



Case Study

on Commercialization, Privatization and Economic Oversight of Airports and Air Navigation Services Providers

Japan

Background

Because of its geographic situation, Japan has developed a large international and regional airport network over the Japanese archipelago. There are currently about 100 airports in Japan. The Airport Development Law, which was passed as Law No. 80 of 20 April 1956 and subsequently amended (and called Airport Law since 2008), classifies Japanese airports in three groups and regulates airports' development procedures. Airports in the first category are the ones required for international routes, airports in the second category are the ones required for major domestic routes, and airports in the third category are the ones required for regional domestic routes.

Airports in the first category are: Osaka-Kansai International Airport, Tokyo-Narita International Airport, Chūbu-Centrair International Airport, Tokyo-Haneda International Airport, and Osaka-Itami International Airport. There are also 29 airports in the second category and 59 airports in the third category.

The Civil Aviation Bureau of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) provides air navigation services, while the Japan Meteorological Agency provides aviation weather services for airlines and for the Civil Aviation Bureau.

Commercialization/privatization: Airports

Most of the Japanese airports have been established and managed by the Ministry of Land, Infrastructure, Transport and Tourism or by Japanese municipalities. Airports in the first category follow a corporation management model, through which airports are publicly owned but are operated and managed on a commercial basis.

The Airport Development Law does not allow private companies to own and operate airports in the first, second, and third categories, but exceptions were made for some airports in the first category. The exceptions are Osaka-Kansai International Airport and Chūbu-Centrair International Airport, which are subject to different laws.

Two of the five first class airports are owned by the MLIT. First, Tokyo-Haneda International Airport was established in 1952 to operate the airport basic facilities (runways, taxiways, apron), which has remained owned by the MLIT. The MLIT has operated the airside of the airport, while the landside has been managed by private companies. For instance, the Japan Airport Terminal Company Limited was established in 1953 to develop the passenger terminals, and it has owned and operated them since (its major shareholders are Japan Airlines International, All Nippon Airways, Japan Trustee Services Bank, Bank of Tokyo-Mitsubishi UFJ, and Mitsubishi Estate). The new international terminal built in 2006 is owned and managed by Tokyo International Air Terminal Corporation, whose main stakeholder is Japan Airport Terminal Company Limited. Second, Osaka-Itami International Airport was returned to Japanese control in 1958. It has remained owned by the MLIT. The MLIT has operated the airside of the airport, while the landside has been managed by a private company, the Osaka International Airport Terminal Company Limited whose shareholders are local governments (50 per cent of the shares) and private corporations (50 per cent of the shares).

One airport of the first class category is owned by a public corporation. Tokyo-Narita International Airport first terminal building was built by Takenaka Corporation, a private company, and was completed in 1972. The airport was owned and managed by a public corporation, the New Tokyo International Airport Authority. The Narita International Airport Corporation Act (Law No. 124 of 18 July 2003) was adopted to prepare the privatization of the airport and a new authority, the Narita International Airport Corporation (NAA) took over the responsibility of owning and managing the airport in 2004. Despite several privatization projects, NAA is still a 100 per cent government-owned public corporation.

Finally, the two last airports of the first category are owned by stock corporations. First, Osaka-Kansai International Airport opened in 1994 to relieve under-capacity at Osaka-Itami International Airport. The Kansai International Airport Company Limited was founded in October 1984, and the company owned and operated both the airport facilities and the terminal buildings. The national government used to own about two third of the shares, while the remaining shares were owned by local governments and private corporations. In 2012, New Kansai International Airport Co was established to integrate the operations of Kansai and Itami airports (the Japanese government used its stocks in the former Kansai International Airport Co. to set up the new firm, which received the government-owned land of Itami airport). It is reported that New Kansai International Airport Co would be privatized in a near future. Second, Chūbu-Centrair International Airport opened in 2005. The Central Japan International Airport Company Limited (Centrair) has owned and operated both the airport facilities and the terminal buildings. The ownership structure of the company is as follows: national government, 40 per cent; local governments, 10 per cent; and private corporations, 50 per cent.

To conclude, among the second category airports, 20 are owned by the MLIT, 5 by municipalities, and 4 by the Defence Agency or the Defence Facilities Administration Agency. All 59 airports belonging to the third category are owned by municipal governments. The MLIT produced in 2012 a draft bill, which if passed, could lead to private investors being awarded 30 to 50 year concessions to manage the 94 airports of the second and third categories currently operated by the central or local governments

Commercialization/privatization: ANSP

The provision of air navigation services was neither corporatized, privatized, nor commercialized. The Civil Aviation Bureau of the MLIT continues to hold under its responsibility the control functions on security, air navigation services, aeronautical regulation and services of communications, meteorology, search and rescue and, in general, the technical aspects of ANS.

Economic oversight: Airports

The Airport Law specifies the requirements for airport developments. All funds necessary for developing airports in the first category are absorbed by the national government, while all funds necessary for developing airports in the second and third category are absorbed by the national and municipal governments. The exceptions are Tokyo-Narita International Airport, Kansai International Airport and Chūbu-Centrair International Airport, which were established as limited corporations.

The levels of landing charges for airports controlled by the MLIT are decided uniformly by the MLIT, which takes into consideration the overall cost of all airports under its administration. Levels of landing charges at airports that are not under the control of the MLIT (such as Tokyo-Narita or Centrair airports) are also subject to the approval of the MLIT: despite their status, these airport operators, which were established through special legislation, are not allowed to set their own charge levels. Second category's airports controlled by municipal

governments are also required to obtain approval from the MLIT in the setting of charges levels. In other words, despite a few exceptions, all airports in the first, the second, and the third category apply the same landing charges. Narita, Kansai and Centrair are not supported by the Airport Development Special Account dedicated to airports operated by either the MLIT or municipal governments, and the repayment of their debt is hampered by limited revenues. Consequently, in order to reimburse their debt, the charges levels at these three airports are currently among the highest in the world.

Economic oversight: ANSP

The Civil Aviation Bureau of the MLIT continues to regulate and set air navigation services charges.

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