

Government, the Airline Industry and the Flying Public: a New Way of Doing Business

organizers:

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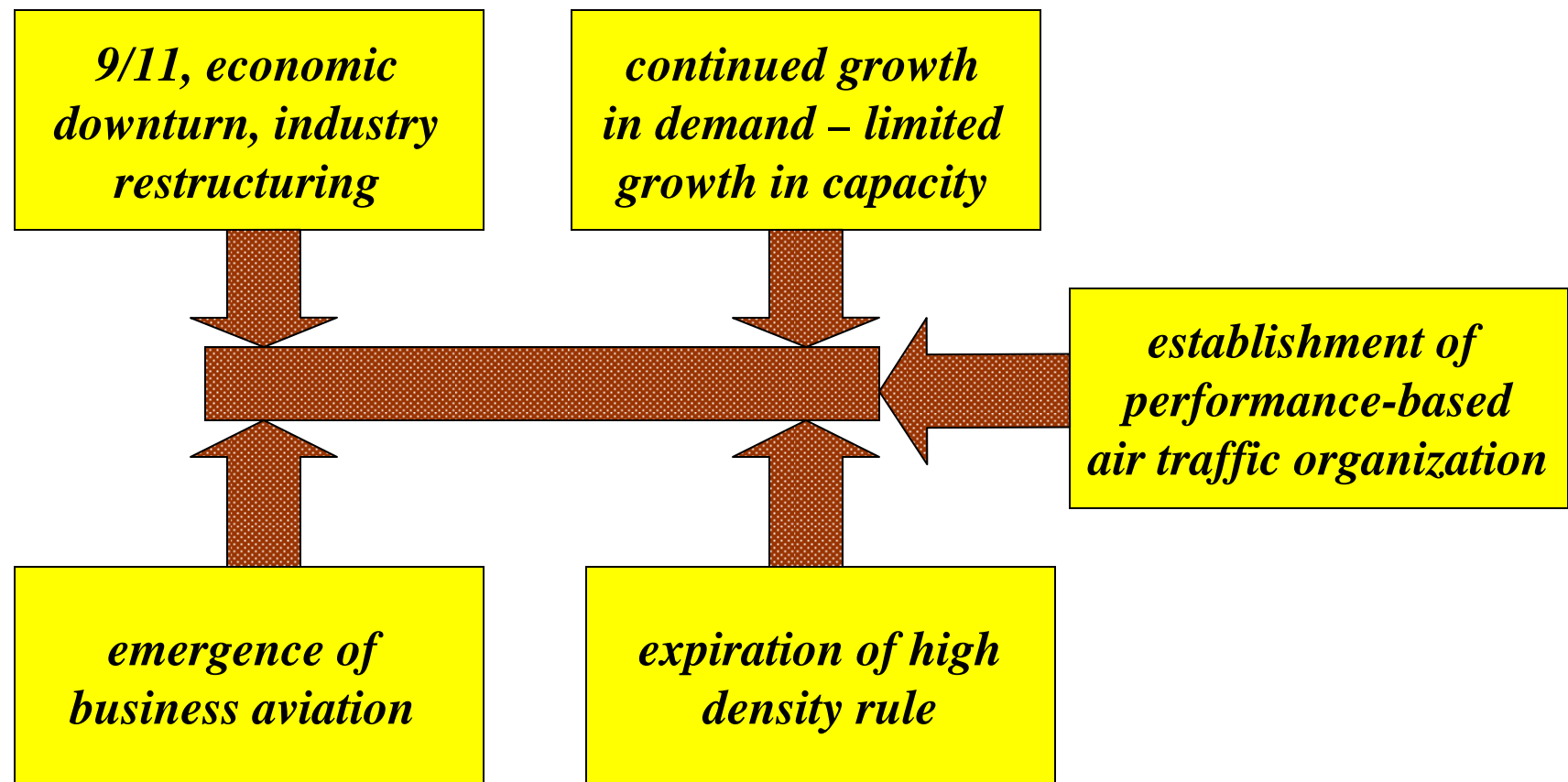
sponsors:

NEXTOR (the National Center of Excellence for Aviation Operations Research) with funding from

the Federal Aviation Administration

George Mason University & University of Maryland

Workshop is a response to converging forces pressuring today's business aviation landscape:

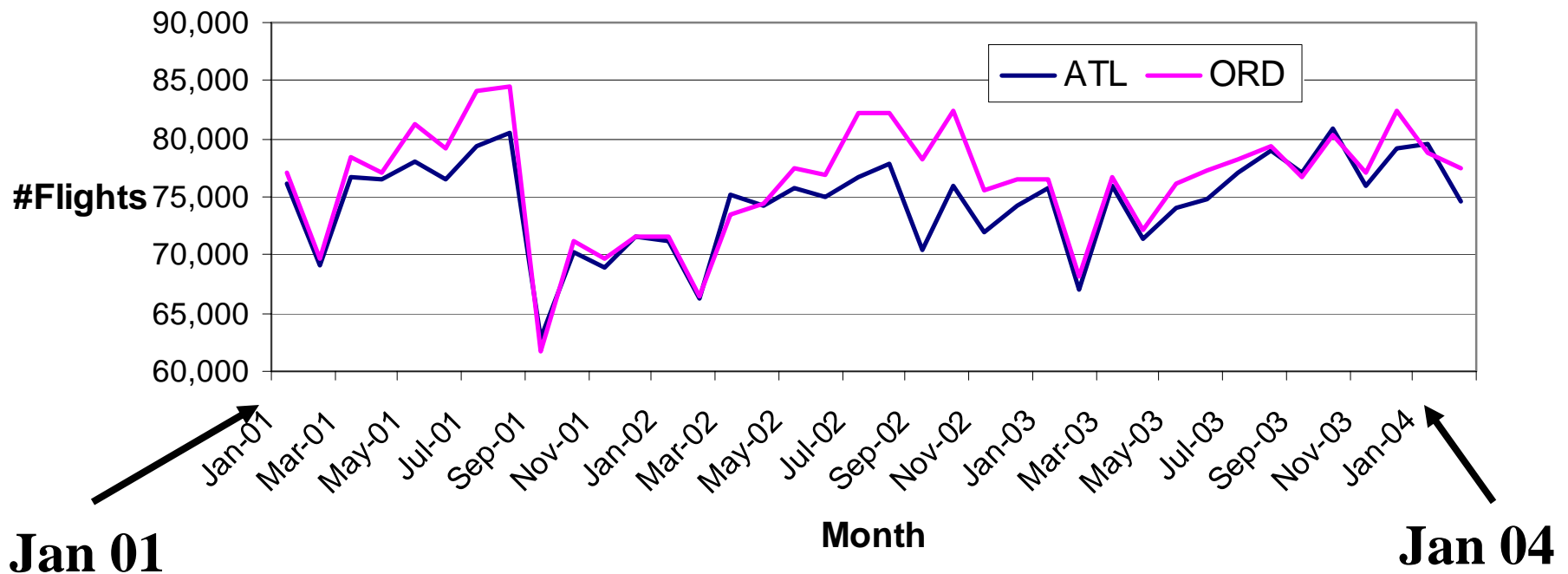


9/11, Economic Downturn, Industry Restructuring:

- Virtually all carriers showed sustained periods of losses – some still have not posted profits.
- Two major carriers filed for Chapter 11 protection.
- Security concerns and security related delays have substantially impacted overall demand and demand characteristics.
- “Low cost carrier” model embraced by industry.
- New entrants have emerged with “non-traditional” business models.

Continued growth in demand – limited growth in capacity:

Monthly total operations at Atlanta and O'Hare Airports:



Establishment of Performance-Based Air Traffic Organization within the FAA:

- Goals include operating as clearly defined service-based business with transparency in financial and decision processes.
- Focus on revenues and costs – units evaluated based on contribution – net revenue less controllable costs.
- Next logical step: reconsider charges/revenue generation policies:
 - resources should be allocated to entities who value them most
 - important to obtain market-based valuation of resources to guide investment decision
 - charges to customers should reflect costs to deliver service

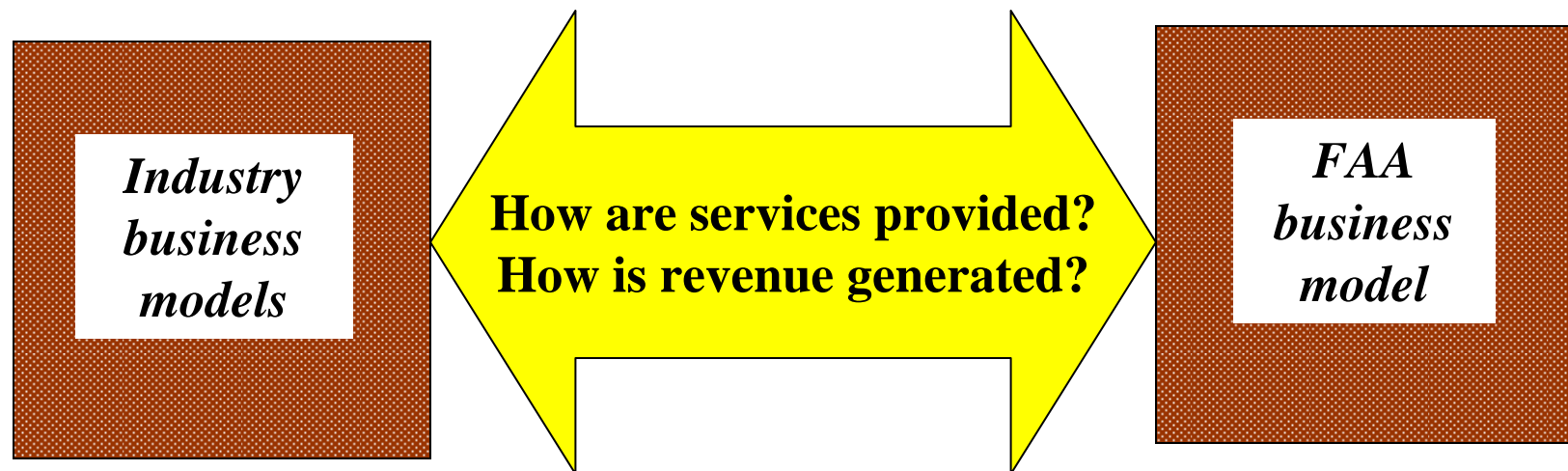
Emergence of Business Aviation:

- National Business Aviation Association (NBAA) has over 7,000 member companies with over 9,000 aircraft.
- NBAA members spent \$11 B annually on tickets.
- Netjet employs 2,000 pilots and operates 700 to 900+ segments daily , Flexjet employs 319 pilots and operates 200 to 400+ segments daily, CitationShares employs 200 pilots and operates 100 segments daily.

Expiration of High Density Rule (HDR):

- In 1968, Congress established the High Density Rule (HDR), which limited the number of scheduled operations during certain time periods at DCA, JFK, LGA and ORD.
- Negotiation-based allocation.
- Modifications made over the years, including Air21 exceptions at LGA and removal of controls at ORD in 2002.
- HDR rules will expire beginning in 2007.

Theme of Workshop



Program

Monday, PM

Workshop Introduction (1:45 – 3:00PM)

1:45-2:15: Mike Ball, University of Maryland: *Introductions and Overview of Workshop*

2:15-2:30: Wilson Felder, FAA: *FAA Introductory Remarks*

2:30-3:00: John Hansman, Massachusetts Institute of Technology: *Recent Airline Industry Trends*

Revenue Generation Models for Air Traffic Service Providers and Airport Operators I (3:00 – 4:00PM)

Chair: Mark Hansen, University of California, Berkeley

3:00 – 3:30: Nan Shellabarger, FAA: *Title TBA*

3:30 – 4:00: Frank Berardino, Gellman Research Associates: *ATC Costs, Slot Auctions and Efficiency*

Monday, PM (cont.)

Break (4:00 – 4:30PM)

Revenue Generation Models for Air Traffic Service Providers and Airport Operators II (4:30 – 6:00PM)

4:30 – 5:00: *Jim Crites, DFW Airport: Challenges and Opportunities for Implementing Revenue Generation Models for Air Traffic Service Providers at Airports*

5:00 – 5:30: *Joakim Karlsson, Daniel Webster College: The Impact of Infrastructure-Related Taxes and Fees on Domestic Airline Fares*

5:30 – 6:00: **Discussants:** Mark Hansen, University of California Berkeley; Joe Kile, General Accounting Office; Dres Zellweger, Joint Program Development Office & NASA.

Reception (6:00-7:00PM)

Monday Night Dinner (7:00PM) Dinner Speaker: Avner Schneur, Emptoris

Tuesday, AM

Industry Business Models (8:00 – 10:00AM)

Chair: Pete Kostiuik, Logistics Management Institute

8:00 – 8:30: Scott Nasin, American Airlines: *Four Billion and Counting - Restructuring at the World's Biggest Airline*

8:30 – 9:00: Al Spain, JetBlue: *JetBlue - People, Leadership, and the Future*

9:00 – 9:30: Pete West, National Business Aviation Association: *Title TBA*

9:30 – 10:00: Discussants: Pete Kostiuik, Logistics Management Institute; Ilhan Ince, USAirways; Scott Shatzer, Bombardier FlexJet.

Break (10:00 – 10:30AM)

Aviation Operations (10:30-12:30PM)

Chair: Dave Knorr, FAA

10:30 – 11:00: Jack Kies, FAA: *Capacity and Demand: What It Means to Air Traffic Flow Managers*

11:00 – 11:30: Mike Ball, University of Maryland: *Slot Property Rights and Aviation Operations*

11:30 – 12:00: Bill Wangerien, Delta Airlines: *Title TBA*

12:00 – 12:30: Discussants: Dave Knorr, FAA; Roger Beatty, American Airlines; Linda MacAskill, Bombardier FlexJet.

Lunch (12:30 – 2:00PM)

Tuesday PM:

Perspectives on Market Mechanisms (2:00 – 3:30PM)

Chair: Karla Hoffman, GMU

2:00 – 2:30: Peter Cramton, University of Maryland: *The Pros and Cons of Market-based Allocation*

2:30 – 3:00: Evan Kwerel, FCC: *Market Mechanisms to Redevelop Encumbered Resources*

Break (3:00 – 3:30PM)

Slot Auctions for LaGuardia in 2006: the Good, the Bad and the Ugly (3:30-5:30PM)

Chair: Jeffrey Warff, FAA.

3:30 – 4:00: Sharon Pinkerton, FAA: *Title TBA*

4:00 – 4:30: Karla Hoffman, George Mason University: *Questions and Issues Arising in the Design of an Auction*

4:30 – 5:30: Discussants: Mike Ball, University of Maryland; George Donohue, George Mason University; Jeffrey Wharff, FAA.

Tuesday Night Dinner (7:00PM)

Wednesday, AM

On-Going Research on Market Mechanisms for Aviation (8:00 – 10:00AM)

Chair: Peter Cramton, University of Maryland

8:00 – 8:30: Thomas Vossen, University of Colorado: *Dynamic Airline Slot Exchange during Ground Delay Programs*

8:30 – 9:00: David Parkes, Harvard University: *Building a Prototype of an Iterative Combinatorial Exchange*

9:00 – 9:30: George Donohue, George Mason University: *Network Load Balancing Using Auction-Based Slot Allocation*

9:30 – 10:00: Raghu Raghavan, University of Maryland: *A Multi-Phase Iterative Combinatorial Auction for Airport Landing Slots*

Break (10:00 –10:30AM)

Panel Discussion: Next Steps for Industry and for Aviation Policy (10:30-12:30PM)

Chair: George Donohue, George Mason University

Panelists: Jim Crites, DFW Airport; Evan Kwerel, FCC; Steve Martin, General Accounting Office; Scott Nasin, American Airlines; Sharon Pinkerton, FAA; Al Spain, JetBlue.

Lunch (12:30 – 1:30PM)