

COMPLETION REPORT

Privatisation and Performance in the Airport Industry: Japan's Experiences and Its Lessons for Malaysia

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Executive summary

The Japanese airport industry has undergone regulatory reform since 1998. The objectives of regulatory reform are to improve airport utilisation and airport performance. Several initiatives and efforts have been undertaken by the government to regulate the airport industry in Japan. A drastic change in Japanese aviation policy was observed with the introduction of the Airport Act in 2008. The majority of Japanese airports are owned and operated by the central and regional governments. In 2012, the Japanese government announced the privatisation of 94 local airports from 2014 to 2020. The purpose of the Japanese airport privatisation plan is to enhance airport efficiency and competitiveness, reduce the landing fees, and attract new airport operators. Each private airport operator is given a 30-50 year concession to manage an airport in Japan. Sendai Airport is the first state-owned airport privatised in Japan, and the Tokyu consortium commenced operation of the airport in July 2016. Improving airport efficiency is one of the expected outcomes of the Japanese airport privatisation plan.

Although the airport privatisation plan in Japan has been raised and discussed in the general debate, there is no published research that specifically evaluates the performance of Japanese airports after the airport privatisation plan announcement. Moreover, the contributions of the various environmental factors to the airports' efficiency provide useful information on the factors driving efficiency improvements. The objective of the study is to examine the total factor productivity (TFP) growth of Japanese airports before and after the privatisation plan announcement. A sample of 24 Japanese international and regional airports from 2010 to 2016 are included in the study. Hicks-Moorsteen TFP index method is used to estimate the overall productivity levels and their determinants in the Japanese airport industry. The results show that the Japanese airport industry enjoyed positive TFP growth over the sample period. The average TFP growth of the Japanese airport industry from 2010 to 2014 has been 1.98% per year. Technical progress contributed the most to the TFP growth. Regional development and airport expansion are the main drivers for productivity improvement in the Japanese airport industry.

Research activities involved in the project

With financial support from the Sumitomo Foundation, I was involved in several academic activities during the project period such as presenting a paper at the 2018 ATRS World Conference (Seoul, South Korea) and participating in the Western Economic Association International (WEAI), 14th International Conference (Newcastle, Australia) which are important venues to disseminate our research findings, explore more current global air transport issues, and engage in research collaboration with prominent researchers in the area of air transport economics.

Publication of the Results of Research Project:

Verbal Presentation (Date, Venue, Name of Conference, Title of Presentation, Presenter, etc.)

See, K.F. (2018) "Does privatisation as a correct path way for bringing Japanese airports toward sustainability?", *The 22nd ATRS World Conference*, July 2-5, 2018, Seoul, South Korea.

Thesis (Name of Journal and its Date, Title and Author of Thesis, etc.)

Book (Publisher and Date of the Book, Title and Author of the Book, etc.)