

**The University of New South Wales
School of Aviation**

AVIA5035 – Airport Economics, Management & Policy

Course Outline

Course Staff

The course facilitator is Professor Warren Mundy of the School of Aviation. Warren can be contacted via e-mail at warren.mundy@unsw.edu.au

About the course facilitator

Warren Mundy is an Adjunct Professor in the School of Aviation. He holds a first class honours degree in the theory of statistics from UNSW, a Diploma of Economics from the University of Sydney, Masters and Doctor of Philosophy from the University of Cambridge, a Graduate Certificate in Applied Finance from Macquarie University and a Master of Environmental Law (with honours) from the Australian National University. He is also a fellow of the Royal Aeronautical Society and the Australian Institute of Company Directors.

Warren currently is the Chief Economist of the Australian Airports Association. He also works as a strategic consultant to governments, regulators, companies and investors on aviation and broader infrastructure issues. He has been a senior executive in airport companies both in Australia and Europe and served five and a half years, four and a half as deputy chair, of Airservices Australia.

About the author of these notes

These notes are an update of notes prepared by Dr Paul Hooper for when this course when it was taught in 2017. Dr Hooper drew upon on his broad experience as a researcher, consultant, regulator and policy advisor to develop this course on **Airport Economics, Management & Policy** especially for the MScTech (Aviation)/MAvMgmt programme.

Paul Hooper holds an honours degree in Economics from the University of Queensland, a Master of Transport Economics from the University of Tasmania, and a PhD from the University of Sydney. He held senior academic appointments at RMIT University, James Cook University, the University of Sydney and the National University of Singapore. His research interests include airline competitive strategies, airport and air navigation economics and management, regulation, private financing of infrastructure, travel demand, and productivity measurement.

Paul has advised more than 50 private and public sector clients in Australia and abroad on economics, management, policy, regulation, forecasting demand and strategic planning. His career includes five years with ICAO, including an

appointment as the Chief of the Economic Analyses and Databases Section in the Air Transport Bureau. During this period, Paul advised ICAO's Contracting States on the economics of airports and air navigation services, statistics, traffic forecasting and statistics, passenger facilitation and security, and related matters. Between 2007 and 2016 Paul assisted the Department of Transport in the Emirate of Abu Dhabi to develop its capability to regulate and oversee the Emirate's rapidly growing aviation sector.

Course Information

Aims

In this global world, airports play a vital role enabling cities and regional and national economies to compete. The provision of airport infrastructure is costly and there usually is a limited number of sites in a given area suitable for airport development. Proposals to build new airports or to undertake major redevelopments at existing airports attract considerable public attention. A modern airport also is a complex economic and legal entity in which a variety of stakeholders are required to cooperate to deliver what is in principle a very simple product – the transfer of passengers and cargo between air and ground transport. It is not surprising to find that there are many courses on airport management and a wealth of published material on almost every aspect of airport development and operations.

This course blends elements of economics and management to explore key policy and strategic questions about airports. The aim is to equip participants, whether their interest be in airports, airlines, service provision, investment or regulation, to apply sound reasoning and knowledge to address these key questions. On conclusion of the course, participants will appreciate the economic and managerial challenges that will shape the future of financing, managing and regulating airports. Though **AVIA5035 – Airport Economics, Management & Policy** can be undertaken as a stand-alone component of the MScTech (Aviation)/MAvMgmt programme it complements other courses, notably: **AVIA5006 – Airport Planning**; and **AVIA5007 – Airport Operations Management**.

The course does not presume any prior knowledge of airport operations and management; nor does it require a background in economics. The first unit will introduce you to the complexity of airports so that their roles and varying forms of organization will be understood. The two subsequent units will explain the economic concepts that provide valuable insights into the nature of airports. Though this will involve the use of some formal theory, the emphasis will be on practical application in the context of modern airport management.

This foundation will be employed to examine performance management, and pricing and marketing strategies in addition to considering models of ownership, financing and regulation. The interaction of a variety of service providers within a confined area, all working within physical and temporal constraints, gives rise to coordination issues and we will examine ways of managing the relationships. It is important then to step back and view the airport in its social and geographic context and the course considers how an efficient airport contributes to the local economy. Socially

responsible managers also recognise the need to be good neighbours and the course examines ways in which airports are mitigating their impacts on the environment. The course concludes with an assessment of the economic and policy environment driving the direction of financing, ownership and management of airports into the future.

Learning Outcomes

On completion of this course participants should be able to:

- explain the role of airports in today's global economy and be able to identify the key stakeholders and service providers who interact at airports;
- apply relevant economic and management concepts to describe what users demand from airports as well as the salient supply characteristics of airports;
- critically evaluate ways in which an airport's performance can be assessed;
- describe the way prices are set for airport services;
- appraise the options for ownership, financing and regulation of airports;
- identify ways in which relationships among service providers and end-users can be managed effectively;
- describe ways in which efficient airports can improve the productivity and competitiveness of their host regions;
- assess options to improve the environmental performance of airports; and
- identify key trends and challenges shaping the future of airport management.

Location

This course runs for the duration of Semester 1.

The course is delivered electronically via UNSW Moodle, on a distance-learning basis. The core component of delivery is the course manual. Course manuals are written by experts from various backgrounds within the aviation industry and a cross section of disciplines at UNSW. Each manual has been designed to guide the learner in the most effective and efficient way. As new concepts are introduced, practical exercises are provided so you can develop skills, which can be applied immediately in your workplace. Students are able to study at their own pace, in accordance with their particular work schedules and locations. Academic review and feedback is delivered via e-mail or Moodle.

Learning and Teaching Philosophy

This course aims to provide a sound background and understanding of the key strategic questions in airport economics, management and policy. This is done using a blend of theoretical and real-world material. Several different methods are used in the course to assist in achieving learning outcomes. Readings, exercises and self-review questions are provided to enable participants to appreciate and evaluate varying perspectives, and to provide logical structure for the topics and concepts introduced in the course.

The majority of the materials in the course relate to practical situations, but it is expected that participants will develop a working appreciation of the methods used to analyse issues. Aviation is a dynamic industry and the course aims to equip participants to apply sound logic irrespective of how the strategic questions may be shaped in the future. Some challenging material will be included in the readings, but at all times a supportive learning environment is provided against an expectation that participants will take responsibility for their own learning and also learn co-operatively with their peers.

Internet

Online content and study materials can be accessed via UNSW Moodle;
<http://moodle.telt.unsw.edu.au>.

Course Schedule

Units should be done in the corresponding course week. That is, the curriculum has been designed as a 12 week course with one Unit being achieved in each week.

Unit 1	Airports as complex economic entities
Unit 2	The demand for airport services
Unit 3	The supply of airport services
Unit 4	Monitoring the performance of airports
Unit 5	Pricing airport services
Unit 6	Airport competition and marketing strategies
Unit 7	Ownership, financing and regulation of airports
Unit 8	Managing relationships in the airport
Unit 9	Taxation and cost recovery
Unit 10	The role of airports in the economy
Unit 11	Mitigating the impacts of airports on the environment
Unit 12	The future landscape for managing airports

Assessment

At all times assessment is intended to form a component of the learning process and assignments are designed to encourage students to demonstrate their understanding through application of concepts to real-world problems. Thus, where applicable, assignments will be assessed on the basis of how students apply subject material to gaining new insight in different contexts such as their own organisation or/and other original examples. Written comments will accompany return assignments and should provide useful feedback. The examination will provide students and faculties with feedback about student comprehension of the subject content.

Criteria for Assessment

The criteria for assessment of all written work will be:

- evidence of understanding of the concepts, theories and ideas developed in the subject;
- ability to apply these concepts to situations from your own areas of experience;
- degree to which arguments are clear and logical, and claims and statements are substantiated through research and appropriate citations;
- evidence of research and reading beyond the lecture materials;
- capacity to structure an exercise or assignment logically and limit it to the length required;
- degree to which the material submitted for assessment addresses the specified or negotiated assignment requirements.

Final Course Results

All final course marks are scaled by the School and reviewed by the Faculty. The final approved course result will be officially released on myUNSW in July (S1) and December (S2). Students should not assume their final official marks directly from each assessment task even after all the marks for each assessment are received.

Special Consideration

You can apply for special consideration when illness or unexpected circumstances beyond your control interfere with your assessment performance.

Assignment Extensions

If you need an assignment extension up to one week, you need to make a formal request with supporting documentation to the course facilitator by email **PRIOR** to the due date. Assignment extensions are not guaranteed and students should not assume that they will be given one.

Exams and Significant Long-Term Issues

A formal Special Consideration request must be lodged online with supporting documentation via <https://student.unsw.edu.au/special-consideration>

Early Assessment

In this course you will be provided with a set of 12 multiple choice questions at the beginning of each semester. These will cover the first 3 weeks of course materials. You should complete these questions with all serious intent one week prior to the Census Date (31 March for S1 and 31 August for S2). The Course facilitator will provide the correct answers prior to census date, and explanations for each. Marking yourself honestly therefore will provide you with formative feedback as to whether you have covered the key issues prior to census date. The marks will not be used as a summative contribution to your final mark.

Assignment 1

Submission: 13 April 2018, 11:59pm
Weighting: 25%
Length: 2000 words

Please choose **one** from the following list of essay titles:

- a) Airports have to strike a balance between quality of service and the charges they must levy. Often, there are significantly diverging views between airlines, passengers and local interest groups on what levels of service should be provided, or at least there are widely differing values placed on the different types of service – the term “gold plating” often used in such discussions. Identify the issues that are at the heart of such disputes, how common are they and discuss possible methods of resolution.
- b) Discuss the application of benchmarking in an airport context, including consideration of the challenges of comparing one airport with another, and in particular airports in difference countries. What issues should be considered when using benchmarking as part of a policy processes. Illustrate your key points with examples wherever possible.
- c) The pricing principles adopted by the Australian Government, on the advice of the Productivity Commission, differ from those promulgated by ICAO. Identify the underlying policy principles of each approach and their strengths and weaknesses. Identify in what circumstances each is more likely to maximise economic efficiency.

Assignment 2

Submission: 11 May 2018, 11:59pm
Weighting: 25%
Length: 2000 words

Choose **one** from the following list of essay titles:

- a) The notes for Unit 6 cite the Australian Productivity Commission (2011) thus: “*in assessing the case for the economic regulation of airports services, it is necessary to arrive at a judgment about which services are amenable to the exercise of market power by airport operators.*” Using examples to illustrate your arguments, assess which types of airport services are more likely to involve market power on the part of the airport operators and consider what are the incentives to exercise such market power. How do these differ between different types of airports is technology impacting of how airport might gain and use market power?
- b) Australia has one of the highest levels of private ownership of airports in the world and a “light handed” regulatory. Does such a framework maximise benefits to the community particularly from the perspective of ensuring adequate investment and competition in airline markets.
- c) It has become common place for airports to publish what are often referred to as “economic impact studies”. Provide examples of such publications and critically review the methods used and the conclusions reached. Comment on the claim that many such studies significantly over-state the impacts of projects or events, and assess the value such studies in enhancing the relationship between airports and their host communities.

Final Exam

Available: First day of the Exam Week
Submission: End of the Exam Week
Weighting: 50%

The Final Exam will consist of a two-part paper.

Part A will comprise short answer questions drawn from any section of the course.

Part B will require you to answer two essay style questions.

The assignment will be made available on the first day of the Exam Week and must be submitted on or before the last day of the Exam Week.

This exam is worth 50% of the total assessment. The purpose of the exam is to test your understanding of the course material, and your ability to apply that understanding to a given situation.

Students may use the course material on the understanding that appropriate referencing is used. The examiner is looking for thoughtful and innovative answers that display your depth of understanding of the course material. Answers that appear to consist of a succession of “quotes” will not attract high marks.

You should check with your course administrator for the details and the administration of this exam.

Academic Honesty and Plagiarism

The MScTech (Aviation)/MAvMgmt Postgraduate Programme requires compliance with the UNSW Policy on Academic Honesty and Plagiarism.

Students are referred to the University's rules on academic conduct, which are contained within the *Student Handbook*. Put simply, plagiarism is intellectual dishonesty and the theft of other people's work. Consequences for students caught plagiarising or stealing the work of others can include failure of the course or even exclusion from the University.

Plagiarism is the presentation of the thoughts or work of another as one's own¹. Examples include:

- direct duplication of the thoughts or work of another, including by copying work, or knowingly permitting it to be copied. This includes copying material, ideas or concepts from a book, article, report or other written document (whether published or unpublished), composition, artwork, design, drawing, circuitry, computer program or software, web site, Internet, other electronic resource, or another person's assignment without appropriate acknowledgement;
- paraphrasing another person's work with very minor changes keeping the meaning, form and/or progression of ideas of the original;
- piecing together sections of the work of others into a new whole;
- presenting an assessment item as independent work when it has been produced in whole or part in collusion with other people, for example, another student or a tutor; and,
- claiming credit for a proportion a work contributed to a group assessment item that is greater than that actually contributed².

Submitting an assessment item that has already been submitted for academic credit elsewhere may also be considered plagiarism.

The inclusion of the thoughts or work of another with attribution appropriate to the academic discipline does not amount to plagiarism. The inclusion of the thoughts or work of another with attribution appropriate to the academic discipline does not amount to plagiarism. Students are encouraged to seek advice from academic staff whenever necessary to ensure they avoid plagiarism in all its forms.

The Learning Centre website is the central University online resource for staff and student information on plagiarism and academic honesty.

¹ Based on that proposed to the University of Newcastle by the St James Ethics Centre. Used with kind permission from the University of Newcastle.

² Adapted with kind permission from the University of Melbourne.

The Learning Centre also provides substantial educational written materials, workshops, and tutorials to aid students, for example, in:

1. correct referencing practices;
2. paraphrasing, summarising, essay writing, and time management;
3. appropriate use of, and attribution for, a range of materials including text, images, formulae and concepts.

Individual assistance is available on request from **The Learning Centre**.

Students are also reminded that careful time management is an important part of study and one of the identified causes of plagiarism is poor time management. Students should allow sufficient time for research, drafting, and the proper referencing of sources in preparing all assessment items.

Open Book Examinations and Plagiarism

Open book examinations are tests which allow students to refer to notes/texts/etc. to assist in preparing answers. They allow students, in effect, to research answers during examinations. Students in open book examinations are, however, expected to submit their own work as answers to examination questions. Students in open book examinations who merely copy portions of notes/texts into their answers rather than submitting their own work are plagiarising or stealing the copied material and will receive no marks for such answers and, in addition, will be subject to the University's sanctions for plagiarism.

Resources for Students

Texts

The prescribed text for this course, is:

Graham, A. (2013) *Managing Airports. An International Perspective*, fourth edition, Taylor and Francis. (eBook available via UNSW Library)

The following texts contain material particularly relevant to this course:

- Doganis, R. (2006) *The Airport Business*, 2nd edition, Routledge.
- Forsyth, P., Gillen, D., Muller, J. and Niemeier, H.-M. (2010) *Airport Competition. The European Experience*, Ashgate, Surrey, England.
- Starkie, D. (2008) *Aviation Markets. Studies in Competition and Regulatory Reform*, Ashgate, England.

Other References

Students can use any introductory microeconomic text to assist in their understanding of the economic concepts, although the course notes will provide the necessary explanations.

References will be made as well to ICAO publications, though the key points will be covered in the notes. The following journals are highly relevant:

- Journal of Air Transport Management
- Journal of Air Transport Studies
- Journal of Airport Management

The following journals often publish papers directly relevant to this course:

- ICAO Journal
- Journal of Transport Economics and Policy
- Transport Geography
- Transport Policy
- Transportation Research E – Logistics and Transportation Review

Internet

The course notes will make frequent references to publications available on the Internet. Online legal systems allow you to research source material and many organisations allow you to download their publications for free. Search facilities allow instant access to quality information that is continuously being updated. You will find that there are some websites that are particularly useful and you are encouraged to absorb ideas from all over the world. Some networks are designed for student use, for example, Airneth which can be accessed at <http://www.airneth.nl/>

Please ensure you fully cite any web references you use in your assignments and the date on which you referenced the material..

As a final comment, it is most important with any research, but particularly with online research, that the reference source be verified and checked to ascertain its accuracy and authenticity. Obviously the official websites of governments, educational institutions, agencies and reputable organisations are usually the best and most reliable source of information, but most references still need to be checked for currency. Many reports are published by organisations aiming to influence public policy and it is important that you appraise this material objectively. It is also common practice to state the date of viewing or referencing of online information sources.

Report/Essay Writing

There are diverse report and essay writing standards and requirements in the University environment and within industry and government. It is not expected that students will be perfect in this area. The standards for referencing, etc. are not important as long as you do use quotes where appropriate and acknowledge other's ideas. It is expected that students exert effort into correct referencing when necessary.

Continual Course Improvement

Periodically, student evaluative feedback on the course is gathered, using among other means, UNSW's Course and Teaching Evaluation and Improvement (CATEI) Process. Student feedback is taken seriously, and continual improvements are made to the course based in part on such feedback. Significant changes to the course will be communicated to subsequent cohorts of students taking the course.

Teaching Strategies

The MScTech (Aviation)/MAvMgmt and its associated programmes, the Graduate Diploma in Aviation Management, are offered through distance education and have been specifically designed for students who are unable to attend weekly sessions at the University. The MScTech (Aviation)/MAvMgmt is targeted towards professionals and managers who work in aviation-related environments. The course is suitable as well for professionals who work in finance, consulting and government and in related fields such as tourism.

Administrative Matters

Students should be familiar with the information contained in <https://my.unsw.edu.au> regarding expectation of students, enrolment, fees and other policies that affect you. Also students must be familiar with the information provided in the Postgraduate Aviation Student Guide. This essential document can be obtained from the School of Aviation and is available on UNSW Moodle. Please contact the Postgraduate Programs Coordinator at aviam@unsw.edu.au for any administrative enquiries.

Updated: December 2017