



Media Release

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The economic regulation of Australian airports: Australian Government response

The Australian Government has clearly defined the objectives that Australia's aviation industry should achieve, namely efficient, responsive and high quality air transport services. To support these objectives, however, international airlines are left with an economic regulatory regime for airports that in practice deems systematic failures in basic airport services as acceptable, along with airports services agreements that contain little practical commercial content as apparently no cause for concern. The Board of Airline Representatives of Australia (BARA)¹ expects it will be difficult to stem a widening disconnect between worthy stated objectives and the actual outcomes for international passengers and airlines in the face of growing industry challenges.

Maintaining status quo airport economic regulatory arrangements

The Australian Government has decided to maintain the existing 'light-handed' economic regulatory arrangements for Australia's major international airports in response to the Productivity Commission's Final Report into the economic regulation of Australian airports. The only refinement is a plan to revamp the existing airport monitoring report. The government has also asked airports and airlines to work together in delivering good consumer outcomes.

"International airlines through BARA have already invested substantially in actively engaging with the operators of the major international airports in pursuing high quality and responsive airport services. This has often been met with a highly unfavourable, ambit claim airport services agreement from the airport operator that seeks to contract away commercial accountability over service delivery. It will remain a matter for international airlines as to the resources they can reasonably justify in working through the anticipated continuation of ambit claim airport services agreements," Barry Abrams, Executive Director of BARA said.

"Those tasked with progressing the planned revamped airport monitoring report will quickly need to recognise that much of the data necessary to usefully understand airport operator performance may not exist. This means the Australian Competition and Consumer Commission will need to decide either to use existing inadequate data for a report that will provide few insights, or require the airport operators to invest in information systems, and in so doing accept an airport monitoring report with new information might be many years away," 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.



Ongoing investment in airport services

International airlines' ability to operate to schedule and deliver passengers' bags to their destination airports is under increasing pressure. Some service outcomes are below what international passengers and freight forwarders should receive.²

To deal with these problems, international airlines support investments to meet current and forecast growth in traffic volumes that are of demonstrated worth and form part of an overall airport services plan. BARA continues to be concerned about the sub-standard approaches the airport operators make to developing sound services and investment proposals.

"BARA notes the talk by Australia's airport sector about investing some \$20 billion. BARA would caution that its members have already rejected a number of proposed large-scale airport projects because they failed to demonstrate value for money. BARA will continue to set a higher benchmark for service outcomes and investment plans than that deemed acceptable by the Productivity Commission's review process," Mr Abrams said. **[END]**

² See BARA's 2018–19 Industry Snapshot, www.bara.org.au/wp-content/uploads/2019/12/2018-19-Snapshot.pdf