



BARA's submission to the Productivity Commission's Draft Report on the Economic Regulation of Airports

The Board of Airline Representatives of Australia (BARA) has responded to the Productivity Commission's Draft Report on the economic regulation of airports.

Problems with airport services and potential efficiency gains

A detailed member survey in BARA's [initial submission](#) carefully explained the problems international airlines experience with the provision and management of airport services for international flights.

"BARA was surprised to learn the Productivity Commission questions the motivation of international airlines in raising concerns about the quality of airport services. There is no basis to assert that international airlines have sought to 'game' the regulatory system by giving low ratings. BARA has provided the Commission with more evidence that covers international on time performance, baggage and some highly unacceptable airfield services outcomes at Sydney Airport," Barry Abrams, Executive Director of BARA said.

At Sydney and Melbourne airports, international flights are only able to achieve average on time departures performance when measured against world standards. The estimated 100,000 mishandled international bags in 2018 across the major international airports is far higher than necessary.

BARA estimates that with improved airport services, international on time departures performance at Sydney and Melbourne airports could be improved by about 6 percentage points. The number of directly checked-in mishandled bags could also be reduced by some 24,000 a year (see enclosed figures). Passengers would receive much better outcomes. Across all the major international airports, international airlines could save some \$270 million in additional operating costs over the next 5 years.

To do so, actions by the airport operators would include: improve passenger wayfinding; invest in their understanding of aircraft turnaround processes; manage flights to available capacity; give equal priority for baggage makeup space; improve baggage system maintenance; and track bags across handover points.

Member airlines describe the standard of airfield services at Sydney Airport, especially the active management and removal of foreign object debris (FOD) around the international terminal, as highly unacceptable. They are making international aircraft operations less efficient and causing damage to aircraft. BARA considers this represents a breach by Sydney Airport of the Aeronautical Pricing Principles, namely that service-level outcomes should be consistent with users' reasonable expectations.



“This additional evidence corroborates BARA’s member survey findings. International airlines can see a large gap between the performance outcomes considered acceptable by the Commission and the outcomes they reasonably expect for the prices paid,” Mr Abrams said.

Seeking to silence international airlines

BARA takes particular issue with Sydney Airport’s efforts to silence any public criticism from international airlines about the standard of services at the airport. This is being done through airline office leases that require all airline employees not do anything or fail to do anything that would bring negative attention or publicity to the brand image or reputation of the airport. This includes the absurd requirement that airlines incorporate these conditions in all airline employee contracts and the contracts of their agents.

“Sydney Airport is doing its best to stop international airlines publicly raising issues of industry importance due to problems with services at the airport. On behalf of its member airlines, BARA has no intention of complying with these draconian directions,” Mr Abrams said.

Sydney Airport’s unjustified fuel throughput levy

BARA considers that Sydney Airport’s fuel throughput levy (FTL) is an extraction of economic rent and represents unjustified taxation on the flow of jet fuel through to aircraft at the airport. BARA estimates Sydney Airport likely earns \$16–17 million a year through the FTL, generating an excess annual rate of return of about 400% on the value of the land the aircraft refueling facilities occupy at the airport.

“The Productivity Commission has sought to assure all stakeholders that it would not hesitate to recommend regulatory changes, including price regulation, for any airport that was found to have systematically exercised its market power. Sydney Airport’s FTL easily passes the systematic exercise of market power threshold,” Mr Abrams said.

Fixing the airport services agreements rather than revamped monitoring

BARA detailed the progressive commercial principles in its initial submission that would provide appropriate obligations for all parties and encourage continuous improvement in the delivery of airport services. But this will not come about through the Productivity Commission’s Draft Report, which instead calls for the Australian Competition and Consumer Commission (ACCC) to revamp the annual airport monitoring report.

“BARA fails to see how a revamped airport monitoring report will deliver any useful improvement. It will not change the assignment of commercial accountabilities between the airport operators and international airlines, which underpin the problems in airport services we see today.

“International airlines require appropriate and balanced airport services agreements. Then they could address problems in airport services directly with the airport operators, rather than just be reporting average, poor and highly unacceptable service outcomes to the Productivity Commission and ACCC.

“Ultimately, international airlines will operate to Australia’s airports to the best of their ability given the quality of airport services on offer. Whether the benefits of superior performance in airport services are delivered for the Australian economy and people will depend on the willingness to achieve them,” Mr Abrams said. **[ENDS]** [Download BARA’s submission](#); **Figures enclosed**



On time departures performance, international flights at Sydney and Melbourne airports



Notes: Within 15 minutes departures performance. Time period examined is January 2014 to December 2018. The international benchmark is based on the 10th best comparable overseas airport. The comparable airports are based on the Productivity Commission’s sample airports that are greater than 10 million passengers per year with less than 50% international passengers.

Data source: Flightstats.

International direct check-in mishandled bag rates per thousand, Sydney and Melbourne airports



Notes: 2018 outcomes. The 1.5 bags per thousand benchmark is based on BARA’s knowledge of service expectations given its ongoing consultation with member airlines. The estimated attainable improvement of 120,000 less international mishandled bags over 5 years relates to direct check-in bags at Sydney and Melbourne airports only.

Data source: Unisys Australia. The data Unisys provided is for general information and Unisys does not represent or warrant the suitability of the data or information for any particular purpose.