

Political Economy of Competition Policy in Japan: Case of Airline Services

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Objectives (目的)

- Take the Japanese Airline Industry as a case study of competition policy in Japan (競争政策の事例としての日本の航空業のケース・スタディー)

Review of 4 Cases (4つのケース)

- Tokyo-Osaka Shuttle (東京・大阪シャトル)
 - > collusion? (カルテル行為の公認?)
- Merger of JAL & JAS (JAL/JAS経営統合)
 - > Duopoly worse than three-company regime? (三社から二社体制へ)
- Normal Airfare Revision (普通運賃値上げ)
 - > Reject/Approve on what reasons? (拒否・承認の理由)
- Removal of Unfair Competition against New entries (新規参入いじめの排除)
 - > short-term gains vs. contestability (目先の消費者利益か、参入圧力の維持か)

Background (背景) Before 1986

- Routes allocated by the Ministry (路線規制)
 - JAL international & trunk domestic (国際・国内幹線)
 - ANA all domestic (国内幹線・ローカル)
 - JAS some trunk domestic and local (国内ローカル/一部幹線)
- Airfares (運賃規制)
 - Proportional to distance (距離比例)
 - No discounts but multiple coupons (割引なし)

Now (現在)

- Deregulated in routes and airfares (reporting)
- 路線設定、自由 (届出制)
- 運賃設定、自由 (届出制)
- Slots at congested airports (Haneda and Itami) are regulated
- ただし混雑空港 (羽田、伊丹)のスロットは規制
- Deregulation produced consumer welfare
- 規制緩和で消費者に利益発生

Case (1) : Shuttle Service

ケース (1) シャトル

- Facts (事実関係)
- In 2000, JAL, ANA, JAS applied for “Shuttle Service” (三社のシャトル・サービス)
 - Common tickets (共通航空券)
 - Expedited check-in (チェックイン迅速化)
- Competition against fast train (新幹線に対抗)
- FTCJ did not object (公取は反対せず)

Pros and Cons of Shuttle

シャトルの是非

- A collusion? (カルテル行為?)
- Pros for Shuttle (シャトル賛成)
 - Consumer benefits (利用者利便性向上)
 - Competition from fast trains. No pricing power
 - (新幹線による競争圧力。独占力行使なし)
- Cons (シャトル反対)
 - No reaction from trains? 新幹線の値上げにつながらないか
 - Flexible prices in future? コスト変化は運賃に反映されるか
 - Tacit collusion in other routes? 他路線での協調の土壌

Assessment (評価)

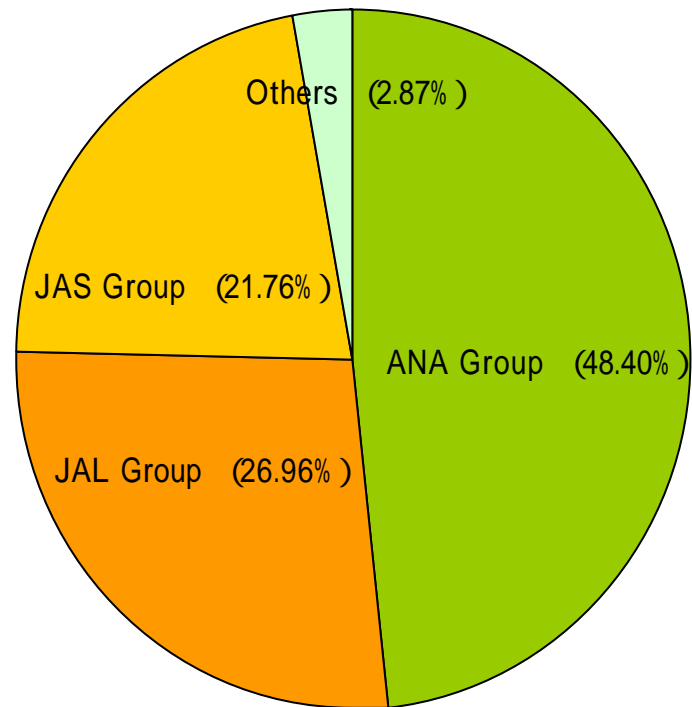
- Opaqueness. No public discussions over pros and cons of the Shuttle arrangement (no waiver of anti-trust regulation, explicitly approved)
- シャトル導入の是非をめぐる議論なかった。
- Logic of Pros arguments, realistic
- これまでのところシャトル賛成論の論理が優位。

Mergers of JAL and JAS

JAL/JAS経営統合

- Facts (事実)
- In 2002, JAL and JAS planned a merger
- JAL/JAS経営統合の計画
- FTCJ expressed concerns
- 公正取引委員会の懸念表明
- JAL/JAS counter measures
- JAL/JAS の是正策表明
- FTCJ approval (FTCJ が是正策、受け入れる)

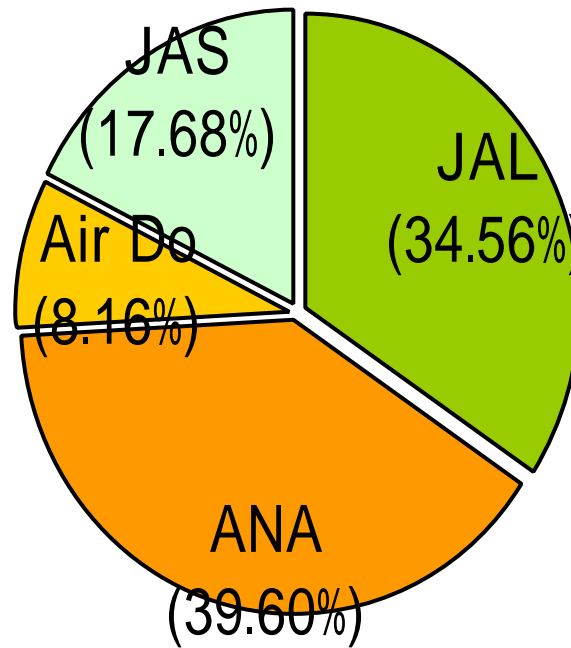
2002年 国内定期航空会社運送実績 (旅客シェア)



■ 全日本グループ (全日本空輸、エアーニッポン、エアーニッポンネットワーク、エアー北海道)

■ 日本航空グループ (日本航空、日本トランスオーシャン航空、ジャルエクスプレス、ジェイ・エア、琉球エアコミューター、日本エアコミューター、北海道エアシステム)

Tokyo-Sapporo Routes before JAL/JAS merger and ANA-
ADO affiliation



FTCJ concerns 懸念

- (1) The number of major companies, from 3 to 2. Easier for collusive pricing behavior. (社数減少)
- (2) The ratio of special discount flights is less and the discount percentage of special discount flights is lower in the routes where the number of competing flights is smaller. (少ない社数、特割設置が少なく、割引率も小さい)
- (3) Due to congested airports and restrictions on landing rights and check-in counter space, new entries are extremely difficult. (新規参入困難)
- (4) Consumers will suffer. (消費者不利益)

FTCJ Analysis 分析

- All flights in the route are offering the special discounts (全ての便に特割の設定がある路線の割合)
 - Monopoly routes (1社): 48.3%
 - Duopoly routes (2社): 56.8%
 - Three-companies (3社): 73.1%
- Average discount percentage (平均割引率)
 - Monopoly routes (1社): 15.0%
 - Duopoly routes (2社): 18.9%
 - Three-companies (3社): 38.7%

JAL/JAS counter measures

JAL/JAS の是正策

- (1) Normal airfares will be reduced by 10%. The airfare would not be raised in at least three years unless business environment changes drastically. (普通運賃10%値下げ。急激な経済環境の悪化がない限り三年間値上げせず。)
- (2) Special discounts will be offered in all routes that are competing with another major airline, or new monopoly routes due to the merger of JAL and JAS. The degree of discounts would not change. (特割設定を増加)

continued

- (3) The JAL-JAS will make efforts to enter ANA-only routes or increase the number of flights in routes dominated by ANA. (他社路線参入)
- (4) 9 slots (landing rights) at the Haneda airport will be given up. Moreover, if new entrants are planned, additional 3 slots will be given up. (羽田の9スロットを返上。+3スロットも)
- (5) For new entrants, accommodate in airport facilities and maintenance of airplanes.(新規参入社に、空港施設、メンテナンスで協力)

Pros and Cons (賛成・反対)

- Were the concerns of FTCJ really addressed by JAL/JAS counter measures? (JAL/JASの是正策は、FTCJの懸念を打ち消すのに十分だったのか?)
- Criticism (批判)
 - Reduction in Airfares would be cancelled within a year (値下げは撤回された)
 - 9 slots were not enough to encourage new entries (9スロットで新規参入に十分か)

Assessment (評価)

- Difficult to rebut criticism, unless JAL/JAS makes progress in efficiency and lower airfares further (批判に答えるのは難しいのではないか。効率性上昇による運賃下落がない限り)
- Need to secure ways to encourage new entries (or at least contestability). (新規参入圧力の確保が課題)

Increase in normal airfares, 2003

2003年の普通運賃値上げ騒動

- Facts. (事実)
- Ministry, Increase in landing fees (国土交通省、着陸料値上げ)
- Airlines, plan to increase airfares to pass on increased landing fees (航空各社、運賃値上げ計画), but rejected by the Ministry (国土交通省に拒否される)
- Airlines, airfare increases due to the jet fuel price increase (イラク戦争によるジェット燃料価格高騰のため), but rejected by the FTCJ (公取により拒否 (JAL/JASの合併条件、三年値上げせずの約束))

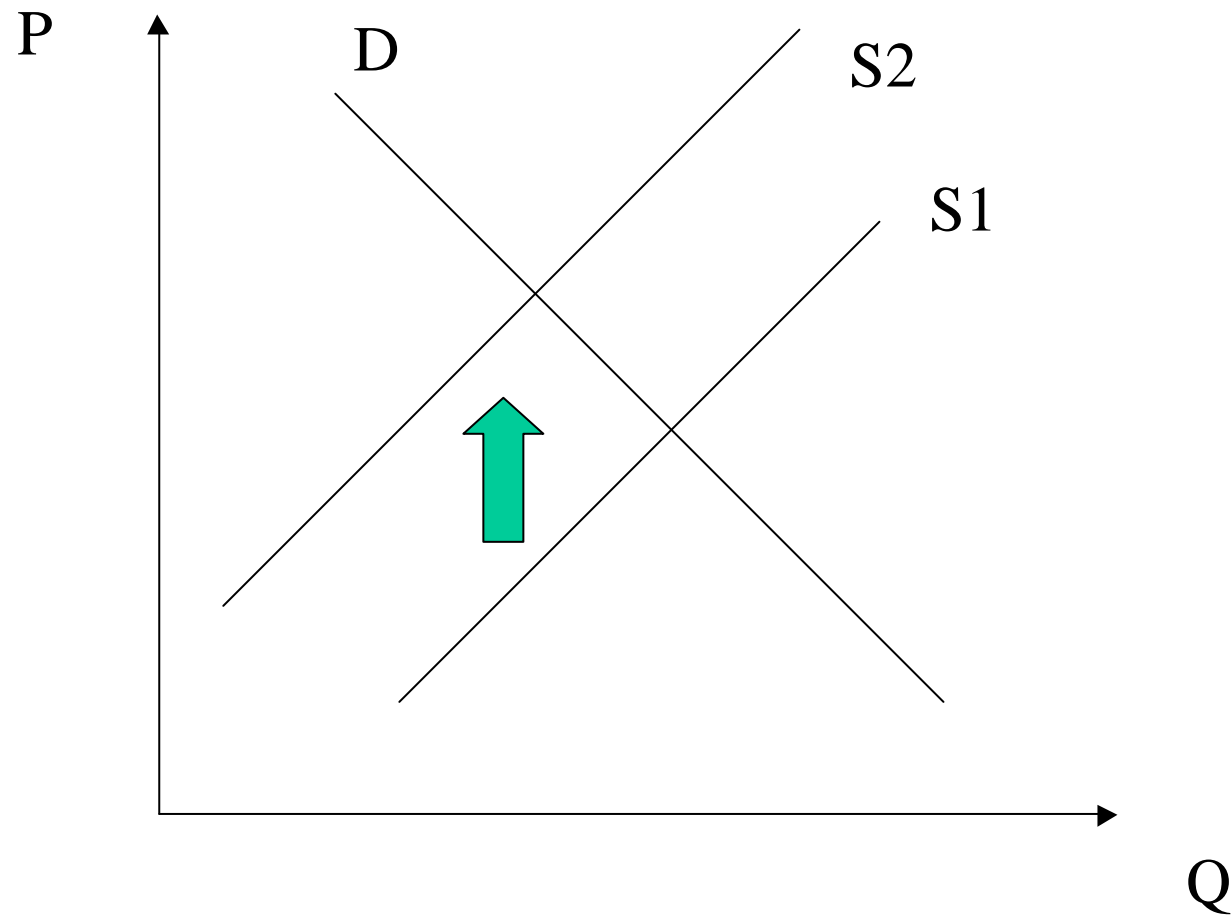
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- Airlines argued airfare increase for the reason of changes in the business condition due to SARS. (SARSによる経済環境の変化を理由に値上げ申請)
- Airfare increases in July (7月に値上げ)

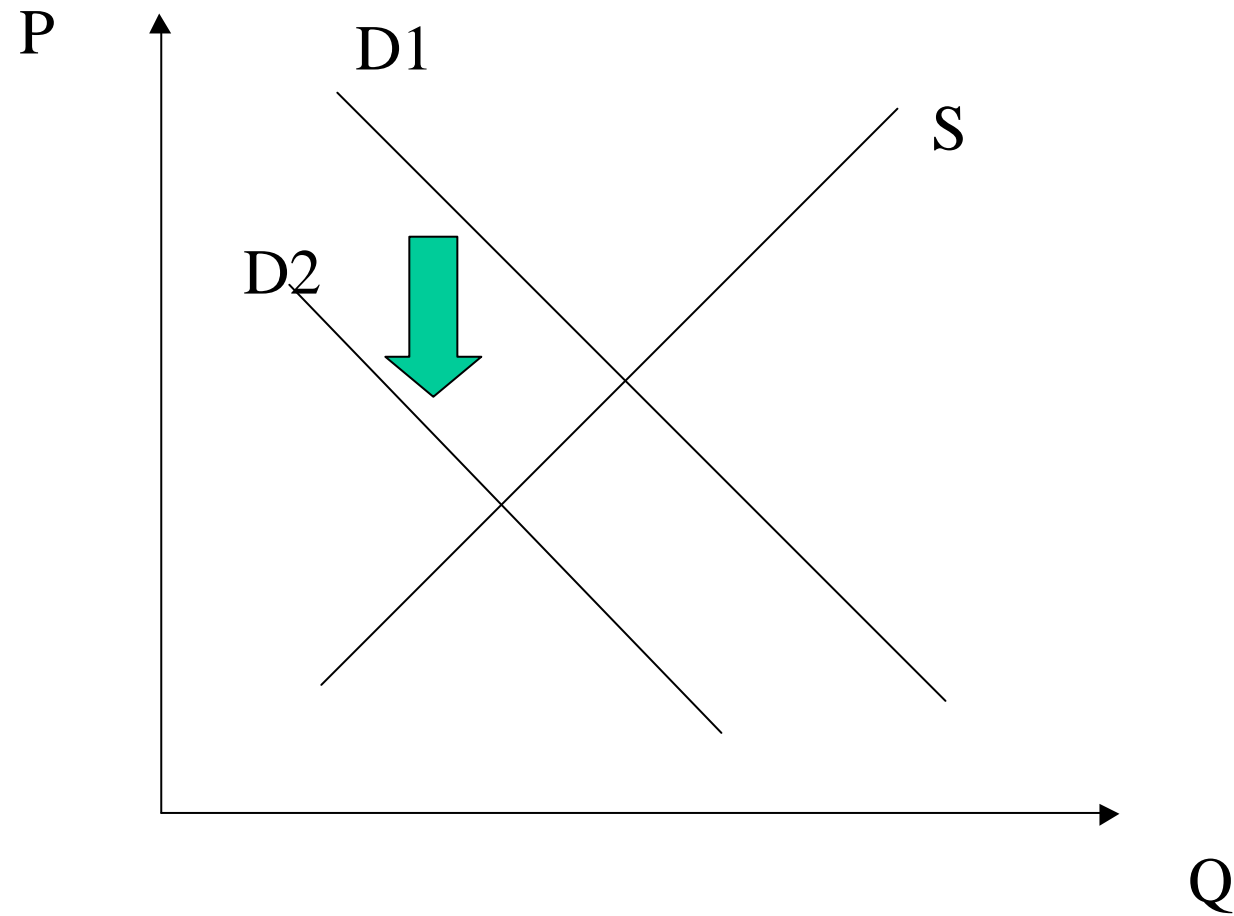
Assessment (評価)

- “Ministry and FTCJ rejection of airfare increases due to landing fees or jet fuel prices” was **wrong**
- “FTCJ approval of airfare increases due to SARS” was **wrong**

Cost Increase (landing fees) \Rightarrow Price goes up



Demand Decrease (SARS) \Rightarrow price goes down



Lessons (教訓)

- Approval for airfare increases should be based on economic logic (運賃の変更の許認可は経済的ロジックに基づくべき)
- Transparency in regulatory measures (規制の透明性が重要)
- Ministry and FTCJ must sort out functions (国土交通省と公取の許認可の整理)

Entries of New Airlines (新規参入会社)

- Air Do, Skymark, Skynet Asia
- エア・ドゥ、スカイマーク、スカイネット・アジア
- Air Do entry 1998--only 2 RT a day-- between Tokyo and Sapporo, countered by JAL, JAS, ANA by matching airfare reduction for flights just before and after Air Do. (エア・ドゥ参入時、エア・ドゥのフライトの前後便のみの価格割引)
- FTCJ did not act. (公取は動かず)

continued

- 2002, Skynet Asia (Miyazaki-Tokyo), Skymark (Fukuoka-Tokyo, Kagoshima-Tokyo) challenged the majors. (宮崎線、鹿児島線、福岡線の新規参入会社)
- JAL, JAS, ANA introduced special discounts to match the low airfares of new entrants. (大手による特割、同額に)
- FTCJ warned the majors (公取の警告)
- JAL/JAS/ANA increased airfares (大手値上げ)

Was FTCJ right? (公取は正しかったか)

- YES.
 - Contestability should be secured—entries should not be disadvantaged by the majors. (潜在的新規参入による競争圧力確保のためには、実際の参入会社が不当に排除されないようにすることが重要)
 - Contestability results in lower prices in the long run (潜在的参入圧力が長期的低価格実現へ)
 - Predatory pricing has to be rejected. (略奪的な価格づけは独占禁止法違反)

Continued

- NO.
 - FTCJ action resulted in airfare increases of the majors, that harm consumers' interest. (公取の警告は大手の運賃値上げを促した。消費者の利益を害した)
 - Competition policy should promote competition (競争を促進すべき)
 - Predatory pricing is difficult to establish, unless airfares do increase after the exit of new entrants (略奪的価格付けの証明ない)

Assessment (評価)

- Yes, FTCJ decision was right. (公取は正しかった)
- New entrants should be given a chance to survive (新規参入社は小規模なだけに本質的に不利)
- Long-run benefit of preserving contestability in all potential markets outweighs short-run benefit of lower prices in one market. (全ての路線の潜在的競争圧力維持のため、一路線の短期的犠牲は正当化される)

Conclusion (結論)

- Contestability is important. (競争圧力の維持)
- Asia may be integrated more for freer skies. (アジア域内での自由な競争の促進)
- FTC in charge of competition policy including monitoring pricing behavior; the Ministry in charge of safety and negotiations with foreign government. (公取は競争政策を、国土交通省は、安全確保、航空協定交渉の役割)
- Like EU, foreign companies (or subsidiaries) should be allowed to operate. (外国航空会社の子会社にも営業認可を一強力な競争政策)