



Course and Examination Fact Sheet: Autumn Semester 2017

7,365: Practical Project: Public Affairs in the Aviation Industry

ECTS credits: 4

Overview examination/s

(binding regulations see below)

Decentral - Presentation (in groups - all given the same grades) (45%)

Decentral - Active participation (35%)

Decentral - examination paper written at home (individual) (20%)

Attached courses

Timetable -- Language -- Lecturer

[7,365,1.00 Practical Project: Public Affairs in the Aviation Industry](#) -- Englisch -- [Hinnen Gieri](#)

Course information

Course prerequisites

There are no formal prerequisites.

Course content

1. Introduction

Executives in the European airline industry are facing a specific challenge: It's not only their business acumen determining the success of their airlines but the regulatory framework at home and abroad. This course puts you in the shoes of a Public Affairs consultant to Swiss Int. Air Lines [SWISS].

You're asked to advise the airline on its involvement and the possible effect of a potential popular vote in Switzerland regarding the Bilateral Agreements between Switzerland and the EU (the treaties that grant Switzerland access to the EU's single market). What would be at stake for the airline if Swiss voters vote to terminate one or all of the agreements – what would a BREXIT-like Situation in Switzerland ("Swexit") mean for SWISS?? Should SWISS get involved in the political discussion?

2. Background

Aviation is important for governments: It provides connectivity, promotes economic growth, and enables economies to become part of global trade. In many countries, aviation is considered a strategic industry. Governments often own their national carriers, airlines still use brands linking them to the country where they have their legal domicile and their main activity (e.g. KLM, British Airways, Singapore Airlines, Qantas, Etihad). In case of economic difficulties, governments rarely allow their flag carriers go bankrupt, knowing that this will decrease the importance of the national hub(s). This political dimension is reflected in the legal framework governing aviation. Airlines depend on permits issued by governments to operate their business, most of their employees are licenced by authorities (pilots, cabin crews, maintenance organisations), "factories" (airports) operate based on a concession defining opening hours/hours of operation. Laws on safety and security define operations. Market access is regulated either in multilateral or bilateral air service agreements, some of them granting a liberalized market access, some still limiting it. In almost all agreements, ownership and control of airlines contains nationality requirements, requiring majority ownership and control to be own nationals. Enforcing principles of fair competition in international aviation is a challenge, as international aviation is not subject to WTO/GATS and respective provisions in bilateral air service agreements are rarely enforced.

As the only region in the world, the EU has managed to remove market barriers and has created a single aviation market with full regulatory convergence, including a tight set of rules on consumer protection, passenger rights, environmental protection,



competition rules, state aid and rules on access to airports (slots, ground-handling). The European Aviation Area is the largest liberalized aviation market in the world, and therefore provides enormous business potential for air carriers.

As part of its bilateral agreements with the EU, Switzerland has entered into a comprehensive aviation agreement with the EU, granting EU carriers and Swiss carriers full access to the other parties market. Switzerland has also agreed to adopt the complete regulatory framework of the EU internal aviation market, i.e. all regulations and directives the EU has and is issuing in the field of aviation ("acquis communautaire"). This legal framework has enabled the integration of SWISS into the Lufthansa Group in 2005-06. Today, SWISS is economically the most successful airline of the Lufthansa Group. Terminating the bilateral agreements and thus the aviation agreement between the EU and Switzerland would have a profound effect on SWISS.

3. Course Objectives

The main objective of this course is to understand how the interplay of supranational, European and national regulations affect a global company based in Switzerland. The course has three specific sub-goals

- (1) Understand how a Swiss company, which is a subsidiary of a large corporation based in a EU Member State, is affected by the relationship between Switzerland and the European Union.
- (2) Understand which instruments companies may use to shape its regulatory development
- (3) Gain insight into outcomes of the dynamic regulatory framework of the airline industry

Course structure

The course will have 4 weekly sessions à 4 hours. Teaching methods include lectures, case studies and class discussions. The students are asked to develop a proposal on how SWISS should deal with the political uncertainty surrounding a popular possible vote on Swiss-European Relations. In this task, the student groups will take on the role of a Public Affairs consultancy; they will present and discuss the results of their analysis to Executives from Swiss Int. Air Lines and potential partner organizations (e.g. associations, authorities).

Session 1

1. Course Introduction: Objectives, structure & task
2. A short theoretical background of non-market strategy
3. Case study: Delta
4. An introduction to the airline industry
5. Introduction Consulting Project

Group Task for next week: Analysis of key metrics and SWOT-Analysis of Lufthansa Group, (specifically SWISS)2

Discussion Questions for Delta Case Study

1. What did lead to Delta's demise?
2. What challenges did Delta face when it emerged from the ashes?
3. What did Delta do to address this challenges?
4. How did the non-market environment affect Delta's turnaround strategy?

Mandatory Literature

- Anderson, R.H. 2014 Delta's CEO on Using Innovative Thinking to Revive a Bankrupt Airline. In Harvard Business Review, pp. 68-71
- Bach, D. & Allen, D. B. 2010. What every CEO needs to know about nonmarket strategy. MIT Sloan Management Review, 51(3): 41-48.
- Hohmeister, H. [forthcoming]. The Airline Industry: Flying on it own is not enough. In Industry expertise factors that determine the success of business models.
- Binkert, M. 2016. Fasten your seatbelt: The Role of Tradition in the Rapidly changing Airline Industry. St. Galler Business



Review, 67-70

Session 2

1. Group presentations & discussion
2. The regulation of air transport on global level
3. The regulation of air transport in Europe
5. Case study: Etihad

Group Task for next week: Analysis of the Effects of the "Masseneinwanderungsinitiative" for SWISS

Discussion Questions for Etihad Case Study

1. What is the «Etihad Equity Strategy?»
2. Why did Etihad follow this strategy?
3. How did this strategy affect SWISS?
4. What do Lufthansa and British Airways say about the Etihad strategy?
5. What should be the related market and the non-market strategy of established European carriers?

Mandatory Literature

- Doganis, R. 2007. The Airline Business (2nd Ed.), pp. 1-73. New York: Routledge
- Various. 2015. Etihad Case Study: Newspaper Articles. [see package on studynet]

Session 3

1. Group presentations: Masseneinwanderungsinitiative
2. The basis for a non-market strategy: A communication concept
3. The tools for a non-market strategy
- 4 Workshop: Developing a Public Affairs Strategy

Group Task for next week: First Draft Practical Project

Mandatory Readings

- EDA. 2016. Switzerland and the European Union.
- EDA. 2016. The major bilateral agreements Switzerland-EU

Supplementary Literature regarding the relationship EU – Switzerland in terms of aviation (in German)

- Dettling-Ott, R. 2012. 10 Jahre Luftverkehrsabkommen zwischen der EU und der Schweiz. In Bulletin der Schweizerischen Vereinigung für Luft- und Raumrecht, 144, pp. 6-20
- Dettling-Ott, R. 2002. Abkommen über den Luftverkehr. Sonderdruck aus Bilaterale Verträge Schweiz-EG - Ein Handbuch. Europa Institut Zürich.
- SWISS. 2015. Aeropolitics 1/15: Luftverkehrsabkommen - freier Zugang zu Europa, pp. 1-8

Session 4

1. Group Presentation & Discussion
2. Ethics & Non-market strategy
3. Case Studies: Ethics & Lobbying
4. On writing & presenting
5. Workshop: Refining the Public Affairs Strategy

Discussion Questions for HBR Article

1. What would you do when you would be Harold Leeson? Why?
2. Imagine you are the CEO of Migros.
 - a. One of your employees is a Nationalrat and very is publicly very vocal about (1) his job and (2) his opposition to same-sex



marriage. What would you do?

- b. What would be the political topics you would care about?
- c. Would you engage in party financing, and if yes, how?
- d. To what extent would you get involved in *societal* topics (e.g. gay marriage, immigration, drug legislation, discrimination...)

Mandatory Literature:

- Richter, B. 2014. Do Business and Politics Mix? Harvard Business Review.

Course literature

Mandatory readings will be provided on the StudyNet. The students are required to read the literature before the respective session (cf. literature list in the Chapter "Structure").

Additional course information

The class involves a field trip to Swiss Int. Head Quarters at Zurich Airport, and to potential partner organizations in Zurich.

Examination information

Examination sub part/s

1. Examination sub part (1/3)

Examination time and form

Decentral - Presentation (in groups - all given the same grades) (45%)

Remark

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Examination-aid rule

Practical examination

No examination-aid rule is necessary for such examination types. The rules and regulations of the University of St. Gallen apply in a subsidiary fashion.

Supplementary aids

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Examination languages



Question language: English

Answer language: English

2. Examination sub part (2/3)

Examination time and form

Decentral - Active participation (35%)

Remark

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Examination-aid rule

Practical examination

No examination-aid rule is necessary for such examination types. The rules and regulations of the University of St. Gallen apply in a subsidiary fashion.

Supplementary aids

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Examination languages

Question language: English

Answer language: English

3. Examination sub part (3/3)

Examination time and form

Decentral - examination paper written at home (individual) (20%)

Remark

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Examination-aid rule

Term papers

- Term papers must be written without anyone else's help and in accordance with the known quotation standards, and they must contain a declaration of authorship.
- The documentation of sources (quotations, bibliography) has to be done throughout and consistently in accordance with the APA or MLA standards. The indications of the sources of information taken over verbatim or in paraphrase (quotations) must be integrated into the text in accordance with the precepts of the applicable quotation standard, while informative and bibliographical notes must be added as footnotes (recommendations and standards can be found, for example, in METZGER, C. (2015), *Lern- und Arbeitsstrategien* (11th ed., 4th printing). Aarau: Sauerländer).
- For any work written at the HSG, the indication of the page numbers both according to the MLA and the APA standard is never optional.
- Where there are no page numbers in sources, precise references must be provided in a different way: titles of chapters or sections, section numbers, acts, scenes, verses, etc.
- For papers in law, the legal standard is recommended (by way of example, cf. FORSTMOSER, P., OGOREK R. et SCHINDLER B. (2014, *Juristisches Arbeiten: Eine Anleitung für Studierende* (5. Auflage), Zürich: Schulthess, or the recommendations of the Law School).

Supplementary aids

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Examination languages

Question language: English

Answer language: English

Examination content



Decentral – Presentation of Public Affairs Strategy (in groups - all given the same grades) (45%). Grading will take into account structure/logic, practical applicability, strategic relevance, slide design and presentation skills

Decentral - Active participation in course (35%). Grading will focus on attendance and discussion in class (e.g. cases, presentations)

Decentral - Reflection paper written at home (individual) (20%). Grading will focus on logic, creativity and understanding of models and mechanisms.

Examination relevant literature

Session 1: Mandatory Literature

- Anderson, R.H. 2014 Delta's CEO on Using Innovative Thinking to Revive a Bankrupt Airline. In Harvard Business Review, pp. 68-71
- Bach, D. & Allen, D. B. 2010. What every CEO needs to know about nonmarket strategy. MIT Sloan Management Review, 51(3): 41-48.
- Hohmeister, H. {forthcoming}. The Airline Industry: Flying on it own is not enough. In Industry expertise factors that determine the success of business models.
- Binkert, M. 2016. Fasten your seatbelt: The Role of Tradition in the Rapidly changing Airline Industry. St. Galler Business Review, 67-70

Session 2: Mandatory Literature

- Doganis, R. 2007. The Airline Business (2nd Ed.), pp. 1-73. New York: Routledge
- Various. 2015. Ethiad Case Study: Newspaper Articles. [see package on studynet]

Session 3: Mandatory Readings

- EDA. 2016. Switzerland and the European Union.
- EDA. 2016. The major bilateral agreements Switzerland-EU

Session 3: Supplementary Literature regarding the relationship EU – Switzerland in terms of aviation (in German)

- Dettling-Ott, R. 2012. 10 Jahre Lufterkehrsabkommen zwischen der EU und der Schweiz. In Bulletin der Schweizerischen Vereinigung für Luft- und Raumrecht, 144, pp. 6-20
- Dettling-Ott, R. 2002. Abkommen über den Luftverkehr. Sonderdruck aus Bilaterale Verträge Schweiz-EG - Ein Handbuch. Europa Institut Zürich.
- SWISS. 2015. Aeropolitics 1/15: Luftverkehrsabkommen - freier Zugang zu Europa, pp. 1-8

Session 4: Mandatory Literature

- Richter, B. 2014. Do Business and Politics Mix? Harvard Business Review.

Mandatory readings will be provided on the studynet. The students are required to read the literature before the respective session.



Please note

We would like to point out to you that this fact sheet has absolute priority over other information such as StudyNet, faculty members' personal databases, information provided in lectures, etc.

When will the fact sheets become binding?

- Information about courses and examination time (central/decentral and grading form): from the start of the bidding process on 24 August 2017
- Information about decentral examinations (examination-aid rule, examination content, examination relevant literature): after the 4th semester week on 16 October 2017
- Information about central examinations (examination-aid rule, examination content, examination relevant literature): from the start of the enrolment period for the examinations on 06 November 2017

Please look at the fact sheet once more after these deadlines have expired.