

Airport privatization competition and carriers' economies of density*

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Abstract

This study adopts the simplified Kawasaki (2015)'s model and introduces a new factor “economics of density” into its model. Then, we analyze whether each country has an incentive to privatize the airport. The main result obtained in this paper is as follows. When ignoring the economics of density, each country has an incentive to privatize the airport in the range that the number of domestic and international passengers is small. When introducing economies of density into the international hub airport privatization competition model, the range that airport privatization becomes a Nash-equilibrium becomes narrow. That is, each country weakens the incentive to privatize the airport.

Keywords: Airport privatization, Airline network, Economies of density with product differentiation

JEL: L33, L13, R48

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