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AAA welcomes Productivity Commission draft report on the economic regulation of airports

The Australian Airports Association (AAA) has welcomed the release of the Productivity Commission draft report on the economic regulation of airports today ahead of public hearings next month.

AAA Chief Executive Officer Caroline Wilkie said while a detailed analysis of the report was now underway, its draft findings and recommendations highlighted the benefits the current regulatory approach has delivered to the community.

“The Productivity Commission’s conclusion that the current regulatory approach is working is a strong endorsement of airports’ efforts to increase efficiency and capacity at a time when demand for air travel continues to rise,” Ms Wilkie said.

“As a result, passengers are enjoying better facilities and services at Australian airports.”

Ms Wilkie welcomed the draft report’s confirmation that major airports had not misused their market power, and profits were not excessive.

“The Productivity Commission has found airport returns are sufficient to support the need for sustained, long-term and often costly infrastructure investment at Australian airports to facilitate the growth of the aviation industry,” Ms Wilkie said.

“This supports evidence put forward in the AAA’s submission that rates of return at Australian airports are appropriate, while return on capital is below the global average.”

Ms Wilkie also welcomed the draft report’s confirmation that negotiations between airports and airlines gave little cause for concern, with an additional arbitration framework not required.

“Evidence put forward in submissions to the inquiry highlighted the complex and multidimensional nature of negotiations between airports and airlines,” Ms Wilkie said.

“The Productivity Commission has recognised the inherent risks to future investment an arbitration framework would create, and supported an approach that ensures the best outcomes for the economy, community and travelling public can be achieved.”

The AAA’s Chief Economist Professor Warren Mundy indicated the AAA supported the thrust of the Productivity Commission’s recommendations relating to the contracting and monitoring frameworks.

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“Airports strongly support measures to improve competition between airlines,” he said.

“We look forward to working with the Commission and others to improve access to meaningful information to support a shared understanding of the economic principles informing the provision of aeronautical services.”

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