DATE: 25 Feb 2019

Media Release: Latest ACCC report confirms price monitoring does not constrain airports

The growth in aeronautical profits at Australia's four biggest airports "continues apace", according to the Australian Competition and Consumer Commission (ACCC)'s *Airport Monitoring Report 2017-18,* released today.

Responding to the report's release, Airlines for Australia & New Zealand (A4ANZ) Chairman, Professor Graeme Samuel AC, said that its findings hardly came as a surprise, and certainly would not be to travellers, who wear the costs of the airports' monopoly behaviours, which were documented to include:

- Car parking charges where up to 70 cents in every dollar represent profit to the airport;
- Growth in charges for landside access services, such as taxis, ride-share operators and buses; and
- Some of the airports more than doubling their profits over the past decade, in real terms.

"The Productivity Commission's recently published draft report examining the economic regulation of airports, essentially ignored all this and endorsed the current approach of having the ACCC simply monitor the airports' activities. Yet the ACCC themselves disagree, and have expressed this view many times over a long period of time," Prof Samuel said.

A4ANZ CEO, Dr Alison Roberts said, "With the release of this ACCC report we again hear from Chairman Rod Sims that price monitoring is not enough to constrain the behaviour of companies with significant market power, such as airports."

"Along with A4ANZ and regulatory experts, the ACCC has strongly advocated for independent arbitration in cases where airports and airlines cannot agree on the pricing of aeronautical services. As Mr Sims said, it is a pragmatic solution for resolving disputes and creates an effective threat for any party frustrating commercial negotiations."

With the Productivity Commission currently seeking submissions in response to their draft report and hosting public hearings next month, Prof Samuel said it would be hard for Commissioners to ignore the evidence in front of them.

"We now have nearly two decades of ACCC reports exposing excessive profits. This is on top of independent analysis showing that, unlike other businesses, Australian airport profit margins have been shielded from all major economic events and operators have enjoyed 'super-normal' profits. In others sectors such as gas, the Government has acted to address monopoly pricing concerns, acknowledging that all assets with natural monopoly characteristics should include a provision for access to dispute resolution through an arbitration framework. Why not for airports?"

Dr Roberts said, "Rejecting the proposals from the ACCC, A4ANZ and others, the PC claimed that a negotiate-arbitrate model for airports was unnecessary and would be too drawn out and expensive. However, the intent of these light-handed regimes is to incentivise parties to negotiate rather than relying on arbitration. And in the 18 months since the new gas pipelines model came into effect, there has been just one case referred for arbitration, which was completed in about 4 months."

Ultimately, it is the Government that decides policy, regulation and legislation. We know that this ACCC report will further cement their beliefs that there is a problem with our monopoly airports, along with every Australian traveller. Hopefully the Productivity Commission can catch up before its final report is due in June.

Next month, A4ANZ will release a response to the PC's draft report and will be participating in the public hearing process.

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