

AUSTRALIA'S AIRPORTS

MYTHS vs FACTS

Australia's airports are monopolies and behave as such. With no incentive to charge reasonable prices, their profits have continued to grow over time, with the ACCC's price-monitoring regime powerless to control this. The impact is felt by every Australian airport user, but especially consumers. The airports say the system is working fine and doesn't need to change. This is just one of the many myths in submissions to the Productivity Commission that must be dispelled.

MYTH:

The threat of regulation constrains airports' profitability and exercise of market power.¹

FACT:

Analysts describe our region's airports as having unregulated revenue, with free rein on pricing.²

This has allowed Australian airports to earn margins more than double the international average.^{3,4}



MYTH:

Airport charges have risen only moderately, and high levels of airport profitability have abated since 2011.⁵



FACT:

Airports have been independently assessed as earning "supernormal profits" since 2011.⁶ **Revenue per passenger has risen 25% in a decade.**⁷ Operating profits/passenger in 2017 place Australian airports well above global comparators.⁸

REVENUE:



MYTH:

Airports have not exercised market power in non-aeronautical areas.⁵

FACT:

9 of the top 10 most expensive airports in the world for rental car operators are in Australia, more expensive than Heathrow, LAX and Paris CDG.⁹



MYTH:

Airports' market power is neutralised by airlines being able to change routes if they object to contract terms.⁵

FACT:

Destination substitution isn't a realistic option¹² for Australian travellers.

Network airlines are not in a position to readily withdraw from routes.¹³



MYTH:

Changing the regulatory regime is unnecessary and risky.¹⁰

FACT:

Regulatory reform is needed to generate **\$18 billion** in economic benefits, including:

- **\$5.9B consumer surplus**
- **\$10.9B GDP benefit**
- **7000 jobs**
- **\$819M travel time savings**
- **\$480M boost to tourism.**¹¹

MYTH:

Airport charges only account for **4-8%** of an airline ticket price.⁵

FACT:

Evidence presented by airports shows that charges can actually be **>20%** of the ticket.¹⁴ **They make up the single largest cost to Australian airlines on some domestic routes (>30%),** but account for a much smaller proportion in the EU and US.¹⁵

MYTH:

Quality standards at Australian airports have improved.⁵

FACT:

ACCC data show no increase in quality at any monitored airport since 2015.⁷



MYTH:

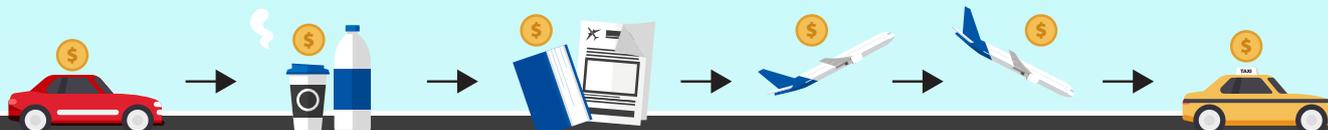
There is no evidence that airports make excessive profits on car parking.⁵

FACT:

Airports can earn a profit of over 70 cents from every dollar consumers spend on parking.⁷



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



References:

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5. Australian Airports Association 2018
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7. ACCC 2018
8. Department of Infrastructure, Regional Development and Cities 2018
9. Australian Finance Industry Association 2018
10. Australian Airports Investor Group 2018
11. Frontier Economics 2018
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13. Norton White 2018
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