

# MEDIA RELEASE



26 April 2018

## **ACCC report confirms airport investment is creating better facilities and services for passengers, but ACCC Chairman misleads on aviation charges**

Whilst the Australian Airports Association (AAA) has welcomed today's release of the 2016-17 ACCC Airport Monitoring Report, which found airport investment has enabled significant international growth and created better facilities for passengers, it is disappointed the ACCC Chairman has made misleading comments regarding the pricing of aeronautical services at major airports.

AAA Chief Economist Warren Mundy said it was a credit to the industry that it had delivered improved facilities and services at the same time airports and their airline partners facilitated more passengers than ever before.

"It is fantastic to see airports have provided passengers with more travel options, improved terminals and the latest technology," Dr Mundy said.

"Our airports, in partnership with their airline partners and government agencies, have created a more seamless and easy experience for passengers even as more and more people move through airport terminals each day.

"The ACCC has acknowledged that the significant capital expansion undertaken by airports – \$11.5 billion over the last 10 years – has had a positive impact for airlines too, citing the improving on-time performance at the monitored airports since 2012-13."

The ACCC report highlighted the importance of investing for growth, referring to key projects such as the Terminal 4 at Melbourne Airport, Perth Airport's Terminal 1 Domestic Pier, Brisbane Airport's new runway and Sydney Airport's ground transport improvements as key examples of this investment.

Dr Mundy said he was surprised by ACCC Chairman Rod Sims' comments that higher airport charges have led to higher ticket prices.

"This is a peculiar observation by Mr Sims seeing that the monitoring report contains no data on airfares," Dr Mundy said.

"Indeed the Board of Airline Representatives of Australia recently reported that international airfares have fallen in real terms by around 40 per cent since 2006<sup>i</sup> whilst data published by the Bureau of Infrastructure, Transport and Regional Economics shows domestic airfares have declined in real terms over the last decade until late last year.

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“These facts are consistent with the 2011 finding of the Productivity Commission, namely that *even if increases in airport charges are passed on to passengers they are unlikely to significantly impact on ticket prices paid by customers*<sup>ii</sup>

“Airport charges have risen to fund investment and these charges, along with the investments, have been determined by negotiation between airports and airlines. These investments have created the infrastructure capacity necessary for Australian airlines to grow and international carriers to enter the market. That’s why ticket prices have fallen, not increased as suggested by Mr Sims.

“It follows that the ACCC’s preferred measure of profit has risen but the measure the Productivity Commission has placed most weight on in the past, return on assets, is shown by the ACCC report to be lower now than in 2013 at each of the monitored airports<sup>iii</sup>.

“It is essential we maintain the current regulatory environment that promotes private investment, largely by Australian superannuation funds, and ensures airports remain focused on delivering the best possible outcomes for passengers and their airline partners.

“This regulatory approach adopted by the Howard Government and supported by successive governments has facilitated passenger growth, new technology and innovation over the last 15 years.

“Despite the claims of Mr Sims and his predecessors the regime is not broken and it will deliver continued investment over the next decade to ensure Australia is well positioned to reap the rewards of a safe, strong, affordable and efficient aviation network.”

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<sup>i</sup> <http://bara.org.au/wp-content/uploads/2018/01/Airline-Views-January-2018.pdf>

<sup>ii</sup> Productivity Commission (2011) *Economic Regulation of Airport Services*, p92.

<sup>iii</sup> ACCC (2018) *Airport Monitoring Report 2016-17*, p36.