DATE: 26 April 2018

Media Release: Consumers pay the price for monopoly airports

Australia's four largest airports are collecting over 25% more revenue for every passenger today than they were 10 years ago, according to the Australian Competition and Consumer Commission (ACCC)'s *Airport Monitoring Report 2016-17,* released today. Over the same period, airlines have reduced airfares in real terms.

Responding to the report's release, Airlines for Australia & New Zealand (A4ANZ) Chairman and former ACCC Chairman, Professor Graeme Samuel AC, said that this comes at a significant cost to the airport's customers, including airlines and their passengers.

"The consumer is being stung at every turn, whether it's the exorbitant landing and service fees paid by airlines on behalf of the passenger, their car parking fee, taxi surcharge, or the coffee or bottle of water they buy in the terminal.

"Airports are vital infrastructure assets that should be run fairly and transparently to promote travel and trade. Instead, they exploit their unconstrained market power to behave as the privatised monopolies they are, overcharging customers who often have no choice but to accept what is offered.

"With rising passenger numbers and increased charges driving the increased revenues collected by airports, improved services should follow," Professor Samuel said. "However, services at the monitored airports have not generally improved in line with increased passenger costs and charges."

"This situation is an inevitable result of the airports' monopoly position, which by its nature allows them to extract inflated rent from customers while providing average services," Professor Samuel said. "This is in direct contrast to domestic airfare prices which, in a competitive market, are lower in real terms, than a decade ago."

"The ACCC report reinforces my long-held view that monopolies need to be held to account by a credible threat of regulatory intervention. Australia needs a regulatory framework that drives airport-airline negotiations to produce better outcomes for consumers, through improved efficiency in the allocation of resources and targeted investment," Professor Samuel said. "In practice, there is no incentive for airports to deliver efficient services or have genuine commercial negotiations with airlines, with competition legislation changes made by Parliament in late 2017 further restricting airlines' ability to seek ACCC intervention to bring airports towards a level playing field."

"All that price monitoring achieves is to provide some transparency over the monitored airports' financial and service performance and allows for general observations to be made over their taking advantage of their monopoly position," Professor Samuel said. "There is a need for greater oversight by the ACCC to encourage and, where required, force constructive, commercial engagement to minimise the negative impact of the airports' monopoly powers. Government action on this is necessary to protect and allow growth in air services within Australia in the long term."

"The ACCC's remit should also be extended beyond the four major domestic Australian airports, to include the vital regional airport network, where charges are often very high, and consultation is limited. In 2018, one in three Australian passengers used an airport other than the four major domestics, and they deserve greater transparency."

Next month, A4ANZ will release an analysis of airport pricing and profitability undertaken by Frontier Economics and will actively participate in the anticipated Productivity Commission Inquiry into the Economic Regulation of Airports later this year.

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