
CONTENTS

PREFACE	xi
Part I MATHEMATICAL PROGRAMMING	1
1 INTRODUCTION	3
1.1 Model Development	5
1.2 Early Work and Applications	8
1.3 Structural Considerations	10
1.3.1 Indifference Points and Nonexistence of Solutions	11
1.3.2 Significance of Order of Play	12
1.4 Scope and Outline	14
2 LINEAR PROGRAMMING	17
2.1 Introduction	17
2.1.1 Basic Solutions	22
2.1.2 Fundamental Theorem	23
2.1.3 Convex Properties	25
2.2 Simplex Method	29
2.2.1 Pivoting	30
2.2.2 Determining the Leaving Variable	32
2.2.3 Moving toward Optimality	33
2.2.4 Degeneracy and Cycling	37
2.3 Geometry of Simplex Method	41
2.3.1 Finiteness of Algorithm	42
2.3.2 Adjacency and Bounded Edges	42
2.3.3 Unboundedness	44
2.3.4 Finding Adjacent Extreme Points	47
2.3.5 Main Geometric Argument	47
2.3.6 Alternative Optima and Uniqueness	48

2.3.7	Ranking Extreme Points	49
2.4	Additional Features	51
2.4.1	Phase 1 and Artificial Variables	51
2.4.2	Bounded Variables	54
2.4.3	Kuhn-Tucker Conditions and the Linear Complementarity Problem	57
2.5	Duality	59
2.5.1	Primal-Dual Relationship	61
2.5.2	Dual Theorems	61
2.5.3	Economic Interpretation	66
2.5.4	Sensitivity Analysis	66
2.5.5	Dual Simplex Method	72
3	INTEGER PROGRAMMING	76
3.1	Introduction	76
3.1.1	Models with Integer Variables	78
3.1.2	Solving Integer Programs	83
3.2	Enumerative Methods	87
3.2.1	Definitions and Concepts	89
3.2.2	Generic Branch and Bound Algorithm	91
3.2.3	Branch and Bound Using LP Relaxation	92
3.2.4	Implementation Issues	96
3.2.5	Zero-One Implicit Enumeration	102
3.2.6	General Branching and Data Structures	106
3.3	Cutting Planes	109
3.3.1	Method of Integer Forms	110
3.3.2	Primal All-Integer Cuts	114
3.3.3	Cuts with Unit Coefficients	118
3.3.4	Valid Inequalities	121
3.4	Benders Decomposition for Mixed-Integer Linear Programming	127
3.4.1	Reformulation of MILP	127
3.4.2	Algorithm	130
3.5	Unimodularity	133
4	NONLINEAR PROGRAMMING	137
4.1	Introduction	137
4.1.1	Classification of Problems	140
4.1.2	Difficulties Resulting from Nonlinearities	142
4.1.3	Notation	143

4.2	Optimality Conditions	155
4.2.1	Unconstrained Problems	156
4.2.2	Nonnegative Variables	157
4.2.3	Equality Constraints	159
4.2.4	Inequality Constraints	164
4.2.5	Convex Optimization	167
4.3	Search Techniques for Unconstrained Problems	169
4.3.1	One-Dimensional Linear Search Techniques	170
4.3.2	Multidimensional Search Techniques	175
4.4	Algorithms For Constrained Optimization	181
4.4.1	Primal Methods	181
4.4.2	Penalty Methods	185
4.4.3	Sequential Quadratic Programming	188

Part II BILEVEL PROGRAMMING 193

5	LINEAR BLP: CONTINUOUS VARIABLES	195
5.1	Introduction	195
5.2	Theoretical Properties	198
5.3	Algorithms for the Linear Bilevel Programming Problem	202
5.3.1	K th-Best Algorithm	203
5.3.2	Kuhn-Tucker Approach	204
5.3.3	Complementarity Approach	209
5.3.4	Variable Elimination Algorithm	213
5.3.5	Penalty Function Approach	218
5.4	Computational Comparisons	222
6	LINEAR BLP: DISCRETE VARIABLES	232
6.1	Introduction	232
6.2	Properties of the Zero-One Linear BLPP	233
6.2.1	Reductions to Linear Three-Level Programs	237
6.2.2	Algorithmic Implications	244
6.3	Properties of the Mixed-Integer Linear BLPP	245
6.4	Moore-Bard Algorithm for the Mixed-Integer Linear BLPP	247
6.4.1	Branch and Bound Notation	248
6.4.2	Bounding Theorems	249
6.4.3	Algorithm	250
6.4.4	Computational Experience	254
6.4.5	Assessment	257

6.5	Algorithm for the Discrete Linear BLPP	258
6.5.1	Algorithm	259
6.5.2	Computational Experience	266
6.5.3	Assessment	267
7	CONVEX BILEVEL PROGRAMMING	269
7.1	Introduction	269
7.2	Descent Approaches for the Quadratic BLPP	272
7.2.1	An <i>EIR</i> Point Descent Algorithm	274
7.2.2	A Modified Steepest Descent Approach	276
7.2.3	Hybrid Approach and Concave Minimization	283
7.3	Branch and Bound Algorithm	284
7.4	Variable Elimination Algorithm	290
7.4.1	Convex-Quadratic BLPP	291
7.4.2	Computational Experience	296
8	GENERAL BILEVEL PROGRAMMING	301
8.1	Introduction	301
8.1.1	Independence of Irrelevant Constraints	305
8.1.2	Preview of Algorithms	309
8.2	Branch and Bound Algorithm	311
8.3	Double Penalty Function Method	320
8.4	Rectangular Partitioning	327
8.5	Steepest Descent Direction	332
8.5.1	Necessary Optimality Conditions	333
8.5.2	Overview of Descent Method	335
8.6	Subgradient Descent – Bundle Method	339
8.6.1	Preliminaries	341
8.6.2	Optimality Conditions and Stability of Local Solutions	344
8.6.3	Leader Predominate Algorithm	347
8.7	Transformation to Concave Program	352
8.8	Assessment of Algorithms	359
9	HEURISTICS	361
9.1	Introduction	361
9.2	Artificial Intelligence–Based Approaches	362
9.2.1	Overview of Genetic Algorithms	363
9.2.2	GABBA	364
9.2.3	Grid Search Technique	369

9.2.4	Comparison of GABBA and Grid Search	370
9.2.5	Simulated Annealing Algorithm (SABBA)	373
9.2.6	Comparison of SABBA and Grid Search	374
9.2.7	Assessment	375
9.3	Hybrid Tabu-Descent Algorithm	375
9.3.1	Initialization Procedure	376
9.3.2	Tabu Phase	378
9.3.3	Numerical Results	381
9.3.4	Discussion	386

Part III APPLICATIONS 389

10	TRANSPORTATION NETWORK DESIGN	391
10.1	Introduction	391
10.2	Rural Highway Network	392
10.3	Decision Variables	394
10.4	BLP Formulation	395
10.5	Objective Functions	397
10.5.1	Travel Time Functions	397
10.5.2	Operating Costs	399
10.5.3	Accident Costs	402
10.5.4	Improvement and Maintenance Costs	403
10.5.5	Additivity of Cost Functions	405
10.6	Conservation of Flow Constraints	407
10.7	Solution of Empirical Problem	410
10.8	Conclusions	412
11	PRODUCTION PLANNING	414
11.1	Introduction	414
11.2	Mathematical Developments	415
11.2.1	Formulation as a Bilevel Program	415
11.2.2	Interpretation and Technical Considerations	418
11.3	Application Associated with Electric Motor Production	419
11.3.1	Solution to Continuous BLP Model	423
11.3.2	Noncooperative Implications of the Model	424
11.3.3	Solution to Mixed-Integer BLP Model	425
11.4	Discussion of Results	426

12 DETERMINING PRICE SUPPORT LEVELS FOR BIOFUEL CROPS	428
12.1 Introduction	428
12.2 Mathematical Model	430
12.3 Description of Algorithms	434
12.3.1 Industry Model	435
12.3.2 Grid Search Algorithm (GSA)	435
12.3.3 Nonlinear Programming Approach	436
12.3.4 QP Formulation for Follower's Problem	439
12.4 Implementation	440
12.4.1 Overall System Design and Components	440
12.4.2 GAMS Model Structure Determination	443
12.4.3 Model Evaluation Subsystem	446
12.5 Computational Results	449
12.5.1 Grid Search Solutions	449
12.5.2 Output from SQP	450
12.6 Discussion	452
REFERENCES	455
INDEX	469