# STATEMENT

AUSTRALIAN AIRPORTS ASSOCIATION

**14 October 2019**

**Response to false claims – Qantas Group Public Affairs newsletter, 14 October 2019**

Qantas has today called for unnecessary regulatory change in the name of backing consumers. But its campaign is not about putting consumers first, it's about putting them last.

The biggest beneficiary of the domestic airlines' plan for a new arbitration framework would be Qantas. It already earns more than 80 per cent of the profits in the domestic airline market. Their proposal would squeeze even more competition out of the market and leave consumers to pay more for the price of an airline ticket.

The Productivity Commission's draft report confirmed the current system is working and there is no case for change. It says Qantas' plan isn't needed and would risk the airport investment that has provided more choice and better services for the travelling public.

Airports plan to invest $20.6 billion in airport improvements over the next 10 years. That will give consumers more choice between airlines, flights and destinations. It will support our growing tourism industry for the benefit of all Australians. Qantas is willing to risk that investment – and all the benefits to flow from it – to further build its powerful market dominance.

<u>Qantas is the most profitable company in this debate</u>

The Productivity Commission found no evidence in its draft report that Australian airports earned excessive returns. What we do know is:

- Qantas earns more profit than the nation's four biggest airports combined
- Qantas earns four times the net profit per passenger than the global airline average
- Qantas dominates the second most profitable route in the world
- Qantas passengers help to pay for these profits every time they book a flight

Qantas says airports charge whatever they want, but Australia's four major airports have their prices monitored by the ACCC every year. The ACCC has never taken any action against airports since monitoring began. It has taken action against Qantas and its subsidiary Jetstar in this time.

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The Commission found in its draft report that negotiations between airports and airlines can be challenging, because they are complex and long term. What we did hear during the Commission inquiry was that Qantas at times chooses to pay whatever it wants. We've heard of cases where it doesn't pay its invoices in full, even as it continues to use the airport concerned. This behaviour, unlike airport pricing, goes unchecked.

<u>Consumers won't benefit from change</u>

Qantas uses economic modelling by Frontier Economics to claim the community will benefit from change. But the Productivity Commission found in its draft report that Frontier's work "lacks credibility". They found this even after Frontier reduced its initial modelling by 97 per cent. The truth is, the Commission has said the airline proposal could harm the community, not deliver benefits.

<u>We already have an umpire</u>

We already have an arbitration system that's very rarely used. But Qantas wants to bypass a public interest test so they can go straight to arbitration for their own commercial gain. That's not in the best interests of the consumer.

<u>Rideshare operators and retail benefits won't benefit from this framework</u>

The Productivity Commission has warned Qantas' plan would put future airport investment at risk. That same investment brings more passengers to the airport, which helps retail and other airport businesses grow. It is baffling that any retail or ridesharing group would support a misleading campaign that, if successful, could damage their future success and lead to poorer outcomes for their customers.

ENDS

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