

Abstract:

This paper deals with the allocation of international and domestic flights (allocation of services) into multiple airports in a metropolitan area. We construct an economic model in which two airports are located on one-dimensional space. We investigate the allocation of services under different regimes of airport operations: (PP) separate operation by two private firms, (M) integrated operation by a single private firm, (G) integrated operation by the government. Under each regime, we mainly examine two types of allocations: One is the equilibrium allocation as the outcome of the decentralized decision-making by operators. The other is the surplus-maximizing allocation in which the allocation is set to maximize the social surplus. We evaluate the equilibrium allocation by comparing with the surplus-maximizing allocation. It is shown that i) under the separate operation, the equilibrium allocation coincides with the surplus-maximizing allocation; ii) without the regulation on the airport charges, the separate operation (PP) gives the larger social surplus than the integrated operation; iii) with the regulation, the allocation under the integrated operation resembles to the optimal allocation in which the government sets the airport charges and the allocation so as to maximize the social surplus.