

The Hong Kong Polytechnic University
Department of Logistics and Maritime Studies
Research Seminar

**Forms of Airport Regulation and Privatization:
Effects on Airport Charge, Capacity and Welfare**
by

Professor Yukihiro KIDOKORO
Professor of Economics
National Graduate Institute for Policy Studies

Date: 13 October 2017 (Friday)
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Venue: M802, Li Ka Shing Tower
The Hong Kong Polytechnic University

(Conducted in English)

Abstract:

This paper examines forms of airport regulation and privatization, taking into account of behavior of public administration and both the aeronautical and non-aeronautical services. We find that with higher costs associated with public operations, a public airport cannot be identified as a welfare-maximizing body. Whether the partial or full privatization is socially superior depends on the extent of efficiency gains and regulation, as well as the regulatory forms. Full privatization of both aeronautical and non-aeronautical services can, owing to cost reductions to a fuller extent, attain higher social welfare than partial privatization. However, a full privatization without regulation yields a monopoly and related distortions. A full privatization with price cap regulation on aeronautical service could decrease airport charge, but also introduce an underinvestment in airport capacity which could lower social welfare. Finally, regarding the form of airport-pricing regulation – price cap vs. cost-based regulation – which one is superior depends on the relative importance of the underinvestment effect under price cap regulation, versus a regulatory waste associated with cost-based regulation. Cost-based regulation (price cap regulation) is better at a congested (non-congested) airport, because the underinvestment effect is a more (less) serious concern than the regulatory waste.

Bio:

Prof. Yukihiro Kidokoro is currently a Professor at National Graduate Institute for Policy Studies in Japan. His field is cost-benefit analysis, economics of transportation, and economics of regulation. His major publications appeared in Journal of Urban Economics, Regional Science and Urban Economics, Journal of Transport Economics and Policy, Transportation Research Part A, Transportation Research Part B, and Journal of Choice Modelling. He received JSTE (Japan Society of Transportation Economics) Award (2000) and Sakashita Prize (2006) from the Applied Regional Science Conference in Japan.

Please email to winnie.wy.tang@polyu.edu.hk for enquiries.

All are welcome!