



# **Gateway Airport Investment and Development of Airline Services for a Global Economy**

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## **Workshop Session 2 – Views of Airports**

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# Regulatory regime in Australia



- 'Light handed' regulation
  - Expectation of commercial agreements
  - Price and quality monitoring
  - Threat of government intervention
  - Dual till pricing
- Access regime
  - Part IIIA of the Trade Practices Act – Australia's competition legislation
  - Applies to bottleneck facilities where declaration would promote competition in downstream markets
  - Provider of declared service must negotiate access terms with access seeker, with recourse for both parties to an outcome arbitrated by a regulator

# Implications for investment - airport competitiveness



- Traditional view that airports will seek to over-invest to maximise return on assets
- Access to capital a constraint on investment
- Competing investment projects
- Growth in demand not a given:
  - Airports must compete for new airlines and services in a world market
  - Airlines increasingly sophisticated and flexible in choice of routes and frequencies

# Implications for investment – residual regulatory risk



- Changes to monitoring arrangements + criteria for behaviour
- Regulation of specific services – leakage of regulatory outcomes
- Ongoing threat of government intervention
- Risk of airline regulatory gaming
- Access Regime
  - intended to provide airlines with regulation of last resort
  - negotiate – arbitrate model
  - can be used to increase commercial leverage and reintroduce regulation

# Advantages of a lighter hand



- Best balances interests of all stakeholders
- Allows airports to price, invest and operate more efficiently
- More flexibility in dynamic aviation industry
- Clear long-term policy intent of reduced Govt. intervention
- Commercial incentives to grow passenger numbers and non-aeronautical revenues
- Commercially negotiated prices, efficient costs and adequate return on capital
- Minimises regulatory error
- Investors are rewarded for improvement in the performance of commercial businesses