage of their flights that are late under the 15 minute definition. These rankings are published in the DOT's "Air Travel Consumer Report", which also contains separate rankings of airlines based on baggage handling, oversales, and customer complaints. Firms only have an incentive to game the disclosure program if consumers in fact care respond to the disclosed information. Forbes (2008) shows that consumers' willingness-to-pay falls in response to longer flight delays. Similarly, the fact that several airlines refer to their placement in the DOT rankings in their advertising campaigns suggests that at least the airlines perceive that consumers care about on-time performance. Finally, the DOT rankings are often picked up in national or local media outlets. A typical news story

ranked second or third and to pay $100 in months that the airline ranked first. The bonus program was part of a larger turnaround effort called the "Go Forward Plan" which sought to address poor performance and profitability at the airline.[8] The two other parts of the "Go Forward Plan" which were also related to improving on-time performance were changes in the flight schedule that increased aircraft turnaround time (i.e.: the time between flights) and the replacement or rotation of the senior manager at every airport. While overall improvement in on-time performance after the introduction of the bonus program may be the result of a combination of all three changes, the other components should not differentially affect flights close to the 15 minute threshold.[9]

In June 1996, TWA implemented an employee bonus program which closely resembled Continental's. The program was later amended to reward employees if high rankings were sustained for an entire quarter and, in 1999, was changed to reward absolute measures of on-time performance rather than relative rankings. Three other airlines introduced similarly structured bonus programs in subsequent years. These were American Airlines in April 2003, US Airways in May 2005, and United Airlines in January 2009. With the exception of American Airlines, all of these carriers introduced their programs after periods of poor performance. A notable difference between these later programs and the earlier programs, however, is that the later programs would only reward employees in months that the airline ranks first or second, even though by this time the number of carriers that participated in the rankings had increased.[10]

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[8] In 1994, Continental had the worst average on-time performance ranking among the ten reporting airlines.
[9] However, increased emphasis within the organization on meeting the DOT's on-time target could enhance the effect of the explicit incentives provided by the bonus program.
[10] US Airways only rewarded a first place in the rankings.

Table 1 summarizes the details of these bonus programs and shows the number of months during the first year after the introduction of the bonus program in which the employees in fact earned bonuses. The table reveals that Continental's employees earned bonuses in 10 of the first 12 months after the introduction of the program while TWA's employees earned bonuses in four of the first

programs created much weaker incentives for gaming because the probability of the airline ranking high enough to achieve the bonus was extremely low.

III. Data

III. A. Data and Sample

Our empirical analysis uses the flight-level data on on-time performance collected by the U.S. Bureau of Transportation Statistics under the DOT's mandatory reporting requirement. We have collected these data for all reporting carriers for every year between 1988 and 2010, inclusive. However, our empirical work below utilizes three separate samples covering the different time periods during which the bonus programs are introduced: 1995 to 1998, 2002 to 2006, and 2008 to 2010.[12] We do this for several reasons. First, the volume of data is such that we cannot estimate regressions using all of the flights of all of the large carriers over a 15 year period in a single sample. Second, as we explain below, our identification strategy exploits variation across an airline's flights arriving at a given airport on a given day. Thus, changing the length of the sample does not substantially affect how our estimates are identified. Finally, given the aggregate changes that have impacted the industry over this 15 year period (e.g., fluctuations in aggregate demand, increases and decreases in congestion), we prefer to estimate our effects over shorter periods of time.

All of our regression samples include domestic flights operated by the following seven airlines: American Airlines, Continental Airlines, Delta Air Lines, Northwest

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[12] 1995 is also the year in which the DOT began collecting data on wheels-off and wheels-on times and we require this particular data for our empirical analysis.

waiting for a runway or waiting for an arrival gate will therefore be included in taxi-out and taxi-in times, respectively.

III. B. Histograms of Arrival Delays

Figure 1 shows the distribution of arrival delays for the seven network carriers in our regression sample as well as the three other carriers that met the DOT's reporting requirements during our initial sample period. These three additional carriers are Southwest Airlines, America West and Alaska Airlines. We truncate the histogram at -20 on the left and at 60 on the right. The histogram reveals a distribution of delays that peaks at 0. The histogram is fairly smooth but shows discrete spikes at certain values. As the next set of histograms will show, these discrete spikes appear to reflect rounding by carriers who report their delay data manually. It is interesting to note that the spikes generally occur at five minute intervals (e.g. at -5, 0, 5, 10, etc…); however, instead of there being a spike at 15 minutes, the histogram shows a spike at 14 minutes.[14]

In Figures 2A through 2C, we compare the distribution of arrival delays for carriers who report their delays in different ways. Since we only know an airline's reporting type with certainty beginning in March 1998, we only show delays for flights between March and December 1998 in these histograms. Figure 2A shows the distribution of arrival delays for American Airlines, Northwest Airlines, United Airlines and US Airways – all of which reported fully automatically during this period. Their histogram is smooth with a peak around -5 and no apparent spike at 14 minutes. Figure 2B shows the distribution of arrival delays for Southwest Airlines, Alaska Airlines and American West – all of which reported their on-time data manually during this period. This histogram is much

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[14] Much of this pattern is driven by Southwest Airlines, which schedules its flights to arrive on "the 5s" and appears to report many of its delays in five minute intervals.

less smooth, has a large spike at zero (with almost 10% of flights arriving with exactly zero minutes delay) and suggests that these airlines are rounding their delays at the five minute intervals. Finally, Figure 2C shows arrival delays for Continental, Delta and TWA – the three airlines that used a combination of manual and automatic reporting during this time period. This histogram is quite smooth and looks much more like the histogram of the automatic reporters than the histogram of the manual reporters – suggesting these airlines were likely reporting most of their data automatically. The histogram for these carriers - which includes the first two airlines to introduce an employee bonus program based on the DOT ranking - shows a distinct spike at 14 minutes.

In Figures 3A and 3B through Figures 7A and 7B, we compare the before-and-after distributions of arrival delays for each of the airlines that introduced employee bonus programs. Figures 3A and 3B show arrival delays for Continental in the two years before and two and a half years after the introduction of its employee bonus program. These histograms suggest a marked increase in the number of flights that arrive exactly 14 minutes late and a decrease in the number of flights that arrive 15 or 16 minutes late after the introduction of the bonus program. Figures 4A and 4B plot analogous histograms for TWA and show a very similar pattern. For both Continental and TWA, the difference in the percentage of flights delayed 14 minutes compared to 15 minutes is much larger after the introduction of the bonus program than before and also much larger than any other difference observed elsewhere in their distributions.

Figures 5A and5B plot the arrival delay distribution for American Airlines one year before and one year after the introduction of its bonus program. The figures show a very

small discontinuity around the 15 minute mark which is much less pronounced that the discontinuity in the first two sets of histograms. The analogous figures for US Airways and United Airlines before and after the introduction of their programs show no apparent difference in the relative heights of the bars at 14 and 15 minutes.

IV. Empirical Approach

IV.A. Overview of Empirical Approach

We define gaming as a systematic effort by an airline to reduce delays on specifically those flights that it expects to arrive with a delay of just over 15 minutes.[15] To empirically identify gaming, we need to be able to do two things. First, we need to be able to identify flights that an airline expects to be close to the 15 minute threshold. These flights are the most likely candidates for gaming since they are the ones that can presumably be brought below the threshold at the lowest cost. Second, we need to be able to measure whether the airline actually reduces delays on these flights below what they would otherwise have been. This requires a counterfactual measure of what a flight's delay would have been absent any incentive for gaming.

We believe that both of these requirements are met particularly well in our setting. Because our data allow us to observe the various stages of each flight – departure from the gate, take-off from the departure runway, landing on the arrival runway, and arrival at the gate – we can construct a flight's expected delay at each stage and, at any given stage, we can identify those flights whose expected delay is close to 15 minutes. We can then

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[15] The manipulation we focus on here is on effort spent in real-time (i.e.: once a flight is in progress) to reduce delays. This is distinct from manipulation that may occur in advance through what has been termed "schedule padding" – increasing schedule times for the purpose of appearing to be on-time. Schedule padding is potentially a costly strategy because it decreases aircraft utilization and increases labor costs which, in a typical airline contract, are based on the maximum of the scheduled and the actual flight time

investigate whether – in *subsequent* stages of the flight - airlines attempt to reduce delays on specifically those flights that were expected to be around 15 minutes late. Furthermore, we have several ways of determining the counterfactual delay that these flights would have had in the subsequent stages absent the airline's incentive to game. First, we can look at flights just outside the critical threshold. At a given stage of a flight, we can assume that – absent incentives to game – subsequent delays on flights that had expected delays of 15 minutes should be similar to subsequent delays on flights with expected delays of, say, 12 or 18 minutes. Second, we can compare flights with expected delays in the 15 minute range to flights with very long expected delays. If the costs of delays are convex, then airlines should have the greatest incentives to reduce delays on those flights. If we find that airlines make more effort to reduce delays on flights that they expect to arrive close to the 15 minute threshold than on flights that they expect to arrive with very long delays, this would strongly suggest that there is gaming.

It is also worth pointing out that, in our setting, the flights that are candidates for gaming – i.e.: whose predicted delay is right around the critical 15 minute mark – will be identified in real-time and will vary from day to day. This means that airlines cannot engage in ex ante behavior that aims to reduce delays specifically on those flights that they expect to arrive right around 15 minutes late since they simply do not know in advance which flights these will be. This eliminates selection concerns when comparing flights that are candidates for gaming to their "control groups" of flights outside the threshold range. It is also what makes an analysis of the employee bonus programs particularly relevant and interesting.

IV.B. Taxi Time Regressions

Before describing our regression analysis in detail, it is useful to consider at what stages of a flight gaming may take place. Delays can be occurred at any of the stages of a given flight. In theory, an airline that is trying to systematically improve the on-time performance of a flight that it expects to arrive just above the 15 minute threshold could try to reduce delays during any of the phases. However, we expect that airlines will be more likely to try to reduce delays during the later stages of a flight. This is because, as the flight progresses, the airline knows the delay that has been incurred so far and therefore can more precisely predict the total delay the flight will have. For any given predicted level of delay, reducing the amount of noise associated with that prediction increases the likelihood that the airline's effort at reducing a flight's delay will actually result in the flight having a shorter delay. Based on this logic, our empirical analysis focuses on estimating an airline's effort to reduce delays during the final phase of the flight – i.e.: when it is taxiing in to its arrival gate – as a function of its expected delay at the time that it touches down at the arrival airport.[16]

To construct each flight's expected delay at the time that its wheels touch down, we take the flight's wheels-on time and add to it the median taxi-in time for that flight in the quarter.[17] This gives us a predicted arrival time for the flight. The difference between the predicted arrival time and the scheduled arrival time is the flight's predicted

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delay.[18] We then construct a series of dummy variables for each level of predicted delay, in one minute increments. For example, we construct a dummy variable that equals one if a flight's predicted delay is greater than or equal to 10 minutes and less than 11 minutes. We construct another dummy variable that is equal to one if a flight's predicted delay is greater than or equal to 11 minutes and less than 12 minutes. Flights with predicted delays of greater than 25 minutes are grouped together in the top category while flights with predicted delays of less than 10 minutes are used as the excluded group. Thus, we define 16 different predicted delay "bins".

To investigate whether the gaming is affected by the introduction of an employee bonus program, we construct the predicted delay bins separately for airlines without bonus programs in place and for each airline with a program in place and, where possible,

We estimate a flight level equation that regresses a flight's taxi-in time, in logs, on these 64 dummy variables, carrier-airport-day fixed effects and a set of control variables which includes a dummy for the departure airport being a hub, controls for two distance categories (500-1500 miles and greater than 1500 miles), and dummies for each (actual) arrival hour. One can think of the model as estimating four vectors of 16 parameters, one for each of the four groups of flights defined above. Within these vectors, each coefficient represents the change in the log of the taxi-in time for flights in a given predicted delay bin relative to the taxi-in time for flights with predicted delay of less than 10 minutes0878t

V. Results

V.A. Taxi-Time Regressions

coefficient on the 25 minute and over bin and not significantly different from the coefficient on the 18-19 minute bin.

In contrast, the results for the first two carriers that implemented bonus programs show a different pattern. Looking first at Continental Airlines, its flights with predicted delays of 15 to 16 minutes have taxi-in times that are 13 percent shorter than the taxi-in times of its flights that are predicted to arrive less than 10 minutes late. Its flights with predicted delays of 16 to 17 minutes also have taxi-in times that are about 13 percent shorter. Moreover, the coefficients indicate a non-monotonic relationship between taxi-in times and a flight's predicted delay. While flights with predicted delays above or below the critical range also have negative coefficients – indicating they have shorter taxi-in times than the flights in the excluded category – their coefficients are smaller in absolute value indicating that the relative reduction in taxi-in times for these flights is not as great as for flights in the 15 minute range. All three of our hypothesis tests indicate that the coefficient on the 15-16 minute bin is larger in magnitude than the other coefficients we test it against. Given an average taxi-in time of about 6 minutes, the coefficients we estimate for flights in the critical range translate into averags6deu(ctioh)6.1sn in ta[(m)8.3(am)8.3(apn615

significantly larger in magnitude than both the 12-13 and the 25 minute and over coefficients. Since TWA's program was introduced in 1996, we are able to separately estimate the relationship for TWA before and after its program is in place. As the third column of the table indicates, we see no evidence of gaming by TWA prior to the introduction of its program. Figures 8A and 8B contain plots of the coefficients for Continental and TWA after their programs are in place. The non-monotonic relationship is very apparent in these plots.

Table 3B shows the results for the airlines that introduced bonus programs in 2003 and later. In the first two columns we show the results for American Airlines and US Airways after they introduced their bonus programs (estimated on the 2002 to 2006 sample). The third column shows the results for United Airlines after it introduced its program (estimated on the 2008-2010) sample. As above, we also include predicted delay dummy variables for these airlines pre-bonus as well as for the other carriers that did not introduce bonus programs during this period. However, because of space constraints, we only present the post-bonus results in the table. None of the columns show any indication that these programs resulted in gaming as we have defined it. The coefficients on predicted delay bins in the threshold range are very similar in magnitude to or smaller than the coefficients on predicted delay bins above the critical range. In the case of United's program, there is no evidence that taxi-in times for flights in the critical range are any different than taxi-in times for flights that are predicted to be less than 10 minutes late. Thus, while we find strong evidence of gaming following the introduction of Continental's and TWA's bonus programs, we do not find similar evidence of gaming following the introduction of American's, US Airways' and United's programs. As

described earlier, we suspect that this is due

The results are presented in Table 4A. As before, each column displays the 16 coefficient estimates for one of the four different groups of flights and we run three separate hypothesis tests for each of these groups to look for evidence of gaming. Consistent with the results presented in Table 3, the estimates in the first column of Table

above the threshold for being on-time. For both Continental and TWA, flights that are predicted to be between 16 and 17 minutes late (i.e.: arrive two minutes after the cutoff for being considered on-time) are 13 to 14 percentage points more likely to arrive two minutes sooner than predicted than flights with predicted delay of less than 10 minutes. This effect is again substantially larger than it is for flights with any other level of predicted delay and is quite large in magnitude given that their flights in the excluded category arrive two minutes earlier than predicted only about 10 percent of the time. Note that the results in Tables 4A and 4B are also consistent with what is observed in Continental's and TWA's histograms after they introduce their bonus programs – an increase in the fraction of flights that arrive exactly 14 minutes late.

V.C. Manual vs. Automatic Planes

All of the results presented so far indicate that, after introducing their employee bonus programs, Continental and TWA systematically try to reduce delays on those flights that might otherwise arrive right around the 15 minute threshold. However, as discussed in Section II, we believe that, during our sample period, both of these airlines had some number of aircraft that reported on-time data manually. This raises the possibility that what we are measuring as shorter taxi-in times are simply airline employees misreporting the arrival times of flights that would have arrived 15 or 16 minutes late.[20] This would still represent a form of gaming of the incentive program; however, it would be a different type of gaming than actual reductions in taxi-in times. In addition, the welfare implications would be different.

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[20] In our data, taxi-in times are calculated as the difference between arrival times and wheels-on times. As a result, given a plane's wheels-on time, if its arrival time at the gate is recorded as one minute earlier than it actually was, this would appear in our data as a one minute shorter taxi-in time.

The fact that the histograms for Continental and TWA look much more similar to the histograms for the automatic reporters than the histograms for the manual reporters suggests that most of these two airlines' planes are likely to be reporting automatically. However, we have also developed an approach that tries to identify specifically which aircraft may be reporting manually. We exploit the fact that we can track planes in our data by tail number. We look for evidence that some of the planes of combination reporters appear to have their delays rounded in a way that is similar to how the manual reporters appear to round their delays at zero. Specifically, for each aircraft in each year of our data, we calculate the fraction of its flights in that year that have a reported arrival delay of zero. We then compare the distribution of this plane-year level variable across airlines which report their on-time data in different ways.

Table 5 shows the distribution of this variable for all 10 airlines who reported to the DOT in 1996. The 99th percentile of the distribution of this variable for American Airlines – which we expect reported fully automatically in 1996 – is 0.0509 which indicates that only about 1 percent of American's planes arrived with a delay of zero minutes more than 5% of the time. In contrast, for America West which was a manual reporter during this time, 50% of its planes landed with a reported delay of zero more than 5% of the time. Southwest is clearly an outlier here with the 50th percentile of its distribution being 11.72%, far higher than any other airline's. If we compare Continental and TWA to the carriers that we expect are fully automatic in 1996, we see that TWA's distribution is very similar to the automatic reporters while Continental's planes are more likely than the automatic reporters to have reported delays of zero. Based on this table, we categorize any plane that has reported delays of zero for more than 5% of its flights in

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inherent in Continental's program – like those introduced by American and US Airways in the later time period – were much weaker relative to the earlier time period.

V.D. Analysis of Paired Flights

The identification strategy used in all of our earlier analyses exploits variation in delays incurred prior to arrival across a carrier's flights arriving at the same airport on the same day. While it is difficult to think of an unobservable factor that would be correlated with predicted delays and generate the particular relationship between predicted delays and taxi-in times that we find, we nonetheless carry out an additional analysis of taxi-in times that controls even more carefully for possible unobservable factors that may lead to differences in taxi-in times across flights. Specifically, we consider pairs of flights by an airline that land at the same airport on the same day during the same minute. We focus on pairs in which at least one of the flights lands with an expected delay of 25 minutes or more. We construct a variable that equals one if the "late" flight (i.e.: the one that lands with predicted delay of more than 25 minutes) has a shorter taxi-in time than the "early" member of the pair and we relate this variable to a measure of the predicted delay of the early member of the pair. Intuitively, what we are doing is estimating whether the probability that a very late flight has a shorter taxi-in time that an earlier flight that arrives at the exact same time depends on whether the earlier flight is close to the threshold for being considered on-time. The benefit of this is that if there is an unobservable that is correlated with both a flight's arrival time and its taxi-in time, this unobservable should equally affect the threshold flight and the flight with which it is paired.

This empirical exercise requires several changes to the sample and specification. First, because we are only using pairs of flights that land at the exact same time and that have one member of the pair that is predicted to be more than 25 minutes late, we no longer restrict to a random sample of every fifth day of the year. Even utilizing the full sample, we only have about 179,000 pairs (as compared to over 3 million flights in the earlier regressions). Second, we do not have enough pairs by a given airline at a given airport on a given day to include airline-destination-day fixed effects as we do before.

predicted delay in the particular range relative to when the "late" member is paired with a flight with predicted delay less than 10 minutes. The first column shows the estimates for all non-bonus carriers. We find no evidence that the probability of the late flight having a shorter taxi-in time is affected by the predicted delay of its paired flight. On the other hand, the estimates for Continental indicate that when a late flight lands with a flight that is predicted to be15 to 17 minutes late, it is almost 13 percentage points less likely to have a shorter taxi-in time than when it lands with a flight that is predicted to be less than 10 minutes late. While it is reasonable to expect that the probability that the late flight wins falls with the expected delay of the other flight in its pair, one would expect to observe a monotonic relationship and this is not what the results for Continental show as the magnitude of the coefficient on the next predicted delay bin is significantly smaller. The probability of the late flight having the shorter taxi time is lowest precisely when it is paired with a flight in the critical range. Interestingly, while TWA's flights exhibit this pattern both before and after the introduction of its bonus program, the pattern is more pronounced before. Since airlines typically only have pairs of flights that land at the same time at their hubs and since TWA only has a single hub (at St. Louis), the results for TWA may be sensitive to other changes TWA made at its lone hub around the time it introduced its bonus program.[21]

V.E. Externalities

All of our results indicate that, after the introduction of their bonus programs, both Continental and TWA selectively reduced delays on flights that would otherwise

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[21] We have also estimated these paired models for American, US Airways and United when they introduce their bonus programs and, consistent with our earlier analyses, find no evidence of gaming.

have been likely to arrive just above the cut-off for being considered on-time. While some of this may be misreporting, given the small number of manual planes we identify, much of what we are measuring is likely actual reductions in flights' taxi-in times. If the reductions in the taxi-in times of threshold flights are driven by the reallocation of scarce resources, negative externalities on other flights may result. Furthermore, if resources are reallocated from flights where the cost of an additional minute of delay is greater than on threshold flights, then this behaviour will be welfare-reducing. On the other hand, if the shorter taxi-in times on threshold flights are a result of lying or of higher levels of effort from slack resources (e.g., ground crew), then gaming will not impose externalities on other flights.

Empirically uncovering externalities that may result from a reallocation of scarce resources is difficult for a number of reasons. First, it requires us to identify those periods of time when resources are, in fact, scarce. This will depend on how airlines match their demand for and supply of airport and personnel resources over the course of the day. In addition, it will depend on the extent to which actual schedules deviate from anticipated schedules. Second, even if we could identify periods when resources are likely to be scarce and speeding up a threshold flight would require resources to be reallocated, we have no way of knowing which flights will be affected and what way (e.g.: departure or arrival delays). As a result, we are at risk of either missing the effects (if we focus on a very small set of flights) or diluting the effects (if we include many flights and estimate averages).

We have carried out a number of different empirical analyses that explore the existence of externalities and have not found evidence that the gaming behaviour that we

have documented imposes negative externalities on other flights. At the same time, we cannot rule out that externalities may exist. While the paired analysis described above finds that late flights that land with a threshold flight are less likely to have a shorter taxi-in time than the flight they land with, we do not find that those same flights have longer than expected taxi-in times. This suggests that the threshold flight is being sped up but not at the expense of the late flight with which it lands. However, the threshold flight may of course be sped up at the expense of other flights which are not members of the pair. In addition, we have estimated a series of regressions in which we relate the probability that a particular flight lands later than predicted as a function of the number or fraction of threshold flights landing within five minutes of the flight. We do not find that

airport in a given month during arrival time window. The results are robust to these

the prior literature on employee bonus programs. Note that, in order for such effects to occur in our setting, employees would have to be informed not only about their own airline's overall on-time performance in the month so far, but also about the on-time performance of all other carriers. The Department of Transportation only releases this information with a two-month lag, so that the information would have to come from other sources. We find no evidence of end-of-the-month effects, which suggests that airline employees may not have the necessary information to distinguish the months in which the airline is close to achieving the bonus target from months in which it is not.

Finally, we have investigated whether there is any evidence that airlines appear to systematically reduce airtimes in response to a flight's predicted delay at the time of departure. To do this, we have estimated regressions analogous to the taxi-time regressions but with a flight's airtime on the left-hand side and using predicted delay bins that are based on a flight's predicted delay at the time that its wheels leave the ground. We find no evidence that airtimes are systematically shorter for flights that – upon departure – are predicted to be about 15 minutes late. A likely explanation for this is that the delay prediction at the time of departure is quite noisy; thus the airline may not want to devote resources to specific flights based on this prediction.

V.G Simulation of Rankings

To investigate whether the distortions in taxi-in times that we find in our regression analysis can actually impact airlines' overall on-time performance and DOT rankings, we perform a counterfactual simulation that estimates what arrival delays and rankings would be absent gaming. To do this, we take the following approach. Our data suggest that taxi-in times are distributed approximately log-normal. We calculate the

mean and variance of the log taxi-in time for each carrier-airport-month. Then, for each flight in our data, we replace the actual taxi-in time in the data with a random draw from a log-normal distribution with the mean and variance for the appropriate carrier-airport-month. The idea behind this exercise is to replace a flight's taxi-in time with the taxi-in time it would likely have absent any incentive for the airline to systematically reduce taxi-in times on threshold flights. After doing this exercise for every flight in our data,

rankings of at least one position in 15 of the 35 months following the introduction of their program. The simulations indicate that, in 1997, gaming improved Continental's rank in 10 of the 12 months of that year with its rank improving by two or more positions in three of those months. When we simulate TWA's taxi-in times after the introduction of its bonus program, we find its rank improved in 11 of the 31 months we look at it. Thus, the results of the simulation exercise indicate that while a 45 to 55 second reduction in delay may be small in absolute value (and in terms of the disutility to consumers), when applied to flights that are close to the relevant threshold, this selective reduction of delays can impact the reporting rankings and the information conveyed to consumers.

VI. Conclusion

Prior research has shown that while disclosure programs may induce firms to improve product quality, there is also considerable effort by firms to game the schemes under which they are rated. As a result, those designing disclosure programs must try to anticipate the potential for a given scheme to be gamed. However, the potential for gaming will depend not only the structure of the program but also on the characteristics of the product being rated and the incentives in place at the firm. In this paper, we have begun to explore these issues in the context of airline reporting of on-time performance. While the structure of this program creates obvious incentives for airline to game by selectively reducing delays on flights that would otherwise arrive with 15 minutes of delay, those flights cannot be identified in advance and so gaming must take place in real-time by front-line employees who may not have the incentives to manipulate delay in the necessary way.

Our empirical analysis finds no evidence of gaming by airlines who without explicit employee bonus programs in place and no evidence of gaming by airlines with bonus programs that set targets that cannot realistically be achieved. On the other hand, our empirical analysis finds very strong evidence of gaming by the two airlines who introduced bonus programs with targets that could be – and often were – achieved. We find that those airlines have systematically shorter taxi-in times for their flights that are predicted to arrive close to the 15 minute cut-off for being considered on-time. These flights are also much more likely to end up arriving with exactly 14 minutes of delay. Our analysis suggests that some of this represents lying about plan

Figure 1
Distribution of Arrival Delays
Ten Largest U.S. Carriers, 1994-1998
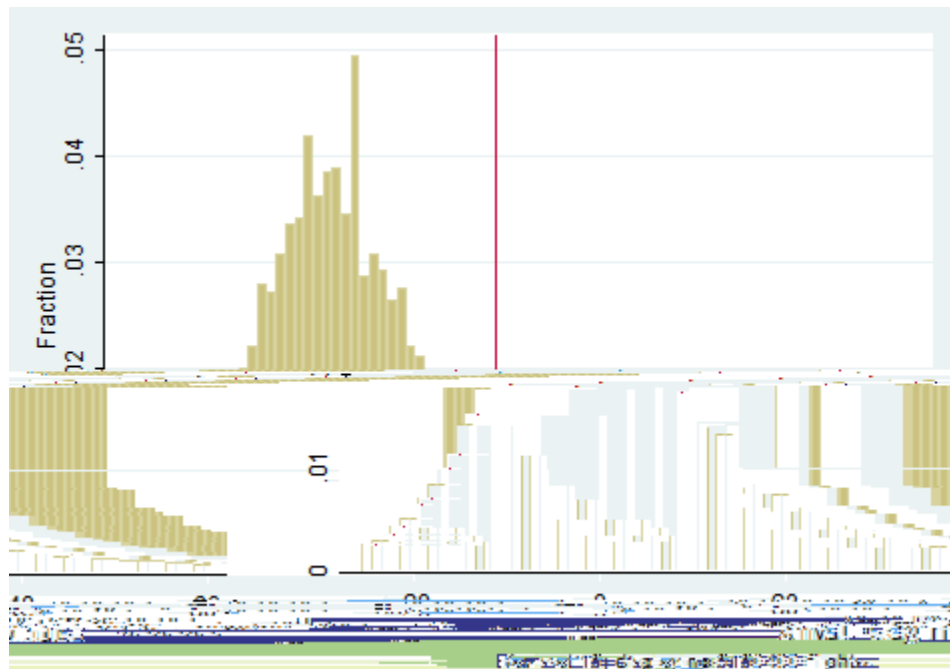
Figure 2A
Distribution of Arrival Delays
Fully Automatic Reporters, March – December 1998
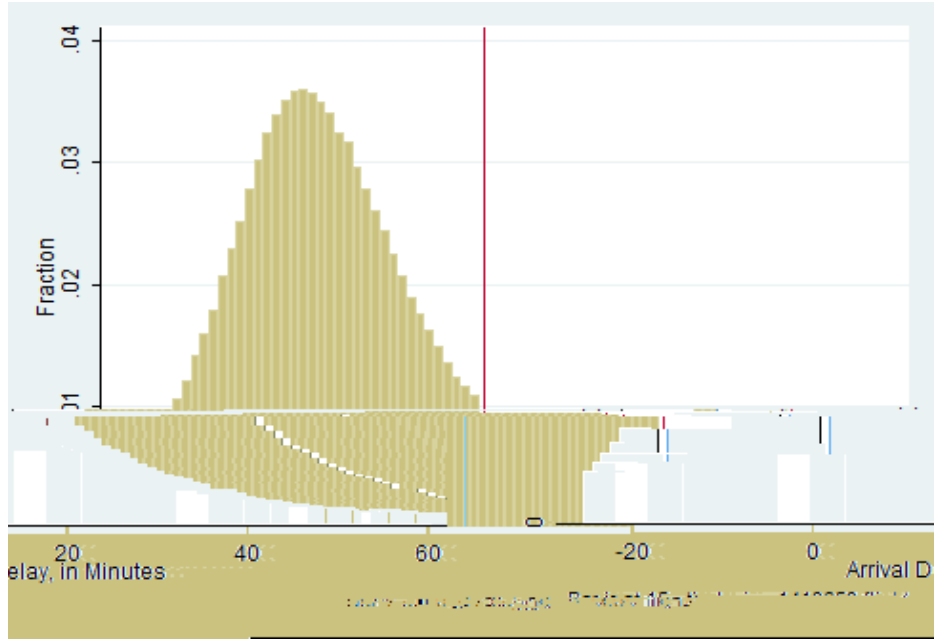
Figure 2B
Distribution of Arrival Delays
Manual Reporters, March – December 1998
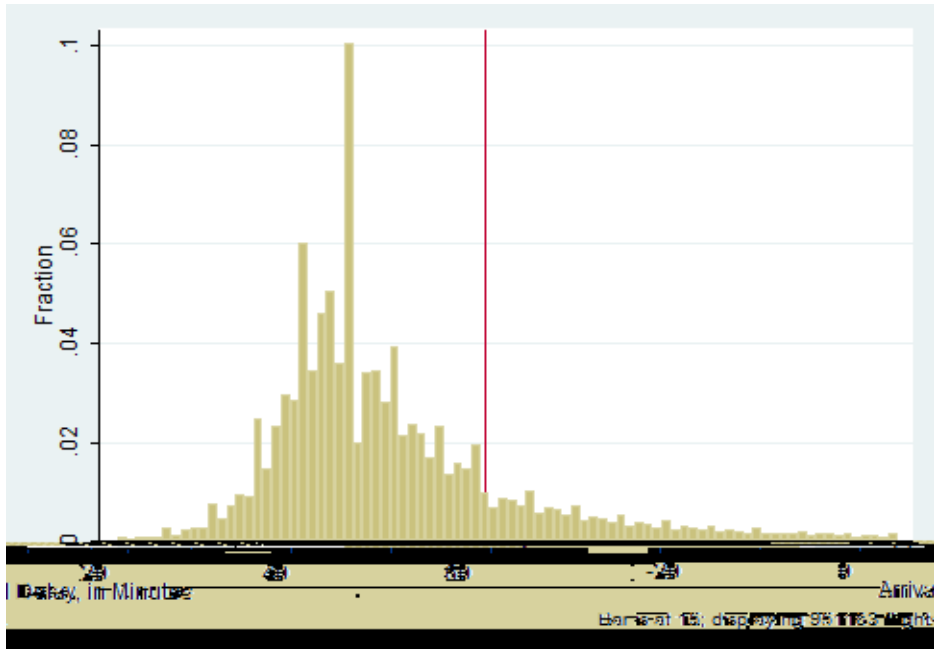
Figure 2C
Distribution of Arrival Delays
Combination Reporters, March – December 1998

Bar is at 15; displaying 1239119 flights
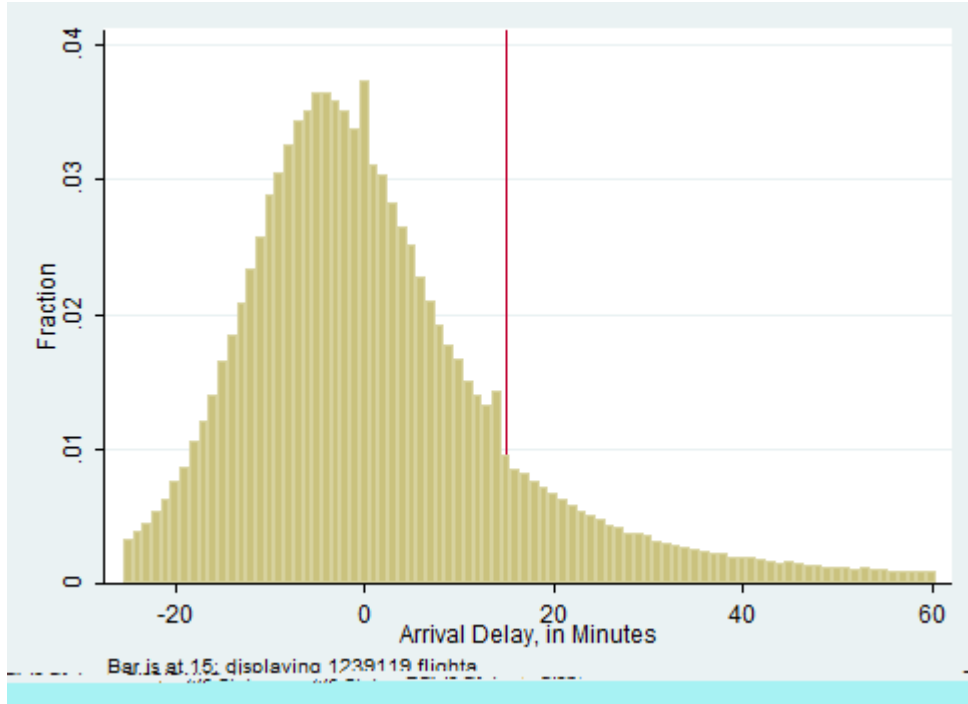
Figure 3A
Distribution of Arrival Delays
Continental Airlines, 1993-1994

Bar is at 15; displaying 475592 flights
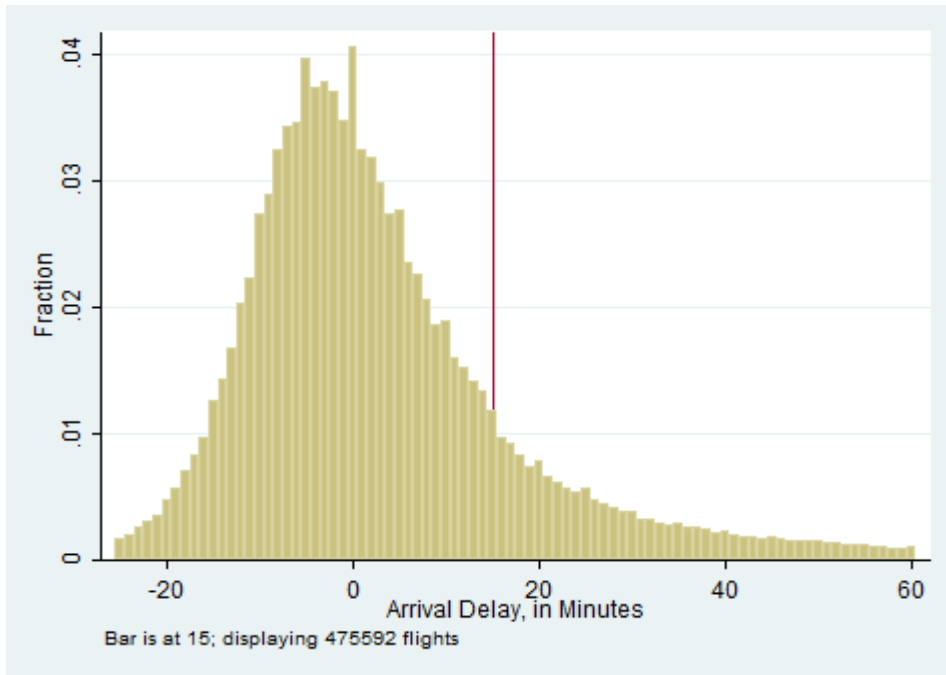
Figure 3B
Distribution of Arrival Delays
Continental Airlines, February 1995-1997

Bar is at 15; displaying 388819 flights
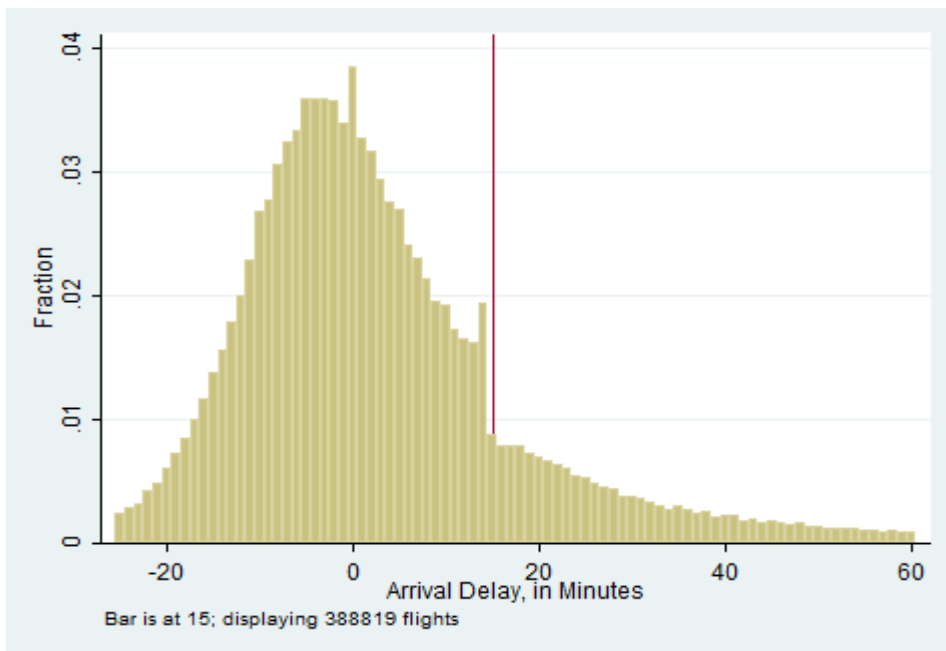
Figure 4A
Distribution of Arrival Delays
TWA, 1994-1995

Bar is at 15; displaying 261254 flights
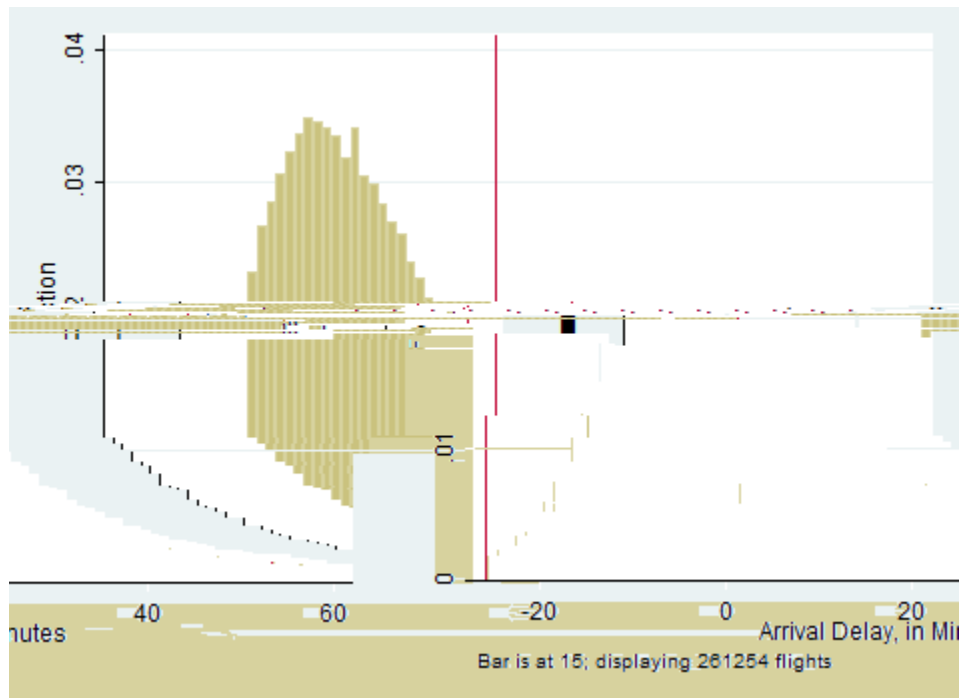
Figure 4B
Distribution of Arrival Delays
TWA, June 1996-1998

44
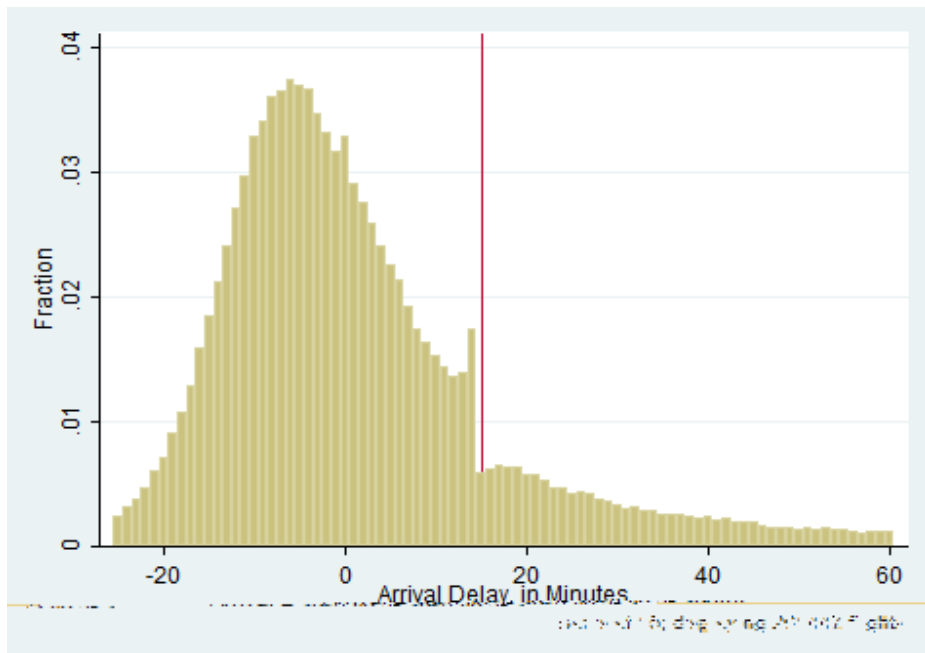
Figure 5A
Distribution of Arrival Delays
American Airlines, 2002
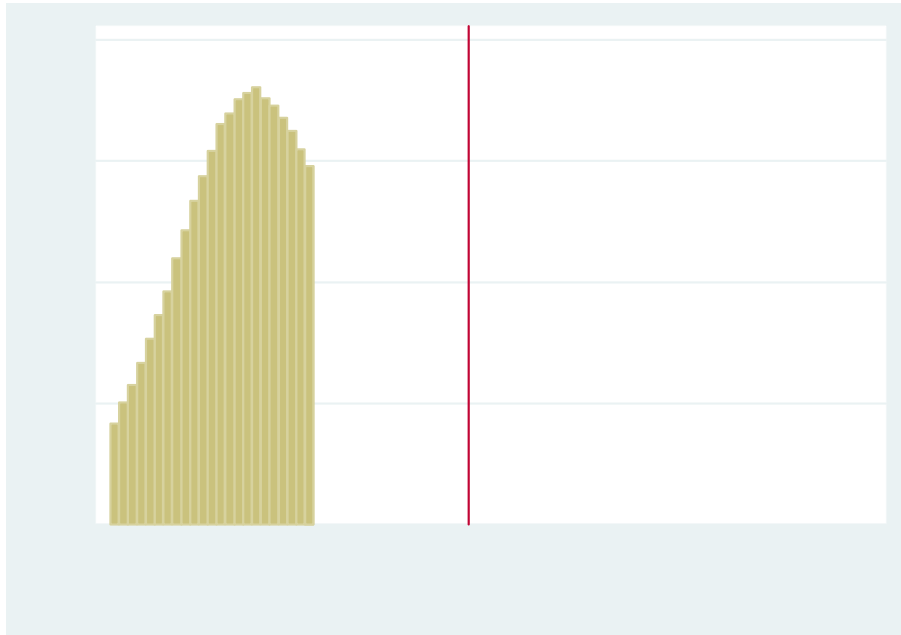
Figure 5B
Distribution of Arrival Delays
American Airlines, 2003

Figure 6A
Distribution of Arrival Delays
US Airways, 2004

Bar is at 15; displaying 419919 flights
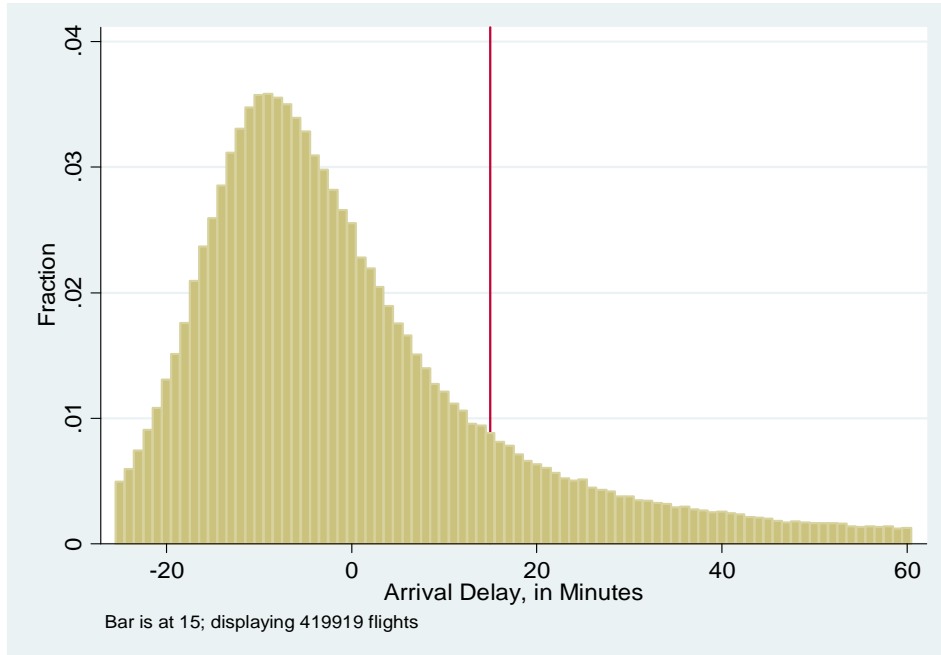
Figure 6B
Distribution of Arrival Delays
US Airways, 2004

Bar is at 15; displaying 425609 flights
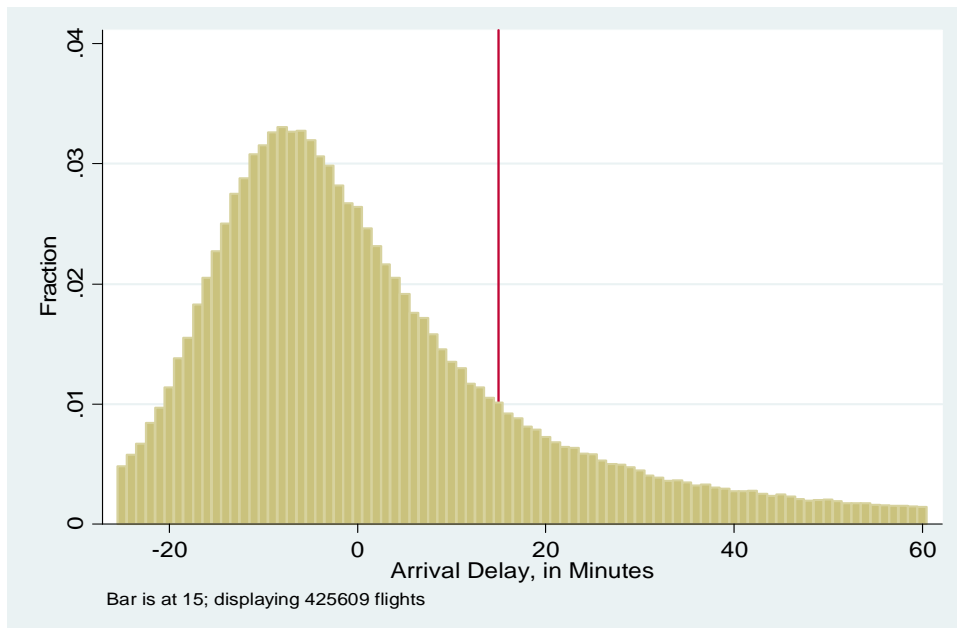
Figure 7A
Distribution of Arrival Delays,
United Airlines, 2008
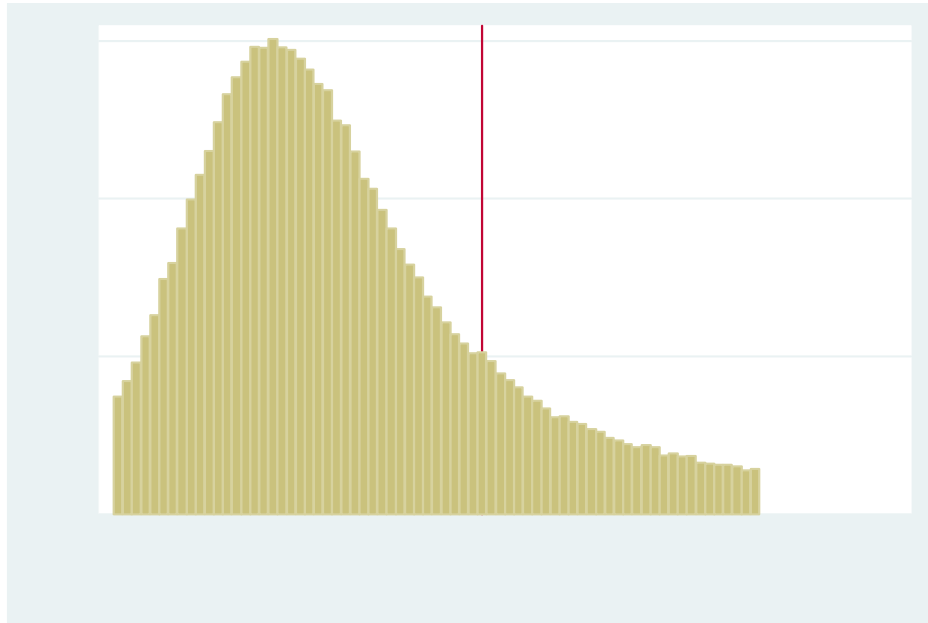
Figure 7B
Distribution of Arrival Delays
United Airlines, 2009

Figure 8A
Coefficients on Continental's Predicted Delay Bins (post-bonus)
(From Table 3A)
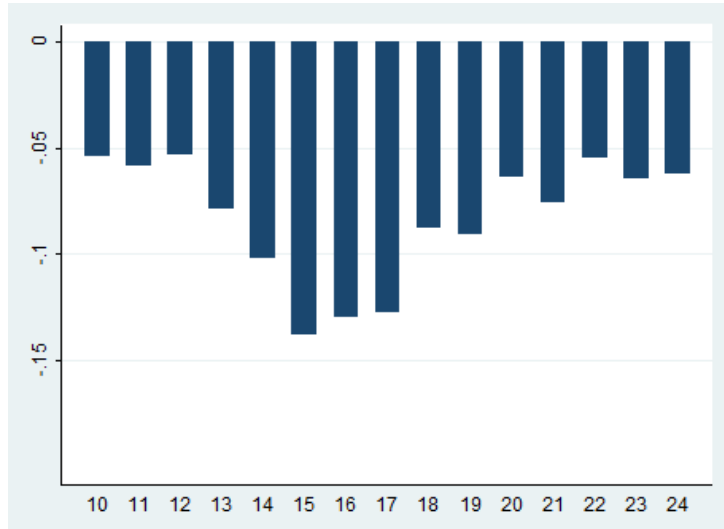
Figure 8B
Coefficients on TWA's Predicted Delay Bins (post-bonus)
(From Table 3A)
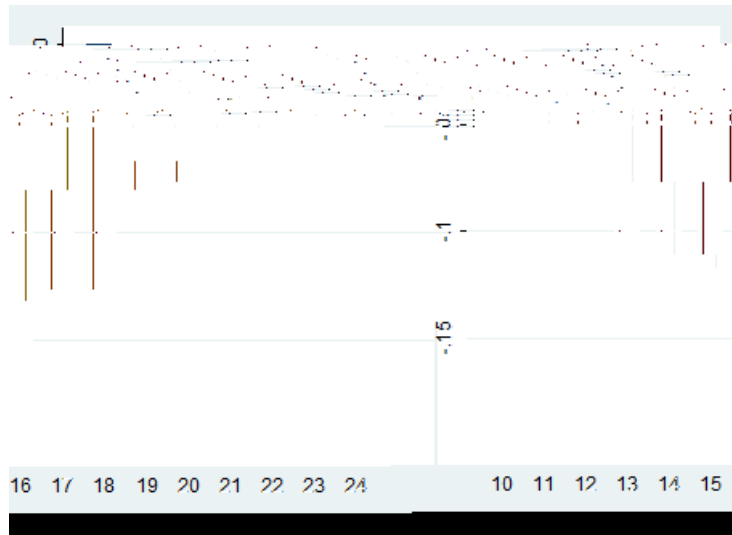
Figure 9A
Coefficients from Taxi-Time Regression
Continental's Predicted Delay Bins – Manual vs. Automatic Planes

Figure 9B
Coefficients from Taxi-Time Regression
TWA's Predicted Delay Bins – Manual vs. Automatic Planes (post-Bonus)

Notes: Blue bars are for automatic planes, red bars are for manual planes. Both types of planes exhibit

Figure 10A
Coefficients from 1 Minute Early Regression
Continental's Predicted Delay Bins – Manual vs. Automatic Planes

Figure 10B
Coefficients from 1 Minute Early Regression
TWA's Predicted Delay Bins – Manual vs. Automatic Planes (post-Bonus)

Notes:

Table 1
Overview of Bonus Programs

Airline	Payment Structure	# Months Bonus Achieved in First Year After Introduction	# Airlines in Ranking when Bonus Introduced
Continental (Start: Feb 1995)	Initially: $65 per employee in each month that the airline ranked among top 5. Since 1996: $65 for rank 2 and 3; $100 for rank 1.	10	10
TWA (Start: Jun 1996)	Initially: $65 per employee in each month that the airline ranked top 5 in on-time, baggage and complaints. $100 if it also ranked 1st in one of the categories. In 1999: $100 if on-time performance exceeds fixed threshold of 80%. In 2000: Seasonal targets: 85% summer, 80% winter.	4	10
American (Start: Apr 2003)	Initially: $100 per employee in each month that the airline ranked 1st. $50 in months that the airline ranked 2nd. Since 2009: Bonus based on internal metric that excludes delays that are not under the employees' control.	0	17
US Airways (Start: May 2005)	$75 per employee in each month in which the airline ranks 1st.	0	19

United
(Start: Jan 2009)   airl28sJ10.98 073 which the airline .b553 9 Tw[(which225 Rankingma.2664 Tw[(0 19)5.4[isr53 TD.0002lo3)w

Table 3A

Table 3B
Taxi Time as a Function of *Predicted* Delay, 2002-2006 and 2008-2010 Samples

Dependent Variable		*Log(Taxi In)*	
		Coefficient Estimates for:	
	American Airlines post-Bonus	**US Airways post-Bonus**	**United Airlines post-Bonus**
Predicted Delay			
[10,11) min	-0.0291***	-0.0206*	-0.0124
	(0.00665)	(0.0105)	(0.0143)
[11,12) min	-0.0351***	-0.0275**	-0.0343*
	(0.00654)	(0.0104)	(0.0139)
[12,13) min	-0.0486***	-0.0260*	0.000440
	(0.00699)	(0.0116)	(0.0147)
[13,14) min	-0.0467***	-0.0211	-0.0288
	(0.00735)	(0.0118)	(0.0170)
[14,15) min	-0.0507***	-0.0273*	-0.00304
	(0.00766)	(0.0115)	(0.0169)
[15,16) min	-0.0685***	-0.0363**	-0.00278
	(0.00781)	(0.0124)	(0.0170)
[16,17) min	-0.0521***	-0.0258*	-0.00686
	(0.00839)	(0.0130)	(0.0183)
[17,18) min	-0.0586***	-0.0306*	0.00393
	(0.00858)	(0.0138)	(0.0161)
[18,19) min	-0.0465***	-0.0403**	-0.0340
	(0.00843)	(0.0131)	(0.0188)
[19,20) min	-0.0762***	-0.0255	-0.0429*
	(0.00914)	(0.0133)	(0.0184)
[20,21) min	-0.0545***	-0.0376*	-0.0276
	(0.00994)	(0.0148)	(0.0174)
[21,22) min	-0.0564***	-0.0599***	-0.0428*
	(0.00970)	(0.0144)	(0.0215)
[22,23) min	-0.0601***	-0.0349*	-0.0304
	(0.0103)	(0.0149)	(0.0202)
[23,24) min	-0.0499***	-0.0644***	-0.0352
	(0.0103)	(0.0145)	(0.0201)
[24,25) min	-0.0755***	-0.0618***	-0.0302
	(0.0104)	(0.0158)	(0.0233)
25 min	-0.0579***	-0.0617***	-0.0470***
	(0.00360)	(0.00512)	(0.00567)

Notes: Standard errors are in parentheses and clustered at the arrival airport-day. Columns display coefficients from regression of taxi time on mutually exclusive sets of predicted delay "bins" for individual carriers. This table only shows coefficients for carriers with bonus programs, after its introduction. Columns 1 and 2 are based on data from 2002-2006 (2,942,493 observations). Column 3 is based on data from 2008-2010 (1,340,666 observations). Specifications include carrier-arrival airport-day fixed effects and arrival hour and hub controls. Coefficients represent the

Table 4A

Probability of Arriving Exactly *One* Minute Earlier than Predicted, 1995-1998

Dependent Variable	=1 if Flight Arrives One Minute Earlier than Predicted			
	Coefficient Estimates for:			
	All Other Carriers	**CO post-Bonus**	**TWA pre-Bonus**	**TWA post-Bonus**
Predicted Delay				
[10,11) min	0.00520*	0.000474	-0.0204	0.0185
	(0.00209)	(0.00624)	(0.0121)	(0.0101)
[11,12) min	0.00522*	0.0177*	0.00500	0.0160
	(0.00213)	(0.00686)	(0.0124)	(0.00987)
[12,13) min	0.00290	0.0158*	-0.00768	0.0279**
	(0.00224)	(0.00689)	(0.0132)	(0.0108)
[13,14) min	0.00673**	0.0312***	0.00412	0.0228
	(0.00235)	(0.00736)	(0.0144)	(0.0121)
[14,15) min	0.00997***	0.0560***	-0.0145	0.0318**
	(0.00247)	(0.00803)	(0.0148)	(0.0120)
[15,16) min	0.0101***	0.111***	0.0106	0.0888***
	(0.00257)	(0.00852)	(0.0157)	(0.0132)
[16,17) min	0.00769**	-0.0196**	0.00146	-0.0435***
	(0.00261)	(0.00760)	(0.0151)	(0.0118)
[17,18) min	0.00957***	-0.0274***	-0.0125	-0.0223
	(0.00272)	(0.00779)	(0.0155)	(0.0125)
[18,19) min	0.0128***	-0.0131	0.00905	0.0127
	(0.00285)	(0.00870)	(0.0174)	(0.0134)
[19,20) min	0.00896**	0.00288	-0.000275	-0.0292*
	(0.00295)	(0.00924)	(0.0180)	(0.0122)
[20,21) min	0.0127***	0.00856	0.0258	0.000948
	(0.00306)	(0.00998)	(0.0194)	(0.0147)
[21,22) min	0.00504	0.0302**	-0.00486	0.0109
	(0.00323)	(0.0102)	(0.0188)	(0.0153)
[22,23) min	0.0131***	0.0244*	-0.0230	-0.0119
	(0.00325)	(0.0102)	(0.0185)	(0.0150)
[23,24) min	0.00931**	0.0135	-0.0133	0.00964
	(0.00344)	(0.0105)	(0.0183)	(0.0161)
[24,25) min	0.00837*	0.00808	0.0411	-0.00246
	(0.00346)	(0.0108)	(0.0233)	(0.0170)
25 min	0.00799***	0.00993***	-0.000805	0.00813
	(0.000916)	(0.00264)	(0.00555)	(0.00441)

Notes: Standard errors are in parentheses and clustered at the arrival airport-day. Columns display coefficients from a single regression on four sets of predicted delay "bins" that are defined to be mutually exclusive. Specification includes carrier-arrival airport-day fixed effects and arrival hour and hub controls. Coefficients represent the change in the probability of a flight arriving exactly one minute earlier than predicted relative to flights with predicted delay of less than 10 minutes. The regression contains 3,067,533 observations.

Table 4B
Probability of Arriving Exactly *Two* Minutes Earlier than Predicted, 1995-1998

Dependent Variable	=1 if Flight Arrives Two Minutes Earlier than Predicted			
	Coefficient Estimates for:			
	All Other Carriers	**CO post-Bonus**	**TWA pre-Bonus**	**TWA post-Bonus**
Predicted Delay				
[10,11) min	0.00876***	0.0249***	0.00725	0.00968
	(0.00151)	(0.00499)	(0.00949)	(0.00760)
[11,12) min	0.00746***	0.0173***	0.00177	0.0171*
	(0.00155)	(0.00479)	(0.00967)	(0.00780)
[12,13) min	0.0107***	0.0193***	-0.00231	-0.00902
	(0.00163)	(0.00521)	(0.00958)	(0.00772)
[13,14) min	0.00969***	0.0267***	-0.00571	0.0289**
	(0.00167)	(0.00544)	(0.0110)	(0.00914)
[14,15) min	0.0147***	0.0291***	0.0140	0.0252**
	(0.00175)	(0.00577)	(0.0114)	(0.00911)
[15,16) min	0.0165***	0.0638***	0.0164	0.0439***
	(0.00186)	(0.00679)	(0.0119)	(0.00962)
[16,17) min	0.0208***	0.139***	0.0110	0.132***
	(0.00201)	(0.00807)	(0.0114)	(0.0131)
[17,18) min	0.0140***	0.0287***	0.0149	-0.0171
	(0.00198)	(0.00659)	(0.0141)	(0.00900)
[18,19) min	0.0118***	0.0212**	-0.0108	0.00496
	(0.00203)	(0.00667)	(0.0123)	(0.0103)
[19,20) min	0.0137***	0.0305***	0.0223	0.0195
	(0.00214)	(0.00748)	(0.0135)	(0.0106)
[20,21) min	0.0147***	0.0287***	0.000792	0.0113
	(0.00227)	(0.00784)	(0.0130)	(0.0110)
[21,22) min	0.0182***	0.0315***	0.0240	0.0389**
	(0.00239)	(0.00738)	(0.0143)	(0.0124)
[22,23) min	0.0155***	0.0120	0.0100	0.0245
	(0.00238)	(0.00743)	(0.0151)	(0.0127)
[23,24) min	0.0170***	0.0187*	0.0276	0.00868
	(0.00258)	(0.00779)	(0.0152)	(0.0122)
[24,25) min	0.0199***	0.0249**	-0.0178	0.0412**
	(0.00265)	(0.00835)	(0.0145)	(0.0142)
25 min	0.0188***	0.0209***	0.0209***	0.0234***
	(0.000689)	(0.00199)	(0.00427)	(0.00352)

Notes: Standard errors are in parentheses and clustered at the arrival airport-day. Columns display coefficients from a single regression on four sets of predicted delay "bins" that are defined to be mutually exclusive. Specification includes carrier-arrival airport-day fixed effects and arrival hour and hub controls. Coefficients represent the change in the probability of a flight arriving exactly two minutes earlier than predicted relative to flights with predicted delay of less than 10 minutes. The regression contains 3,067,533 observations.

Table 5
Identification of "Manual" Planes, 1996
Likelihood of a Plane Landing with Exactly Zero Delay, by Reporting Status

	50th percentile	75th Percentile	90th Percentile	95th Percentile	99th Percentile	Reporting Status in 1998
Alaska	0.0577	0.0621	0.0652	0.0671	0.0709	Manual
America West	0.05	0.0552	0.0591	0.0604	0.0653	Manual
American	0.0333	0.0384	0.0429	0.0455	0.0509	Auto
Continental						

Table 6
Analysis of Pairs of Flights that Land at the Exact Same Time

Dependent Variable	=1 if "Late" Member of Pair Has Shorter Taxi Time			
	Coefficient estimates for:			
	All Other Carriers	**CO post-Bonus**	**TWA pre-Bonus**	**TWA post-Bonus**
Predicted Delay of "Early" Member of Pair				
[10,14) min	-0.0220***	-0.0154	0.0477	-0.0264
	(0.00512)	(0.0236)	(0.0335)	(0.0375)
[14,18) min	-0.0290***	-0.129***	-0.128***	-0.0653***
	(0.00643)	(0.0207)	(0.0384)	(0.0160)
18 min	-0.0279***	-0.0305**	-0.0166	-0.0473***
	(0.00328]	(0.0100)	(0.00927)	(0.00814)
# of pairs in 14-18 minute range	8492	617	158	327

Table 7A
Simulated Changes in On-Time Performance and Rankings
Continental, 1995-1997

Year	Month	Actual Fraction Delayed	Simulated Fraction Delayed	Difference in Fraction Delayed	Actual Rank	Simulated Rank
1995	2	0.1728	0.1767	0.0039	4	4
1995	3	0.1521	0.1565	0.0043	1	1
1995	4	0.1468	0.1506	0.0039	1	2
1995	5	0.1984	0.2005	0.0021	8	8
1995	6	0.3355	0.3276	-0.0079	10	10
1995	7	0.1733	0.1777	0.0044	2	3
1995	8	0.1304	0.1358	0.0053	1	2
1995	9	0.1051	0.1095	0.0044	2	2
1995	10	0.1341	0.1412	0.0071	3	3
1995	11	0.1730	0.1785	0.0056	3	4
1995	12	0.2152	0.2208	0.0056	1	1
1996	1	0.2408	0.2491	0.0083	2	2
1996	2	0.1931	0.2020	0.0090	2	2
1996	3	0.2054	0.2153	0.0099	4	6
1996	4	0.1827	0.1943	0.0117	4	4
1996	5	0.1359	0.1472	0.0113	2	2
1996	6	0.2502	0.2657	0.0154	6	6
1996	7	0.2209	0.2334	0.0125	5	5
1996	8	0.2399	0.2544	0.0145	5	5
1996	9	0.1999	0.2128	0.0129	4	4
1996	10	0.1828	0.1935	0.0108	3	3
1996	11	0.1692	0.1790	0.0098	1	1
1996	12	0.2455	0.2586	0.0130	1	1
1997	1	0.2482	0.2610	0.0127	2	3
1997	2	0.1893	0.2039	0.0146	2	3
1997	3	0.1965	0.2122	0.0157	5	8
1997	4	0.1819	0.1938	0.0119	6	6
1997	5	0.1742	0.1851	0.0109	8	9
1997	6	0.2175	0.2279	0.0105	7	8
1997	7	0.1772	0.1896	0.0123	3	4
1997	8	0.1762	0.1885	0.0123	4	5
1997	9	0.1402	0.1518	0.0116	5	7
1997	10	0.1747	0.1884	0.0137	6	8
1997	11	0.2081	0.2195	0.0115	6	6
1997	12	0.2304	0.2418	0.0113	2	4

Number of months in which actual rank is **better** than simulated: **15**
Number of months in which actual rank is **same** as simulated: **20**
Number of months in which actual rank is **worse** than simulated (others simulated): **0**

Notes: Variation in the simulated fraction delayed is minor. Based on 20 iterations, t-statistics for the simulated fraction delayed are typically over 300, with no month having a t-statistic below 100. The differences between the simulated and actual fractions are highly significant.

Table 7B
Simulated Changes in On-Time Performance and Rankings
TWA, 1996-1998

Year	Month	Actual Fraction Delayed	Simulated Fraction Delayed	Difference in Fraction Delayed	Actual Rank	Simulated Rank
1996	6	0.2908	0.2915	0.0007	8	8
1996	7	0.3039	0.3058	0.0018	8	8
1996	8	0.2903	0.2951	0.0048	8	8
1996	9	0.2130	0.2145	0.0015	5	5
1996	10	0.2184	0.2217	0.0034	4	5
1996	11	0.1901	0.1913	0.0011	5	5
1996	12	0.3345	0.3348	0.0004	7	7
1997	1	0.2891	0.2928	0.0037	6	6
1997	2	0.2117	0.2158	0.0041	5	5
1997	3	0.2064	0.2113	0.0048	7	8
1997	4	0.1423	0.1478	0.0055	1	1
1997	5	0.1059	0.1118	0.0059	1	1
1997	6	0.1410	0.1508	0.0098	1	1
1997	7	0.1315	0.1467	0.0152	1	2
1997	8	0.1531	0.1713	0.0182	2	3
1997	9	0.0863	0.0997	0.0134	1	1