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Response to Grattan Institute report

The Grattan Institute's report "*Competition in Australia: Too little of a good thing?*" claims:

"Nearly half of returns earned by airport operators are super-normal profits. And some major airports, such as those in Melbourne and Perth, are earning even higher returns."

It's not possible from the published report to assess the merits of this claim.

In particular, it's unclear what airports the statement relates to, and whether it includes the entirety of those airports' businesses or just those where they have market power or have been subject to price controls in the past.

The AAA notes that Productivity Commission reviews of the economic regulation of Australian airports in 2007 and 2012 both found there was no evidence of excessive profits being earned on major airports' aeronautical activities.

In particular, no adverse findings were made regarding Perth or Melbourne airports in the Productivity Commission's 2012 report. Data released by the ACCC in February 2017¹ show that since the time of the Productivity Commission's report, returns on these two airports' aeronautical assets have fallen.

The AAA notes the Productivity Commission is scheduled to conduct its next review of Australian airports next year, and we look forward to participating in the process.

¹ https://www.accc.gov.au/system/files/2015-16%20AMR%20revised%206%20March_0.pdf, p32