

## Syllabus for ECON 471-DL1/695-DL1 Airline Economics Class – Fall 2021

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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, who to partner with, and 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.

The class is applied economics. The course is divided into four main sections that correspond to the decisions made by an airline's Chief Commercial Officer, Chief Operating Officer, Chief Financial Officer, and General Counsel.

### How the Online Class Will Work

For the Spring 2021 session, the class will be held 100% online. Please note the following details:

- Classes will meet synchronously (live, together) for about one hour at 4:30PM each Monday. This is East Coast US time.
- A recorded copy of a lecture by me will be uploaded to blackboard no later than Thursday PRIOR to class. I expect everyone to have watched the lecture by class time, and we will use our Monday time together to talk about it, answer questions, share stories, and more.
- These live sessions will be recorded for those who cannot make it at these times, however not attending the live sessions will mean less ability to ask direct questions or clarifications.
- There will be asynchronous work required as well, and the live sessions will help ensure success at understanding and completing these sections.
- Blackboard will be the system for all live video, exams, and coursework to be offered and submitted (Blackboard Collaborate Ultra for live sessions).

What You will Learn: : 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 (ECON 306) 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. At times, we will read the materials together in the class and/or have discussion groups to discuss an assigned reading. Reading in this class is not make-work; readings are meant to augment and further develop ideas we discuss in the class. I also will supply some readings as optional only for those with a special interest in the topic or for reference that could be helpful in class assignments. All readings will be supplied via Blackboard or in hard copy. Some “readings” will also be videos.

### **Class Features:**

- **Live lectures, recorded and viewed in advance of the live class**
- **Problem Sets** consist of questions to research and answer, and projects for students to complete on their own time.
- **Guest Speakers** have been used in the live class and these aren't practical for an online application. However, I will be asking a few speakers to record a video that I could share with you.
- **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 those that show exceptional preparation and thought will earn bonus credit. Cases are continually updated so that they represent current issues in the industry.
- **Readings** will reinforce topics discussed in the lectures and add additional detail. I will not ask you to read things that don't directly apply to material that we are learning.
- Students may be asked to share insights on their own airline experiences.
- Graduate students will have an extra, more complicated question on each problem set. Undergraduates who want to also answer these questions are welcome to do so and some of you may find this enjoyable.
- As part of the materials distributed for each class, a set of notes covering the major topics of the class will be provided. Collectively, these notes make a great study guide for the exams.

Grading: Grading for the class is as follows:

<b>Feature</b>	<b>Undergraduate Value</b>	<b>Graduate Value</b>
Problem Sets (7)	8% each	8% each
Business Cases (2)	10% each	10% each
Case bonus (2)	2% each	2% each
Mid-term Exam	9%	9%
Final Exam	15%	15%
Total Possible Value	104%	104%

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 concepts for designing an air transportation system. Students wanting a more complete understanding of the commercial air transportation system should consider taking both courses.

### Other Important Information

#### **To Access Blackboard:**

1. Go to <http://mymason.gmu.edu>.
2. Login using your NETID and password.
3. Click on the 'Courses' tab.
4. Double-click on ECON 471-DL1 or ECON 695-DL3 under the course listings

**Technical Help:** If you have difficulty with accessing Blackboard, please contact the ITU Support Center at 703.993.8870 or [support@gmu.edu](mailto:support@gmu.edu).

**Honor Code:** Students must adhere to the guidelines of the George Mason University Honor Code.

The George Mason University Honor Code states: “Cheating and attempted cheating, plagiarism, lying, and stealing of academic work and related materials constitute Honor Code violations. To maintain an academic community according to these standards, students and faculty members must report all alleged violations to the Honor Committee.” Students are encouraged to read the full Honor Code: <https://oai.gmu.edu/mason-honor-code/> and to remain vigilant against any violation of the Code in their own work. Any cases of academic dishonesty in this course will be pursued according to the guidelines detailed in the University Catalog.

**Time Conflict:** George Mason University is committed to creating a welcoming, respectful and inclusive educational environment that values diversity. Students should review the syllabus at the beginning of the term to determine if there are any conflicts between class time and religious observance. It is the student’s responsibility to inform the instructor of these conflicts within the first week of the semester. <http://ulife.gmu.edu/calendar/religious-holiday-calendar/>

**Students with Disabilities:** Students with disabilities who seek accommodations in a course must be registered with the George Mason University Office of Disability Services (ODS) and inform their instructor, in writing, at the beginning of the semester [See: <https://ds.gmu.edu/> ].

**Counseling and Psychological Services:** The George Mason University Counseling and Psychological Services (CAPS) staff consists of professional counseling and clinical psychologists, social workers, and counselors who offer a wide range of services (individual and group counseling, workshops and outreach programs) to enhance students' personal experience and academic performance [See <http://caps.gmu.edu>].

**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.

## **Course Outline by Week:**

*Weeks 1-2: Industry background and necessary metrics:*

Week 1: Airline industry structure, basic economic structure

Week 2: Economic airline metrics and their limits

*Weeks 3-6: The Airline Chief Commercial Officer*

Week 3: Pricing and Ancillary Revenue

Week 4: Revenue Management

Week 5: Aircraft Scheduling and Planning

Week 6: Customer Service and Frequent Flier Programs

Week 7: Mid-term Exam, beginning with Open Q&A

*Weeks 8-9: The Airline Chief Operations Officer*

Week 8: Airport economics and the relationship with airlines

Week 9: International Operations and Airline Alliances

*Weeks 10-11: The Airline General Counsel*

Week 10: Airline Labor economics

Week 11: Economic impact of governmental regulations

*Weeks 12-13: The Airline Chief Financial Officer*

Week 13: Fleet Planning, Analysis, Financing, and Contracts

Week 14: Airline Cost Structures and Profitability Measurement

Week 15: Final Exam