

Monopoly airport pricing: the future Australia's airlines and passengers simply can't afford

Despite COVID-19 causing the biggest disruption to the aviation sector in history, Brisbane, Sydney and Perth airports still reported a profit in 2020–21, according to [the Australian Competition and Consumer Commission \(ACCC\)'s Airport Monitoring Report 2020-21](#), released today.

Responding to the report's release, Airlines for Australia & New Zealand (A4ANZ) Chairman, Professor Graeme Samuel AC, said that the findings should surprise no one. "This report – and in particular Chapter 2 – acts as a reminder that a regime involving monitoring alone does little more than shine a light on the challenges of dealing with monopoly airports."

In relation to the application of the *Aeronautical Pricing Principles (APPs)*, which the Government expects all airports – whether monitored or not – to have regard to, the ACCC reported:

- Despite most airports strongly asserting that they take the APPs seriously, some of their actions appear to be inconsistent with these assertions, including rejecting dispute resolution processes such as binding arbitration;
- Airlines do not have any formal recourse to address conduct by an airport that is inconsistent with the APPs. Parties have no viable mechanism to resolve their disputes;
- Airports making 'take it or leave it' offers or threatening airlines with loss of access to facilities do not reflect a normal negotiation process between two big companies with equal bargaining power;
- The outcomes of negotiations do not necessarily result in prices that reflect long-term efficient costs of aeronautical services because of uneven bargaining power between the parties.

Prof Samuel said, "We already know – because successive ACCC reports have told us – that monitoring serves no purpose to constrain monopolies. But surely the most egregious part is that this report is for 2020-21 – a period in which the industry was devastated by the COVID-19 pandemic – and yet airports still saw fit to ignore the APPs and, in some cases, to seek to significantly increase aeronautical charges to recover lost profits or unrecovered costs. Frankly, it just shows how entrenched their monopolistic behaviour has become."

A4ANZ CEO, Dr Alison Roberts said, "The former Government made clear in its 2019 [response to the PC Inquiry](#), that it considers the APPs set an important framework for establishing prices, service delivery and the conduct of commercial negotiations at airports, and that it "expects all airports and airport users to have regard to the APPs when negotiating future airport services."

"The APPs – which the airports claim to support – include a clause which states that airports and their customers should "utilise processes for resolving disputes in a commercial manner (for example, independent commercial mediation/binding arbitration)." Yet, as the ACCC report notes, "most airports stated that they do not support binding commercial arbitration to resolve disputes". Faced with this contradictory position, airlines are left with no recourse, as the APPs are unenforceable. As an industry, we must find a solution for resolving disputes that avoids the sort of protracted and expensive process we have seen with Perth Airport and Qantas."

Prof Samuel said, "Historic evidence indicates that not only is the financial impact of global events greater on airlines than on airports, but that their recovery is much slower, as they typically operate on thin margins as a result of competition – with far less buffer in terms of profitability. By contrast, the major Australian airports went into the pandemic as some of the most profitable businesses in the country and the world, enjoying margins more than twice the international average for airports. As the ACCC has noted, major airports reported profits (albeit diminished) in 2020-21. The APPs preclude an airport from increasing aeronautical prices to make up for lost profits or previously unrecovered costs. But there is little – if anything – the airlines can do about it."

“The aviation industry is essential to Australia’s economy, [contributing over \\$100 billion and supporting over 700,000 jobs](#). The sector has a bumpy road to recovery ahead, and A4ANZ looks forward to working with the Government and other aviation stakeholders on ensuring our aviation policy settings are fit-for-purpose.

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