

ECONOMICS OF AIR TRANSPORTATION
ECONOMICS EC2166F-001
Department of Economics
Western University

September 2018

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Office Hours: Wed. 1:00 – 3:00
Classroom meeting time(s) & location: Mon. 10:30-12:30, Wed. 10:30-11:30 at UCC 60
Course website: <https://owl.uwo.ca/portal/>
Undergraduate inquiries: 519-661-3507 SSC Room 4075 or econugrd@uwo.ca

Registration:

You are responsible for ensuring you are registered in the correct courses. If you are not registered in this course, the Department will not release any of your marks until your registration is corrected. You may check your timetable by using the Login on the Student Services website at <https://student.uwo.ca>. If you notice a problem, please contact your home Faculty Academic Counsellor immediately.

Prerequisite Note:

The prerequisites for this course are **Economics 1021A/B** and **1022A/B**, or **Economics 2001A/B**.

You are responsible for ensuring that you have successfully completed all course prerequisites, and that you have not taken any anti-requisite courses. Lack of prerequisites may not be used as a basis for appeal. If you are found to be ineligible for a course, you may be removed from it at any time and you will receive no adjustment to your fees. This decision cannot be appealed.

If you find that you do not have the course prerequisites, it is in your best interest to drop the course well before the end of the add/drop period. Your prompt attention to this matter will not only help protect your academic record, but will ensure that spaces become available for students who require the course in question for graduation.

Course Objectives:

The purpose of this course is to introduce students to the economic foundations of the air transportation industry on both a national and international level. Microeconomic theory will be developed within the context of the aviation industry including supply, demand, and cost and production analysis. This theory will be used to investigate topics including market structure; firm structure and business models; aviation infrastructure; public policy and regulation; dynamic pricing policy and revenue management.

Course Learning Outcomes:

- Students will learn to identify key determinants of supply and demand in the context of air transportation and interpret how these factors affect the coordination of markets.
- Students will learn to distinguish between economies of scale, scope and density and explain how various industry cost structures shape management decision rules and firm structure in the aviation industry.
- Students will learn to compare industry pricing strategies and interpret how these strategies are influenced by market structure, elasticity of demand, and forecasting methods.
- Students will learn to apply revenue management techniques to determine optimal pricing strategies for different fare classes.
- Students will learn to analyze government regulation and policies and interpret how such policies may affect market equilibrium, aviation safety, and industry sustainability.

Textbook:

Bijan Vasigh, Ken Fleming and Thomas Tacker, 2018. *Introduction to Air Transport Economics: From Theory to Applications*, 3rd Edition, Ashgate, ISBN: 9781315299075

Grading:

1. Participation (10%)

This component is intended to encourage participation and student engagement. It consists of multiple items including, but not necessarily limited to class attendance and in class quizzes. Guidelines for this component will be discussed in class and made available on the course website in due course.

2. Essay (20%)

The essay component consists of a polished research paper, 7-10 pages in length. The grade on this component will be based on both content and on quality of the student's writing (organization, grammar, and style). **Only essays that demonstrate outstanding quality in both content and writing style will be awarded a grade of A.**

Essays that are not submitted by the agreed upon due date will be assessed an immediate 25% point grade reduction with a further deduction of 20% for each subsequent day that the essay is late. No essay will be accepted after 3 days beyond the original due date.

3. Midterm Examination (30%)

An in-class midterm exam is **tentatively scheduled for Monday October 22, 2018** and may be comprised of calculations, short answer, true/false, essay questions, or a combination thereof, on material covered up to and including the last class prior to the exam. The structure of the exam will be discussed further in class as the date approaches. All Department and University policies regarding missed exams and necessary documentation apply. Please see attached **Policy Regarding Makeup Tests and Final Examinations**.

4. Final Examination (40%)

The final examination will occur during the regular final exam period and will be scheduled by the registrar. This exam will assess students' ability to meet the learning outcomes of the course and will be based on all concepts learned during the course with more weight being assigned to material covered after the midterm examination. All Department and University policies regarding missed exams and necessary documentation apply. Please see attached **Policy Regarding Makeup Tests and Final Examinations**.

Each exam will be scheduled for **2 hours** and will be a closed book examination. Dictionaries and translators are **NOT** allowed into the examinations. Only **non-programmable calculators** will be allowed into the exams. Students are responsible for material covered in the lectures **as well as** the assigned material in the text. Exams will not be returned to students but may be reviewed in the instructor's office.

Email Policies:

The following policies apply to all emails between students and the Instructor. Please respect the fact that the Instructor receives hundreds of emails from students and must deal with those emails in a fair and organized manner. Non-acceptable emails may receive a reply saying only “Please see Email Policies on the course outline”, or there may be no reply. You are responsible for ensuring that sufficient space is available in your e-mail account to accept new e-mails.

UWO Email Addresses Only

Subject Line **MUST** include Course number – EC2166.

Acceptable Emails

- questions about the course content or materials
- asking to set up an appointment to ask questions or review an exam
- notification of illness or other special circumstances
- providing constructive comments or feedback about the course

Unacceptable Emails

- questions that may be answered on OWL or on this course outline
- asking when grades will be posted
- asking what grade a student received
- asking where or when an exam is scheduled or the material covered on an exam, requests for grade increases, extra assignments, or reweighting of course components

Please Note
Department Policies for 2018-2019

Remember that the University expects all students to take responsibility for their own Academic Programs. Students should also check their registration to ensure they are enrolled in the correct courses.

1. Guidelines and policies for the Faculty of Social Science and the Department of Economics are posted online in the current Western Academic Calendar at:
<http://westerncalendar.uwo.ca>.
2. Students must familiarize themselves with the “Rules of Conduct for Examinations”
http://www.uwo.ca/univsec/pdf/academic_policies/exam/administration.pdf.
3. **Cheating as an academic offence:** Students are responsible for understanding what it means to “cheat”. The Department of Economics treats cheating incidents very seriously and will investigate any suspect behavior. Students found guilty will incur penalties that could include a failing grade or being barred from future registration in other Economics courses or programs. The University may impose further penalties such as a notation on an official academic transcript, suspension or expulsion.
4. **Plagiarism:** Students must write their essays and assignments in their own words. When taking an idea/passage from another author, it must be acknowledged with quotation marks where appropriate and referenced with footnotes or citations. Plagiarism is an academic offence (see Scholastic Discipline for Undergraduate Students in the Western Calendar at http://westerncalendar.uwo.ca/PolicyPages.cfm?Command=showCategory&PolicyCategoryId=1&SelectedCalendar=Live&ArchiveID=#Page_20).

Western University uses software to check for plagiarism and students may be required to electronically submit their work. Those found guilty will be penalized as noted in point 3.

5. It is a Department of Economics policy that **NO** assignments be dated, stamped or accepted by staff. Students must submit assignments in class or to the instructor during office hours.
6. When appealing a mark, students should refer to the Student Academic Appeals section in the current Western Academic Calendar at:
http://westerncalendar.uwo.ca/PolicyPages.cfm?Command=showCategory&PolicyCategoryId=1&SelectedCalendar=Live&ArchiveID=#Page_14.

Please note the relevant deadlines.

The Department will not consider an appeal unless an attempt has been made to settle the matter with the instructor first. Students who remain dissatisfied with the outcome may proceed with a written appeal (e-mails are not acceptable) to the Undergraduate Director in Economics, stating the reasons for their appeal. A checklist is provided at:
http://economics.uwo.ca/undergraduate/program_counselling/responsibilities_policies.html#appeals.

7. Systematic adjustments of a class grade distribution (either up or down) can occur in Economics courses. The fact that grades have been adjusted is **not** grounds for an appeal.

8. Note the following add and drop deadlines:

Deadline to add a first term half course:

Friday September 14, 2018

Deadline to drop a first term half course:

Monday November 12, 2018

9. Faculty of Social Science policy states that oversleeping or misreading an exam schedule is NOT grounds for a makeup. This rule applies to midterm and final exams in the Department of Economics.

Policy Regarding Makeup Tests and Final Examinations

*Academic accommodation will **not** be granted automatically on request. Students **must** demonstrate by documentation that there are **compelling** medical or compassionate grounds before academic accommodation will be considered.*

Students who proceed to write a test or examination must be prepared to accept the mark. Rewriting tests or examinations, or having their value reweighted on a retroactive basis, is **not** permitted. Students must also book travel arrangements AFTER final exam dates have been posted as they must not conflict with test or final exams.

Unless medically incapable of doing so, students must notify their instructor prior to the test date or at least within **24 hours** when requesting a makeup exam. Failure to follow this procedure may result in denial of academic accommodation and a grade of zero. Students should also set up an appointment as soon as possible to meet with their instructor. If the instructor is not available, send an email message, copying the Undergraduate Coordinator at econugrd@uwo.ca. **Notifying instructors of a missed exam does not automatically entitle students to a makeup.**

Students who seek a makeup exam must also provide supporting medical or other relevant documentation that their absence from a scheduled test or exam is beyond their control. Documentation should be submitted to the Academic Counselling Office of the student's *home* Faculty **as soon as possible (preferably within 24 hours of the scheduled test)**. Failure to follow this procedure may result in denial of academic accommodation and a grade of zero. If the documentation submitted is not acceptable, students will receive a zero for the missed test.

For medical illnesses, students may consult Student Health Services and request a Student Medical Certificate from the physician. If assessed by an off-campus doctor, students must obtain a certificate from his/her office at the time of the visit/assessment. The off-campus medical certificate form must also be used and can be found at: http://www.uwo.ca/univsec/pdf/academic_policies/appeals/medicalform.pdf. Notes stating "For Medical Reasons" are not considered sufficient.

For religious or compassionate circumstances, students should ask their Academic Counsellor what documentation to provide. If documentation is judged sufficient, the Academic Counsellor will issue a Recommendation for a Special Examination (a single form for midterms or a triple-

color form for final exams). Once students have this form, they must contact their instructor as soon as possible to make arrangements. Even if approved by their Academic Counsellor, there is no guarantee that students will be allowed to write the makeup test/exam.

For final examinations, students need to seek permission from their *home* Faculty Counsellor, Instructor, and the Department Undergraduate Director. Failure to follow this procedure may result in a grade of zero. Students must ensure that the Special Examination form has been signed by the Instructor and Department Undergraduate Director and that the form is returned to the Academic Counselling Office for approval without delay. If approved, makeup examinations will be written within one month of the end of the exam period.

Policies Regarding Academic Accommodation

The Faculty of Social Science's policies regarding academic accommodation is found at http://counselling.ssc.uwo.ca/procedures/having_problems/index.html.

"Academic Rights and Responsibilities" are also outlined in the Western Calendar at <http://westerncalendar.uwo.ca/PolicyPages.cfm?PolicyCategoryID=1&command=showCategory&SelectedCalendar=Live&ArchiveID=>. Claiming that "you didn't know what to do" is not an acceptable excuse for not following the stated procedures.

Policy Regarding Class Attendance

If the instructor deems a student's class attendance as unsatisfactory, that student may be prohibited from writing the final examination. If there is intent to make use of this University policy, the student will be notified in writing.

Statement on Mental Health and Support Services

Students under emotional/mental distress should visit http://uwo.ca/health/mental_wellbeing/ for more information and a complete list of resources on how to obtain help.

Guidelines for Essay Courses

Essay Courses¹

An essay course is a course in which the cumulative amount of written work, excluding written work in examinations, is at least 2,500 words for a half course.

To pass an essay course students must exhibit a minimal level of competence in essay writing in addition to comprehension of the course content.

English Language Proficiency for Assignment of Grades²

Written work that demonstrates a lack of English proficiency will be failed or, at the discretion of the instructor, returned to the student for revision to an acceptable level.

¹From the UWO Academic Handbook. See http://www.uwo.ca/univsec/pdf/academic_policies/registration_progression_grad/coursenumbering.pdf

² From the UWO Academic Handbook. See http://www.uwo.ca/univsec/pdf/academic_policies/exam/english.pdf

To foster competence in the English language, *all instructors will take English proficiency into account when marking*. This policy applies to all courses, not only essay courses.

Recycling of Assignments

Students are prohibited from handing in the same paper for two different courses. Doing so is considered a scholastic offence and will be subjected to academic penalties.

Plagiarism

Plagiarism is defined as “the act or an instance of copying or stealing another’s words or ideas and attributing them as one’s own.”³

Plagiarism applies to ALL assignments including essays, reports, diagrams, statistical tables, and computer projects. Examples of plagiarism include:⁴

- Submitting someone else’s work as your own
- Buying a paper from a mill, website or other source and submitting it as your own
- Copying sentences, phrases, paragraphs, or ideas from someone else’s work, published or unpublished, without citing them
- Replacing selected words from a passage and using it as your own without citing them
- Copying multimedia (graphics, audio, video, internet streams), computer programs, music compositions, graphs, or charts from someone else’s work without citing them
- Piecing together phrases and ideas from a variety of sources to without citing them
- Building on someone else’s ideas or phrases without citing them

Plagiarism is a serious scholastic offence. Possible consequences of plagiarism include a mark of 0% on the assignment, a mark of 0% for the course, and expulsion from the university.

Instructors may require students to submit written work electronically to <http://www.turnitin.com>. This is a service that assists instructors in detecting plagiarism.

Students seeking further guidance on avoiding plagiarism should consult their instructor. Claiming ignorance is not an acceptable excuse.

The key to avoiding plagiarism is to correctly cite reference sources.

Referencing and Citation Guidelines

The Economics Department has adopted the citation guidelines used in *The Chicago Manual of Style*, 16th edition. Chicago: University of Chicago Press, 2010. An online version is available from Western Libraries <http://www.lib.uwo.ca>. Search the catalogue by title “Chicago Manual of Style.” For off-campus access, use the *OffCampus Access* sign-in on the Library’s homepage.

³Excerpted from HC Black, *Black’s Law Dictionary*, West Publishing Co., 1999, 7th ed., p. 1170.

⁴ From the San José State University Plagiarism Tutorial <http://tutorials.sjlibrary.org/tutorial/plagiarism/>

Economics papers often use the **author-date** style of references. Further details and examples of this style are available in chapter 15 of the *Chicago Manual of Style Online*. See also the handy “Chicago-Style Citation Quick Guide” under Tools on the homepage.

In the body of an essay, in-text citations list the last names of the authors of the piece that are referenced, the year of publication, and, where relevant, page numbers. In-text citations refer the reader to a complete list of bibliographic references at the end of the essay. Papers that cite multiple works by the same author(s) with the same publication year should add a lower case letter after the date in both the in-text citation and References (e.g., 1993a and 1993b). In doing so, the in-text citation points the reader to the relevant work.

Examples of in-text citations:

Diamond (1981, 1982) and Mortensen (1982a, 1982b) find these externalities can cause an inefficient level of search activity...

The “new view of unemployment” which emerged during the 1970s emphasized the importance of turnover in the labour force and the brief duration of many employments spells (Hall 1970, 1972; Perry 1972; Marston 1976).

The primary objectives of the LMAS are “1. To provide measures of the dynamic...the Labour Force Survey” (Statistics Canada 1990, 5).

The list of references at the end of the essay should be titled References or Works Cited. It provides complete bibliographic information about each source cited. In addition, students should also provide adequate referencing of any data sources. This should be done in a data appendix following the text of the paper and before the References.

Below are examples of the author-date style. For sources with two or more authors, only the first author’s name is inverted and a comma appears before and after the first author’s given name or initial.

1. BOOKS:

Wonnacott, Thomas, and Ronald Wonnacott. 1984. *Introductory Statistics for Business and Economics*. 3rd edition. Toronto: John Wiley & Sons.

2. JOURNAL ARTICLES OR ARTICLES IN A BANK REVIEW:

Geweke, John F., and David E. Runkle. 1995. "A Fine Time for Monetary Policy." *Federal Reserve Bank of Minneapolis Quarterly Review* 19: 18-31.

3. GOVERNMENT PUBLICATIONS:

Statistics Canada. 1983. *Logging: Annual Census of Forestry*. Catalogue No. 25-201.

U.S. Department of Commerce, Bureau of the Census. 1975. *Median Gross Rent by Counties of the United States, 1970*. Prepared by the Geography Division in cooperation with the Housing Division, Bureau of the Census. Washington, DC.

4. NEWSPAPERS:

Sicular, Terry, and Kathleen Hartford. 1989. "China's Looming Rural Crisis." *Asian Wall Street Weekly*. July 3.

5. CHAPTERS IN EDITED BOOKS OR CONFERENCE VOLUMES:

Fafchamps, Marcel. 2001. "The Role of Business Network in Market Development in Sub-Saharan Africa." In *Communities and Markets in Economic Development*, edited by Masahiko Aoki and Yujiro Hayami, 186-214. New York: Oxford University Press.

6. ONLINE BOOKS:

Mäler, Karl-Göran, and Jeffrey R. Vincent, eds. 2005. *Handbook of Environmental Economics, Vol. 3: Economywide and International Environmental Issues*. Amsterdam: Elsevier. <http://www.sciencedirect.com/science/handbooks/15740099> (July 23, 2007).

7. ONLINE JOURNAL ARTICLES: *please use DOI (digital object identifier) or URL*

Caucutt, Elizabeth M., and Krishna B. Kumar. 2008. "Africa: Is Aid an Answer?" *The B.E. Journal of Macroeconomics* 8(1): 1935-1690. doi: 10.2202/1935-1690.1761

Ruffle, Bradley J., and Richard Sosis. 2007. Does it Pay to Pray? Costly Ritual and Cooperation. *B.E. Journal of Economic Analysis and Policy* 7(1): Article 12. <http://www.bepress.com/bejeap/vol7/iss1/art18> (Aug. 7, 2007).

8. INTERNET SITES:

McDonald's Corporation. "Our History." Accessed July 19, 2016. <https://www.mcdonalds.com/us/en-us/about-us/our-history.html>

Writing an Economics Essay: Starting Points

To start a written assignment, review your professor's instructions and published work written by Economists. Examples of economic writing can be found in the course outline, economic journals, working papers series, and other economic publications.

Two sources that provide information on writing for economics are:

McCloskey, Dierdre N. 2000. *Economical Writing, 2nd edition*. Prospect Heights, Illinois: Waveland Press.

Greenlaw, Steven A. 2006. *Doing Economics: A Guide to Understanding and Doing Economic Research*. New York: Houghton Mifflin Co.

Writing an Economics Essay: Resources

The **Resources Link** on Western University's Department of Economics website (<http://economics.uwo.ca/resources/index.html>) provides a list of sources for published and unpublished economic papers, articles, books, theses, government publications, data, etc.

DB Weldon Library has a collection of bibliographies, indexes, handbooks, and periodicals in economics. Library holdings, the online library catalogue, and other resources are available electronically from the Western Libraries Homepage <http://www.lib.uwo.ca/>. These can be accessed off-campus with the OffCampus Proxy Server on the Library main page.

Students are encouraged to take a library orientation tour to learn about where sources of information are located both physically and online. Consult library staff for questions.

The New Palgrave Dictionary of Economics is the most comprehensive dictionary of economics in existence today. It is available online through the library catalogue, or in print in the Weldon's Reference section (call # HB 61.N49 2008 v. 1-8).

EconLit (Economic Literature) is a comprehensive, indexed electronic bibliography of Economic literature from 1969 to the present. It covers journals, articles in collective volumes (essays, proceedings, etc.), books, book reviews, dissertations, and working papers. It also provides citations, selected abstracts, and links to Western's full-text resources. Students can also print records by downloading marked records to a text file, sending marked records by email, or exporting them to a citation manager such as *Refworks*. *EconLit* is available through the Library's catalogue or list of Databases under "Research Tools" (<http://www.lib.uwo.ca/>).

Refworks is a bibliographic and citation software tool that is used to construct citations and reference lists in the author-date and other styles. Search the library catalogue (title search) for *Refworks* using Western's group access code.

CANSIM (Canadian Socio-economic Information Management System) is Statistics Canada's computerized database of time series data covering a wide variety of economic aspects of Canadian society. Access the database by a Title Search on the Western Library's Catalogue,

or from the Library's list of Databases found under "Research Tools" on the Library's homepage <http://www.lib.uwo.ca/> .

Western Undergraduate Economics Review (WUER)

The Department of Economics encourages students to consider submitting their essays to the *Western Undergraduate Economics Review*, a journal published annually by the Department that showcases student work in economics. For further information, please visit http://economics.uwo.ca/undergraduate/undergraduate_economics_review.html

Alumni Essay Prizes in Economics

The following criteria will be used:

1. Students can only win an Alumni Prize once.
2. Two prizes may be awarded at the end of the academic term. One for a student registered in a 2100 level course and one for a student registered in a 2200 or higher level course. Each prize is valued at \$550.
3. Economics 4400E is not eligible for this prize as it has its own paper award.
4. Instructors will nominate students for the prize. The paper should be submitted to the Undergraduate Coordinator for consideration by the Essay Prize Committee, which will decide the winner.
5. The Essay Prize Committee will consist of the Undergraduate Program Director, WUER Faculty Advisor and one other faculty member. The decision of the Committee is final and cannot be appeal.
6. Papers will be judged on content, originality, use of references, spelling and grammar.

The grade given to the paper will not influence the decision of the Essay Prize Committee as all comments by the original marker will be removed.

The deadlines for submissions are:

Fall courses: January 1st

Winter courses: May 1st

The winner of the essay prize is encouraged to submit their paper to the Western Undergraduate Economics Review. Other appropriate papers may also be submitted.