

AIRLINE COMPETITION AND AIRLINE-AIRPORT AGREEMENTS IN THE SAN FRANCISCO BAY AREA

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ABSTRACT. This paper provides a methodological framework to analyze the decisions of carriers and travelers in areas where there exist several airports. We take into account the contractual relationship between airports and carriers and evaluate the effects of changes in the terms of such agreements. Our empirical application is based on the two main airports located in the San Francisco Bay Area.

1. INTRODUCTION:

Interactions between airlines, travelers and airports in the U.S. have been object of several studies since the beginning of the sector deregulation at the end of the 70's. The rise of air traffic and the limited capacity of airports has lead researchers to study the efficiency of carriers operations at airports. However, most of the empirical work does not take into account the relationship between airports and airlines and little has also been done in the analysis of airlines competing in areas with several airports. This paper investigates how airlines compete in areas with several airports taking into account airport-carrier agreements and the effects of changing the terms of such contracts. Our empirical application is based on the competition of the two main airports located in the San Francisco Bay area (San Francisco International Airport (SFO) and Metropolitan Oakland International Airport (OAK)).

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