



More detailed information on airport performance

ACCC final advice – Productivity
Commission recommendation 9.4

May 2023

Contents

1. Summary.....	2
2. Background.....	4
Current ACCC monitoring of airports' performance	4
Productivity Commission Review.....	6
Australian Government request for advice.....	7
Consultation process.....	8
3. Review of current record keeping and reporting arrangements and proposed regulatory changes	10
Limitations of the current monitoring framework	10
ACCC final advice on collection of disaggregated financial and operational data ..	15
ACCC final advice on implementation of reporting requirements.....	16
New 95ZF direction for monitoring of landside access services.....	18
4. Key issues raised during consultation	20
Extent of disaggregation and cost allocation.....	20
Landside disaggregation	24
Regulatory Burden	24
Commercial sensitivity.....	26
Non-airport stakeholders' preferred option 3.....	26
Timing of implementation	26
5. Confidentiality and information disclosure	27
Current confidentiality regime	27
Issues raised by the monitored airports during consultation	27
Treatment of new data.....	28
Appendix A: Summary of submissions	29

1. Summary

This document contains recommendations from the Australian Competition and Consumer Commission (ACCC) to the Australian Government (Government) for amending Part 7 of the *Airports Regulations 1997* (Airports Regulations) to expand the reporting requirements for monitored airports.

Since 2002, the Government has adopted a light-handed regulatory regime for Australian airports. As part of this regime, the ACCC monitors revenues, costs and profits of, and the quality of aeronautical, car parking and landside access services at, Sydney, Melbourne, Perth and Brisbane airports (monitored airports).

The ACCC's monitoring promotes transparency of these services for which there is little or no competition. The oversight of the monitored airports' operations assists end users in their negotiations with the monitored airports, promotes efficient operation of the monitored airports and enables assessment of the exercise of market power by the monitored airports.

In 2019, the Productivity Commission (PC) completed its fourth review of the Economic Regulation of Airports. The PC found that the current light-handed approach to airport regulation remains fit for purpose. However, the PC recommended that the current monitoring regime should be strengthened to enhance the transparency of airports' operations and to more readily detect the exercise of market power (Recommendation 9.4).¹

The PC also recommended that the ACCC provide advice to the Government on an updated set of quality of service indicators (Recommendation 9.5).

The Government supported these recommendations and agreed, in principle, to amend Parts 7 and 8 of the Airports Regulations to expand the reporting requirements for monitored airports.²

In June 2022, the Department of Infrastructure, Transport, Regional Development, Communications and the Arts (Department) requested the ACCC:

- review the current reporting requirements under Parts 7 and 8 of the Airports Regulations
- provide advice on amendments to these regulations to align them with the Government's response to the PC's recommendations and improve their fitness for purpose.

The Department also requested the ACCC to consult relevant industry stakeholders and consider an appropriate approach to public reporting of information.

The ACCC has consulted widely with industry stakeholders, including issuing a consultation paper and convening a joint consultation session with the monitored airports and the Australian Airports Association.

This paper sets out the ACCC's final advice with respect to the PC recommendation 9.4. The ACCC has provided advice with respect to recommendation 9.5 in a separate paper.

¹ Productivity Commission, *Economic Regulation of Airports*, 2019 p. 2

² Australian Government response to the Productivity Commission Inquiry into the Economic Regulation of Airports, announced 11 December 2019 by the Deputy Prime Minister and Minister for Infrastructure, Transport and Regional Development, the Hon Michael McCormack MP, and the Treasurer, the Hon Josh Frydenberg MP, p.10.

The ACCC recommends that the Airports Regulations are amended to require the monitored airports to maintain records of, and report to the ACCC on, systematically disaggregated data and detailed cost allocation methodologies in relation to aeronautical, car parking and landside access services as set out in this advice (Option 2).

The ACCC recommends amendments that allow airports flexibility to report data about landside access services at a higher level of aggregation where it is appropriate to do so (for example, because the airport is unable to disaggregate the data). Further, the ACCC is open to the new disaggregated data being subject to a form of verification which is separate to a full audit and recommends that the Government further consider this.

The ACCC considers that the actions recommended in this advice will best achieve the objectives of the price monitoring regime and the Airports Act for the benefit of airport users and the Australian community more generally.

2. Background

Current ACCC monitoring of airports' performance

- 2.1. The ACCC's functions originate from directions issued pursuant to section 95ZF of the *Competition and Consumer Act 2010* (CCA) as well as from the *Airports Act 1996* (the Airports Act) and Airports Regulations.
- 2.2. The objects of the Airports Act include the following:
 - to establish a system for the regulation of airports that has due regard to the interests of airport users and the general community
 - to promote the efficient and economic development and operation of airports
 - to facilitate the comparison of airport performance in a transparent manner.³
- 2.3. It is generally accepted that many airports in Australia are regional natural monopolies. Due to economies of scale and scope there is usually only one airport in a certain region. These airports typically have market power, as they do not face any effective competition from other airports for provision of air transportation services in the relevant region. The extent of that market power depends, in part, on how essential the airport is to those seeking to use it. Airports that function as a critical 'hub' for economic activity will typically have substantial market power.
- 2.4. Key infrastructure service providers with natural monopoly characteristics, similar to those exhibited by the major airports, are typically regulated to ensure that they will not exploit their market power to the detriment of consumers.
- 2.5. Since 2002, the Government has adopted a light-handed regulatory regime for Australian airports. As part of the light-handed regulatory regime, the ACCC currently performs monitoring functions in respect of four major airports in Brisbane, Melbourne, Perth and Sydney (the monitored airports).
- 2.6. Part 7 of the Airports Act, and the regulations made under it, confers functions and powers on the ACCC to receive and publish prescribed accounts, statements and other written reports about the monitored airports.⁴
- 2.7. The purpose of Part 7 of the Airports Act is described in the Explanatory Memorandum for the Airports Bill 1996:

"The provisions relating to accounts and reports will ensure transparency, facilitate the use of common terminology, and allow stand-alone financial accounts to be required in circumstances where consolidation of accounts would be available otherwise under Corporations Law. The provisions will therefore facilitate benchmark comparisons of the financial and other performance of different airport-operator companies."

³ *Airports Act 1996*, section 3.

⁴ The Airports Regulations also include Sydney West Airport as a specified airport however this is not presently operational.

- 2.8. The ACCC also has a price monitoring function in respect of the monitored airports performed in accordance with two separate directions issued under section 95ZF of the CCA to monitor prices, costs and profits related to the supply of: aeronautical services and facilities and carparking services. In addition, the ACCC currently monitors landside access services and revenues through information sought voluntarily from monitored airports.
- 2.9. Under this current framework:
- Airports must provide the ACCC with financial statements which separately show the costs and revenues in relation to the provision of aeronautical and non-aeronautical services (s 143(2) of the Airports Act and regulations 7.03(2)(a) and 7.03(4)(a)). These are sometimes referred to as the 'regulatory accounts' and must be audited by an approved auditor (s 142(5) of the Airports Act). The ACCC may publish these regulatory accounts (s 143A).
 - Airports must provide the ACCC with such written reports about the airport as required under the regulations, which presently include directors' reports and information about the total average staff equivalent employed at the airport concerned with the provision of aeronautical and non-aeronautical services and facilities (s 145 of the Airports Act and regulations 7.03(2)(b), 7.03(4)(b) and 7.07). The ACCC may publish these reports (s 145A).
 - The ACCC also collects further information on prices and operational statistics, to perform its price monitoring functions under 95ZF directions for aeronautical services and carparking. In respect of prices, costs and profits for carparking and aeronautical services, the ACCC has the power to seek such further information from monitored airports compulsorily.
 - With respect to landside access services, the ACCC can only seek further information with respect to prices, costs and profits on a voluntary basis.
- 2.10. Part 8 of the Airports Act confers on the ACCC a separate function to monitor and evaluate the quality of airport services and facilities.⁵
- 2.11. The ACCC annually publishes a single monitoring report, which includes its monitoring activities of the prices, costs and profits related to the supply of aeronautical, carparking and landside access services, and quality of service matters.
- 2.12. Alongside the monitoring report, the ACCC also publishes:
- The regulatory accounts for each monitored airport, which includes an income statement, balance sheet and cashflow statement.
 - A supplementary database, which contains a timeseries of aeronautical and carparking financial and operational data for each monitored airport, as published in current and previous Airport Monitoring Reports. This also includes the data provided by the monitored airports under s 145 of the Airports Act.

⁵ ACCC advice in relation to quality of service monitoring is provided separately

Productivity Commission Review

- 2.13. In 2019, the PC completed its fourth review of the Economic Regulation of Airports. The PC found that the monitored airports have significant market power in supply of aeronautical services.⁶ The PC also stated that airports have a monopoly on access to terminals, which provides airport operators with market power in at-terminal parking and landside access.⁷
- 2.14. The PC stated that airports could exercise their market power by:
- setting prices above an efficient level
 - operating inefficiently and allowing costs to rise
 - restricting competition from landside access operators, such as off-airport carparking providers, by denying access or setting unreasonable terms of access
 - inadequate investment in infrastructure and operational aspects of services, which could affect service quality.⁸
- 2.15. The PC writes that the existence of significant market power creates, prima facie, a case for economic regulation.⁹ The PC stated that the ACCC's financial and quality of service monitoring, as well as the periodic reviews of the regulatory regime by the PC, are pillars of the current 'light-handed' regulatory regime that are critical to delivering transparency over the monitored airports' operations and maintaining a credible threat of additional regulation.¹⁰
- 2.16. The PC concluded that the airports have not systematically exercised their market power to the detriment of the community and that the current light-handed approach to airport regulation remains fit for purpose.¹¹
- 2.17. However, the PC noted that some airport indicators could present cause for concern if considered in isolation. In particular, the PC stated that high international charges at Sydney and Brisbane airports, Sydney Airport's relatively high returns, and high operating costs at Perth Airport show that there is reason to remain vigilant.¹²
- 2.18. In particular, the PC observed that the high aeronautical charges at Sydney and Brisbane could be consistent with the airports exercising market power, or they could be explained by the costs of providing those services. However, the PC stated that the ACCC's current monitoring reports do not contain the level of detail needed to make that assessment.¹³
- 2.19. More broadly, the PC stated that data currently collected for the ACCC's monitoring is insufficient to assess whether charges for aeronautical, car parking and landside access services reflect the efficient cost of providing those services.¹⁴

⁶ Productivity Commission, *Economic Regulation of Airports*, 2019, p. 37

⁷ Productivity Commission, *Economic Regulation of Airports*, 2019, p 194

⁸ Productivity Commission, *Economic Regulation of Airports*, 2019, p 74, 194

⁹ Productivity Commission, *Economic Regulation of Airports*, 2019, p 74

¹⁰ Productivity Commission, *Economic Regulation of Airports*, 2019, p 295

¹¹ Productivity Commission, *Economic Regulation of Airports*, 2019, p 37

¹² Productivity Commission, *Economic Regulation of Airports*, 2019, p 2

¹³ Productivity Commission, *Economic Regulation of Airports*, 2019, p 308

¹⁴ Productivity Commission, *Economic Regulation of Airports*, 2019, p 147, 193

- 2.20. Accordingly, the PC recommended that the current monitoring regime should be strengthened to enhance transparency over airports' operations, enable greater scrutiny of airport performance and to more readily detect the exercise of market power.¹⁵ For example, the PC stated that improvements to the monitoring regime to collect specific information on the costs and revenues associated with international services are required to assess whether charges for these services reflect the efficient cost of providing them.¹⁶
- 2.21. The PC also sought further information on regional flights at Sydney Airport to allow the PC to evaluate more easily the costs and benefits of the regional access arrangements.¹⁷
- 2.22. The PC recommended that the monitored airports be required to provide the ACCC with more detailed information which will (recommendation 9.4):
- show the number of passengers that depart from and arrive at each terminal
 - separately show the costs and revenues in relation to the provision and use of aeronautical services for domestic flights and for international flights
 - for Sydney Airport, show the costs and revenues in relation to the provision and use of aeronautical services for flights servicing regional New South Wales
 - separately show the number of users, costs and revenues in relation to the provision and use of at-terminal and at-distance car parking, and the utilisation rates for each type of parking
 - separately show the number of vehicles using different landside services, and the charges (and other terms of access), operating revenues and costs attributed to the provision of each landside service
 - report any costs that are allocated to the provision of specific services, including: international and domestic aeronautical services; at-terminal and at-distance parking; and landside access services
 - report the methodologies that they use to allocate costs to specific services.¹⁸
- 2.23. To implement recommendation 9.4, the PC recommended that the Government should:
- amend Part 7 of the Airports Regulations to require monitored airports to provide to the ACCC, each financial year, certain specified information
 - direct the ACCC to publish certain information.

Australian Government request for advice

- 2.24. In responding to the PC's recommendations in 2019, the Government agreed in principle to amend Part 7 of the Airports Regulations to expand the reporting requirements for monitored airports.¹⁹

¹⁵ Productivity Commission, *Economic Regulation of Airports*, 2019, p 2 and p.308

¹⁶ Productivity Commission, *Economic Regulation of Airports*, 2019, p 147

¹⁷ Productivity Commission, *Economic Regulation of Airports*, 2019, p 239. Sydney Airport is subject to a regional ring fence, price cap and price notification regime to support access for airlines operating flights between Sydney Airports and regional New South Wales.

¹⁸ Productivity Commission, *Economic Regulation of Airports*, 2019, p 314

2.25. The Government stated that:

The Government considers that increasing the transparency of prices and performance will assist it to assess airports' market power over time, for aeronautical, car parking and landside access and services. This will benefit users of airports, both passengers and commercial users, and the broader community in the long run.²⁰

2.26. In June 2022, the Department wrote to the ACCC regarding implementation of the Productivity Commission's recommendations. The Department requested the ACCC to:

- review current reporting requirements to identify amendments to the Airports Regulations to align these with the Government's response to the PC's recommendation
- consult relevant industry stakeholders
- consider an appropriate approach to public reporting of information
- provide advice to the Department on the outcome.

Consultation process

2.27. On 17 June 2022, the ACCC wrote to the monitored airports seeking comments on whether:

- there are any impediments to the airports providing information set out in recommendation 9.4 to the ACCC on an annual basis
- the airports consider that publishing this information would damage their competitive position.

2.28. Following the initial consultation in June, the ACCC undertook wider consultation in October 2022 with the release of a consultation paper on recommendation 9.4 ([link](#)).

2.29. In the paper, the ACCC identified three different options for the collection of more disaggregated and detailed information on airport performance to meet the PC's objective of improved transparency and ability to better assess the airports' use of market power. The three options were:

- Option 1: Collecting more detailed data for specific services and relying on basic cost allocation principles.
- Option 2: Collecting systematically disaggregated data and relying on detailed cost allocation methods.
- Option 3: Collecting systematically disaggregated data in accordance with standardised cost allocation methods to be determined by the ACCC.

2.30. All three options involve allocating revenues and costs (including common costs), to the different service classifications. For example, aeronautical costs and revenues disaggregated by international and domestic, etc.

¹⁹ Australian Government response to the Productivity Commission Inquiry into the Economic Regulation of Airports, announced 11 December 2019 by the Deputy Prime Minister and Minister for Infrastructure, Transport and Regional Development, the Hon Michael McCormack MP, and the Treasurer, the Hon Josh Frydenberg MP, p.10

²⁰ Ibid.

- 2.31. The ACCC's preliminary position, expressed in the consultation paper, was that Option 2 provides the best balance between the need for greater information transparency and the increased burden associated with providing more disaggregated data.
- 2.32. The ACCC received 13 written submissions from industry stakeholders in response to the consultation paper, which can all be found on the ACCC website ([link](#)).
- 2.33. On 10 February 2023, the ACCC held a joint consultation session with all monitored airports and the Australian Airports Association. The purpose of this was to have an open discussion regarding the issues raised in the airports' written submissions, and the ACCC's preferred, preliminary position detailed in the consultation paper. Representatives from the Department attended the session as observers.

3. Review of current record keeping and reporting arrangements and proposed regulatory changes

3.1. In formulating its final advice, the ACCC has:

- Considered the objectives of the Airports Act and the ACCC's price monitoring regime.
- Considered the limitations of the information and data provided under the current monitoring framework.
- Considered the data required to meaningfully enhance transparency over airports' operations for the benefit of airport users and to detect any exercise of market power more readily.
- Considered the Government's objective that *"increasing the transparency of prices and performance will assist it to assess airports' market power over time, for aeronautical, car parking and landside access and services. This will benefit users of airports, both passengers and commercial users, and the broader community in the long run."*²¹
- Considered feedback from all stakeholders.
- Sought to implement any additional reporting requirements in a way that balances the regulatory burden on airports.

Limitations of the current monitoring framework

- 3.2. The ACCC currently receives and publishes highly aggregated data on costs and assets of aeronautical and car parking services. This has several implications for the efficacy of the current monitoring framework.
- 3.3. First, the aggregated information is of limited utility to users of specific services. For example, domestic and international airlines negotiate with the monitored airports on terms and conditions of use of airport services and facilities, including charges. For the purpose of these negotiations, the airlines need information that is specific to the provision of domestic and international services respectively. Therefore, publication of aggregated aeronautical information by the ACCC only assists the airlines in their negotiations to a very limited extent.
- 3.4. Second, aggregated information does not allow analysis of individual services, such as international compared with domestic flights, or different types of carparking. As a result, where there is potential for airports to exercise market power in one service, for example international aeronautical services, the current framework does not enable the ACCC or the PC to effectively assess whether this is occurring or whether there are other explanations for identified differences in charges for certain services.

²¹ Australian Government response to the Productivity Commission Inquiry into the Economic Regulation of Airports, announced 11 December 2019 by the Deputy Prime Minister and Minister for Infrastructure, Transport and Regional Development, the Hon Michael McCormack MP, and the Treasurer, the Hon Josh Frydenberg MP, p.10.

- 3.5. Further, there is currently no formal requirement on the monitored airports to provide information about landside access services to the ACCC. The information that the monitored airports currently provide, under the existing framework, is voluntary. As a result, the information is often inconsistent, or incomplete, which limits the realisation of the Government's identified goal of transparency of prices and performance to assess airport's potential exercise of market power over time in respect of landside access.
- 3.6. The lack of fulsome and consistent data impedes the Airports Act's objective to facilitate the assessment and comparison of monitored airports' performance.

Data required to enhance transparency and more readily detect exercise of market power

- 3.7. As discussed above, to improve the existing monitoring regime, the PC recommended that monitored airports be required to provide to the ACCC more detailed information in relation to:
- aeronautical services for domestic and international flights
 - the provision and use of at-terminal and at-distance car parking
 - the provision and use of landside access services.²²
- 3.8. In particular, the PC recommended that the ACCC collect and publish the following in relation to the above-mentioned services:
- information on operating and capital costs that can be directly attributed to each service
 - information on all common costs that are related to each service
 - any methodologies that the monitored airports use to allocate costs to domestic and international services.²³
- 3.9. It appears that the PC's recommendation did not require the monitored airports to allocate common costs and assets that cannot be directly attributed to a particular service.
- 3.10. However, the ACCC considers that the allocation of common costs and assets is necessary to achieve the objective of enhancing transparency and improving the monitoring regime. This is discussed in more detail below.

Disaggregating to enhance transparency

- 3.11. One benefit of collecting and publishing disaggregated data for individual services is that it would provide greater information transparency for users of those services and assist them in negotiations with the monitored airport, where applicable. Specifically, as mentioned earlier, domestic and international airlines negotiate aeronautical services agreements (ASAs) with the monitored airports for provision of domestic and international services respectively.

²² Productivity Commission, *Economic Regulation of Airports*, 2019, p 308

²³ Productivity Commission, *Economic Regulation of Airports*, 2019, p 309, 312

- 3.12. Domestic airlines individually negotiate the terms of their ASAs with each of the monitored airports. International airlines individually negotiate the terms of airline-specific services (for example, access to lounges), while the Board of Airline Representatives of Australia (BARA) bargains collectively on behalf of most major international airlines in relation to access to common-use services.
- 3.13. The monitored airports told the ACCC that they use a building block model (BBM) in their negotiations with airlines. As part of this, some airports provide their BBM (in its entirety or just the key parameters), and supporting information, to airlines, while others appear to use their BBMs internally to arrive at price offers, but do not discuss the BBM parameters that led to those offers during negotiations.²⁴
- 3.14. While the monitored airports consider that the level of information that they provide to airlines is sufficient, some airlines have raised concerns that many airports are not providing sufficient information in a timely manner during their negotiations.²⁵
- 3.15. Specifically, some airlines have informed the ACCC that many airports are not providing adequate information for airlines to allow them to estimate various BBM parameters, such as asset bases and operating expenditure. The airlines have said that this makes it hard for airlines to use the BBM to assess whether airports' aeronautical price offers are set to recover long-term efficient costs of providing the aeronautical services.²⁶
- 3.16. Some airlines have also stated that airports provide limited transparency about their actual capital expenditure. The airlines have said that this means that they are unable to verify whether the charges they pay under the ASAs to recover capital expenditure over time are reflective of the costs actually incurred by airports.
- 3.17. Therefore, a benefit of collecting and publishing disaggregated information on costs and assets relating to domestic and international services is that this would complement the information that airlines receive from airports during negotiations and allow the airlines to better assess whether the monitored airports' BBM parameters are reasonable.
- 3.18. For this benefit to be realised, it is necessary to require the monitored airports to allocate common costs and assets to ensure that the published information is complete, consistent and meaningful.
- 3.19. A further benefit of publishing the monitored airports' cost allocation methodologies is that this would provide transparency to airport users on what methodology the monitored airports are using and increase the likelihood that the monitored airports use the same cost allocation methodologies in negotiating with different users.
- 3.20. Collecting and publishing further disaggregated data for car parking and landside access services would also improve information transparency relating to the monitored airport's ground transport operation and pricing. This would assist relevant airport users to assess the reasonableness of landside access charges and other access terms and conditions, and thus facilitate airports' consultations or commercial negotiations with landside operators.

²⁴ ACCC's Airport Monitoring Report 2020-21, p. 33

²⁵ ACCC's Airport Monitoring Report 2020-21, p. 32

²⁶ Ibid.,

3.21. More generally, collecting and publishing disaggregated data improves information transparency of airport provision of specific services. Operational and financial performance of individual services over time can be analysed by relevant stakeholders in order to identify potential problems with specific services.

Disaggregating to assess the exercise of market power

3.22. Another benefit in seeking disaggregated data for individual services is that this would allow analysis of whether the monitored airports are exercising their market power in relation to those specific services (which is not possible to do using aggregated data).

3.23. There are a number of reasons why this benefit is likely to be material, including:

- The monitored airports have different degrees of market power in relation to individual services (for example, it is likely that airports have a greater degree of market power in relation to at-terminal car parking versus at-distance car parking). Being able to undertake analysis of the individual services is likely to provide a clearer indication of the sources where airports are exercising their market power in support of the analysis using aggregated data.
- Obtaining disaggregated data would also allow comparison of the monitored airports' performance across similar or related services, which may also give additional indications of whether airports are exercising their market power. For example, as the PC noted in its 2019 review, obtaining disaggregated data in relation to international and domestic aeronautical services would allow an assessment of whether the difference in prices charged by the monitored airports for those services are due to a difference in costs of providing those services.
- The monitored airports have different incentives in relation to different access seekers, particularly on the landside. For example, the monitored airports are likely to regard off-airport car parking operators as their most direct competitors in the provision of at-distance car parking. Obtaining disaggregated data will allow a better assessment of whether the monitored airports are exercising their market power in setting terms and conditions of access (including prices) to off-airport car parking operators.

3.24. To fully realise this benefit, it is necessary for the ACCC to collect complete and meaningful data.

3.25. Given the limitations of the data required to be produced under the current monitoring framework outlined earlier, both the ACCC and the PC comment on the likelihood of the monitored airports exercising market power based on a range of indicators as well as other information available to them about the conduct and operation of airports. Both agencies utilise profitability measures as part of their assessment.

3.26. In its 2019 review, the PC noted that long-run average cost is its preferred indicator for assessing whether airports have exercised market power. This would be the minimum an airport could charge to ensure it remains viable over time.²⁷ However, the PC commented that long-run average cost is a conceptual benchmark for an efficient level of pricing, which cannot be calculated in practice.²⁸

²⁷ Productivity Commission, *Economic Regulation of Airports*, 2019, p 75

²⁸ Productivity Commission, *Economic Regulation of Airports*, 2019, p 78

- 3.27. The PC stated that other indicators can provide evidence to assess whether an airport is charging above this benchmark. The PC provided return on aeronautical assets as an example of a measure of profitability that most appropriately accounts for the long-run average cost of an airport's aeronautical investments.²⁹
- 3.28. There are other consequences from exercising market power. The PC stated that it assessed whether airport operators have exercised their market power based on a range of indicators of airports' operational and financial performance, including rates of return, infrastructure utilisation and service quality.³⁰
- 3.29. In light of the manner in which the ACCC and the PC conduct assessments of the exercise of market power, the ACCC considers that to realise the benefits of collecting disaggregated information, it is necessary to collect sufficient data to enable calculation of best available indicators of exercise of market power across the specified aeronautical, car parking and landside access services.
- 3.30. Based on the ACCC's / AER's experience in monitoring and regulating key infrastructure, the ACCC considers that requiring the monitored airports to report disaggregated data without allocating common costs and assets would significantly limit the ability to conduct market power assessment in relation to the specific services because:
- any profitability indicators for the more disaggregated services would be incomplete and unreliable
 - there would be such a large gap between the price floor (based on incremental costs) and price ceiling (based on standalone costs) that it would be impossible to detect the exercise of market power.

ACCC's overall assessment

- 3.31. The ACCC acknowledges that implementing the PC's recommendation in a way that does not require airports to allocate common costs and assets would result in lower additional regulatory burden for the monitored airports, compared to the ACCC's proposed approach. However, the ACCC considers that not having the airports allocate common costs would also result in collection and publication of data that would provide very limited additional benefits to airport users and very limited additional insights into whether airports are exercising their market power.
- 3.32. Overall, the ACCC considers that requiring the monitored airports to allocate common costs and assets for the disaggregated aeronautical, car parking and landside access services:
- is necessary to improve the current monitoring regime and achieve the objectives of the Airports Act for the benefit of airport users and the Australian community more generally
 - would result in benefits to the monitoring regime that would likely outweigh the additional regulatory burden on the monitored airports.

²⁹ Productivity Commission, *Economic Regulation of Airports*, 2019, p 78

³⁰ Productivity Commission, *Economic Regulation of Airports*, 2019, p 80

ACCC final advice on collection of disaggregated financial and operational data

3.33. The ACCC recommends that Airports Regulations be amended to require airports to:

- Disaggregate *aeronautical* financial statements³¹ and operational data by domestic and international passenger flights, and 'other'. Sydney Airport would also need to further disaggregate the data in relation to domestic passenger flights by regional and non-regional flights.
- Disaggregate *non-aeronautical* financial statements³² and operational data, specifically for carparking and landside access and 'other'. Further:
 - carparking should be disaggregated by at-terminal and at-distance
 - landside access should be disaggregated by taxi, rideshare, private car, private bus, public bus, off-airport carparking shuttle bus and train (as relevant).
- Break down all expenses and assets into those which are:
 - Direct, which exclusively relate to a particular service.
 - Shared but attributable, which are common amongst services but can be attributed to each of the shared services individually based on a clear causal relationship.
 - Shared but unattributable, which are common amongst services but cannot be *attributed* to individual services based on a clear causal relationship. Instead, these should be *allocated* pro-rata based on some high-level proxy (for example, revenue share).
- Describe the methodologies they use to allocate costs, assets and revenues across the different categories in preparing the above statements and provide those methodologies, together with underlying supporting data, to the ACCC.
- Structure the disaggregation of service classification according to a mutually exclusive and collectively exhaustive principle:
 - In practice, this means that airports would be required to report relevant revenues and costs that do not fall into the above specified services to 'other' service category for aeronautical and non-aeronautical services respectively.
 - For *aeronautical* services, the 'other' service category captures services other than passenger services (for example, freight or general aviation). For *non-aeronautical* services, the 'other' service category captures services such as retail and commercial activities, other than car-parking and landside access.
 - The inclusion of the 'other' service category is to ensure systematic and consistent service classification so that the mapping of revenues, costs and assets across the different services is complete and transparent. This will ensure comparability of the disaggregated data, and that its derivation is consistent with cost allocation principles (that all costs are fully and consistently allocated to the specified service categories without duplication or omission). No further cost allocation within the 'other' service categories is required.

³¹ This includes the income statement, balance sheet, and schedule of assets.

³² This includes the income statement, balance sheet, and schedule of assets.

ACCC final advice on implementation of reporting requirements

- 3.34. Based on the feedback from the stakeholders, the ACCC further considered how to implement the disaggregation of financial and operational data in a manner that balances transparency of information and regulatory burden.
- 3.35. The ACCC proposes that:
- The Airports Regulations provide flexibility for the ACCC to allow some airports to report certain additional financial data in respect of landside access services at a higher level of aggregation in the circumstances where the airport is unable to disaggregate the financial data because the airport does not have reasonable means of collecting the underlying operational data necessary for allocation of common costs and assets.
 - The Government consider whether there is certain disaggregated financial data, particularly in relation to landside access services, that is less amenable to an audit, and if so, make appropriate adjustments to the requirements on airports to independently verify the validity of that data.

Proposed amendments to the Airports Regulations

- 3.36. To give effect to this, the ACCC proposes the following amendments to the Airports Regulations.
- 3.37. The ACCC recommends that the Government amends regulation 7.02 to include definitions for the different service categories:
- Domestic passenger flights
 - International passenger flights
 - Regional and non-regional passenger flights
 - Carparking: at-terminal carparking and at-distance carparking
 - Landside access services: taxi, rideshare, private car, private bus, public bus, off-airport carparking shuttle bus, and train
 - Other aeronautical services
 - Other non-aeronautical services.
- 3.38. The ACCC recommends that the Government considers an amendment to regulations made under s 141 of the Airports Act to require monitored airports to report to the ACCC:
- the disaggregated financial data for aeronautical services, broken down between international passenger flights, domestic passenger flights and other
 - Sydney Airport would further need to break down domestic passenger flights into regional passenger flights and non-regional passenger flights
 - the disaggregated financial data for non-aeronautical services, broken down by carparking (at-terminal / at-distance), each landside access service³³, and other.

³³ Taxi, rideshare, private car, private bus, public bus, off-airport carparking shuttle bus, and train.

- 3.39. Some monitored airports informed the ACCC that they may have difficulty disaggregating some financial information on the landside access services due to inability to collect the relevant operational data. The ACCC proposes that the Government consider how to account for this.
- 3.40. One option may be to separate requirements for reporting of disaggregated data for landside access services from aeronautical and car parking services. In these circumstances, s 141 of the Airports Act could be amended so that the monitored airports are reporting on landside access services as a whole (without disaggregating).
- 3.41. The Government could then consider conferring on the ACCC a special power under s 145(3) to seek disaggregated information for landside access services. This would give the ACCC the discretion to assess individual airports' cases for being unable to report disaggregated data as required. In circumstances where the ACCC would be satisfied that a particular monitored airport has difficulty in disaggregating certain data in relation to landside access services, the ACCC could then tailor its data requests to that airport to collect less disaggregated financial or operational³⁴ data (by allowing the airport to report data that is aggregated across several landside access services).
- 3.42. The ACCC notes that the Government may consider whether there are certain matters relating to landside access services that are less amenable to an audit, and if so, make appropriate adjustments to the requirements for the new information.
- 3.43. For the avoidance of any doubt, the ACCC is not recommending that the Government change the current auditing requirements with respect to the existing regulatory accounts, captured by regulation 7.03.
- 3.44. The ACCC also recommends that the Government considers an amendment to regulations made under s 145 of the Airports Act to require monitored airports to report to the ACCC:
- the disaggregated operational data including: the number of passengers arriving at domestic and international terminals, the number of vehicles using at-terminal and at-distance parking and carparking utilisation rates
 - charges for each landside access service and any other terms of access
 - reports in respect of operational data the monitored airports presently provide to the ACCC on a voluntary basis, including:
 - number of international passengers transiting only
 - number of domestic on-carriage passengers only
 - number of any other general aviation passengers outside regular transport
 - number of aircraft movements (disaggregated by international passenger flights / domestic passenger flights / other)
 - Sydney Airport would further need to break down data for domestic passenger flights into regional passenger flights and non-regional passenger flights

³⁴ For example, the number of vehicles.

- tonnes landed (disaggregated by international passenger flights / domestic passenger flights / other)
 - Sydney Airport would further need to break down data for domestic passenger flights into regional passenger flights and non-regional passenger flights
 - area (disaggregated by aeronautical services: international passenger flights / domestic passenger flights / other and non-aeronautical services: carparking / landside access / other)
 - Sydney Airport would further need to break down data for domestic passenger flights into regional passenger flights and non-regional passenger flights
 - further disaggregated staff equivalents (beyond that already captured under regulation 7.07) by the different services categories across aeronautical (international passenger flights / domestic passenger flights / other) and non-aeronautical services (carparking / landside access / other)
 - Sydney Airport would further need to break down data for domestic passenger flights into regional passenger flights and non-regional passenger flights.
- 3.45. The ACCC also notes that the PC recommended that the Government should direct the ACCC to publish the methodologies the monitored airports use to allocate costs and assets across different services. We note that this information would be necessary to understand and assess the disaggregated financial data. We recommend the Government give further consideration on how best to:
- accommodate the provision of this information to the ACCC within the existing regulatory framework
 - require the monitored airports to independently verify that their allocation methodology is consistent with the relevant accounting standards.

New 95ZF direction for monitoring of landside access services

- 3.46. The ACCC has been reporting on landside access services as part of its airport monitoring role since around 2009 but obtains most of the information on a voluntary basis. The monitored airports are presently only required to report very limited information in respect of the quality of some landside access services under the Airports Regulations.
- 3.47. As mentioned earlier, this has resulted in monitored airports providing incomplete and inconsistent information to the ACCC about prices, revenues, costs and the number of vehicles accessing landside services. The PC noted the deficiencies in the ACCC's monitoring regime in respect of landside access services.
- 3.48. The ACCC considers that the monitoring of landside access services needs to be made more effective irrespective of any decision that the Government makes in relation to implementing the PC's recommendation 9.4.
- 3.49. To achieve this, the ACCC recommends that the Government considers issuing a direction under section 95ZF of the CCA for the ACCC to monitor prices, costs and profits related to the supply of landside access services by the monitored airports.

- 3.50. This would align the ACCC's functions and powers in respect of landside access services, with its existing role in respect of aeronautical services and car parking services. It would also give the ACCC the power to seek further information or documents from a particular airport or airports using its Part VIIA information gathering powers should it require information beyond that provided under any amendments to the Airports Regulations.

4. Key issues raised during consultation

- 4.1. As mentioned earlier, the ACCC received 13 written submissions in response to the consultation paper. The ACCC has summarised the key issues raised in submissions at Attachment A.
- 4.2. Overall, the monitored airports informed the ACCC that they do not support any of the options as presented by the ACCC in the consultation paper, proposing their own alternatives. In contrast, the submissions received from non-airport stakeholders were unanimously supportive of the ACCC's preliminary position, at a minimum.
- 4.3. This section discusses some of the key themes that emerged from stakeholder consultation.

Extent of disaggregation and cost allocation

- 4.4. The four monitored airports contend that all three options presented by the ACCC in its consultation paper go beyond what is necessary because:
 - all three options go beyond what the PC recommended
 - the level of disaggregation required under the ACCC's preferred approach would require the monitored airports to allocate costs and assets across the various services categories which they do not currently do
 - allocation of common costs and assets, which comprise a substantial portion of their total costs and assets, to the ACCC's proposed service categories would be arbitrary and would result in profitability metrics that are meaningless.
- 4.5. Each airport put forward its own proposal (most airports described it as 'modified option 1'), based on its interpretation of the PC recommendation.
- 4.6. During the joint consultation session on 10 February 2023, the monitored airports also raised an option of simply reporting the unattributed common costs to the ACCC and then leaving it to the ACCC to allocate them across the different services.
- 4.7. The ACCC's view on these issues is discussed below.

ACCC view

Airports' modified option 1

- 4.8. As mentioned in section 3, the ACCC agrees that it appears that the PC recommendation did not require the monitored airports to allocate common costs and assets that cannot be directly attributed to a particular service. However, in providing its advice, the ACCC is primarily guided by the objectives of the Airports Act and the price monitoring regime. As discussed in detail earlier, the ACCC considers that the allocation of common costs and assets is necessary to enhance the current monitoring regime to meet the objectives of the Airports Act for the benefit of Australian businesses and consumers.

- 4.9. The ACCC is of the view that the alternative reporting approaches proposed by the monitored airports would not provide sufficient information to meaningfully enhance the current monitoring framework. Although under their proposed approaches the monitored airports would provide some disaggregated data, this information would be deficient.
- 4.10. Specifically, the disaggregation proposed by the monitored airports would not provide a full picture of the mapping of revenues, costs and assets to the disaggregated services and may not be accompanied with appropriate cost allocation methodology and supporting data or documentation.
- 4.11. The ACCC considers that this information would be incomplete and would not:
- be of sufficient value to users of airport services and other stakeholders
 - enable calculation of meaningful additional indicators to assist with assessments of exercise of market power.

'Arbitrary' allocation of common costs and assets

- 4.12. As mentioned earlier, the ACCC proposes that costs and assets are allocated based on 3 different types of categories:
- Direct, which exclusively relate to a particular service.
 - Shared but attributable, which are common amongst services but can be attributed to each of the shared services individually based on a clear causal relationship.
 - Shared but unattributable, which are common amongst services but cannot be attributed to individual services based on a clear causal relationship. Instead, these should be allocated pro-rata based on some high-level proxy (for example, revenue share).
- 4.13. The ACCC acknowledges that allocating common costs and assets will require some level of subjective judgment of the attribution to be established on some causal relationship. However, we consider that the monitored airports have overstated the degree to which this is arbitrary, which is limited to the attribution of shared but unattributable costs. Companies across many industries use cost allocation, based on generally accepted accounting principles, for both external reporting and internally for decision making. There are also widely adopted cost allocation methodologies that help select the most appropriate allocation mechanism.
- 4.14. Provided that an appropriate cost allocation methodology is in place, the disaggregated costs can be a good estimate of total cost for disaggregated services for cost control and planning, pricing and profit analysis. Further, providing airports maintain the same cost allocation methodology over time, the resulting time series of data will provide useful insights into changes of the various indicators over time.
- 4.15. The ACCC considers that a significant share of common costs can be directly attributed based on a causal relationship with services (for example, activity-based cost allocation). Here, the relationship between costs and services is demonstrable though not as precise as when the cost is direct, and exclusively relates to a particular service.

- 4.16. The ACCC understands that some airports have used building block models to estimate and forecast costs, revenues and prices for respective services as the starting point for commercial negotiation with airlines. This inevitably involves cost allocation within aeronautical services.
- 4.17. The ACCC accepts that there will be some shared or common costs and assets that cannot be allocated on a causal basis. Allocating these costs and assets will involve a higher-level proxy (for example revenue share), which will involve some arbitrariness. The ACCC notes that in calculating any performance indicators, the ACCC will need to comment on the proportion of the total costs and assets that this category comprises and qualify any observations accordingly.
- 4.18. Notwithstanding this limitation, the ACCC considers that there is a material benefit in requiring airports to allocate costs and assets according to the 3 categories mentioned above, as resulting metrics will ensure greater transparency and enable any exercise of market power by the airports to be more readily detected.
- 4.19. The ACCC also considers that although it will be open to each airport to choose cost allocation methodologies, they could end up using similar methodologies (e.g., activity-based allocators) as the basis for choosing cost allocators is likely to be similar across airports.
- 4.20. The ACCC supports development of cost allocation methodologies that are broadly consistent across the monitored airports, through further consultation with the monitored airports and AAA.

The need for disaggregation of assets

- 4.21. The ACCC considers that it is important to collect disaggregated information on airports' balance sheets. This would be consistent with the existing, more aggregated, monitoring of airports. Collecting this disaggregated information ensures the ACCC can interrogate important metrics such as return on assets and profits margins across the different services. Disaggregated asset data is required for assessing whether an airport earns returns on assets above the normal rate of return in the provision of specified services.
- 4.22. The ACCC also considers that meaningful analysis of airports' costs across each of the aeronautical, car parking and landside access services requires consideration of costs associated with operating, maintaining, purchasing and consuming dedicated or shared assets. This, in turn, requires allocation of assets across each of the services, and/or asset allocation needs to be consistent with cost allocation.
- 4.23. Furthermore, cost allocation needs to be documented sufficiently to allow one to trace the process and replicate the results. To the extent that asset allocation is relevant as either an input into cost allocation or an output from cost allocation, the relevant data should be provided to the ACCC to ensure data integrity and transparency.

Responsibility for allocating common costs and assets

- 4.24. The ACCC is of the view that the monitored airports are best placed to allocate common costs and assets as they are equipped with all operational knowledge. If the ACCC were to undertake the task of allocating common costs and assets, the ACCC would need to seek detailed operational information from the airports to assist it to select an appropriate basis for cost allocation.

- 4.25. For example, to allocate cost within aeronautical services, the ACCC may need to seek significant information on the configuration and operation of the airfield in each airport to develop a good understanding of the usage of relevant infrastructure and services and thus the cost allocation basis. The airports, as operators, are better informed of the technology adopted, and the corresponding relationship between services and costs.
- 4.26. The ACCC would also need to seek more information from airports on their cost allocation methodologies to ensure that our chosen method is not inconsistent with their practices. Under the current monitoring framework, the monitored airports report only high-level summary information on their cost allocation methodology to the ACCC. The ACCC has not collected data on relevant cost drivers from the airports to verify the cost allocation.
- 4.27. On the whole, the ACCC considers that:
- there are significant benefits to the monitoring regime of requiring the monitored airports to allocate all common costs and assets
 - these benefits outweigh the compliance costs described by the monitored airports in their submissions.

Auditing requirements

- 4.28. Given there is judgement involved in allocating some costs and assets, some airports suggested that it would be more appropriate for them to provide the further information on a supplementary basis, outside the regulatory accounts. For example, Brisbane Airport expressed a view in its submission that it would be impossible for an auditor to provide an unmodified audit opinion, as is currently required with the existing regulatory accounts.

ACCC view

- 4.29. The ACCC considers that it is important to amend the Airports Regulations to allow the ACCC to collect further disaggregated data, rather than collecting it under any supplementary or voluntary basis. Amending the Airports Regulations would ensure that consistent and clear data is kept by and reported on for all monitored airports, a key objective identified by the PC. Further, it would ensure the data is subject to the same confidentiality provisions as applies under the existing monitoring framework.
- 4.30. The ACCC considers there is a need for some form of independent review of the disaggregated information, including cost allocation methodologies. We also do not necessarily agree that an auditor would be unable to audit the further disaggregated information. Auditors have experience in auditing financial statements of companies that use cost allocation for various reporting purposes, and accounting standards provide a framework for reasonable and/or fair presentation of information, including estimates where cost allocation involves a degree of subjective judgment.
- 4.31. The ACCC recommends that the Government consider whether there are certain matters relating to the reporting of disaggregated data for landside access services that are less amendable to an audit, and if so, make alternative requirements on airports to independently verify the validity of those matters.

Landside disaggregation

- 4.32. The monitored airports have raised concerns with difficulties in allocating costs and assets across individual landside access services that share access roads and forecourts.
- 4.33. In its submission, Perth Airport described difficulty collecting the relevant operational data which would be required to allocate costs, owing to the configuration of their free public forecourt area.

ACCC view

- 4.34. The ACCC considers it important to collect disaggregated financial and operational information on individual landside access services to help detect potential exercises of market power. Ground transportation services are not homogeneous, and an airport may exercise market power in relation to a particular service. For example, an airport could set excessive access charges to off-airport car parking operators to provide an advantage to its own at-terminal and at-distance car parking services.
- 4.35. The ACCC recognises that some airports currently face challenges in doing so. Landside access services are subject to a high degree of shared assets and costs amongst the different service categories. For example, vehicles arriving at, or departing from, the airport will use an access road to or from the airport and either kerbside facilities or designated areas.
- 4.36. While there are still defensible approaches for allocating shared costs and assets, such as pro-rata according to the number of vehicles using facilities, we understand some of the difficulties in collecting the relevant operational and cost driver data, and in developing and applying cost allocation in relation to landside access services.
- 4.37. However, the ACCC notes that any present limitations on the collection of data may be overcome in future, either through changes in technology or operations of the airport's landside access services.
- 4.38. Accordingly, the ACCC recommends that the Airports Regulations be amended to require airports to provide the ACCC with fully disaggregated financial and operational data by the different landside access services, consistent with carparking and international / domestic aeronautical services. However, as described in section 3, we suggest that the Government consider implementing these requirements in a way that would give the ACCC the flexibility to tailor requests to the monitored airports where the monitored airports have demonstrated difficulties with providing the disaggregated data.
- 4.39. The ACCC also recommends that the changes to the Airports Regulations also be supplemented by a direction under section 95ZF of the CCA for the ACCC to monitor prices, costs and profits related to the supply of landside access services by the monitored airports.

Regulatory Burden

- 4.40. The monitored airports raised concerns around the additional regulatory burden and compliance cost they would face under the ACCC's proposed approach.
- 4.41. One airport estimated that it could face the following incremental compliance costs relative to the current reporting framework:

- the approach proposed by the monitored airport (i.e., its 'modified option 1'): one-off implementation cost of around \$250,000 and on-going compliance costs of up to \$50,000 per year
- the ACCC's proposed approach: one-off implementation cost of around \$750,000 and on-going compliance costs of up to \$500,000 per year.

ACCC view

- 4.42. The ACCC acknowledges that the monitored airports will face higher compliance costs under the approach proposed in this final advice compared to the monitored airports' proposals.
- 4.43. The ACCC is not in position to assess the validity of the cost estimates of regulatory burden provided by the monitored airports, as those airports have not provided any details to substantiate what their estimates of the implementation and ongoing compliance costs are based on.
- 4.44. However, the ACCC notes the following:
- To the extent that the monitored airports are already using cost allocation methodologies (for example, to disaggregate aeronautical costs and assets for the purpose of negotiating aeronautical services agreements), the ACCC's proposed approach allows the monitored airports to continue to use those methodologies.
 - The ACCC has made several recommendations in the final advice, in response to submissions, that may lead to lower implementation and ongoing compliance costs – namely to allow the ACCC to tailor reporting requirements for landside access services and for the Government to consider the appropriate requirements on airports to independently verify the validity of data for landside access services.
- 4.45. Overall, we do not consider the additional cost of the ACCC's proposed approach to be disproportionate to the benefits that would be derived from greater information transparency over the performance of monitored airports, given their economic significance in the economy and the impact on the consumers and broader community.
- 4.46. Monopolies, such as the monitored airports, have the ability and incentive to charge higher than efficient prices, reduce service levels, operate inefficiently, and may over- or under-invest in infrastructure. Enhanced monitoring can help detect an airport's exercise of market power and enable the Government to better assess whether the current regulatory framework is adequate. Further, enhanced monitoring may deter an airport from exercising its market power. This ultimately benefits competition, consumers, and the economy.
- 4.47. The ACCC considers that the changes to the monitoring regime will align with the objectives of the Airports Act, which seeks to facilitate comparison of airport performance in a transparent manner and have due regard to the interests of airport users and general community.
- 4.48. The ACCC considers that the benefits from imposing higher information reporting requirements under our final position would outweigh these additional costs.

Commercial sensitivity

4.49. The monitored airports raised concerns around the commercial sensitivity of the disaggregated information. This is further discussed in the section 5 below.

Non-airport stakeholders' preferred Option 3

4.50. The ACCC received 8 submissions from industry stakeholders outside the monitored airports and the AAA. These submissions were principally made by airlines and associated industry bodies, and one off-airport carparking operator.

4.51. All submissions support Option 2 (ACCC's preliminary position) to improve transparency. A number of these submissions (for example, Qantas and Virgin) were supportive of Option 2 as an interim measure, then moving to Option 3 in time or if Option 2 proves insufficient.

4.52. Under Option 3, the ACCC would standardise the cost allocation methods to be used by the monitored airports.

ACCC view

4.53. Where airports are presently using existing methodologies to allocate costs, our final position gives them the ability to continue to use these.

4.54. The ACCC remains of the view that its final position best balances the need for greater transparency over monitored airports' operations and financial performance, versus the increased compliance costs.

4.55. The ACCC does not consider that implementing Option 3 is warranted at this time.

Timing of implementation

4.56. The Government might like to consider the timing of implementation, as raised by the monitored airports during consultation. In its submission, Melbourne Airport requested implementation no sooner than 2026. Whereas in its submission, Sydney Airport suggested that the implementation of recommendations 9.4 and 9.5 should be staggered.

5. Confidentiality and information disclosure

- 5.1. As set out earlier, the Government has asked the ACCC to consider an appropriate approach to public reporting of information recommended by the PC to balance the need for disclosure of this information with the need to protect commercially sensitive information.
- 5.2. The PC recommended that the Government should direct the ACCC to publish the methodologies the monitored airports use to allocate costs across different services, and a database of the information the airports provide.³⁵
- 5.3. The ACCC recommends that the existing confidentiality regime applies to the new information. Accordingly, with respect to the new information, the ACCC would be permitted, but not mandated, to publish the new information. This would allow the ACCC to deal with any confidentiality concerns raised by the monitored airports in the same manner as it does under the existing regime.

Current confidentiality regime

- 5.4. Under the existing regime, the ACCC may publish the financial accounts and statements and other reports that the ACCC receives from the monitored airports under the Airports Act and Airports Regulations pursuant to section 143A and 145A of the Airports Act.
- 5.5. The ACCC also publishes data and reports on information obtained through its various monitoring functions in its annual monitoring report in accordance with its functions under section 157 of the Airports Act and section 95ZF of the CCA.
- 5.6. In both circumstances, the ACCC exercises its power and functions in respect of publication subject to the existing protections in relation to confidentiality that currently exist under sections 147 and 158 the Airports Act and sections 95ZF(2) and 95ZN of the CCA.
- 5.7. The ACCC takes confidentiality seriously and has published the ACCC's information policy, which sets out its general policy on the collection, use and disclosure of information ([link](#)).

Issues raised by the monitored airports during consultation

- 5.8. Throughout consultation, the monitored airports raised concerns regarding the publication of the additional information the PC has recommended be collected and published by the ACCC, whether that be at the level of disaggregation the airports contend is appropriate or at the level of disaggregation the ACCC is recommending. In particular, the airports have stated that:
 - some of the information requested under 9.4 is sensitive in nature and could damage the airport's competitive position by allowing competitors to back-solve pricing strategy

³⁵ Productivity Commission, *Economic Regulation of Airports*, 2019, p 314.

- it could have an adverse impact on competition between airlines, by allowing some competitors to back solve commercial arrangements between airlines and airports in a way which could damage future commercial negotiations.
- 5.9. The ACCC notes a number of the submissions made either by airlines or relevant industry groups largely did not accept the monitored airports' claim that an enhanced monitoring framework would hurt competition between airlines.

Treatment of new data

- 5.10. We propose that the same provisions around publication and confidentiality, which currently apply under the existing monitoring framework, would also apply to the new data collected.
- 5.11. Under the proposed changes to the Airports Regulations set out above, the ACCC would have the ability to publish this new information under sections 143A and 145A(1) of the Airports Act. This applies both to the disaggregated financial and operational data, as well as the information relating to allocation of costs and revenues.
- 5.12. While the ACCC may have the ability to publish information, this would be subject to confidentiality protections under section 95ZN of the CCA.³⁶ The ACCC will consult with each monitored airport prior to publishing the information. Where an airport operator (or other person) claims that publishing the information in accordance with the requirements of the Airports Act would damage the competitive position of the airport operator (or other person) and the ACCC is satisfied that this claim is justified, the ACCC will only publish that information if it is satisfied that such disclosure is necessary in the public interest.
- 5.13. The ACCC will review each claim individually, similar to the process when preparing and publishing each annual monitoring report.
- 5.14. We further recommend that the Government could consider amendments to sections 143A and 145A of the Airports Act to give the ACCC the discretion to publish the financial statements and reports collected under the Airports Act in part or in a manner which doesn't harm the competitive position of an airport operator (or other person) where confidentiality claims are validly made.
- 5.15. For example, in a particular matter the ACCC may form the view that the public interest in publication could be appropriately achieved by publishing a partially redacted version of the regulatory accounts which omit a small amount of confidential information. This could be expressed as a discretion to publish in such a manner as the ACCC sees fit.

³⁶ Sections 147 and 158 of the Airports Act provide that sections 95ZN and 95ZP of the CCA have effect as if the information had been given in accordance with section 95ZK of the CCA (the ACCC's compulsory information gathering power).

Appendix A: Summary of submissions

Stakeholder	Type	Preferred Option	Key points
Brisbane Airport	Airport	Modified Option 1	<p>Allocation of common costs <i>“The ACCC through Option 2 is seeking the full mapping of costs for all services that are defined by the ACCC. Such a full mapping of costs of all services was not contemplated by the PC and is not something that the monitored airports currently undertake.” (p 5)</i></p> <p><i>“Option 2 would require the monitored airports to develop new (somewhat arbitrary) cost and asset allocation methodologies for each of the services contemplated which is inconsistent with the PC’s approach of: (i) requiring the monitored airports to provide cost allocation methodologies that are “used”; and (ii) not specifying that the current requirements for asset allocations need to change.” (p 5)</i></p> <p>Burden <i>“BAC [Brisbane Airport Corporation Pty Limited] anticipates the costs of establishing and maintaining the proposed Option 2 frameworks to be significant both in terms of costs (internal and external) and lead-in time. This is primarily because Option 2 would effectively require an abandonment by BAC of its internal systems and processes for current ACCC reporting purposes and a complete “bottom up” re-build of the allocations contained in the Regulatory Accounting Statements that are currently prepared by BAC and audited. Further, Option 2 envisages a reallocation of all aeronautical assets by service classification which would involve significant internal and external engagement, time and cost in (among other things) valuing each of BAC’s commercial assets; a process that would be disproportionately challenging and burdensome for BAC given its significant asset base.” (p 1)</i></p> <p>Landside access <i>There is significant overlap in the use of shared infrastructure for the delivery of the landside access services, for example, the access roads into the airport are utilised for all of the transport modes (save for Brisbane’s Airtrain) as too are kerbside services such as kerbside attendants. Certain additional services are provided for taxi and ride shares with holding areas. However, it would be difficult, and in some cases impossible, for separate costs and assets to be meaningfully allocated to each landside access service. (p 21)</i></p>

Appendix A: Summary of submissions

Stakeholder	Type	Preferred Option	Key points
			<p><i>Landside access revenues comprise between 2.6 percent of total revenue in 2018-19 across all monitored airports. The ACCC has recognised that the scale of any concern with landside access services is likely to be much smaller than compared to aeronautical and car parking services....The scale of the regulatory burden, in particular in respect of landside access is not consistent with the principles of the light handed regulatory regime. (p 23)</i></p> <p>Audit <i>... by requiring the additional information be incorporated into monitored airports' Regulatory Accounting Statements to be the subject of independent audit, there is a real risk that, given the increased level of subjective judgments on the part of monitored airports to incorporate the additional information required by the Option 2 frameworks, an independent auditor will only be able to provide a non-assurance non-audit review, which provides limited validity and no assurance over any basis of allocation. BAC queries what reliance the ACCC could place on such information in those circumstances. (p 1)</i></p> <p>Commercial Sensitivity <i>The split of costs and revenue into international and domestic terminals or by specific terminals within monitored airports may allow the airlines to reverse engineer and estimate prices agreed between airports and airlines arising out of those terminals and other commercially sensitive information. For BAC this could arise in respect of the disclosure of costs and revenue information for BAC's domestic terminal. Given that one operator maintains majority market share in domestic air travel it would be relatively simple for the major domestic airlines to back solve the commercially negotiated rates of their competitors. It is likely to be even more straightforward for other monitored airports given the utilisation of their terminals such that airlines are able to more easily reverse engineer commercially sensitive information, including price. The competition effect is that this could undermine the effectiveness of commercial negotiations between a monitored airport and airline(s) and also across airports. (p 27)</i></p> <p><i>The monitored airports provide car parking services which compete with other off-airport car parks as well as other modes of transport that utilise its landside access services. The proposed additional information in respect of car parking and landside access services is commercial in confidence given the</i></p>

Appendix A: Summary of submissions

Stakeholder	Type	Preferred Option	Key points
			<p>detailed operational data that is proposed to be provided which could be accessed by existing and/or potential competitors. This could impact the monitored airports' competition position vis-a-vis off-airport car parking providers. For example, publication of commercially sensitive data such as detailed cost data in relation to AIRPARK (being the parking asset that competes most directly with off-airport operators) could potentially enable BAC's competitors, either individually or in coordination with each other, to pursue pricing strategies that adversely impact pricing competition between AIRPARK and the off-airport car park offerings. (p 27)</p> <p>Modified Option 1:</p> <ul style="list-style-type: none"> - It supports providing the income statement and balance sheets that show the split between domestic and international services (as it is already part of its building block model (BBM)). - In principle, it supports providing aeronautical costs into domestic and international services (as it is already part of its BBM). - Could provide its existing cost allocation methodology for aeronautical services, which it uses to allocate common costs under the BBM. - For carparking, Brisbane airport would prefer to: <ul style="list-style-type: none"> o provide the additional income statement and balance sheets to demonstrate the allocation between at-terminal and at-distance car parking outside the audit scope. o provide costs that are directly attributable and the remainder as a total of common costs. - For landside access, Brisbane notes that costs that are attributable can be allocated to different transport modes (such as taxi and rideshare) but there is no utility in arbitrarily allocating common costs.
Perth Airport	Airport	Modified Option 1	<p>Allocation of common costs</p> <p><i>Perth Airport has carefully reviewed the ACCC's Consultation Paper and considers that the ACCC has incorrectly interpreted the PC's information requirements and has not taken into account the practical issues identified by them. As a consequence, the proposed segmented Regulatory Accounting Statements under all of the ACCC's three proposed options goes well beyond that sought by the PC... (p 1)</i></p> <p><i>The PC did not say that it needed, or it was appropriate to develop, profit margins or rate of return</i></p>

Appendix A: Summary of submissions

Stakeholder	Type	Preferred Option	Key points
			<p>information by service line or user group via a FDC framework. The PC recognised that in doing so the individual profit margins calculated through FDC would be largely determined by the arbitrary common cost allocators, to which differing allocators could be used, in turn generating different profit results... This is a flawed framework for assessing individual prices and profitability for airport services given much of the infrastructure and operating costs are common use. (p 4)</p> <p>Burden Finally, there will be some costs in providing additional financial data, which might require modifications to financial systems in capturing and reporting the information on an ongoing basis. Perth Airport will need to scope a project to meet the Productivity Commission's recommendation 9.4 once the information requirements are finalised. (p 10)</p> <p>Landside access services The areas for ground transport providers are a combination of specific purpose where access fees apply, namely taxi and rideshare, while others make use of the free public forecourt areas, which includes hotel shuttles, tourist buses, coaches, public buses or other similar operators. Perth Airport does not currently count the number of vehicles by ground transport provider type that use the common use public forecourt areas or the commercial areas. This means the ACCC's proposal for detailed activity, cost and revenue outcomes by transport mode is largely problematic at Perth Airport. Perth Airport is unaware of any suitable technology that could be implemented to count the number of vehicles by transport type at the public forecourt areas. In any case, without a fee charged the information provides no value for financial monitoring purposes. (p 8)</p> <p>Regulatory accounts Perth Airport considers that its proposal to provide supplementary information rather than segmented Regulatory Accounting Statements will meet the requirements of the PC and minimise the opportunity for commercial problems to arise. (p 9)</p> <p>Commercial Sensitivity The ACCC's proposed segmented Regulatory Accounting Statements on a FDC basis creates the greatest</p>

Appendix A: Summary of submissions

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			<p>possibility of commercial problems for Perth Airport and individual users. These problems may include:</p> <ul style="list-style-type: none"> airlines and ground transport providers using a flawed FDC basis for measuring profitability margins and rates of return to advocate reductions in pricing for the services they use at the airport, likely pursued through the media, the ACCC or other parties deciding to 'back out' any revaluation of non-aeronautical asset costs, especially land valuations at car parks, for the purposes of reporting higher levels of profitability in pursuing greater economic regulation of monitored airports, individual users taking the additional information combined with specific information they have to obtain a more detailed understanding of a competitor's cost structure, which may provide them certain commercial advantages. It is difficult to know what analysis might be possible here, only that the additional financial information needs to be considered in the context of how it might be combined with other sources of information. (p 9) <p>Modified Option 1:</p> <ul style="list-style-type: none"> For aeronautical services: <ul style="list-style-type: none"> only the directly attributable revenues, costs and infrastructure costs can be disaggregated the common infrastructure and operating costs would remain unallocated and reported separately providing a simple list of allocators used to allocate between aeronautical and non-aeronautical services is sufficient. For carparking services: <ul style="list-style-type: none"> Supplementary information covering directly attributable and common costs can be provided, with a list of cost allocation drivers. For landside access services: <ul style="list-style-type: none"> it is difficult to provide disaggregated data due to most transport modes using common forecourt areas some information could be provided for rideshare and taxis.
Melbourne Airport	Airport	Modified Option 1	Cost allocation

Appendix A: Summary of submissions

Stakeholder	Type	Preferred Option	Key points
			<p><i>Of the 3 options proposed by the ACCC, APAM [Australian Pacific Airports (Melbourne) Pty Limited] considers that Option 1 - collecting more detailed data for specific services and relying on existing cost allocation principles - more than adequately fulfills the objective set by the Productivity Commission. (p 1)</i></p> <p><i>Options 2 and 3 are not a proportionate response to recommendation 9.4. (p 2)</i></p> <p><u>Burden</u> <i>Additionally, Options 2 and 3:</i></p> <ul style="list-style-type: none"> <i>• Adds additional compliance costs on the sector and requires more resourcing to prepare new data sets based on a standardised cost allocation method...(p 3)</i> <p><u>Commercial sensitivity</u> <i>First, a clearer reporting framework is agreed to so as to protect the publication of commercially sensitive data. This is to ensure the additional reporting does not damage mature contractual agreements between the major airports and their commercial partners, nor compromise commercially sensitive information provided by an airport, airline or commercial partner.</i></p> <p><i>Secondly, APAM recommends grandfathering commercially sensitive information provided under existing agreements, to allow time for APAM to change its internal processes, amend subsequent agreements to respond appropriately to any proposed change and agree those changes with commercial partners.</i></p> <p><i>Thirdly, prior to the publication of any additional data for specific services, a proactive engagement process by the ACCC is implemented to ensure the ACCC's interpretation of the additional data for specific services is accurate and understands the different configurations and operations between the major airports. (p 1 - 2)</i></p> <p><u>Landside access</u> <i>Ground Transport is a diversified business and hence allocating costs is broad and complex. For example, not all operators that use landside access occupy bays therefore there are varied</i></p>

Appendix A: Summary of submissions

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			<p><i>operational costs, and APAM already allocates parking costs by bays.</i></p> <p><i>APAM does not support item 4.11 [from consultation paper] as this is essentially seeking disaggregated costs for each of the different modes of landside access that would create an additional burden and compliance cost upon APAM. The premise of item 4.11 may not even be possible to report given landside access consists of shared roads and zones. (p 4)</i></p> <p>Timing <i>Fourthly, [APAM's] Option 1 must further consider the timing of implementation given aviation recovery is ongoing and competition for international services is fierce, with new challenges that have emerged post-pandemic such as labour shortages, supply chain disruptions and increasing costs of materials, which impacts domestic operations.</i></p> <p><i>A target implementation in 2026 provides time for passenger recovery, stabilisation of global economic challenges and scaling of operations to align to a 'new normal'. (p 2)</i></p> <p>Modified Option 1:</p> <ul style="list-style-type: none"> - Melbourne Airport notes that it currently reports separate revenues for international and domestic and is working to implement the disaggregation of costs into international and domestic. - Melbourne Airport would be required to reclassify carparking revenues and costs into the at-terminal, at-distance categories at a significant cost (suggests it can do this but needs lead time of up to 2026). - Melbourne Airport would prefer to provide a total cost amount for landside access as providing it by mode would create an additional burden and compliance cost. - It is unclear whether Melbourne Airport would seek to provide any balance sheet disaggregation.
Sydney Airport	Airport	Modified Option 1	<p><u>Allocation of common costs & landside access</u></p> <p><i>Sydney Airport is not prepared to agree to the provision of balance sheets being broken down according to the various services provided by Sydney Airport, as is envisaged by paragraph 4.7 of the consultation paper. This goes beyond the PC's Recommendation 9.4. As you know, the PC's recommendations related solely to provision of cost and revenue information, and broken down only in</i></p>

Appendix A: Summary of submissions

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			<p><i>respect of certain listed services. The PC did not recommend provision of airports' assets and liabilities across those services. (p 4)</i></p> <p><i>The provision of a breakdown of all assets and liabilities at a granular service level will necessitate Sydney Airport arbitrarily allocating common assets and liabilities to those services. Sydney Airport does not currently do this for common assets that are used for the provision of multiple services (for example, runways and aprons are used for domestic, international and regional services; landside roads and certain other landside facilities are used for a variety of ground transport modes). Sydney Airport also does not currently allocate its liabilities across each of the services it supplies. For example, one tranche of debt could be raised to fund multiple capital projects, operating costs across the entire airport, to pay down other debt with an earlier maturity date, among many other things. As such, any breakdown of common assets and liabilities would be difficult to determine and be arbitrary. (p 4)</i></p> <p><u>Burden</u></p> <p><i>If the ACCC recommends proceeding with Option 2 in requiring the full mapping of costs and revenues for all airport services but did not prescribe cost allocation guidance, Sydney Airport estimates implementation costs of approx. \$500,000. These costs would comprise staff resourcing and new systems to establish the necessary processes, procedures, and reporting methods as it relates to cost allocation methods and the ability to report on an extended list of services (that is, all services). This would also incur ongoing compliance costs, which are likely to be higher than the ongoing costs associated with Modified Option 1. The costs of implementing Option 2 (without cost allocation guidance) would be up to two-and-a-half times the sum that the PC considered was reasonable and proportionate, and this excludes ongoing compliance costs which are in addition to this. (p 6)</i></p> <p><u>Confidentiality</u></p> <p><i>Sydney Airport also has ongoing concerns that some of this information could put Sydney Airport at a competitive disadvantage, particularly with respect to at-distance car parking, and among airlines, in the future as WSA enters the market.</i></p> <p><i>In relation to at-distance car parking, public disclosure of full cost, revenue, and operational information would put Sydney Airport at a competitive disadvantage compared to off-airport car park operators. This</i></p>

Appendix A: Summary of submissions

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			<p><i>is because Sydney Airport only runs one off-airport car parking product and thus publication of all this information to this level of granularity would give off-airport operators full visibility of this business line and the ability to back solve pricing strategy, which is not available to Sydney Airport about their operations. This would have a distortionary effect on the market and create an unlevel playing field.</i></p> <p><i>Given the impending entry of WSA in the Sydney basin (with an existing presence in the competitive landscape as noted above), more granular information on costs and revenues for aeronautical facilities and services, could lead to competitive disadvantage as our primary competitor will have a clear view on Sydney Airport's key cost inputs and may use this information in competing for airlines and engaging potential contractors and suppliers. Operating costs at airports are a key driver of airline route and network decisions and to share such costs would impact the competition between airports for airline services. (p 5)</i></p> <p><u>Timing</u> <i>Any changes will need appropriate lead time. Sydney Airport notes the ACCC has stated at least 12 months would be required. Sydney Airport agrees at least this amount of time will be required. Regarding exact timeframes, the ACCC should have regard to any implementation arrangements stemming from Recommendation 9.5 to avoid a situation where both are being implemented at the same time. (p 5)</i></p> <p><u>Modified Option 1:</u></p> <ul style="list-style-type: none"> - Revenue, cost, and operational information in relation to aeronautical services split out into international, domestic and regional services. - Revenue, cost, and operational information for at-terminal and at-distance car parking services and facilities. - Revenue, cost and operational information for each landside transportation mode. - A description of the cost allocation methodology used by Sydney Airport to allocate common costs to the various services and facilities. This will, by its very nature, involve some level of arbitrariness, but Sydney Airport will describe the basis on which it has allocated those common costs, including any assumptions made in allocating those costs. - It is not prepared to provide balance sheets being broken down according to the various services

Appendix A: Summary of submissions

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			provided by Sydney Airport.
AAA	Industry group - airports	N/A	<ul style="list-style-type: none"> - Doesn't offer support for any of the options. - The ACCC is over-reaching. - The proposed monitoring regime could undermine competition, as industry participants could back-solve commercial agreements. - Regulatory burden and associated costs of the ACCC proposal would be high. - Second round of consultation has been rushed. - Potential overlap with the upcoming PC review and the aviation white paper.
A4ANZ	Industry group - airlines	Option 2, see comment	<ul style="list-style-type: none"> - Suggests a periodic review if Option 2 is implemented, with a provision to move to Option 3 if Option 2 is deemed ineffective. - Confidentiality concerns raised by airports not an issue in New Zealand. - Advocates for a voluntary code of conduct for airports, which would enshrine the Aeronautical Pricing Principles. - Supports the ACCC publishing disaggregated data in full.
Andrews Airport Parking	Off-airport car parking operator	Option 2, see comment	<ul style="list-style-type: none"> - Supports Option 2 in the interest of expedience, though suggests it could be an intermediate step to implementing Option 3 later. - Argues that if the airports can determine prices for consumers, they should be able to substantiate those prices and report on them to the ACCC. - Observes that there is very little transparency over landside access charges. - Disagrees with the argument that airports competitive position with carparking would be impacted - consumers will continue to choose based on perceived value from pricing offered.
Board of Airline Representatives of Australia	Industry group - airlines	Option 2	<ul style="list-style-type: none"> - Argues that Option 2 should have minimal compliance costs as the airports already provide most of the requested data when negotiating with airlines [ACCC note: this would largely relate to aeronautical services, not necessarily carparking and landside access]. - Additional transparency resulting from disaggregating international and domestic services will aid negotiations with airlines.

Appendix A: Summary of submissions

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International Air Transport Association	Industry group - airlines	Option 2, see comment	<ul style="list-style-type: none"> - Supports Option 2 as an interim measure, before implementing Option 3. - Does not think it is appropriate for a regulated entity like airports to use their own cost allocation methodology, per Option 2. - States provision of disaggregated information important for transparency to improve negotiations with airlines. - Does not think concerns around competition are legitimate.
Rex	Airline	Option 2	<ul style="list-style-type: none"> - Option 3 is too time-consuming and not worthwhile, while Option 1 would not provide sufficient transparency. - Suggests a regional / domestic split for the other airports not just Sydney.
Regional Aviation Association of Australia	Industry group - airlines	Option 2, see comment	<ul style="list-style-type: none"> - Agrees Option 2 provides the best balance, recommended introducing further requirements (in-line with Option 3), if airports do not comply with Option 2 and making this clear at the time of implementation. - Proposes aggregating information where both the airline and airport agree that it is commercial in confidence and that publishing it would be detrimental.
Virgin	Airline	Option 2, see comment	<ul style="list-style-type: none"> - Prefers Option 3 though proposes adopting Option 2, and then moving to Option 3 if it doesn't meet intended objectives. - Sees little value in PC review prior to implementation of Recommendation 9.4, or prior to aviation white paper as these should influence the PC's terms of reference.
Qantas	Airline	Option 2, see comment	<ul style="list-style-type: none"> - Supports moving to Option 3 over time. - Doesn't support Option 1 because it doesn't prevent potential distortions by transferring cost of operation from international to domestic. - Thinks there is sufficient protection under existing mechanisms to protect commercially sensitive information, and that information could be published in the aggregate. - Argues that there is no evidence to substantiate the airports' contention that the enhanced monitoring will have an adverse impact on competition between airlines and that that airlines operate in a highly competitive market in Australia.