Report on Bachelor / Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

Student:	**Petr Kašpar**
Advisor:	**PhDr. Pavel Vacek, Ph.D.**
Title of the thesis:	**Pricing in the Airline Industry**

***OVERALL ASSESSMENT** (provided in English, Czech, or Slovak):*

Petr Kašpar in his bachelor thesis „Pricing in the Airline Industry" deals with predation, which is one of the exclusionary type of abuse of dominant position. Specifically, the author discusses a potential predatory pricing behaviour conducted by network carriers with the aim of eliminating competition, new low-cost entrants, in particular.

There are several facts about Petr's work that I like:

1. The topic itself –generally, cases of predation are not rare, and in particular, this topic is very relevant for today's Czech transportation sector (cases in bus transport: Student Agency versus Asiana on the Praha-Brno route, in rail transport: pricing strategies of České dráhy, Leo Express and Student Agency on the Praha-Ostrava route, and other cases).
2. The thesis is well written and I could recommend it as a text on predation in my antitrust economics course.
3. I appreciate comparison of approachs to predatory cases in various countries and discussion of differences in its treatment.

A few remarks and comments:

A)
On page 1, Petr writes: „*In the last 30 years, the market for air traffic has been changing rapidly. From conservative one that was served solely by large carriers with significant monopoly power it has been transforming into more open market offering its services to broader range of customers. That was achieved by the introduction of a low-cost carrier model bringing the possibility of air travel to low-yield passengers and making flying as a mean of transport more common.*"

Well, it would be nice to mention the outstanding personality who we all should thank for liberalization of an airline industry. The liberalization allowed introduction of also low-cost carriers, among other profound changes in the airline industry. It was Alfred Kahn, ex-chairman of the Department of Economics at Cornell University and founder of the NERA – prestigious competition consulting firm. I would suggest Petr to read e.g.:

http://object.cato.org/sites/cato.org/files/serials/files/regulation/2011/4/regv34n1-2.pdf

B)
Of course, it is a great pity that the original idea of designing an econometric model that would analyse low-cost carriers as well as the network carriers pricing schemes could not be developed due to high price of data. For the same reason, no cost data of european low-cost airlines were analysed. However, even in this situation, I would appreciate if the author met (or tried to meet) in person a professional from any airline company and tried to discuss with him or her a general structure of cost data that airline carriers have (just the structure, various cost items without any numbers).

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This bachelor thesis is a good starting point for doing a real research, which would require data analysis and drawing new conclusions. I suggest Petr tries to become part of some research group that has an access to airline data or tries to ask for a grant that would help him purchase the data that he could use for his master thesis.

I recommend a grade of 1 (excellent).

SUMMARY OF POINTS AWARDED *(for details, see below):*

CATEGORY		POINTS
Literature	(max. 20 points)	18
Methods	*(max. 30 points)*	23
Contribution	*(max. 30 points)*	22
Manuscript Form	*(max. 20 points)*	18
TOTAL POINTS	*(max. 100 points)*	**81**
GRADE	**(1 – 2 – 3 – 4)**	**1**

NAME OF THE REFEREE: Pavel Vacek

DATE OF EVALUATION: 9 June 2014

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                                    Referee Signature

__EXPLANATION OF CATEGORIES AND SCALE:__

__LITERATURE REVIEW:__ The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.

Strong	*Average*	*Weak*
20	*10*	*0*

__METHODS:__ The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.

Strong	*Average*	*Weak*
30	*15*	*0*

__CONTRIBUTION:__ The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.

Strong	*Average*	*Weak*
30	*15*	*0*

__MANUSCRIPT FORM:__ The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.

Strong	*Average*	*Weak*
20	*10*	*0*

__Overall grading:__

TOTAL POINTS	GRADE		
81 – 100	1	= excellent	= výborně
61 – 80	2	= good	= velmi dobře
41 – 60	3	= satisfactory	= dobře
0 – 40	4	= fail	= nedoporučuji k obhajobě