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Book Review

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Book Review

AIR TRANSPORT ECONOMICS IN THE SUPERSONIC ERA. By Alan H. Stratford. New York: MacMillan. 1973 Edition, revised from 1967. pp. 506.

The revised edition of Alan Stratford's book is a much more comprehensive and balanced presentation of air transportation than was his first effort in 1967. He has updated his discussion of operating costs, VTOL development, and supersonic transport, and has added a chapter entitled "Airport Development and the Problems of Noise." In addition, he has reduced the emphasis on air cargo from about 40 percent of the first edition, covering 139 pages, to 106 pages in the revised edition representing about 20 percent of the material.

The book understandably reflects the author's long experience with the British aircraft industry. Therefore, some of the references will be unfamiliar to the reader in this country. Moreover, analysts in the aircraft and airline industries may take exception to various statements contained in the chapters on "Criteria for Transport Aircraft and Market Research and Passenger Transport." For example, with regard to depreciation the author states that a 10-year write-off period may be the maximum that can be substantiated in view of technological advancement. Many U.S. carriers, however, are using 14 years on regular jets and 16 years on the 747 and other wide-body jets. With respect to cost formulae, the author soundly states that DOC's are not the entire story in determining the economics of an aircraft operation and that return on investment, which takes in revenue-earning potential, gives a much better overall measure of the efficiency of an aircraft for a particular airline or various route segments. He also discusses profit margin and break-even load factor, important considerations in such analyses. The DOC cost formulae appear to be usable, but the coefficients may not be representative of particular operations or types of aircraft. A complete set of formulae for DOC's are not given, only separate equations for depreciation, insurance and interest. Reference is made to the ATA (1960) and SBAC formulae, but these

are not given in the text or as an appendix. The 1967 ATA DOC formula, not mentioned in this part of the text, is the updated and corrected version for jet aircraft, which provides costs much closer to actual cost than the 1960 formula, although the 1967 formula is referred to in the chapter entitled "Development of Jet Transportation."

Although the aircraft manufacturers and the airlines in the U.S. have done a substantial amount of work refining formulae for estimating indirect costs, the author seems unaware of this mid-1960's development. The Civil Aeronautics Board developed a uniform chart of accounts for U.S. airlines shortly after the Civil Aeronautics Act of 1938, which chart forms the basis for airline reporting of revenues and expenses. Almost two pages are devoted to Peter Masefield's grouping of basic and variable costs, but there is no mention of the detailed functional costs that make up each group.

To sum up the author's presentation of criteria for transport aircraft and operating costs, the reader may be somewhat confused on the method of computation and the elements to be used in determining direct and indirect costs. Moreover, some comparative costs of jet aircraft are not given until the chapter on jet transportation. In view of the body of cost data available, especially in the U.S., a table of comparative aircraft costs per seat mile and per aircraft mile and a comparison of the British and American methods of computing costs could have been included.

The two chapters on market research and development of jet transportation provide a better understanding of the economics of air transportation than all the other chapters. Much material is again presented from the British viewpoint. There is a wealth of material that could be obtained on the U.S. development and operation of jet aircraft by U.S. airlines, which are responsible for over half of the world's passenger traffic. Also, there is a large readership in the United States.

The chapter on marketing provides an opportunity to treat subjects traditionally associated with economic theory and analysis. The treatment, however, of such subjects as econometric estimations of the demand for travel and elasticity only notes the importance of such information and analyses to management. The material is not intended for the advanced researcher. The scope of

the book is so vast that the author is not to be faulted for failing to treat some of these technical subjects in depth, but the presentation does place the book outside the main body of current economic research into these problems.

The thrust of the book is on the engineering economics of the design and construction of aircraft, not the pure economics of air transport. So much more could be said on this subject to warrant omitting much of the text dealing with design and engineering.

The three chapters on air cargo, related to economics, ground handling, and research in air cargo development, provide an excellent coverage of the all-cargo field, which is developing rapidly. In view of the author's previous experience as manager of transport economics with the Armstrong Whitworth Aircraft Company, the developer of the medium haul Argosy all-cargo aircraft, he provides good insights into the problems of all-cargo operations, including the ground-side of cargo handling. Here again, however, his U.S. readers would benefit from more examples of the development of the industry in this country, where there are now three all-cargo airlines, rather than the emphasis on operations in England and the Continent. A better perspective on the growth trend of freight transportation would have been gained with a few statistics on the amount of freight traffic compared to passenger traffic.

The chapter on supersonic transport covers most of the basic points on the Concorde and the U.S. SST and provides the general reader some idea of the differences between the SST and subsonic jets. This chapter could have been a significant contribution to literature on the SST and the climax of the book as suggested by its title. Unfortunately, much of the material is out-of-date.

The author is on firmer ground when he discusses airports and noise problems, possibly because he has done some consulting in this area. He mentions congestion, airport planning, STOLports, the noise problem, and what is being done in these areas. The chapter on Future Projects, including the hypersonic transport and beyond, is a good look into the future and the possibilities that could come from research.

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* The authors are members of the staff of the Office of Aviation Policy, Federal Aviation Administration. ● Any views or opinions expressed are those of the authors and not necessarily those of the Federal Aviation Administration or the Department of Transportation.

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