

“Airport Slot Regulation in Japan: Competitive Slot Allocation Scheme”

July 3, 2007

Yoshinobu Sato, Director, Aviation Industries Division,
Administration Department, Civil Aviation Bureau, Japan

MLIT 国土交通省

Ministry of Land, Infrastructure and Transport Japan

Deregulation of Domestic Airline Business in Japan

market access

fares and charges

Enactment of Civil Aeronautics Law (1952)

License System on the route basis for supply-demand adjustment

- **Strategic route assignment to 3 major airlines(1970)**

JAL: International & Domestic(Major Routes only)

ANA: Domestic (Major & Local Routes)

JAS: Domestic (Local Routes only)

- **Abolishment of route assignment system and promotion of double/triple tracking(1986)**

(lowering the standard for double/triple tracking step-by-step)

- **Abolishment of the standard for double/triple tracking(1997)**

1998: Deregulation has made new entry to Japanese domestic airline business possible for the first time in the past 35 years

⇒ Skymark Airlines(Haneda=Fukouka), AirDo(Haneda=Sapporo)

Approval System

- **Cost based fare setting**

Fares are established so that total revenues could meet the total cost including a moderate profit, provided sound business management practices are followed

- **Partial introduction of submission system(1994)**

Introduction of submission system for promotional fares with up to 50% discount

- **"Zone Approval System" (1996)**

Airline are allowed to freely set price between the pre-calculated "Standard Cost" and 25% discount form it.

Gradual Deregulation

Drastic amendment of Civil Aeronautics Law (2000)

Permission system on the company basis

entry

- **No supply-demand adjustment**
- **Permission on the company basis**

Permission to be rendered on the company basis mainly based on the satisfaction of safety standards

route setting and scheduling

- **Advance Submission System**

Route, frequency and schedule to be decided at the discretion of airlines, in principle.

- **Approval required when using congested airports**

Slot allocation of congested airports to be reviewed every 5 year from the viewpoint of promoting competition and enhancing networks

Submission System

- **Advance Submission System**

Fare and charge to be set at the discretion of airlines, in principle.

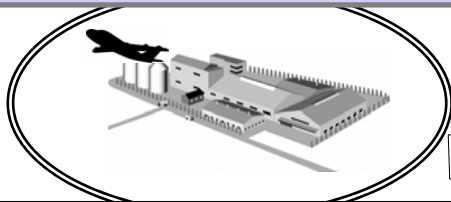
- **Minister's Order**

Minister of Land, Infrastructure and Transport may order to change inappropriate and unfair fares and charges

Current System

Approval for scheduled flights to/from congested airports (Civil Aeronautics Law - Article 107-3)

Designation of congested airports



Haneda, Narita, Itami, Kansai

Congested airports: Airports that manifests congestion that necessitate take-off and landing restrictions from safety concerns.

- Slot allocation
- Approval of scheduled flights

Approval for scheduled flights to/from congested airports

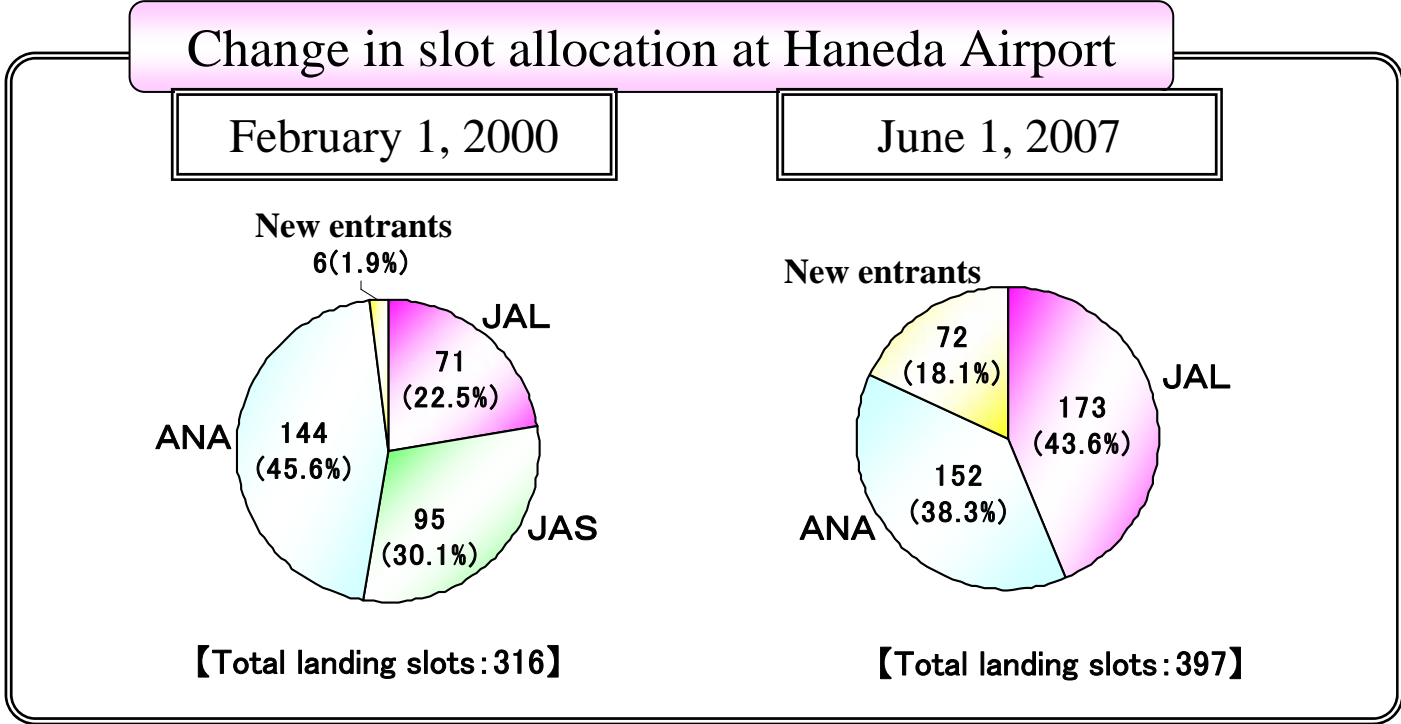
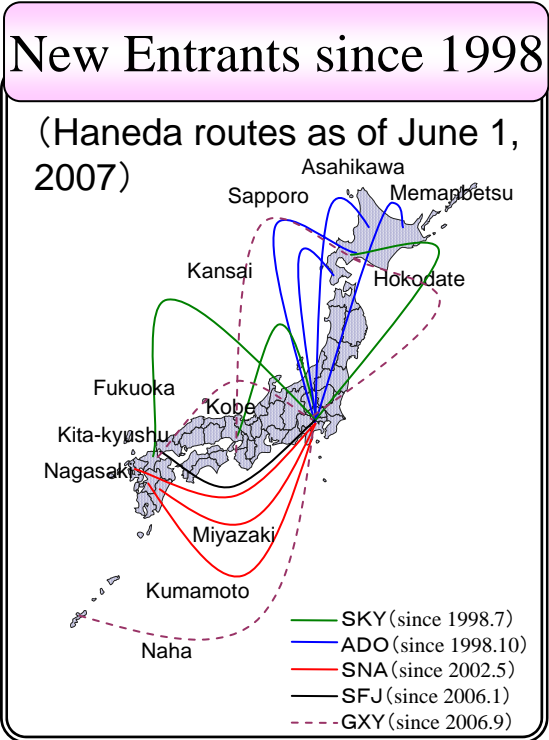
Five-year term for the approval

Criteria for the approval

- Safety of the aircraft operation
- Enhanced consumer benefit through **competitive forces** and **diversity of networks**
- Consideration of existing services of airlines at the congested airports

Competitive Forces

- In order to promote competition, new entrants are given priority in slot allocation at Haneda Airport, Tokyo's domestic hub airport.
 - Priority given when additional landing slots are made available
 - Some slots are withdrawn from the incumbents and re-allocated to new entrants when five-year duration period of the approval ends.

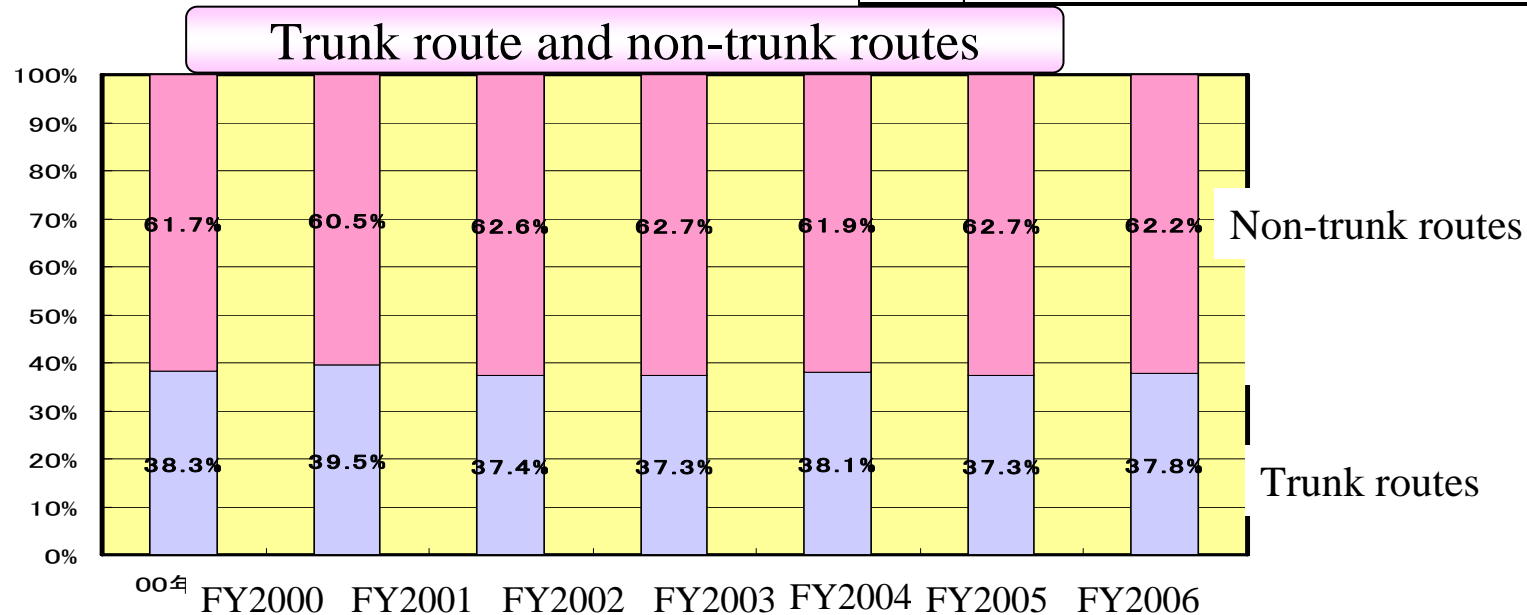


Diversity of Networks

○ Incremental slot allocation is provided to airlines that contribute to diverse nation-wide networks

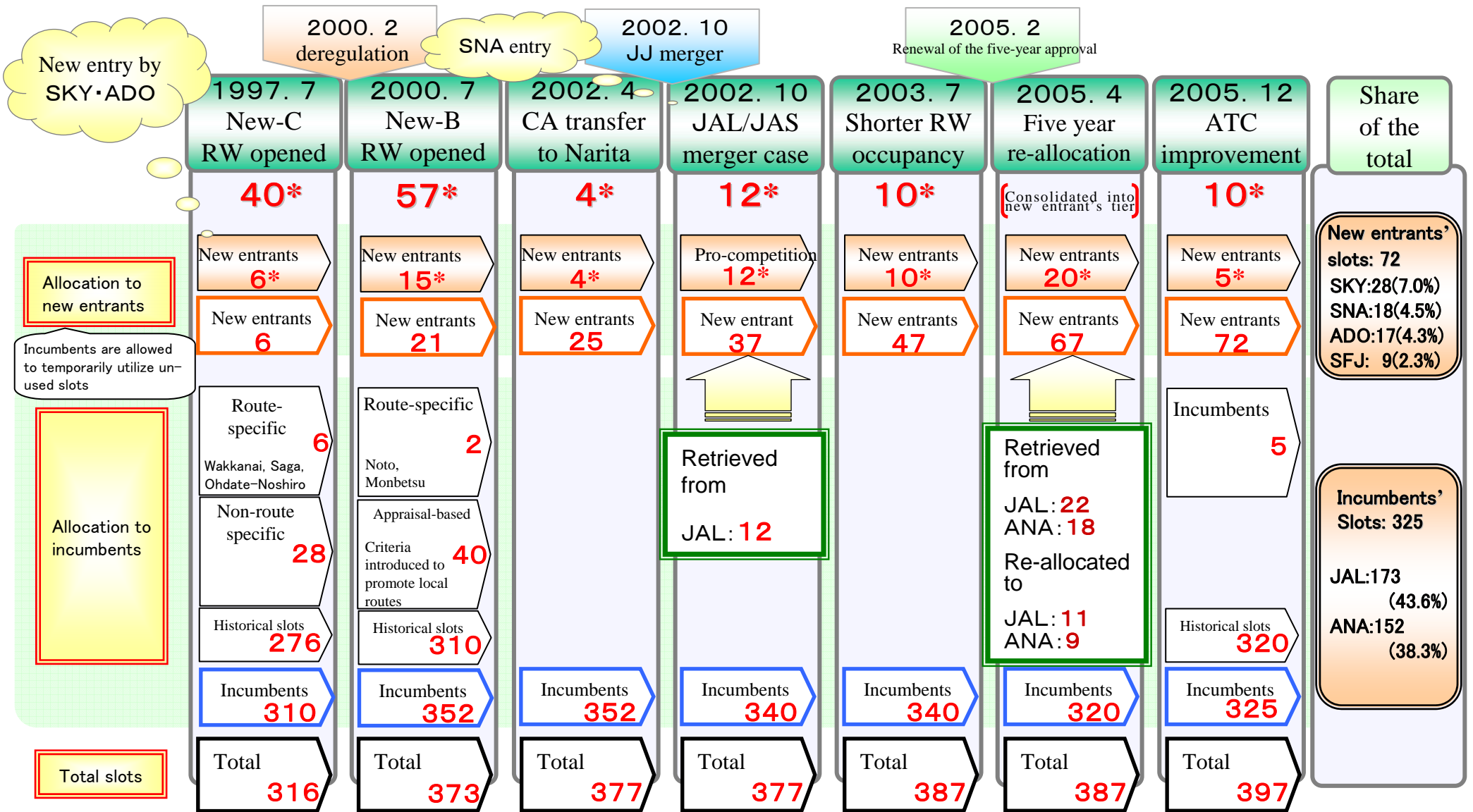
- Appraisal of historic operation is reflected to slot allocation to incumbent carriers
- Criteria for appraisal includes diversity of nation-wide networks

Criteria for diversity of nation-wide networks	
①	Contribution to network diversity
	Increase in low-density routes in past five years
	Increase in airports with over-night aircraft stay
②	Contribution to accessibility to local airports
	Percentage of non-trunk routes at Haneda airports exceeds 50%
	Percentage of landing slots in the recent allocation case used for non-trunk routes exceeds 50%



Trunk route: routes between Haneda, Sapporo (New-Chitose), Itami, Kansai, Fukuoka and Naha

Chronicle of Slot Allocation at Haneda Airport



* Incremental slots made available