Price elasticities of air travel demand for direct and indirect travel: a meta-analysis

Eric Pels and Thomas de Graaff

1. A concise description of the purpose of the research

Regional air transport policy requires precise information on the price elasticity of air travel demand. This paper provides a systematic overview of the current literature on the price-elasticity of aviation demand

2. A brief introduction of the research design, methodology or approach

Meta-analysis provides a comparative and quantitative reevaluation of previous research on, in this case, the price elasticity of passenger air transport. Following a systematic literature search, estimates of price elasticities as well as information on geographic, economic and demographic sample variables and moderator variables are recorded from the literature. A flexible and robust estimation method is used to predict how prices elasticities in direct and indirect markets vary around the sample mean, whilst controlling for study specific effects and heterogeneity.

3. A description of the (expected) research findings

First, a theoretical model describes how prices in direct and indirect markets may influence each other. Here, capacity on a given flight is limited, and seats are allocated according to demand characteristics in the different markets served with the flight under consideration. In the next step, the theoretical model is translated to an empirical model that is used to explain why and how price elasticities differ across markets.

4. A short summary of the originality/contribution of your research paper

This is not the first meta-analysis on this topic. But there have been new empirical findings in the field in the last 20 years, so an update is necessary. Moreover, the distinction between direct and indirect markets is novel and has been an issue in policy making for years: what is the effect on demand if transfer passengers pay the same tax as origin-destination passengers? This paper provides necessary background to answer such questions.

5. A list of literature references that are most pertinent to your research

Martijn Brons, Eric Pels, Peter Nijkamp, Piet Rietveld (2002), Price elasticities of demand for passenger air travel: a meta-analysis, Journal of Air Transport Management 8 (2002) 165–175