WOULD U.S. TRAVELERS BENEFIT FROM ENTRY BY FOREIGN AIRLINES?
SIMULATING THE EFFECT OF CABOTAGE BASED ON LOW-COST CARRIER COMPETITION IN U.S. AND EUROPEAN UNION MARKETS

by

Dr Jia YAN
Associate Professor of Economics
School of Economic Sciences
Washington State University

Date: 13 September 2018 (Thursday)
Time: 10:30am - 11:30am
Venue: M802, Li Ka Shing Tower
The Hong Kong Polytechnic University

(Conducted in English)

Abstract:
We explore the potential benefits to U.S. travelers from granting foreign airlines cabotage rights. We design a new approach to obtain consistent estimates of the effect of Low-Cost Carrier (LCC) entry on fares in U.S. and EU markets, which addresses the endogeneity of entry. We then simulate the effect of allowing an EU LCC to serve U.S. markets and we find that U.S. travelers' initial welfare gains would be modest because airline competition is already intense. However, travelers' benefits are likely to grow significantly over time as all carriers develop their networks to offer seamless domestic and international travel.

Bio:
Jia Yan is an associate professor of Economics at Washington State University. He received his Ph.D. in Economics from University of California at Irvine. Before joining Washington State University in 2007, he taught at the Faculty of Business of the Hong Kong Polytechnic University.


Please email to clare.lau@polyu.edu.hk for enquiries.

All are welcome!