

The 151st Transport Policy Colloquium
Washington Report XV

**Comments About “Current Status and Future
Prospects of the U.S. Aviation Industry 2022”
(presented by Senior Representative Nakagawa)**

**President for Research, Japan Transport and
Tourism Research Institute
Hirotaka Yamauchi**

Question 1 About Presentation by Senior Representative Nakagawa

(Question 1)

Some people say that the service gap between LCCs and network carriers was already gone before COVID-19 hit-how do you expect it will be after the pandemic ends?

In particular, do you expect to see changes in the corporate structure and business strategies of network carriers due to COVID-19?

(Question Background)

- If we exclude the pandemic period, network carriers and LCCs have been encouraging competition, and average airfare has been decreasing over the past decade.**
- The presentation has intensity of competition increasing, but major LCCs have emerged and it can't really be said that these are contributing to competition. Rather, if the service gap between carrier categories is disappearing, then would you agree that the few companies at the top have developed into an oligopoly (as claimed by the Department of Justice Antitrust Division)?**
- In addition, incidental fees paid by passengers in addition to basic airfare had already become significant since before the pandemic started. What should we expect after COVID-19?**

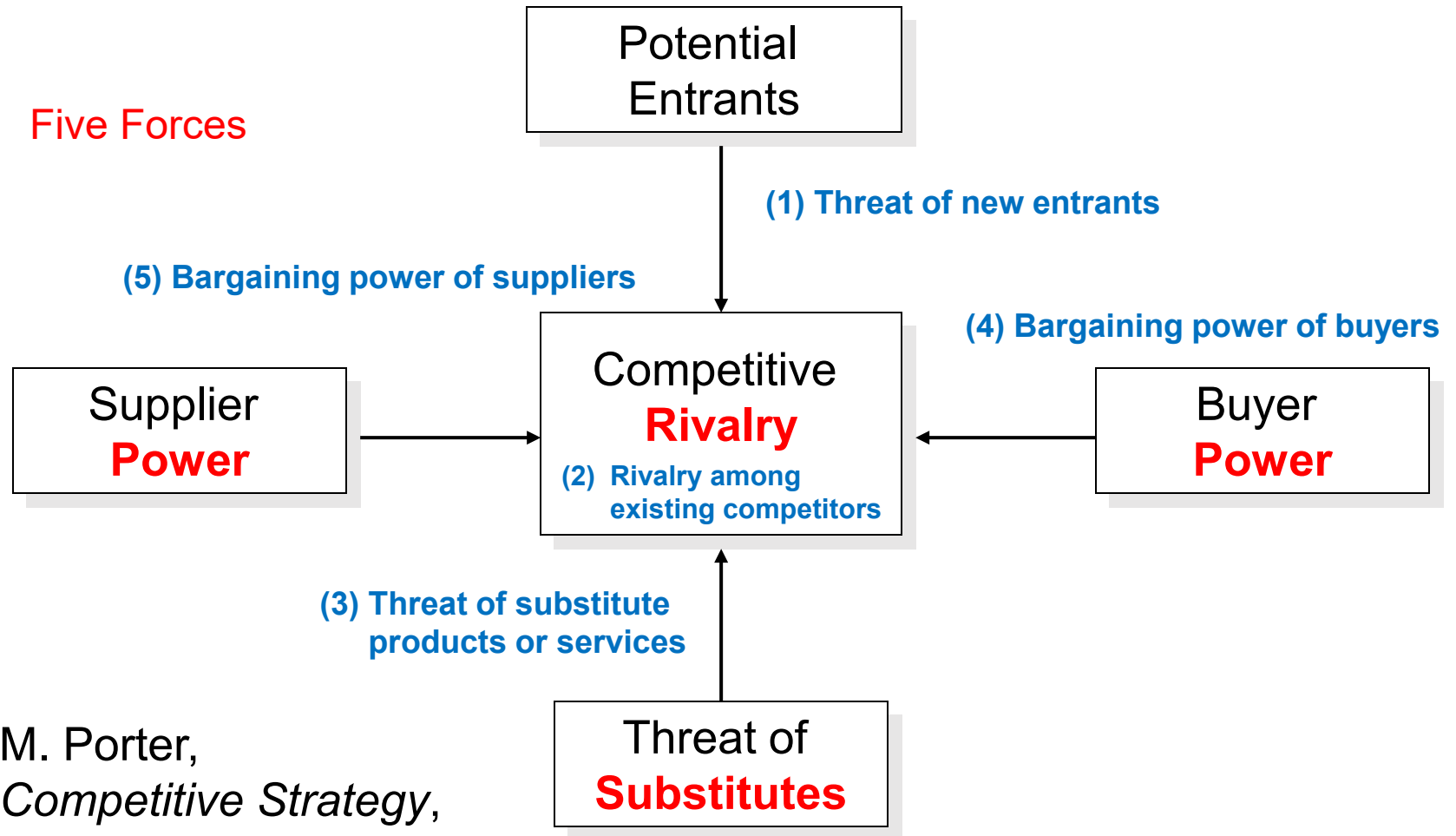
Question 1 About Presentation by Senior Representative Nakagawa

(Question Background, continued)

- The current situation can be an opportunity to re-evaluate business practices in airline management in consideration of environmental changes and shifts among competitive rivals due to COVID-19. What kind of changes are developing in America now?

→ Michael Porter's **Five Forces**

Five Forces of Competitive Position Analysis (M. Porter)



M. Porter,
Competitive Strategy,
Free Press, 1980

Question 2 About Presentation by Senior Representative Nakagawa

(Question 2)

Will policies regarding competition in the U.S. aviation market be different before and after COVID-19? Does the industry appear willing to tolerate some of these restrictions on competition, considering the slump caused by COVID-19?

(Question Background)

- **There are already some international business partnerships that exceed typical airline alliances (for example, Malaysia Airlines and Singapore Airlines).**
- **Airlines are giving careful consideration to post-COVID recovery in demand. Circumstances require them to restore capacity while exercising caution, and it is possible that similar business alliances will form in the near future.**
- **Although it is open to interpretation, it appears that U.S. antitrust laws are also being applied to outside territories. The stance seen in U.S. policies regarding competition is likely to affect other countries as well. For these reasons, developments in U.S. policies regarding competition should be monitored.**

Question 3 About Presentation by Senior Representative NakagawaU.S.

(Question 3)

**What is the U.S. saying and doing about airline decarbonization measures?
(Government policies under President Biden, developments among U.S. airline companies)**

(Question Background)

- **Japan and Europe are already following ICAO initiatives to decarbonize air travel. Europe was one of the first regions to show a high awareness of airline decarbonization, and has been proactively moving forward with initiatives while demonstrating their intention for strategic application.**
- **Japan is also starting to work on some initiatives to reach targets, but in the U.S., the government and airlines have been moving forward with various ideas after President Biden's term began. Please give us a closer look into developments in the U.S.**

Question 3 About Presentation by Senior Representative Nakagawa

(Question Background, continued)

- The **SAF Grand Challenge** announced by the Biden administration in September 2021 set a goal of 20% reduction in greenhouse gas emissions of aircraft by 2030. Key actions include **(1) Introduction of a SAF tax credit system that requires achieving a minimum of a 50% reduction in life cycle greenhouse gas emissions, (2) New and ongoing funding opportunities to support SAF projects and fuel producers (totaling up to 4.3 billion USD), and (3) Support for R&D activities to demonstrate new technologies that can achieve at least a 30% improvement in aircraft fuel efficiency.**
- In addition, the challenge will adopt the goal of supplying at least 3 billion gallons (roughly 11.4 million kiloliters) of SAF per year by 2030 and, by 2050, sufficient SAF to meet 100% of aviation fuel demand, which is currently projected to be around 35 billion gallons (roughly 130 million kiloliters) per year. The SAF Grand Challenge stands out in that **the Department of Energy, the Department of Transportation, and the Department of Agriculture have entered into an Memorandum of Understanding (MOU) that puts a government-wide structure** in place according to an action plan to achieve these targets.