

Australian consumers to lose out as monopoly airports given green light by Productivity Commission

Airlines for Australia and New Zealand (A4ANZ) has today called for an urgent rethink by the Productivity Commission of the recommendations contained in its draft report from the [Inquiry into the Economic Regulation of Airports](#).

Commenting on the report's release, A4ANZ Chair Professor Graeme Samuel AC, said, "The Australian public know there is an enormous problem with our monopoly airports. They are the ones paying for it. Negotiation delays and disputes with a range of airport users highlight the fact that the system is not working to meet the Government's policy objectives, and that change is required. Yet this report – unusually for the PC - appears to ignore important evidence clearly showing this, from credible sources including:

- The ACCC, Frontier Economics, and the Grattan Institute;
- Regulatory and competition law experts;
- Data from the Government's own Department;
- Market analysts, who have recognised that the "unregulated revenue stream" enjoyed by the airports allowing them to outperform global peers must be reined in if efficient investment is to occur; and
- Car rental companies, ride share and taxis operators, and consumers themselves.

Professor Samuel said, "It beggars belief that the PC could simply set aside such highly credible evidence from experts both in Australia and internationally in their choice not to suggest real change. It is clearly a totally inadequate solution to simply suggest increased monitoring in a regime that the ACCC itself acknowledges has no powers to enforce. It is similarly useless to make additions to pricing principles which are currently ignored by airports in their negotiations with customers, as there are no penalties for non-compliance."

A4ANZ CEO, Dr Alison Roberts said that none of the recommendations, if ultimately adopted by Government, would change the status quo and more unproductive disputes were likely to occur. "We are not seeking restrictive regulations imposed on airports; we know that can stifle growth. But as an industry, we can't do nothing; we need a regime that encourages innovation and efficiency and we don't have that right now; we just have high airport profits at the expense of consumers."

"What is needed 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 any differently?"

Professor Samuel said, "It's worth noting that the Grattan Institute's report found that in the banking sector, "super-normal" profits account for 17% of total profits. For airport operators, Grattan reported that this jumps to nearly 50% of their returns. We shouldn't need a Royal Commission to tell us that this is not in the interest of consumers."

"We know that there is bipartisan agreement on the notion that monopolies are abhorrent and need to be managed – this was the intention with the privatisation of airports from the start. Frankly, I am concerned that the PC didn't come to the same conclusion after nearly 5 months of analysis. Perhaps the public hearings will assist with this as they will no doubt bring to light yet more examples of airport customers being treated badly and underscore the need for change. "

Dr Roberts added, "Ultimately, it is the Government and Parliament that decides policy, regulation and legislation. We know they are convinced there is a problem here. What we had expected to see in this report were recommendations that would assist Government to deliver sensible, effective policy that is actually informed by the evidence; that is to make the minimum change required to facilitate commercial negotiations and ultimately deliver better outcomes for consumers and society. It is disappointing that this has not been captured in the Commission's draft report."

About A4ANZ

Airlines for Australia and New Zealand (A4ANZ) is an industry group that has been established as a voice to represent airlines based in Australia and New Zealand. Member-funded and representing international, domestic, regional, full service and low cost carriers, A4ANZ advocate on key public policy issues that impact airline operations such as efficient access to infrastructure, in the interests of our passengers, staff and shareholders.

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