

**Belobaba, Peter; Odoni, Amedo & Barnhart, Cynthia (ed.) – The Global Airline Industry**

*John Wiley & Sons, 2016, [Business] Grade* ★★★★★

This is a highly ambitious and voluminous textbook introduction to the airline industry and to airline operations written by a total of 17 authors, mostly academics at the MIT Department of Aeronautics and Astronautics but also from other universities and a few industry practitioners. Much of the content was apparently originally developed for an MIT course, quite naturally, called the Airline Industry.

The coverage of the book is impressive and at first looks at airlines from a top-down managerial point of view, then goes in to more practical and operational details when surrounding airlines and finally covers a number of related subjects. Among the first types of topics are the industry history, the regulation of both airlines and airports, the economics of the airline market, pricing options and revenue management plus costs and productivity.

The second type of subjects includes fleet and route planning, flight crew management during both regular operations and when things don't work out as planned, labor relations and security handling. The last type of subjects includes airports, air traffic control, industry related environmental issues and how IT effects the management of airlines. This is all obviously very comprehensive. The only topic I can think of that's missing and that might have warranted a comment is the authors view on whether the traditional long haul hub-and-spoke network model could be rivalled by smaller fuel efficient, long range planes deployed in "long and skinny" point-to-point networks.

The sector has obviously changed a lot over the years for example with the emergence of low-cost airlines and the growth of new airlines originating in developing countries – both topics covered extensively in the book. The largest change is however the transition from a fully nationalized sector to a commercial industry. It is today almost

choking to read about how tightly regulated the industry has been both between the 1950's up until the deregulation in the 1980's, but in reality also up until now. Apparently, in some aspects the European Union has been a global forerunner in the deregulation of the sector which only goes to show how bad it has been.

For me as an investor chapters three through six were obviously the most useful covering the economics of both the industry and if an airline corporation. Commendable enough these chapters start off with a section on airline terminology, definitions and also acronyms such as RPK (Revenue Passenger Kilometer, i.e. one paying passenger transported one kilometer) or ASK (Available Seat Kilometer, i.e. one available seat flown on kilometer). In the end I think one must conclude that air transport is a commodity and in any commodity business the low cost providers will usually turn out to be winners.

Initially my worry was that with the authors predominantly being academics the text would be too detached from practical life but this is not at all so. They clearly have a very deep domain knowledge. This doesn't mean that it's 500 pages to breeze through. Reading it is rather hard work as it is full of detail in anything from regulatory agencies to airline schedule development. Also, a book containing material from this many authors never really addresses the reader in a fully coherent language.

This book works well as a university textbook and it would be an excellent choice if you as an outsider have been recently recruited as an airline CEO and need a crash course on what you are getting into. However, it is probably too heavy and full of operational aspects to really suit an investor looking to understand the industry economics.

Mats Larsson, July 14, 2018