

MEDIA RELEASE

The Hon Anthony Albanese MP

Minister for Infrastructure and Transport



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Joint Media Statement

The Hon Anthony Albanese MP
Minister for Infrastructure and Transport

Bill Shorten
Assistant Treasurer

Airport Pricing, Investment and Services Review

The Gillard Labor Government has asked the Productivity Commission to investigate airport pricing, investment and services as part of a major public inquiry into the economic regulation of major Australian airports.

We have brought this inquiry forward to shine a spotlight onto a range of charges at the nation's major airports including Sydney, Melbourne, Brisbane, Adelaide and Perth.

The inquiry is being brought forward from 2012 in response to the Australian Competition and Consumer Commission's (ACCC) *Airport Monitoring Report*, which was released earlier this year.

In that report, the ACCC stated, for example, that car parking prices at all monitored airports *"are consistent with charges reflecting an element of monopoly rent."*

The Government has asked the Productivity Commission to assess the effectiveness of current economic regulation of airports in supporting ongoing investment in aviation infrastructure while deterring potential abuses of market power.

In line with the Government's urban policy agenda to make our cities more productive, liveable and sustainable, the inquiry will also review the provision and quality of land transport facilities for those wanting to access to our airports.

We recognise that Australia's airports are a vital component of our national transport network and make a significant contribution to the nation's economy.

This inquiry is about providing the Government with advice on making sure that airports' economic regulation serves its purpose of balancing public expectations with industry needs.

We encourage airport operators, the aviation industry, users of airports and local communities to engage with the inquiry and have their say on the future regulation of airports.

****Terms of reference attached.** [PDF: 263 KB]

For more information, go to: www.pc.gov.au.

Media Contacts

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PRODUCTIVITY COMMISSION INQUIRY - ECONOMIC REGULATION OF AIRPORT SERVICES

TERMS OF REFERENCE

I, BILL SHORTEN, Assistant Treasurer, pursuant to Parts 2 and 3 of the Productivity Commission Act 1998, hereby refer the current economic regulation arrangements for airport services to the Commission for inquiry and report within twelve months of receipt of this reference.

Background

In 2006, the Productivity Commission conducted a review of the regulatory arrangements for pricing airport services. The review examined the price monitoring regime that had replaced the price capping regime in 2002. The review found that the price-monitoring regime had delivered important benefits, and recommended that the existing arrangements continue.

The Australian Competition and Consumer Commission (ACCC) has continued to prepare Airport Monitoring Reports for public release on an annual basis. In 2008, the Government directed the ACCC to formally monitor prices, costs and profits relating to car parking at Australia's five major airports.

In the 2009 National Aviation Policy White Paper, the Government announced that it would continue with the existing regime including the price and quality of service monitoring conducted by the ACCC with a review to be conducted by the Productivity Commission in 2012. The Government reserved the right to conduct the review earlier. In addition, the Government announced that a second tier self-administered price and quality of service monitoring regime would be introduced for Canberra, Darwin, Gold Coast and Hobart airports. Other airports will also be encouraged to adopt web-based reporting of customer satisfaction measures and outcomes. The airports in the second tier scheme are expected to commence reporting in this financial year.

The purpose of this inquiry is to examine the effectiveness and efficiency of the current economic regulation and quality of service monitoring regime for airports and whether new arrangements are needed. It is also to make recommendations in relation to the requirement for future regulation and monitoring of services and the scope and appropriate mechanism for the provision of greater transparency and accountability in airport infrastructure provision and services.

Scope of Inquiry

1. The Commission is to report on the appropriate economic regulation of airport services, including the effectiveness of the price and quality of service monitoring, in achieving the following objectives:
 - promoting the economically efficient and timely operation, use of and investment in airports and related industries;
 - minimising unnecessary compliance costs; and

- facilitating commercially negotiated outcomes in airport operations.
2. The inquiry is to focus on the provision of passenger transport services at and surrounding main passenger airports operating in Australia's major cities.
3. The Commission is to examine:
 - aeronautical services and facilities provided by airport operators;
 - passenger-related aeronautical services and facilities provided by major airline tenants; and
 - the provision and quality of land transport facilities providing access to the airports.
4. In undertaking its assessment, the Commission is to examine the economy wide costs and benefits and distributional impacts of the regime. As far as practical, the Commission should seek to quantify and provide evidence for these costs and benefits. It should also seek to provide international comparisons of the performance of the airport operators.
5. The Commission should consider:
 - whether the existing regime is effective in appropriately deterring potential abuses of market power by airport operators;
 - whether the existing range of remedies is effective in dealing with potential and suspected abuses of market power;
 - the effectiveness of the monitoring regime conducted by the ACCC, including the methodology used and the adequacy of the information collected;
 - whether the current regime impacts on the ability of airports to price, operate and invest in airport infrastructure in an efficient and timely manner;
 - whether the coverage of the current regime is appropriate;
 - any improvements or enhancements that could be made to the existing regime;
 - the appropriate future role of the regime;
 - the adequacy and arrangements for the control of planning, operation and service quality monitoring of land transport access to major airports; and
 - whether existing arrangements for the planning and operation of land transport linkages to the airports are effective.
6. To the extent applicable, the Commission is to have regard to the ACCC's Airport Monitoring Reports. This includes the matters raised by the ACCC in these reports such as:
 - the quality of service at major Australian airports;
 - land side access to airport terminals such as car parking and its alternatives, and the cost and quality of car parking facilities; and
 - the extent to which monitored airports can act strategically to raise costs of on-airport car parking by controlling the conditions of landside access to terminal facilities.
7. The regulatory price cap and price notification regime for regional air services into and out of Sydney Airport (Declaration 92 under section 95X and Direction 32 under section 95ZH of the Trade Practices Act 1974) is not within the scope of this inquiry.
8. The second tier self-administered price and quality of service monitoring regime is not within the scope of this inquiry.

Process

9. The Commission is to undertake an appropriate public consultation process including holding hearings, inviting public submissions and releasing a draft report to the public.
10. The Government will consider the Commission's recommendations, and the Government's response will be announced as soon as possible after the receipt of

the Commission's report. The Government will release the Commission's report.

BILL SHORTEN
Assistant Treasurer

URL:

http://www.minister.infrastructure.gov.au/aa/releases/2010/December/AA492_2010.htm