Economic Analysis of Airline Tickets and the Role of IT in Affecting the Aviation Industry

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ABSTRACT

This article pinpoints the affects of information technology on the aviation industry, specifically on the Airline ticket prices. The article first introduces the different costs that comprise the airline ticket. Then the article introduces the different information technology systems that are used in the aviation industry which in turn reduces the price of the airline ticket.

Keywords: Airlines; Air Traffic Controlling; Aviation; Aviation and IT; Economics of Airline; E-Ticket; Information Technology; Simulation; Ticket Prices

INTRODUCTION

To fly from London to New York nowadays, it is customary to visit a traveling website such as http://travel.yahoo.com, in order to make the reservation. Surprisingly, there are more than 46 flights to choose from with varying prices ranging from $672 to $1,989. In fact, with an extra $3 the VIP services in coach would be granted, which infers that long gone are the days where many calls had to be made to compare prices then drive to the travel agent to pick up the ticket. The previous leads to two questions: why are the prices varying? And how did this website come about?

Accordingly, the jest of this article is to discuss the elements that affect the travelers’ ticket price as well as the role of information technology in affecting the prices of the airline tickets. In retrospect, the article will shed light
on both sides of this issue: the airline side and the IT side.

**TICKET PRICE ANALYSIS**

To carry a passenger from origin A to destination B, an airline company takes many factors to mark the price of the ticket. Based on basic economic analysis, there are always cost and revenue, and thereby the airline must take into account all the cost incurred when pricing the airline ticket, as stipulated in Figure 1, and the justified margin of profit, where the profit is defined as Revenue minus Cost, in terms of pure mathematical calculation, noting that some costs can be recurring while other costs are nonrecurring costs.

In this context, the recurring cost in the air transport arena is comprised of: *airplane related operating costs*, *Payload Related operating costs* and *System related operating cost*. On the other hand the nonrecurring costs are *Spare parts costs* and *Initial crew training*. Next, all cost related factors will be discussed.

**Airplane Related Operating Costs**

Airplane Related Operating Costs (AROC) can be broken down into two

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*Figure 1. Different factors that affect the ticket price*
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