



Productivity Commission's Draft Report: Economic Regulation of Airports

The Board of Airline Representatives of Australia (BARA) is disappointed and surprised the Commission's Draft Report has downplayed the problems international airlines have with the provision, management and pricing of airport services.

Problems with airport services

Undesirable outcomes are occurring under the light-handed economic regulatory arrangements for the major international airports. Member airlines consider that the airport operators:

1. do not provide value for money in airport services
2. are disconnected from their actual levels of performance
3. essentially receive the same price and profits regardless of actual service outcomes delivered
4. frequently present BARA with unfavourable, ambit-claim commercial terms in agreements
5. have required airlines to effectively pre-fund compensation through the service level recovery mechanism for equipment failures.

"BARA has recognised and acknowledged improvements in airport services when they are delivered. Too often, however, international airlines must make do with inadequate airport services in supporting their daily operations. The growth in the requirement for bussing operations, with which members report ongoing problems in service delivery and performance, is one example experienced by airlines and their passengers.

"BARA has spent a disproportionate amount of its time in dealing with the airport operators' ambit-claim commercial terms, rather than focusing on the improvements necessary to deliver better service outcomes," Barry Abrams, Executive Director of BARA said.

The Commission did note in its Draft Report that 'there may be a need for airports to demonstrate to airlines (and more broadly) how they are meeting expectations of value for money. Penalties for poor



service delivery (for example, on-time performance rebates mentioned above) provide a way to make airports more accountable for the quality of services they deliver.’¹

“The Commission has noted the airport operators should not become complacent. But without due recognition of the problems international airlines face at present, BARA is challenged to see where the necessary improvements will come from,” Mr Abrams said.

BARA and its member airlines will carefully consider the detail of the Commission’s Draft Report in forming its response. **[END]**

¹ Draft Report, p.154.