The following is an outline of course topics:

Day 1, Monday, November 18
Aviation Value Chain / Airline Demand and Supply / Airline Costs

Module 1 (2.5 hours)
Introduction: The Aviation Value Chain

- The role of aviation
- The social rate of return to aviation
- The value chain in aviation
- Performance in the aviation value chain
  - Investment
  - Rate of return
  - Credit rating
- The emerging role of ancillary products/services

Module 2 (2.5 hours)
Demand and Supply

- Main characteristics of supply in the airline industry
  - Perishability
  - Excess capacity
  - etc.

- Main characteristics of demand in the airline industry
  - Derived demand
  - Determinants of demand
  - Market demand segmentation
    - Different classes/types of passengers
    - Different classes/types of freight
  - Demand elasticities
  - etc.

Module 3 (2 hours)
Costs

- Cost classification (variable, fixed, total costs / short run vs long run costs)
- Cost relationships with distance, traffic levels, network size and scope
- Cost structure (fuel / labour / marketing & distribution / taxes / air navigation / airport fees / etc.)
- Economies of scale, scope and density

Day 2, Tuesday, November 19
Airline Business Models / Airline Pricing

Module 4 (3.5 hours)
FSNCs, LCCs, ULCCs and Charter Carriers

- Economic characteristics of LCCs/FSNCs/ULCCs/Charter
- Cost structure of carrier types
- Market impact of LCCs/FSNCs
- Is there a really a difference between FSNCs and LCCs?
- Future of LCCs/FSNCs

Module 5 (3.5 hours)
Pricing

- Revenue management: fares, buckets, restrictions, optimisation, network effects
- Load factors
- Break Even Load Factor Analysis
- The emerging merchandising approach: unbundling and rebundling, charging for value

Day 3, Wednesday, November 20
Airline Financial Economics

Module 6 (4 hours)
Financial Performance and Sources of Finance

Financial Performance

- Global airline industry performance
- Factors affecting airline performance
- The balance sheet of the airline business – why focus only on profit and not on assets is misleading
- Airline bankruptcies
- Key issues in airline finance

Airline Finance

- Institutional framework
• Sources of finance
  o Debt and equity markets
  o Aircraft leasing
  o Aircraft securitization
  o Asset sale/leaseback
  o Aircraft manufactures / Component manufacturers
  o Government funding
• Settlements: how airlines get paid
  o Cargo and passenger settlement banks (BSP, CASS, Airline Reporting Corp.)

Module 7 (3 hours)
Financial Planning

• Business plan
• Budget planning
• Capital management
• Risk management (foreign currency / fuel price / etc.)

Day 4, Thursday, November 21
Airline Financial Analysis / Insurance

Module 8 (3.5 hours)
Financial Analysis

• Airline financial statements
• Airline financial ratios
• Airline valuation

Module 9 (3.5 hours)
Insurance

• Types of risk
• Insurance needs of air carriers
• Insurers vs re-insurance
• War risk insurance

Day 5, Friday, November 22
Airline Distribution Economics / Air Cargo

Module 10 (3.5 hours)
Distribution Economics

• Selling the airline product
• Travel agents (bricks and mortar and online)
• Tour operators and integrators
• Global Distribution Systems – economics for carriers
• Cargo distribution – freight forwarders

**Module 11 (3.5 hours)**

**Air Cargo**

• Market overview
• Cargo demand segmentation
• Main deck vs belly cargo: costing, demand differences, pricing
• Air cargo rates
• Air cargo services
• Cargo interlining
• Economics of dedicated cargo carrier vs combination carrier
• Integrator business models

**Day 6, Saturday, November 23**

**Airline Mergers and Alliances / Airline Antitrust Economics and Analysis**

**Module 12 (2.5 hours)**

**Mergers and Alliances**

Mergers

• Market consolidation (M&A trends)
• Factors explaining M&A activity
• Foreign ownership

Alliances

• Liberalization
• Global airline alliances
• Bilateral and multilateral airline alliances
  o Interlining
  o Marketing alliances
  o Codeshares
  o Price / capacity /schedule coordination
  o Metal neutral joint ventures
Module 13 (2.5 hours)
Economics, Antitrust Review and Competitive Effects

- Economics of mergers and alliances
- Antitrust review
  - Legal framework for evaluation and approval of mergers, alliances, revenue sharing
    - US / Canada / Europe / Australia
  - Antitrust policy and analysis
    - DOJ and DOT / CB / EC / ACCC
- Competitive Effects
  - Pro-competitive aspects of mergers/alliances
  - Anti-competitive aspects of mergers/alliances

Module 14 (2 hours)
Airport Economics

- The impact of infrastructure charges (airport and air navigation) and airline costs and competitiveness
- Pricing policies: what carriers have to pay
  - Residual pricing
  - Compensatory pricing
- Passenger charges
- Risk in the value chain
  - Airport vs airline markets
- Slots and capacity
- Regulation of prices
  - Rate-base rate of return
  - Cost plus
  - Price cap
  - Other (consultation / monitoring / trigger regulation / arbitration / contracts)