

# Comparison of national-ownership and local-ownership airports<sup>1</sup>

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## Abstract

This paper investigates airport pricing under a national-ownership airport and a local-ownership airport. This paper assumes that there are two component airports. Both airports charge an airport price to carriers to maximize (1) national social welfare when the airport is owned by the national government, or (2) local social welfare when it is owned by the local government. In addition, it is assumed that when the airport is owned by the national government, the cost of managing the airport is higher than when it is owned by the local government.

Using a simple model, this paper demonstrates the following. When the cost difference between the national-ownership and local-ownership airports is small, it is socially preferable that one airport is owned by the central government and the other is owned by the local government. When the costs difference is large, it is socially preferable that each airport is owned by its respective local government.

**Keywords:** national ownership airport, local ownership airport, airport pricing.

**JEL:** L93, L32, R48.

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