

Empirical Study of Per-passenger and Per-flight Airport Charges

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Abstract

This study empirically investigates how airport charges affect airfares, flight frequency, and welfare. It estimates a structural model endogenizing airfares and flight frequency by using the data on Japanese domestic routes and conducts simulation analyses. It is found that both types of charges decrease flight frequency. By contrast, while an increase in per-passenger charges significantly raises airfares, per-flight charges have little effect on them. Simulation results suggest that per-passenger charges are superior to per-flight charges from the viewpoints of both airline profits and the social surplus under the conditions of the analyzed market, in which passengers sufficiently evaluate flight frequency.

Keywords: Airport pricing; Airline industry; Structural estimation; Endogenous product characteristics.

JEL classification: L1; L5; L9; H2

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<https://sites.google.com/site/doinaoshi1983/files/170614draft.pdf>