

Australian airports defend their world-leading profits, while consumers pay the price

Airlines for Australia and New Zealand (A4ANZ) has today delivered a [supplementary submission](#) to the Productivity Commission (PC)'s Inquiry into the Economic Regulation of Airports. The submission's purpose was to focus attention on evidence, and options to achieve the Government's policy objective: that the economic regulation of Australia's monopoly airports facilitates commercial negotiations.

Commenting on the submission's release, A4ANZ Chairman, Professor Graeme Samuel AC, said, "Our supplementary submission was informed by thorough consideration of all of the submissions presented to the Productivity Commission and by discussions with a variety of stakeholders. All parties to the Inquiry have acknowledged, at some level, the challenges of commercial negotiations between monopoly airports and their customers. How we build a regulatory framework to address that is the critical question to be answered."

A4ANZ's supplementary submission also addresses the [myths and misleading claims](#) made in submissions to the PC by airports and their representative body, the Australian Airports Association (AAA), by citing evidence showing that:

- airport charges do make up a significant - and disproportionately large - proportion of airlines' overall costs in Australia, up to twice as much as in the EU;
- network airlines do not possess countervailing power against airports, as they cannot simply opt out of routes and no credible threat exists for them to do so in reality;
- recent airline profitability does not mean that airports do not have market power. Monopoly airports, unlike airlines, have been able to maintain margins and growth even during economic downturns;
- effective regulation delivers investment, not uncertainty; and
- a solution is not just required for airlines. Other airport users, including taxi operators, rental car companies, off-site parking providers, and even Government agencies, have all documented unilateral fee increases by monopoly airports. It is the consumer who ultimately pays for this.

A4ANZ CEO Dr Alison Roberts said, "Policy and regulatory settings for essential infrastructure should never be 'set and forget'. It is timely that the Productivity Commission are questioning the effectiveness of the airports' regime, given that since their last Inquiry, there have been many changes in the regulation of other important sectors with monopoly characteristics."

"Light-handed regimes for infrastructure such as gas pipelines have been informed by carefully considered principles, which recognise that access to arbitration should be provided for all assets with natural monopoly characteristics. These principles are equally applicable to airports, including those not currently subject to monitoring, and we are pleased that the Inquiry's Terms of Reference allow the PC to look beyond these 4 airports."

Professor Samuel said, "We know that there is bipartisan agreement on the notion that monopolies are abhorrent. Having read the AAA commentary, you have to ask, in what other business or sector does a supplier refer to its major customers in such disparaging ways, rather than recognising the vital part they play in their business and the broader Australian economy? Who else could afford to do that but a monopolist?"

"Against this background, it is not an option to do nothing and it is clearly an inadequate solution to simply issue more guidelines and hope that goodwill prevails. What is needed is to comprehensively address the issue of airport monopolies and market power, through a regulatory environment that encourages innovation and efficiency."

Dr Roberts added, "A4ANZ's submissions to the Inquiry are about delivering sensible, effective policy that is informed by evidence; focusing attention on the minimum change required to facilitate commercial negotiations and ultimately deliver better outcomes for consumers and society."

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.

Media Enquiries: 0418 210 005

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