

Report: Australian passengers and the economy are losing out to monopoly airports

Australian passengers and the economy are paying the price of airport privatisation in the absence of appropriate constraints on monopoly power, according to a new report released today by Airlines for Australia and New Zealand (A4ANZ), with analysis provided by Frontier Economics.

The report, *The Performance & Impact of Australia's Airports Since Privatisation*, outlined the following:

- while Australia's four main airports are collecting 25 per cent more revenue per passenger than they were 10 years ago in real terms, quality of services have not improved;
- airfares have fallen more than 40 per cent over the same period;
- Australia's light-handed regulatory regime does not constrain monopoly airports from exercising a high level of market power in the form of ever-increasing charges;
- analysis by Frontier Economics confirmed that earnings at Australian airports are excessive, with profit margins significantly higher – in some cases more than double – than those of other airports around the world operating in competitive markets or with greater regulation;
- Australia's regulatory system needs to catch up with best practice to protect air travellers from monopoly airports.

The launch of the report at Parliament House in Canberra was opened by Deputy Prime Minister and Minister for Transport and Infrastructure, the Hon. Michael McCormack MP, and CEOs and senior executives from the airlines that founded A4ANZ were in attendance at the event.

Commenting on the report's release, A4ANZ Chairman, Professor Graeme Samuel AC, said: "Privatisation of Australia's airports promised to offer many benefits: more efficient management of assets, investment and downward pressure on prices. Yet, in the absence of an effective regulatory regime, airport privatisation has ultimately resulted in higher costs for both airlines and passengers."

A4ANZ's CEO, Dr Alison Roberts, said: "Australia's airports are monopolists. What this report reveals is the ability of the airports to use this monopoly position to earn excessive profits, and that they have been doing so in the absence of a credible regulatory threat. This is a trend that began over a decade ago and shows no sign of stopping."

The report's release comes ahead of the anticipated Productivity Commission Inquiry into the Economic Regulation of Airports, and off the back of the [ACCC's most recent airport monitoring report](#), about which Professor Samuel said: "Consumers are the ones who ultimately lose in this scenario, whether it's the exorbitant landing and service fees paid by airlines on the passenger's behalf, their car parking fee, taxi surcharge, or the bottle of water they buy in the terminal," he said.

Commenting on the importance of A4ANZ and the work it is undertaking, which goes beyond the four monitored airports, Professor Samuel said: "It is not profitability alone that shows market power. As Frontier Economics' analysis demonstrates, the notion that airlines and indeed any airport user can enter into genuine commercial negotiations with a monopoly airport operator in Australia's cities and regions is clearly nonsense."



“A4ANZ is not a lone voice in suggesting that our economy could benefit from a change in the regulatory settings for airports, to mimic the effects of a competitive market. As others have noted, Australia is lagging behind the rest of the world in protecting air travellers from monopoly airports. Our report makes it clear that it’s time for Australia to catch up and ensure our regulatory system can do what it is supposed to, which is to protect consumers from monopolies,” Dr Roberts said.

Professor Samuel added: “No one is suggesting the airports don’t deserve to make a decent profit. But the current levels of profit are excessive, and it’s ultimately being paid for by the travelling public. Given the importance of air travel to the national economy, A4ANZ and its member airlines are committed to maintaining positive, constructive commercial relationships with airports. It is in everyone’s interests to do so.”

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 via Virgin Australia Group Public Affairs team: 1800 142 467 / publicaffairs@virginaustralia.com

Please direct any airline-specific media enquiries to the relevant airline media teams.

Website: www.a4anz.com

Twitter: @a4anz

