Managerial Economics

Team Project

This team project will demonstrate your ability to analyze project alternatives under different risk scenarios. You will work as a team for the company that was assigned to you. As a team, you will present your analysis and proposal in class. Each student will prepare their own paper with their own representation of project return and risk.

The Project:

Each team will be presented with one of the following four publicly traded companies:

Delta Airlines

United Continental Airlines

Southwest Airlines

Jet Blue Airlines

The proposal:

Same seat & size

Each team must decide to purchase either ten Boeing ~~747~~ 787 airplanes or ten Airbus ~~380~~ 350XWB airplanes. Some of each is not an option.

The scenario:

Compare the two options under the conditions of a good economy, mediocre economy, or bad economy.

Your analysis:

You will determine the metrics that will define the nature of the economy. You will analyze the investment decision based on initial cost, fuel consumption on a dollar per seat per mile basis. (Yes, this info is available. You must find it). Include other costs such as maintenance and the cost of capital. At what price and what occupancy levels are the planes profitable? How does the investment impact the income statement of the company you are assigned. You will generate pro-forma income statements. These will be part of your presentation and your individual papers. Please be clear about the metrics that define the economy and the cost of capital. Assess the risks involved in your decision. Anticipate the reactions of your competitors.