

*Standing Committee on Aviation Economics and Forecasting (AV040)*  
*Kate Harback, Chair*

## **Aviation Economics and Forecasting: Origins and Future of the Committee**

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### **ORIGINS**

The TRB Committee on Aviation Economics and Forecasting (Committee) has its origins as the Committee on Aviation Forecasting. Established on February 3, 1977, it was the second Aviation Committee created by TRB (the long-forgotten task force on Low Density General Aviation Airports would have preceded it had it not disbanded in 1978). When the Committee was created, TRB was already almost 60 years old. The Department of Transportation, the major federal impetus for intermodal treatment of national transportation policy was over a decade old. TRB, having been born out of the Highway Research Board, was in catch-up mode on aviation.

### **Deregulation Era & Emphasis on Forecasting**

Retrospectively, TRB's timing was perfect, even if that wasn't completely on purpose. The Airline Deregulation Act of 1978 was under consideration as the Committee was born and the Act, upon its implementation on October 1, 1978, was about to change everything.<sup>1</sup> For 50 years the economic activities of the airline industry had been subject to stringent economic regulation by the Civil Aeronautics Board (CAB). Under CAB guidance the airline industry's growth and reach had been highly predictable in many ways. The uncertainty of Deregulation was the fodder the Forecasting Committee needed to prove to itself.

The original Committee Membership, while small, represented the Federal Aviation Administration (FAA), airlines, manufacturers, academia, airport operators and industry consultants. A primary goal of the Forecasting Committee, that continues to this day, is to help inform the FAA's annual forecast of aviation activity. The findings of the FAA forecast are especially important for predicting the financial needs of the air traffic control system (ATC) and feed directly into the annual federal budget process. The FAA forecast in turn is an important component of international forecasts by groups such as the International Civil Aviation Commission. While international membership was not a part of the original Forecasting Committee, today's panel has significant international participation.

### **Expanding Economic Research Scope**

It was clear by the early 1980s that the focus of the Forecasting Committee was too narrow and that broader coverage of a wide range of economic topics was desirable. In early 1981, TRB created a Task Force on the Economics of Air Transport. The membership of the task force immediately sought to broaden the range of aviation issues worthy of consideration. At this

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<sup>1</sup> For further detail, see, TR News May-June 2018: 40 Years of Transportation Deregulation [<http://www.trb.org/Main/Blurbs/177762.aspx>].

point, the Task Force's focus was primarily on the rapid changes taking place in the airline industry and how they impacted the rest of the aviation sector. The early 1980s were a period of rapid expansion and retrenchment within the industry. Many existing airlines merged, new entrants such as, perhaps most famously, Peoples Express emerged, and almost as rapidly, airlines once of some note began to disappear. The CAB itself would disappear in 1985 and the federal regulatory framework would change dramatically.

Given this new dynamic the Task Force became the Committee on Aviation Economics in June 1984. Two years later in 1986 it was agreed that a merger of the Forecasting Committee into today's Aviation Economics and Forecasting Committee was desirable for a wide variety of reasons such as overlapping interest in membership. Although it has been somewhat forgotten within the TRB aviation world, this Committee also played an important role in the creation of the new Committee on Light Commercial and General Aviation that also occurred in 1986. At that time, the Regional Airline industry was growing rapidly, and it was felt that the existing Airline Economics Committee could not devote sufficient attention to the Regional's specific issues.

### **Committee Membership**

The Committee has always had ample and enthusiastic participation. What has changed, however, and continues to change, is the composition of Committee membership.

In the 1980s and on into the 1990s the Committee routinely had airline forecasters and economists on its roster, as well as analysts from the financial community. Over time, from a combination of a changing number of people employed in these capacities, as well as an increasingly proprietary perspective by airlines, this participation has waned. Airlines for America (A4A) and other trade groups remain active in the Committee's membership, so these valuable industry perspectives continue to be a part of the Committee's dynamics.

Today's membership is less directly affiliated with the airlines, representing a broader swath of the aviation industry, including academics, researchers, and industry consultants for example. The Committee also includes a greater degree of international participation, as well as more students and other young members. In part, the increase in student participation stems from the TRB Airport Cooperative Research Program's (ACRPs) Graduate Research Award Program.<sup>2</sup>

### **Subject Matter Focus**

The subjects discussed by the Committee in TRB Annual Meetings and other venues have been myriad. Some sessions have been specific to current events. In many cases the Committee is constantly revisiting issues that have continuing implications for the aviation sector. Some of the more prominent issues discussed would include: airline competition and consolidation; new entrant airlines; airport slot controls; airport capacity; federal taxes and fees; the organization and ownership of the ATC system; forecasting methodologies; data and techniques; and aircraft equipment issues (e.g. new large aircraft).

The wide breadth of the Committee's interest can be best demonstrated through a sample of annual meeting sessions topics as follows:

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<sup>2</sup> <http://www.trb.org/ACRP/GraduateResearchAwards.aspx>

- 1985: Internationalization of the Aerospace Industry, Airport Capacity and Delay, and Market vs. Administrative Solutions to Allocating Landing and Airspace Rights, Near Term Outlook for the Aviation Industry.
- 1988: The Future of Aviation, Strategies under Airline Deregulation: Management and Labor, Effects of Airport Constraints on Future Traffic Flows
- 1992: Aviation Outlook, Aviation Infrastructure: Problems and Solutions (Domestic)
- 1998: Air Cargo: Key Trends and Issues, Short-Term Aviation Forecast, Impact of Changes in Federal Policy on Aviation
- 2005: Aviation Activity Forecasting Methodology and Assumptions (Workshop), Next-Generation Air Transportation System, International Open Skies Agreements, Real Cost of Air Travel
- 2013: Challenges in Forecasting and Analyzing Air Cargo Traffic and Performance (Workshop), Air Carrier Responses to Capacity, Delay, and NextGen Technology Issues, Air Transportation Networks: Connectivity and Productivity, Airline Industry Restructuring. Commercial Air Transport: Prospects for the Far Future
- 2018: Current Research in Airline Competition, Geopolitics and Commercial Aviation: The Skies That Bind, Financing Airports, Ongoing Air Service Battles in Small Communities
- 2019: Forecasting Unmanned Aircraft Systems

### **Beyond the Annual Meeting**

Committees are also known for what they do beyond the Annual Meeting. For well over two decades the Committee, along with the Committee on Light Commercial and General Aviation, organized a biannual Workshop on Future Aviation Activities for the FAA. This two-day workshop fed directly into the FAA Annual Forecast. Looking back, the TRB Circulars that resulted from those meetings provide an interesting look back at the post-deregulation history of the aviation industry. They also provide an opportunity to see where its predictions were right and where they were wrong. By way of example, one workshop predicted an almost unlimited future for 50 seat regional jets (relatively few of which are still in revenue service) and a limited future for Large Commercial Aircraft (the A-380, which was always a difficult sell for Airbus, will go out of production over the next few years).

The Committee has also taken part in some very high-profile efforts to study specific aspects of the aviation industry. For example, the Committee supported TRB's Special Report Series on the U.S. Airline Industry. This two-volume series: Winds of Change (Special Report 230, 1991) and Entry and Competition in the U.S. Airline Industry: Issues and Opportunities (Special Report 255, 1999) responded to specific congressional requests for TRB investigation of industry trends.

Another example of work outside the annual meeting focus was the Committee's support for a series of reports done by TRB in early 2001 on "Aviation Gridlock: Understanding the

Options and Seeking Solutions”. This study, however, was cut short by the events of September 11, 2001, which made many of the study’s findings at least temporarily irrelevant. Retrospectively much of the work done for those studies informed TRB’s and the industries work on infrastructure congestion and delay in the years ahead.

More recently, members of the Committee contributed to the TR News May-June 2018 issue, “40 Years of Transportation Deregulation.” This included retrospective views on the success of deregulation and potential unfinished business.

## **THE FUTURE**

One hundred years on, TRB has an active and growing aviation component. Something probably not remotely envisioned by the founders of the Highway Research Board. Like aviation itself, this Committee has a bright future and there is no reason to suspect that it will not be a part of TRB’s next milestone celebration 50 or 100 years hence.

In the coming years the Committee will continue to stay abreast of emerging issues and new uses of airspace. This includes unmanned aircraft systems, the growing commercial space launch industry, as well as other emerging technologies, as they develop.

Cross-mode collaboration is also part of the Committee’s future. At the annual meeting in 2019, the Committee’s Ancillary Fees, Fares Analysis, and Competition in Aviation session was cosponsored with the Standing Committee on Transportation Economics (ABE20). In 2018, the Committee’s Air Cargo Subcommittee became jointly sponsored by the Intermodal Freight Committee (AT045). AV040 will continue to expand collaboration and increase the Committee’s impact.

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