

MEDIA RELEASE



11 September 2018

Airport investment supporting more choice and cheaper airfares for passengers

- **AAA submission to the Productivity Commission finds Australian airports have helped deliver more choice, cheaper airfares and better facilities for passengers**
- **Airports invested \$15 billion since 2002, including \$10 billion in aeronautical improvements, supporting passenger growth and increased competition**
- **Rising quality of service outcomes since previous Productivity Commission review**
- **Discounts to airlines have increased**
- **Return on aeronautical assets fell for all four monitored airports since 2012 whilst return on capital is below global industry average**

The Australian Airports Association (AAA) has detailed significant airport investment to support competition and choice for passengers in its submission to the Productivity Commission.

Research commissioned for the AAA's submission shows Australia's major airports rate well against their global peers and have reduced their rates of return on aeronautical assets since the last Productivity Commission review. This lays bare the falsehood peddled by A4ANZ that airports are abusing their market power to the detriment of consumers.

AAA Chief Executive Officer Caroline Wilkie said the findings highlighted the continued success of the current regulatory regime and confirmed airport investment was supporting growth for the benefit of the economy and community.

Australia's major airports had also invested \$15 billion in improvements since 2002, with plans to invest a further \$20.6 billion in the next 10 years, including \$15.1 billion on aeronautical improvements.

This investment had supported a fall in real international airfares by 40 per cent since 2006 whilst passengers have more choice than ever before.

"Australian airports rate well against their global counterparts and have maintained high quality facilities for passengers even as they've invested to support significant growth," Ms Wilkie said.

MEDIA RELEASE



“This is a great endorsement of our industry and the regulatory approach that has supported robust commercial agreements with airlines to support efficiency and improve the travel experience of passengers.”

The proportion of airfares accounted for by major Australian airports is on average eight to 10 per cent depending on the market of interest.

Research firm InterVISTAS found airports were providing airlines with bigger discounts on published ‘rack rates’, reflecting the robust and direct commercial negotiations between airports and airlines.

Airports provided an average discount on airport charges of 10 per cent for international charges in 2017, compared to four per cent in 2012, and 24 per cent for domestic charges compared to 17 per cent in 2012.

“Airports are better matching their charges with individual airline requirements, which is making it easier for more airlines to enter the Australian market,” Ms Wilkie said.

“We have also seen greater competition between airports for new international services as it has become more economic for airlines to establish direct services across the country.

“This is not only benefiting airline efficiency, but is supporting more competition in the market so passengers can access lower airfares.”

Return on aeronautical assets at the four monitored airports fell since 2012, while return on capital employed remained below the global industry average of 9.3 per cent.

The findings confirmed the current regulatory approach was ensuring investment to support sustainable growth, while airport prices and profit levels were not excessive.

ENDS