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Board of Airline
Representatives
of Australia Inc

Media release

29 May 2018

AIRPORT ECONOMIC REGULATION AND INDUSTRY OUTCOMES

The Board of Airline Representatives of Australia (BARA) notes the recent publicly stated positions of airline and airport industry bodies over the apparent outcomes from the Australian Government's current 'light handed' economic regulation of Australia's airports.¹ Assertions are also being put forward on the drivers of the sustained growth in, and improved affordability of, international travel.

BARA represents the interests of international airlines serving Australia. The Australian Competition and Consumer Commission (ACCC) has authorised BARA to undertake voluntary, non-binding negotiations on behalf of members with the airport operators. To encourage productive negotiations, BARA has detailed its members' expectations in its policy paper, [*Timely and reasonably priced airport infrastructure*](#).

Light-handed economic regulation of the major international airports

BARA's position on the merits of the Australian Government's current light-handed economic regulatory arrangements is well known by industry stakeholders. BARA considers that light-handed economic regulation has not delivered the high-quality airport services outcomes envisaged for international airlines, notwithstanding that the arrangements were put in place some 15 years ago. This position is reinforced by a recent member survey over the quality and cost of airport services.

"BARA acknowledges progress and improvements by the airport operators as and when these are delivered. Members, however, are operating on a day-to-day basis with airport services that can fall below their reasonable expectations and below the standards they consider to be commensurate with the charges levied.

"Underpinning these issues, most agreements with airlines still fall well short of being commercially-balanced. Airlines often have no contractual rights to enforce any minimum standard over the availability of services and limited or no financial remedy if the services are either not available or sub-standard.

"BARA looks forward to expanding on its position and outcomes of its member survey during the upcoming review of the airport economic regulatory arrangements by the Productivity Commission. This review provides an important opportunity for the international airline community to clearly explain the quality of the outcomes they receive from the airport operators for the prices paid for those services", BARA Executive Director Barry Abrams said.

¹ See Airlines for Australia and New Zealand and the Australian Airports Association.

Drivers of industry growth and improved travel affordability

Over the past 12 years, Australia's international passenger numbers have increased by about 82% or 5.4% annually to nearly 39 million in 2016–17. Over the same period, BARA's analysis shows that real international airfares to and from Australia have fallen by about 40%. In a recent press release by the Australian Airports Association (AAA), airport operators seem to be taking credit for these outcomes, including the level of competition between international carriers.²

Changes in Australia's international aviation industry reflects global trends. Data from the International Air Transport Association (IATA) show that:³

1. global international aviation averaged about 6.8% annual growth in revenue passenger kilometres since 2014
2. average airline yields in \$US have fallen by about 25% from 2011 to 2018
3. the real price of air travel has closely followed the sustained reductions in the cost of providing the service for many decades.

"BARA agrees with the information and discussion presented in the Productivity Commission's 2015 Research Paper, *Australia's international tourism industry*, that rising household incomes and lower travel costs remain the main drivers of inbound tourism into Australia.

"Furthermore, the Australian Government's approach to negotiating bilateral air services agreements and associated arrangements has fostered today's competitive market conditions. This has enabled international airlines to offer the range of services available today. The Australian Government, and all state and territory governments, also support the international tourism industry through destination marketing and the funding of major sporting, cultural and business events.

"The credit-taking claims of the AAA seem quite overstated. Australia's airports are one of many suppliers to international airlines. International airlines continually assess the commercial viability of existing and potential markets in Australia and overseas. Discussions with the airport operators are one part of this assessment.

"BARA's observation is that projects by the airport operators to drive 'increased passenger retail revenues' and 'airport company corporate promotion' seem to gain the highest priority and resourcing. The same amount of effort we see spent on these activities needs to find its way into supporting the operational efficiency of international airlines", Mr Abrams said.

Background

Further explanation of BARA's position on 'light-handed' economic regulation is available in its March 2017 edition of [Airline Views](#) and address to the [ACCC's 2017 Regulatory Conference](#). **[ENDS]**

² See AAA, Airline claims ignore benefits Australian airport industry has delivered to passengers, 24 May 2018.

³ See IATA, Air passenger market analysis; IATA (February 2018) Airlines financial monitor; IATA June 2013, Profitability and the air transport value chain.