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A4ANZ



Australian Retailers Association



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Airport Users Call on Government to Adopt ACCC Recommendations on Monopoly Airports

Retailers, operators of rental cars, commercial passenger vehicles, off-airport car parking, and ride-share drivers, have joined with major airlines in warning that the Government's productivity agenda will be held back if they don't act on the important issue of monopoly airports.

Leading the call was Airlines for Australia and New Zealand (A4ANZ) Chairman, Professor Graeme Samuel AC, who said today that it was well understood that Australia's monopoly airports were now the only privatised infrastructure assets in Australia not appropriately regulated for the protection of consumers.

Professor Samuel, a former Chairman of the ACCC, said, "For decades now, Australian travellers have felt the impact of monopoly pricing at our airports, and the ACCC has repeatedly said that we have a problem. But while other sectors have caught up with regulatory regimes that better reflect consumer interests and expectations, the Productivity Commission (PC) – inexplicably – seems intent on retaining the status quo for airports."

"In practice, this means inefficient, protracted negotiations, disputes that end up in court, costing millions of dollars, and creating uncertainty over investment. The system has passed its use-by date; it's neither efficient nor effective."

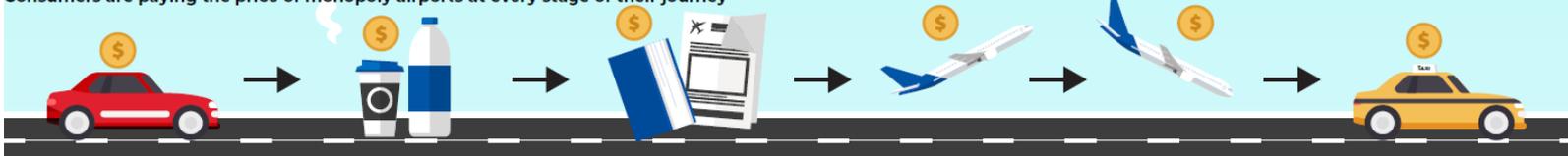
The impact of this is not only felt by the airlines; it follows passengers at every stage of their journey. On-airport retailers are another group seeking a fairer deal. Russell Zimmerman, Executive Director of the Australian Retailers Association, said "With current economic conditions and retail spending, it is hardly the time for the government to endorse the Productivity Commission's recommendation that permits airports to continue to charge monopoly rents unchecked. Compared to traditional shopping centres, there is a lack of transparency on lease terms at some airports, and airport rents are much higher. But there is no scope for negotiation on terms and conditions, and many airport lease clauses prohibit retailers from speaking out. There needs to be a system to hold the monopolists to account, just like there is in other sectors."

The Australian Finance Industry Association (AFIA), who represent rental car operators, also supports sensible, evidence-based reforms to encourage better negotiations and resolve disputes. AFIA CEO, Helen Gordon said, "Consumers bear the brunt of high airport charges, with a significant proportion of the cost for a car rental representing passed-on costs charged by the airports to the operator. While the rental car operators provided the Productivity Commission with compelling evidence, including the fact that it is more expensive for them to operate at Australian airports than LAX, Heathrow and Charles de Gaulle, it is unclear how this was taken into account by the Commission."

Other ground transport operators have also pointed to the significant imbalance in negotiating power they face when trying to strike a deal with a monopoly airport operator over landside area access fees. President of the Commercial Passenger Vehicle Association of Australia, Mr André Baruch, said that the solution to this was not complex nor unreasonable, and had worked in other sectors. "All we're asking for is for the same to apply to airports: an open, transparent and inclusive process."

Ride Share Drivers Association of Australia's President Ms Rosalina Kariotakis agreed that the current system does not support ground transport operators to bargain efficiently or effectively with monopoly airports. "Drivers have simply been forced to accept airport access fee increases – in some cases over 200% in 4 years – which in turn pushes the prices up for passengers."

Consumers are paying the price of monopoly airports at every stage of their journey



The off-airport parking operators, who provide alternative options for travellers who don't want to pay exorbitant airport parking charges, face similar challenges when dealing with the unconstrained market power of airport operators keen to protect their carpark profits, which can be as much as 70% at some airports. Adam Wilson from Andrew's Airport Parking said that the issues go beyond the fees being charged. "Over time, discussion has become cursory and lacking any genuine consultation; it's not a negotiation, but a determination. And despite significant and unjustified increases in access fees, the infrastructure and services for off-airport parking remain largely unchanged."

As the biggest customer of airports, the impact on airlines is not just felt by the domestic carriers. Rejecting the PC's Draft Report suggestion to simply do more monitoring, the Board of Airline Representatives of Australia's Executive Director Barry Abrams said, "We fail to see how a revamped airport monitoring report will deliver any useful improvement. It will not change the assignment of commercial accountabilities between the airport operators and international airlines, which underpin the problems in airport services we see today."

"International airlines can see a large gap between the performance outcomes considered acceptable by the PC and the outcomes they reasonably expect for the prices charged. There is plenty of room for improvement in airport services supporting better outcomes for passengers and airlines; ones which could deliver an estimated \$270 million in operating efficiencies over the next 5 years." Mr Abrams said.

Also expressing concern was the International Air Transport Association (IATA). "It is a fact that the current light-handed regime of economic regulation is ineffective in protecting the interests of airlines, passengers, and the people and businesses accessing the terminal precinct. With the aviation industry being an important economic contributor, supporting over 700,000 Australian jobs, and contributing \$69 billion or 5.5% of the country's GDP, the Australian Government needs to put in place policies that support the sustainable development of the industry and its contributions to the Australian economy," said Conrad Clifford, IATA's Regional Vice President for Asia-Pacific.

These are significant factors in a country as large as Australia. As the Deputy Prime Minister said recently, air travel for millions of Australians is not optional. Regional Aviation Association of Australia Chairman, Jim Davis, said that all parties needed to work together on the challenging dynamics of the regional aviation sector. "We see many Council-owned regional airports being regarded as a cash-generating unit rather than an essential community transport service. The fact that airports are able to charge airlines for new infrastructure which in many cases is not justified or is planned without consultation, just adds unnecessary cost to travel. It is not fair to regional communities to allow this to continue, yet that is what the PC have proposed."

A4ANZ CEO, Dr Alison Roberts, said that with the Government keen to stimulate economic growth, levelling the playing field for negotiations between monopoly airports and their customers seeking a fair and reasonable deal, would be a good place to start. "We need a regime that encourages innovation and efficiency and we don't have that right now; instead we have costly, protracted negotiations, and some airports making super-profits – at nearly 3 times the rate of the banks. All ultimately at the expense of consumers. It's unconscionable that the PC would expect Government to rubber stamp this system."

"What is needed – and what has been proposed by the ACCC – isn't complex. Access to arbitration when negotiations break down should be provided for all airports with monopoly characteristics. This is standard, commercial practice - why should airports be treated differently to other important infrastructure?"

The collective group of airport users are calling on the Government to consider a more appropriate regulatory approach, for the good of Australian consumers and the economy. A4ANZ CEO Dr Roberts said, "Airlines and other airport users have been doing their bit, in a competitive environment, to offer choice to consumers and keep downward pressure on pricing. We have welcomed the Government's recently stated commitment to do its part to keep aviation costs down, and their drive for greater productivity. Fundamental to achieving these goals, however, is getting the regulatory settings for airports right, and this reform is long overdue."

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