

Over-charging airport monopolies are no global role model

As the world's airline CEOs meet in Sydney for the International Air Transport Association (IATA) Annual General Meeting (AGM), airport privatisation is one of the main items on the agenda.

At the AGM, IATA released a guidance document on airport ownership and regulation, with the local region held up as an example of what happens post-privatisation when regulatory safeguards are not put in place.

As a recent report released by Airlines for Australia and New Zealand (A4ANZ) shows, in the absence of appropriate regulation, consumers and the economy have suffered from airport privatisation in our region. Under the light-handed regime, Australia's monitored airports have:

- Enjoyed a 25 per cent increase in revenue per passenger in real terms over the past decade while fares have declined 40 per cent;
- Delivered no overall increase in quality in the same period; and
- Earned demonstrably excessive profits, in some cases more than double those of other airports internationally, operating under greater regulation or competition.

A4ANZ Chairman, Professor Graeme Samuel AC, said that claims made by the Australian Airports Association (AAA) and Airports Council International (ACI) that Australia's airport regulatory framework is a "global role model" were laughable: "A model in which the regulator only has a watching brief has set both Australia and New Zealand up as global leaders in making airport shareholders rich at the expense of passengers."

"When airports are raising prices and earning more per passenger while quality stagnates and congestion worsens, how can they pretend to be enabling economic activity?"

A4ANZ CEO, Dr Alison Roberts, said: "The only people for whom the current model is a success are the owners of AAA's member airports. Aviation activity at airports is wholly dependent on airlines and their passengers, but the airports seem to have forgotten this."

Professor Samuel added: "It comes as no surprise to us that the only group who wants to defend the current model are those who are reaping all the benefits: the highly profitable, private monopoly airport operators in our region. Our airports have the lightest regulation and earn the biggest profits in the world."

With a Productivity Commission Inquiry into airport regulation in Australia to occur this year and New Zealand's regulatory model under scrutiny, attention has turned to how the sector could operate better to support genuine commercial negotiations between airports and their customers.

"Monopolies have no incentive to work in partnership, and this is borne out not only by the experiences of A4ANZ members, but the AAA's own research documenting the lack of consultation undertaken by airports with airlines prior to major capital works entailing increased charges. We need to inject some truth into this discussion if we are to progress," Prof Samuel said.

Dr Roberts added: "The AAA is right about one thing - the need to direct investment where it is most needed and to put passengers at the centre of the decision-making process; but this is clearly not happening now and will not happen in the future until monopoly airports are subject to a real threat of appropriate regulatory intervention."

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