

The Hong Kong Polytechnic University
Department of Logistics and Maritime Studies
Research Seminar

**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

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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.

Yan's research covers several areas in Applied Microeconomics and Applied Econometrics including Public Economics, Urban Economics, Industrial Organization, Environmental Economics and Transportation Economics. He has published his papers in such journal as *Econometrica*, *Journal of Econometrics*, *Journal of Public Economics*, *Journal of Urban Economics*, *Journal of Environmental Economics and Management*, *International Journal of Industrial Organization* and *Transportation Research Part A, B*. He received the best dissertation award from the Transport and Public Utility Group of the American Economic Association in 2002, the best paper award from the Transportation Research Forum in 2009 and the best paper award from the International Transport Economics Association in 2011.

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All are welcome!