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Developments in airport regulation in Australia and the UK

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Overview of UK and Australian regulation

- Airports regulated differently from other sectors (e.g. electricity, gas and t.com networks)

- Australia:
  - information disclosure (price monitoring) since 2002; confirmed in 2006 and 2011 reviews
  - potential for airport services to be ‘declared’ and subject to negotiate/arbitrate

- United Kingdom:
  - EU Airport Charges Directive sets charging framework incl information disclosure and consultation requirements;
  - UK Civil Aviation Bill proposes tiered licence regime incl ACD and targeted price regulation (Heathrow, Gatwick, Stansted)

Promote workably competitive market outcomes

- Aust PC emphasises importance of commercially negotiated solutions; views disclosure as informing negotiations / monitoring:
  - Warns too short, or too long, a regulatory review period and parties might not deal in good faith (considers 5 years about right)
  - Notes commercial negotiation culture taking longer to develop than it envisaged, but does not find systemic problem

- UK prefers competition, with regulation only if expected to deliver clear benefit:
  - Costs of price/service regulation likely to exceed benefits (except for London airports)
  - EU Airport Charges Directive considered excessively onerous by UK CAA – risks undermining investment incentives and commercial negotiation

Provide incentives to meet consumer demand

- PC study shows, with few exceptions, increasing productivity and increasing or constant efficiency:
  - Airports monitor passenger experience – consistent with airport's significant retail businesses
  - PC found quality of service monitoring did not suggest misuse of market power

- DfT found passenger priority is end-to-end reliability and efficiency (inc lack of delays and queues):
  - Competition resulting in better services, greater choice, and lower prices for passengers
  - Passenger experience relatively positive (with exception of London airports), though passenger expectations were low

Reflections from trends in UK and Australian airport regulation

- Regulation adapting to more dynamic aeronautical services market due to market liberalisation, evolution in business models, especially low cost carriers

- Regulatory and commercial factors limit airport market power:
  - increased consumer price sensitivity: growth in leisure travel, online booking
  - airlines' negotiating strength reinforced by ID, generic competition law
  - airport commercial success linked to passenger numbers and customer experience