Indulging The Mile-High Club: *Re-regulating collusive behaviour in the era of long-haul flight transportation*

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Price collusion among International Airlines

Evidence from Theory and Practice

1. Collusive Pricing – A Ménage e Trois Scenario

How Cartels Emerge via Oligopoly:

- Where three or more firms engage based on **price competition**
- Prices are consequently driven down (or output is restricted) along the downward sloping demand curve to equal marginal costs
- Tacit collusion, however, allows engaged firms to set monopoly prices (above *previous* equilibria)

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Re-regulating Aviation – Roaming Agreements

Proposed Framework

- Competition authorities should take necessary precaution to maintain equilibrium market conditions and penalise significantly abusive behaviour
- This may include restricting firms to percentage increments of change across time (say, to six monthly or seasonal intervals)

Re-regulating Aviation – Cartel Pricing

Things to Highlight:

- Abuse of Market Power / Dominant Position – Knieps (2013)
- ‘*Behavioural*’ Industrial Organization – McGowan (2018)
- Criticisms of SSNIP Test – EURLex ss.28
- Curtailing ‘*Waterbed*’ Effects - Sutherland (2010)

2. Collusive Pricing – Empirical Studies

Deregulation of airlines in China (Wang, *et. al.*, 2016)

'Big Three' dominant Firms: Air China, China Eastern, China Southern

The effect of code sharing agreements (Zou & Chen, 2017)

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Follow The Money:

- Zhang and Round (2011)
- Wang, Bonilla and Banister (2016)
- Koliousis (2019)
- Ciliberto, Watkins and Williams (2019)
- Mayaki (2024)