



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