



Productivity Commission Final Report: Economic regulation of airports

The Productivity Commission’s Final Report continues to downplay the genuine and legitimate concerns international airlines have over the provision and pricing of airport services. International airlines ask the Australian Government to take the known problems in airport services seriously; and that commercial arbitration, rather than revamped monitoring, fits with delivering value for money in airport services and supporting efficient aircraft operations.

Downplaying problems in airport services for international flights

The Board of Airline Representatives of Australia (BARA)¹ remains concerned that the operators of Australia’s major international airports have often not given international airlines enough support with well-planned, delivered and properly managed airport services.

BARA detailed to the Productivity Commission a range of substandard airport services and consultative processes for international flights, including:

- poorly managed airside bussing services, leading to reduced airline on time performance
- overloaded airport baggage systems, causing high rates of mishandled international bags
- a lack of effective engagement with international airlines over service needs.

“As far as BARA is concerned, the Productivity Commission has not taken the documented concerns of international airlines seriously. This risks normalising poor service outcomes as acceptable for Australia’s traveling public. BARA will continue to set a higher benchmark and seek a reasonable standard in airport services for the prices paid,” Barry Abrams, Executive Director of BARA said.

“BARA also considers the Productivity Commission is overstating the quality of the existing airport services agreements, which cannot be based on their practical commercial content. It remains perplexing that it is considered acceptable for providers of infrastructure services to accept trivial to no commercial accountability over service delivery,” Mr Abrams said.

¹ BARA represents 33 airlines, which provide 90% of all international passenger flights, and carry most exports and imports of freight to and from Australia.



Updated monitoring will not address problems in airport services

The Productivity Commission has maintained its position over a revamped airport monitoring report, including some separate monitoring of costs and revenues for domestic and international flights.

“The airports’ monitoring regime is incapable of supporting the delivery of airport services to a reasonable standard consistent with the prices charged for international flights. Revamping the monitoring report will not help as it does not change the assignment of commercial accountabilities between the airport operators and international airlines, which underpin the problems in airport services we see today. There is a risk inadequate measures will further conceal problems in airport services,” Mr Abrams said.

Driving value for money in airport services for international flights

International airlines seek the right to commercially negotiate the provision and pricing of airport services that deliver value for money and support their efficient operations. BARA’s current ‘business as usual’ activity of working through multiple, unbalanced, ambit claim airport services agreements simply wastes member resources. The economic regulatory arrangements are in need of sensible reform to allow international airlines to negotiate airport services agreements on reasonable terms.

“BARA has already published in detail the commercial requirements that fit with delivering value for money and encouraging continuous improvement in airport services. To date international airlines have seen little in the way of their practical implementation by the operators of the major Australian airports.

“Commercial arbitration, as put forward by the Australian Competition and Consumer Commission (ACCC) and also by the International Air Transport Association (IATA), rather than revamped monitoring, provides a viable way of ensuring productivity enhancing accountabilities would be included in airport services agreements. BARA will continue to advocate for changes to the economic regulatory arrangements that will achieve these important objectives for international passengers and airlines,” Mr Abrams said. **[END]**