

## Syllabus for ECON 496-06/695-04 Airline Economics Class – Spring 2018

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Virtual Office Hours: TBD

Course Description: This course outlines the economic underpinnings of the commercial airline business. Running a successful airline often means dealing with fundamental economic concepts that drive many decisions: where to fly, when to fly, with what airplanes, at what price, with what labor, within what regulations, within a competitive framework. The airline industry lends itself well to the direct application of economic theory, and students will gain an appreciation for the complexity and economic basis for most key airline decisions. The course is dual-listed at the undergraduate and graduate levels. Graduate students will be expected to complete more quantitative unique year-end paper.

Course Objectives and Learning Outcomes: During this course, students will learn the ways that economics drive key airline decisions and demonstrate this in multiple ways.

Prerequisites: Students should have an understanding of the concepts taught in initial courses on Micro and Macro Economic and basic Statistics. Alternatively, students in the Engineering or Business programs with a strong interest in aviation would also be prepared. Graduate students, by nature of their admission into the program, are all eligible for the class.

Required Reading: There is no text that adequately covers the materials that will be addressed in this course. Required readings will be distributed throughout the course and understanding the content of these is expected. These will be supplied via Blackboard or in hard copy. Readings are assigned each week.

Schedule and Participation: The class is offered in the Spring 2018 semester, on Monday evenings from 7:20pm – 10:00 pm. There will be 14 classes. The classes will incorporate a variety of learning opportunities including:

- Class lectures
- Seven problem sets. Problem sets consist of questions to research and answer, and projects for students to complete on their own time. Active class discussion of the problem sets will take place in the class, possibly including student presentations. Graduate students are expected to complete the problem sets at a deeper and more quantitative level than undergraduates.

- Guest speakers will give real world stories of issues we are discussing in the classroom. Speakers will augment the issues being discussed in class and will use approximately one hour of the class time. Speakers used depend on their availability, of course. Six speakers are currently expected. Q&A is encouraged.
- Four case studies of real airline situations with students' ability to decide how they would react. These are simplified "Harvard Business School" style cases, with specific issues and data given. Students will be expected to draft their approach to solving the issue presented, using data given and outside research. Cases will be worked on individually, and a few students may be selected to present their results for extra credit.
- Weekly required readings will reinforce topics discussed in the lectures and add additional detail. Beginning with class two, most weeks will begin with a three-question quiz based on the weekly readings. Alternatively, other methods to evaluate understanding of the readings may be incorporated.
- Students may be asked to share insights on their own airline experiences.
- In-class group activities will be used to reinforce concepts and provide interesting challenges.
- Graduate students will be given a final project three to four weeks prior to the end of class, with the project due on day of the Final Exam. Because of this, the two exams in the class will have more weight to the undergraduate students' final grade than the graduate students.

Participation in classes is expected as is completing the readings, problem sets, and cases. All readings, problem sets, and business cases required for the class will be distributed via Blackboard at least one week in advance of their due date. Arrangements will be made to ensure that all materials are available for students who must miss a class, but active participation in the class is part of the learning process.

Grading: Grading for the class is as follows:

| <b>Feature</b>       | <b>Undergraduate Value</b> | <b>Graduate Value</b> |
|----------------------|----------------------------|-----------------------|
| Problem Sets (7)     | 6% each                    | 6% each               |
| Business Cases (4)   | 5% each                    | 5% each               |
| Reading Quizzes (11) | 1% each                    | 1% each               |
| Case Presentation    | 2% each                    | 2% each               |
| Mid-term Exam        | 12%                        | 7%                    |
| Final Exam           | 15%                        | 10%                   |
| Final Project        | NA                         | 10%                   |

|                      |             |             |
|----------------------|-------------|-------------|
| Total Possible Value | 100% - 108% | 100% - 108% |
|----------------------|-------------|-------------|

Case Presentations: The class includes four business cases that will be worked on individually. For each case, some students (no more than three) may be selected to present their approach to the class. Students selected will earn two points extra credit for each presentation. By having their cases selected, students thus have the opportunity to earn more than 100% credit in the class.

Late Work: Problem sets are due by the start of the class the following week they are assigned. Problem set answers will typically be reviewed early in the class the week the problem sets are due. Late submissions can earn partial credit for the topics not reviewed in class.

Use of Online Resources: Students are encouraged to use online resources to better develop case results and problem sets. Referring to earlier class session problem sets or cases (on sites such as Chegg) however will likely result in weakened attempts, as the problem sets and cases change each session.

Relationship to SYST 461/660: The Engineering School offers a class on Air Transportation Systems Engineering. The ECON Airline Economics class is nicely synergistic with the Engineering class, in that some of the topics are similar but the approach is different. This ECON class is focused on the economics, finance, and business aspects for managing an airline rather than the engineering and economic concepts for designing an air transportation system. Students wanting a more complete understanding of the commercial air transportation system should consider taking both courses.

#### University Policies and Information:

*Academic Integrity:* Faculty in Economics have zero tolerance for academic dishonesty and will strictly enforce Mason's honor code.

*Disabilities:* If you are a student with a disability and you need academic accommodations, please contact me and the Disability Resource Center (DRC) at (703) 993-2474. All academic accommodations must be arranged through the DRC.

Email: Mason uses only Mason email accounts to communicate with enrolled students. Students must activate their Mason email account, use it to communicate with their department and other administrative units, and check it regularly for important university information including messages related to this class.

University Catalog, <http://catalog.gmu.edu>, is the central resource for university policies affecting student, faculty, and staff conduct in university academic affairs. Other policies are available at <http://universitypolicy.gmu.edu/>. All members of

the university community are responsible for knowing and following established policies.

Syllabus and Course Changes: The syllabus is a general plan for the course. Deviations may be necessary and will be announced by me. This syllabus is not a contract and is subject to change at the sole discretion of the instructor.

Course Outline: (depending on availability of speakers, order may change)

Week 1: Airline industry structure, basic economic structure

Week 2: Economic airline metrics and their limits

Week 3: Pricing and Ancillary Revenue

Week 4: Yield Management

Week 5: Demand forecasting and flight scheduling

Week 6: Airport economics and the relationship with airlines

Week 7: Mid-term Exam, Aircraft Fleet Economics

Week 8: Airline Distribution and Frequent Flier Economics

Week 9: Economics of customer service

Week 10: Airline Labor Economics

Week 11: Airline Cost Structures and Profitability Measurement

Week 12: Economic impact of governmental regulations

Week 13: International Issues, Codeshare Economics, and Airline Alliances

Week 14: Final Exam