

Homework SYST 461/SYST660/OR750

Chapter 3: Airline Economics

SHORT SENTENCES. TO THE POINT WRITE LEGIBLY.

1) Airline strategies

Given the following airline profit strategies

- Cutting Fares/Yields
  - Increasing Fares/Yields
  - Increase Flights (ASMs)
  - Decrease Flights (ASMs)
  - Improve Passenger Service Quality
  - Reduce Passenger Service Quality
- a. Which strategy would be favorable for an O-D market pair with Price Elasticity of Demand of -0.8? Explain?
- b. Which strategy would be favorable for an O-D market pair with Price Elasticity of Demand of -1.2? Explain?

2) Compute Market Statistics from data table for IAD-BOS Network:

- Total Itineraries IAD to BOS
- b. Total Direct Flights IAD-BOS
- c. Total Network Flights IAD-BOS
- Total Pax IAD-BOS
- e. Total Seats IAD-BOS
- f. RPM Direct Flights
- g. ASM Direct Flights
- h. RPM IAD-BOS Network (Direct + Connecting)
- i. ASM IAD-BOS Network (Direct + Connecting)
- Average Leg Load Factor IAD-BOS Network
- k. Network Load Factor IAD-BOS Network (RPM/ASM)
- l. Airline A Frequency Share IAD-BOS, Airline B Frequency Share IAD-BOS  
Airline A Market Share IAD-BOS, Airline B Frequency Share IAD-BOS

Assume IAD- BOS= 450 nm, IAD-JFK= 300nm, JFK-BOS = 200

Iti n	Origi n	Desti natio n	Hub	Segment 1					Segment 2				
				Airline/ Flight #	Sched Dep	Sched Arr	Seat s	Pa x	Airline / Flight #	Sche d Dep	Sche d Arr	Seat s	Pa x
1	IAD	BOS	NULL	A123	08:00	09:30	100	75					
2	IAD	BOS	JFK	B9871	08:00	08:55	70	50	B9651	09:45	10:50	70	50
3	IAD	JFK	NULL	B9871	08:00	08:55	70	20					
4	JFK	BOS	NULL	B9651	09:45	10:50	70	15					
4	IAD	BOS	NULL	A456	12:00	13:40	100	75					
5	IAD	BOS	JFK	B9872	12:00	02:55	70	50	B9652	13:45	14:50	70	50
6	IAD	JFK	NULL	B9872	12:00	02:55	70	18					
7	JFK	BOS	NULL	B9652	13:45	14:50	70	50					

- 3) In the interview with Charlie Rose, Bob Crandall (Former CEO for AAL) is asked the question: are “we” better off after airline deregulation? SHORT SENTENCES. TO THE POINT WRITE LEGIBLY.
- a. What is Crandall’s answer
  - b. What is the tradeoff that Crandall describes?
  - c. What is your opinion on this tradeoff. Is it currently fair?