

The effect on performance and return of privatization:
A case of a Japanese railway company

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< 報告要旨 >

Major infrastructure businesses such as transportation, telecommunication, and financial services have been privatized in Japan with the aim of improving economic performance of those businesses and mitigating the Japanese government's fiscal deficit. In this paper we examine a recent case of privatization of a Japanese railway company, Kyushu Railway Company (JR Kyushu), by means of stock sale. This case is unique in that the sale of the whole shares was completed at one time as opposed to staged sales over years, which enables us to examine the effect of privatization more clearly. We show that the company's performance, measured by operating profitability and return on assets, significantly improved against its benchmarks, a close competitor in the same region and a neighboring government-owned railway company. For this purpose, we decompose an accounting maneuver which the company took before the listing. We also measure stock return for investors after the privatization and find that the stock at least delivers a fair market return to investors.