

Borenstein (1989)

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Hubs and High fares: Dominance and Market Power in the US Airline Industry

This paper describe the important of route and airport dominance in the degree of market power that control by an airline. The market has been established price that has not reflect the ideal price. There are correlation between route concentration and high price that cannot explain by the theory. First reason is the high average prices of some airlines are sustain in concentrated market do not permit all participants in market to charge similar price. Second reason, when a carrier serves a large share of passenger who travel to or endpoint of route, there is an attractiveness to passenger to travel itself.

The advantage of airport and route dominance: consumer gain benefit from marketing devices launched by airline which is frequent-flyer program (FFP) consequently, it created brand royalty inducement. However, it disrupted travel agent commission override program (TACOs).

This paper use 2 different approaches to analyze effect of route & airport dominance which are "cross-sectional estimation of carrier's mark up over cost", "cross-sectional estimation of the ratio of two observed airfares as function of airline's cost and service qualities". The result of these two approaches is consistent.

To conclude, the link between airport dominance and high fare are clear, welfare increase airport concentration which increase benefit in hub operation. These benefits should be weighed against the higher price that seem likely result. Government donot need to try to deter airline from forming hub.

Jin and Leslie (2003)

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The effect of Information on Product Quality
: Evidence from Restaurant Hygiene Grade cards.

This paper describe the effect of an increase in product quality information to consumer on firm's choices of product quality. Hygiene grade card can mitigate an information asymmetry and promote the implication of the nature of competition among restaurants. It allow customer to determine hygiene differences which affect to demand of consumers, price may rise and fall due to good hygiene.

The grade cards cause (1) restaurant health inspection score to increase (2) consumer demand to become sensitive to changes in restaurant hygiene quality (3) the number of foodborne illness hospitalization to decrease.

This paper uses the data analysis to support the grade cards effect. There are exogenous change in regulation that impact the data to analyze. This paper use the regression of an observation of restaurant inspection.

To conclude, The data and analytic result that the effect of policy increasing the provision of information to consumer. Hygiene grade card cause restaurant to increase hygiene quality. The effect is large in magnitude which increase consumer and producer surplus. The policy changes provide an opportunity to examine voluntary disclosure can have same effect as mandatory disclosure.