

Q1 = 10/10

Homework 2

EE 481 Semester 1/2013

1. There are 4 airlines providing the service for a flight from Bangkok to Chiangmai on Friday September 13th with 20 kg baggage including;
 - a. Air Asia
 - b. Nok Air
 - c. Bangkok Air
 - d. Thai Smile Air

2. From the data provided below, there is evidence that Air Asia and Bangkok Air tend to provide quite similar fare. Also, Nok Air and Thai Smile Air (which is operated by Thai airway) provide the similar fare, which, however, is higher than the one provided by either Air Asia or Bangkok Air.

Yet, there are few other airlines provide the domestic flight apart from Bangkok to Chiangmai trip as well.

Whether these domestic commercial airlines are anti-competitive is unclear in the aspect of price. Air Asia and Bangkok Air seem to compete by lowering the price; however, both Nok Air and Thai Smile Air do not respond by matching their price. So, if they are perfectly competing, it means, in this case, they are competing with the other two airlines by other aspects apart from the price. Quality might be the important factor, namely their service might be substitutable but not perfectly. Hence, the most likely form of competition of this industry is the monopolistic competition.

However, in the aspect of competitors in the industry, it seems possible for any implicit collusion. The small group of firms in the industry is the condition easing the collusion. Also, the price and service information are available online which makes it easier to detect any defect from coordination. If they are anti-competing, it means, in this case, they are setting other condition apart from fixing price. For example, they might share the market according to the target groups of consumer they provide. Since there are other small airlines provide the other domestic flights, the industry structure might be the dominant firm with competitive fringes with the dominant firm consisting of these four large airlines.

can also
be called
"tacit"
collusion

v. good.