



# Airport monitoring – more detailed information on airport performance

## Consultation paper

October 2022

## Summary

Since 2002, the Australian 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 certain services at, Sydney, Melbourne, Perth and Brisbane airports (the monitored airports) in provision of aeronautical, car parking and landside access services. The ACCC's monitoring promotes transparency of these services for which there is little or no competition.

In 2019, the Productivity Commission (PC) completed its fourth review of the Economic Regulation of Airports. The PC found that the current approach to airport regulation remains fit for purpose. However, the PC recommended, among other things, that the ACCC collect more detailed information from the monitored airports on their financial performance to aid with transparency and the ability to more easily determine if the monitored airports are exercising their market power (recommendation 9.4).

The Australian Government supported this recommendation and agreed, in principle, to amend Part 7 of the *Airports Regulations 1997* (the Airports Regulations) to expand the reporting requirements for monitored airports.<sup>1</sup>

In June 2022, the Australian Government requested the ACCC to conduct a review and provide recommendations on these matters to support the Australian Government's review of Airports Regulations that are sunsetting on 1 April 2024. As part of the ACCC's review, the Australian Government asked the ACCC to consult with relevant industry stakeholders and to consider the appropriate approach to public reporting of any commercially sensitive information which balances the need for disclosure with the need to protect sensitive information.

This consultation paper covers:

- background about the ACCC's monitoring regime, the PC's recommendation 9.4, the Australian Government's request for recommendations and the information the ACCC currently collects
- an overview of the ACCC's initial consultation with monitored airports
- the ACCC's preliminary view
- information on how to lodge your submission.

The ACCC is seeking your views on the matters set out in this paper.

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<sup>1</sup> *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.

## 1. Invitation to make submissions

- 1.1. The ACCC invites submissions, through this consultation paper, to inform the ACCC's recommendations to the Australian Government on how the Airports Regulations should be amended to implement the PC's recommendation 9.4.
- 1.2. To facilitate an informed, transparent and robust consultation process, the ACCC prefers that all submissions be made publicly available. Accordingly, submissions will be treated as public documents and published on the ACCC's website unless a claim for confidentiality is made and accepted, or a submission is withdrawn.
- 1.3. Parties wishing to submit confidential information are requested to:
  - note this when submitting via our consultation hub (or in the covering email)
  - clearly identify the specific information that is subject to the claim for confidentiality
  - provide a non-confidential version of the submission.
- 1.4. If the ACCC accepts your confidentiality claim, it will not publish or disclose the confidential information to third parties, without first endeavouring to provide you with notice of its intention to do so, wherever possible, such as where it is being compelled to disclose the information by law. It is important to note that the ACCC may share confidential information within the ACCC and with its external lawyers and consultants.
- 1.5. If the ACCC rejects your confidentiality claim, you will be given the opportunity to withdraw your submission before it is published, or any information is disclosed.
- 1.6. The [ACCC's information policy](#) includes further information on the collection and disclosure of information.<sup>2</sup>
- 1.7. Interested parties are encouraged to upload submissions using the link available on the ACCC's consultation hub <https://consultation.accc.gov.au/>
- 1.8. Or submissions can be emailed to: [airportsandports@acc.gov.au](mailto:airportsandports@acc.gov.au)
- 1.9. We ask that you lodge submissions by 18 November 2022.

## 2. Background

### The ACCC's monitoring regime

- 2.1. The ACCC's monitoring 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 associated regulations.
- 2.2. The objects of the Airports Act include the following:

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<sup>2</sup> <https://www.accc.gov.au/publications/accc-aer-information-policy>

- 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.
- 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 act 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. Since 2002, the Australian Government has adopted a light-handed regulatory regime for Australian airports.
- 2.5. As part of this regime, the ACCC monitors revenues, costs and profits of aeronautical, car parking and landside access services at the monitored airports. The ACCC reports this information annually under a dual-till approach. This means that the ACCC separately reports on aeronautical, car parking and landside access services. This allows the ACCC to assess trends in each of these segments.
- 2.6. The ACCC also monitors and evaluates the quality of airport services and facilities relating to aeronautical, car parking and landside access services. This complements monitoring of financial performance and promotes transparency of the availability and standard of airport facilities and services.
- 2.7. The ACCC generally does not monitor, or report on, airports' financial performance in other non-aeronautical services, such as retailing, business parks and factory outlets.
- 2.8. More detail on the financial information the ACCC currently obtains under the monitoring regime is provided below.

#### **The Productivity Commission recommendation 9.4**

- 2.9. In its 2019 review of the Economic Regulation of Airports, the PC found that the current approach to airport regulation remains fit for purpose. The PC recommended that the current regime for economic regulation of airports should remain in place, including annual price and quality of service monitoring administered by the ACCC, and periodic reviews by the PC.<sup>3</sup>

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<sup>3</sup> Productivity Commission (2019) *Economic Regulation of Airports*, Report no. 92, Canberra. p. 295

- 2.10. The PC acknowledged the need for more transparency so that the Australian Government can more easily determine if airports are exercising their market power. Accordingly, the PC recommended that airports be required to provide the ACCC with more detailed information, including separate reporting of costs and revenues in relation to:<sup>4</sup>
- aeronautical services for domestic flights and for international flights
  - the provision and use of at-terminal and at-distance car parking
  - the provision and use of landside access services.

*Disaggregated information on aeronautical revenues and costs*

- 2.11. The PC commented that during its consultation, airport operators stated that providing international services is more costly, but the PC could not verify these claims because the ACCC does not publish separate data on the costs or revenues associated with domestic or international services.<sup>5</sup>
- 2.12. The PC recommended separate reporting of costs and revenues in relation to domestic and international aeronautical services to determine whether charges are the result of an airport exercising its market power, or the higher costs of providing international services.<sup>6</sup>
- 2.13. The PC further commented that to determine whether an airport has exercised its market power, it would need to determine if aeronautical charges are consistent with the long-run average costs of providing aeronautical services. It noted, however, that as there is no agreed methodology to allocate the common capital and operating costs, it considers that the ACCC should collect and publish:<sup>7</sup>
- information on operating and capital costs that can be directly attributed to international or domestic aeronautical services
  - information on all common costs that are related to aeronautical services
  - any methodologies that the monitored airports use to allocate costs to domestic and international services.

*Carparking and landside access*

- 2.14. The PC recommended that airports be required to report disaggregated cost data for car parking and landside access services in the same way as for aeronautical services. The PC commented that:<sup>8</sup>
- where operating and capital costs can be directly attributed to a service, they should be

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<sup>4</sup> Ibid., p. 308.

<sup>5</sup> Ibid., p. 309.

<sup>6</sup> Ibid., p. 309.

<sup>7</sup> Ibid., p. 309.

<sup>8</sup> Ibid., p. 312.

- common costs should be reported as common costs
  - if airports have methodologies for allocating common costs to specific services, they should provide them to the ACCC, whereas if they do not have such methodologies, they should state that clearly to the ACCC.
- 2.15. The PC further commented that the monitoring regime would be more effective if airports were required to provide information in relation to landside access services rather than providing that information voluntarily. The PC considers that consistent information should be provided on:<sup>9</sup>
- different modes of landside access and the number of vehicles using each of the landside services
  - charges and other terms of access for each type of service
  - revenue and costs associated with landside access services.

*The use of record keeping rules*

- 2.16. The PC commented that it might consider recommending record keeping rules in the future. However, at the time of the report, it considered only enhancements to the annual financial and quality of service monitoring.<sup>10</sup>

*The New Zealand model of airport economic regulation*

- 2.17. The PC commented that some inquiry participants suggested that it examine the information disclosure framework applied by the New Zealand Commerce Commission (NZCC) to the monitored airports in New Zealand.<sup>11</sup>
- 2.18. Although the PC noted that some of the elements of recommendation 9.4 would bring the Australian monitoring regime closer to the New Zealand regime, the PC did not recommend the New Zealand approach.
- 2.19. The PC stated that the current monitoring regime has been effective as part of a regulatory regime to prevent airports from exercising their market power to the detriment of the community. The PC further noted that the ACCC had observed that moving to a system like the New Zealand regime would be costly.<sup>12</sup>

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<sup>9</sup> Ibid., p. 312.

<sup>10</sup> Ibid., p. 316.

<sup>11</sup> NZCC, *Disclosure requirements for airports*, available at: <https://comcom.govt.nz/regulated-industries/airports/disclosure-requirements-for-airports>.

<sup>12</sup> Productivity Commission (2019) *Economic Regulation of Airports*, Report no. 92, Canberra, p. 317.

## **Australian Government's request for recommendations**

2.20. In responding to the PC's recommendations in 2019, the Australian Government agreed in principle to amend Part 7 of the Airports Regulations to expand the reporting requirements for monitored airports.<sup>13</sup> The Australian 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.<sup>14</sup>*

2.21. In June 2022, the Australian Government requested the ACCC to commence a review of the current record-keeping and reporting requirements (Part 7) to identify amendments to align these with the Australian Government's response to the PC's recommendations.

2.22. As part of the review, the Australian Government asked the ACCC to consult with relevant industry stakeholders and to consider the appropriate approach to public reporting of any commercially sensitive information which balances the need for disclosure with the need to protect sensitive information.

2.23. The Australian Government asked the ACCC to report on the outcome of its review in a timely manner to allow the Australian Government to finalise its review of Airports Regulations that are sunseting on 1 April 2024.

## **The financial information the ACCC currently obtains under the monitoring regime**

2.24. Under Part 7 of the Airports Act and the Airports Regulations, the ACCC collects and may publish specified accounts and financial statements from the four monitored airports. The accounts and statements must be audited by an approved auditor.

2.25. The ACCC also receives and may publish specified written reports about the airport (operational reports), which are presently limited to reports about the total average staff equivalent of the persons employed at the airport concerned with the provision of aeronautical and non-aeronautical services and facilities.

2.26. Under Part 7 of the Airports Regulations, airports must:

- prepare a financial report which separately shows the costs and revenues in relation to the provision of aeronautical and non-aeronautical services (reg 7.03)
- lodge these accounts and the relevant auditor's certificate with the ACCC within 90 days of the end of the relevant accounting period (reg 7.06).

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<sup>13</sup> 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.

<sup>14</sup> Ibid.

- 2.27. The ACCC's price monitoring and financial reporting information requirements for airport operators are outlined in the 2009 ACCC Airport prices monitoring and financial reporting guideline (the Guideline).<sup>15</sup>
- 2.28. According to the Guideline, the following principles of information disclosure apply to the monitored airports:
- The Regulatory Accounting Statements are to represent a disaggregation and deconsolidation of the audited financial statements prepared by the airports. The audited financial statements of the airports form the basis from which the Regulatory Accounting Statements are to be prepared. These statements should be accompanied by a Director's Responsibility Statement and a signed Auditor's Report.
  - The airports should provide full and detailed documentation of the accounting principles and policies used to prepare accounting information.
  - All account items should be allocated on a causation basis between aeronautical and non-aeronautical services and activities by identifying the following relationships:
    - a directly traceable cause and effect relationship with the provision of the product or service; or
    - a verifiable relationship between the item and the output of the individual product or service; or
    - a cost having a direct causal relationship associated with a pool of common costs and allocation of that pool can be made using a relevant, reliable and verifiable factor such as relative use.
  - Account items not directly attributable should be classified as either aeronautical or non-aeronautical using an appropriate allocating factor.
  - The ACCC requires information on related party transactions to assess whether they have been recorded on a fair, arm's length basis and gain reasonable assurance that there is no unreasonable transfer of profits between those activities which are subject to prices monitoring and those which are not.
  - The monitored airports are required to provide information regarding their aeronautical asset bases under the line-in-the-sand approach, as set out in the Guideline.
- 2.29. The Guideline lists the disclosure requirements. This is shown in Table 1.

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<sup>15</sup> Available at <https://www.accc.gov.au/publications/airport-prices-monitoring-financial-reporting-guideline>.



**Table 1 – List of disclosure requirements**

TYPE	STATEMENT	STATEMENT NO.
Regulatory Accounting Statements	Income Statement	1.0
	Line in the sand Income Statement	1.0 (a)
	Balance Sheet	2.0
	Line in the sand Balance Sheet	2.0 (a)
	Cash Flow Statement	3.0
Supporting Schedules to Regulatory Accounting Statements	Expense Allocations	1.1
	Line in the sand Expense Allocations	1.1 (a)
	Aeronautical Assets	
	- Schedule of Assets	1.2
	- Schedule of line in the sand assets	1.2 (a)
	Non-Aeronautical Assets	
	- Schedule of Assets	1.3
Operational Statement	Operational Statistics	4.0
Monitoring of Aeronautical Services: Section 95ZF Schedules	Aeronautical Revenue	5.1.1
	Schedule(s) of Aeronautical Charges	5.1.2
	Aeronautical Cost Allocations	5.2
	Line in the sand Aeronautical Cost Allocations	5.2 (a)
Airport car park prices, costs and profits monitoring	Revenue	6.1
	Cost allocations	6.2
	Schedule of charges	6.3

2.30. The ACCC collects data on the following basis:

- some data the monitored airports are required to provide to the ACCC under the Airports Act and Airports Regulations (as described above)
- some data the ACCC requests from the monitored airports in performing its monitoring functions under existing directions under section 95ZF of the CCA to monitor aeronautical and car parking services and its monitoring functions in respect of quality-of-service matters under section 157 of the CCA.

2.31. The ACCC's current data collection practices relating to information referred to in recommendation 9.4 are summarised in Table 2.

**Table 2 – Current information collected**

#	PC's recommendation	Current practice
9.4.1	Show the number of passengers that depart from and arrive at each terminal.	<p>The ACCC collects the number of passengers that depart from, and arrive at, each terminal.</p> <p>The ACCC does not publish this data in a disaggregated form due to airports' confidentiality concerns (see section 3 below).</p>
9.4.2	Separately show the costs and revenues in relation to the provision and use of aeronautical services for domestic flights and for international flights.	<p>The ACCC collects disaggregated revenues for domestic and international services. The ACCC does not publish this data in disaggregated form due to airports' concerns (see section 3 below).</p> <p>The ACCC does not obtain disaggregated cost data.</p>
9.4.3	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.	<p>The ACCC already collects disaggregated revenues for domestic and regional services. The ACCC currently does not publish this data due to Sydney Airport's confidentiality concerns.</p> <p>The ACCC does not obtain disaggregated cost data.</p>
9.4.4	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.	<p>The ACCC already collects the number of users and revenues for each car park. The ACCC currently does not publish this data in disaggregated form due to airports' concerns (see section 3 below).</p> <p>The ACCC does not collect peak utilisation rates for each type of car park. The ACCC can calculate the average annual utilisation for each car park based on information it currently collects.</p> <p>The ACCC does not obtain disaggregated cost data.</p>

9.4.5	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.	<p>The ACCC already seeks to collect data on the number of vehicles using different landside access services, the charges (and other terms of access) and operating revenues attributed to the provision of each landside access service.</p> <p>However, the information currently provided by the monitored airports is incomplete and inconsistent. For example, some airports aggregate data for some forms of transport (such as private buses and private cars).</p> <p>The ACCC publishes the data that it receives from the monitored airports.</p> <p>The ACCC does not obtain disaggregated cost data.</p>
9.4.6	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	The ACCC does not obtain disaggregated cost data.
9.4.7	Report the methodologies that they use to allocate costs to specific services.	The ACCC does not collect cost allocation methodologies for specific aeronautical, car parking or landside access services. The monitored airports currently provide only a description of the cost allocation method they use to split costs into broad aeronautical and non-aeronautical categories.

2.32. In summary, focusing on the information requirements in the PC's recommendation 9.4, the ACCC currently does not collect from the monitored airports:

- disaggregated costs, and cost allocation methodologies, for aeronautical, car parking and landside access services respectively, and into specific services within (e.g., aeronautical into domestic and international)
- data on peak utilisation rates for each car park
- complete and consistent data in relation to landside access services.

### 3. Initial consultation with monitored airports

3.1. In 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.

- 3.2. All four monitored airports responded by raising concerns about both collection and publication of certain information, as summarised below.
- 3.3. Some airports questioned the efficacy and the need to collect information set out in recommendation 9.4.

### **Concerns raised by monitored airports about collection of information**

- 3.4. As set out in section 2 above, the ACCC already collects most of the disaggregated revenue and operational data recommended by the PC. Therefore, monitored airports' concerns centred around collection of disaggregated cost information.
- 3.5. Monitored airports have stated that due to extensive use of shared infrastructure and interconnectedness of their operations, it would be difficult, and in some cases not possible, for them to separately identify all costs in relation to:
  - domestic and international aeronautical services
  - at-terminal and at-distance car parking
  - regional and domestic services
  - each landside access service.
- 3.6. One airport raised the question whether the ACCC would seek to mandate the use of a standardised cost allocation methodology. The airport noted that doing so would be limiting, but not doing so would lead to inconsistency in reporting.

### **Concerns raised by monitored airports about publication of information**

- 3.7. Monitored airports raised three broad categories of concerns with the ACCC publishing certain information.

#### *Damage to the monitored airport's competitive position*

- 3.8. These concerns largely related to publication of detailed operational and financial data in relation to car parking, although one airport also raised this as a concern in relation to publication of data relating to provision of landside access services.
- 3.9. The airports have stated that the information set out in recommendation 9.4 is sensitive in nature and its publication could damage the airports' competitive position (for example, in relation to off-airport car parking operators).

#### *Adverse impact on competition between airlines*

- 3.10. Some airports raised concerns that publishing certain information could potentially give the ability to some domestic airlines to back solve for financial or operational data relating to their competitors. For example, some airports stated that:
  - publishing domestic passengers by terminal, in circumstances where a single domestic airline uses a particular terminal, may allow some domestic airlines to back solve for charges paid by its competitors

- publishing cost and revenue information, and the methodologies underpinning them, could allow some domestic airlines to back solve for passenger numbers transported by their competitors.

#### *Reporting burden*

- 3.11. One monitored airport stated that it would need to perform a significant amount of work to allow for disaggregated cost reporting, including updating their systems, models, and auditing of outputs.

## 4. ACCC's preliminary view

- 4.1. The ACCC considers that for the purpose of providing recommendations to the Australian Government on amendments to Part 7 of the Airports Act and Airports Regulations, the key issues for consideration are:
- the extent to which the monitored airports should be required to report to the ACCC disaggregated financial and operational information relating to the provision of aeronautical, car parking and landside access services
  - the extent to which the ACCC should publish more detailed operational and financial data it collects in relation to these services
  - what steps should be taken to improve the effectiveness of the monitoring of landside access services.
- 4.2. The ACCC's preliminary views on these issues are set out below. The ACCC has not yet reached a concluded view on any of these matters and is seeking further information. Interested parties may wish to respond to the questions set out below or otherwise provide any information they consider relevant.

### **Collection of disaggregated financial and operational data**

- 4.3. The ACCC has identified three options to amend Part 7 of the Airports Act and the Airports Regulations to obtain further disaggregated information from monitored airports, as set out below. Each option builds on the previous one in terms of the reporting framework and the amount of data as well as supporting information required.
- 4.4. The ACCC has not included in this paper an option of maintaining the status quo, as the Australian Government has agreed, in principle, to collection of more detailed information as recommended by the PC and has requested the ACCC for recommendations on how to implement the additional information requirements. However, the ACCC notes that the option of maintaining the status quo is available to the Australian Government.

Option 1: Collecting more detailed data for specific services and relying on basic cost allocation principles

- 4.5. Under this option, the monitored airports would be required to report:
- more detailed data on specific services identified by the PC
  - methodologies that they use to allocate costs to these specific services.
- 4.6. Specifically, the monitored airports would be required to provide the following information to the ACCC.

*Regulatory Accounting Statements*

- 4.7. The monitored airports would need to provide income statement and balance sheets that show:
- For aeronautical services: the split between domestic and international services (with domestic services being further split into domestic and regional services for Sydney Airport).
  - For non-aeronautical services: the split between carparking, landside access and other services. Carparking data would need to be further split into at-terminal and at-distance car parking data. Landside access services would need to be further split by each transportation mode.

*Aeronautical revenues*

- 4.8. The monitored airports would need to be split aeronautical revenues into domestic and international services.
- 4.9. Sydney Airport would further need to split the domestic services revenues into revenues arising from flights servicing regional NSW and other domestic services.

*Cost allocations*

- 4.10. The monitored airports would need to split aeronautical costs into domestic and international services (and Sydney Airport would further need to split costs in relation to domestic services into regional and other domestic services).
- 4.11. For non-aeronautical services, the monitored airports would need to separately report costs relating to carparking, landside access and other services.
- 4.12. The monitored airports would also need to provide a description of how costs are allocated to the provision of specific services, including: international and domestic aeronautical services, at-terminal and at-distance car parking services, and landside access services.

*Assets*

- 4.13. The monitored airports would need to split reporting of aeronautical and non-aeronautical assets into specific services in the same way as costs.

### *Operational data*

- 4.14. The monitored airports would need to report all relevant operational data (being reports for the purposes of regulation 7.07) in a disaggregated form to match financial data. For example:
- Passenger numbers and aircraft movements would need to be separated into international and domestic (and, for Sydney Airport, domestic would be further split into regional and other domestic).
  - Average staff equivalent and area (in hectares) data would need to be split into:
    - aeronautical services: international and domestic (and, for Sydney Airport, domestic would be further split into regional and other domestic)
    - non-aeronautical services: carparking, landside access and other services.
  - Specific data on the number of vehicles using different landside services and the number of users using at-terminal and at-distance carparking would also need to be provided.
- 4.15. Collecting disaggregated operational data, in conjunction with similarly disaggregated financial data, would allow the ACCC to appropriately consider revenues, costs and profit margins for each specific service.

### *Airport carparking charges, revenues and costs*

- 4.16. The monitored airports would need to provide:
- separate charge, revenue and cost data based on at-terminal and at-distance carparking
  - information about the cost allocation method to enable the ACCC to understand how the costs and assets have been allocated to at-terminal and at-distance carparking.

### *Landside access charges, revenues and costs*

- 4.17. The monitored airports would need to provide:
- separate access charges, revenues and costs based on the provision of each landside service (i.e., transportation mode)
  - information about the cost allocation method to enable the ACCC to understand how the costs and assets have been allocated to each transportation mode.

Option 2: Collecting systematically disaggregated data and relying on detailed cost allocation method

- 4.18. Under this option, the monitored airports would be required to provide to the ACCC:

- systematically disaggregated financial and operational data, based on service classification developed by the ACCC in consultation with the monitored airports
- detailed information and analysis to support its cost allocation method.

4.19. Table 3 below sets out the service group categorisation that is systematically structured according to the mutually exclusive and collectively exhaustive (MECE) principle. That is, airport services are classified into multiple groups of separate, distinct and non-overlapping identifiable services that add up to the aggregate services provided by an airport. There is no overlapping or omission of any services that an airport provides.

**Table 3 – Service group categorisation**

Service group	Sub-group	Notes
<b>Aeronautical services</b>		
<b>Domestic passengers</b>	non-regional	
	regional	
<b>International passengers</b>		
<b>Other</b>		This covers all other categories than passenger services (e.g., freight, general aviation).
<b>Non-aeronautical services</b>		
<b>Car-parking</b>	at terminal	
	at distance	
<b>Landside access</b>	by mode of transport	This includes taxi, ridesharing, off-airport car parking, private car, private bus, public bus, and train, each as a separate category for reporting.
<b>Other</b>		This covers all other categories (e.g., retail, properties, car-rental), to be reported individually or together.

4.20. In comparison to Option 1 (which covers only specific service categories and/or sub-categories that the PC has recommended), Option 2 requires data and cost allocation method to be reported based on a full set of service classification. The ACCC would develop definitions and detailed description of each service group and sub-group to ensure consistent service classifications and categorisation across all monitored airports.



- 4.21. Based on the extended service classification, the monitored airports would be required to report the following regulatory account data:
- throughput data for each service (group and sub-group levels)
  - financial data (charges, revenues, costs, profits and assets) as per current schedules in relation to each service (group and sub-group levels)
  - detailed information on cost allocation method, including:
    - detailed explanation of the method used to allocate revenue, costs and assets to individual services (e.g., basis of allocation)
    - the underpinning data used for the purpose of allocation (for example, if a specific cost item is allocated based on time, the corresponding data on time would be required to be provided)
    - where material changes to cost allocation method are made, rationale for the changes and details of the impact on regulatory account data
- 4.22. The monitored airports would also need to undertake independent auditing of the regulatory accounts.
- 4.23. The ACCC may also need to prescribe high-level cost allocation guidance to ensure allocation of financial account items are consistent with accounting standards and principles, including being fully distributed to airport services without duplication or omission, and review its compliance. This is similar to the scheme currently in place for the AER to regulate electricity distribution service providers.<sup>16</sup> In this regard, the ACCC will review the existing guidelines to see whether the cost allocation principles set out are sufficient and directly applicable to the additional information sought.

**Option 3: Collecting systematically disaggregated data in accordance with standardised cost allocation method developed by the ACCC**

- 4.24. Under this option, the monitored airports would be required to report systematically disaggregated data (as described in Option 2), prepared in accordance with a standardised cost allocation method prescribed by the ACCC (each monitored airport currently uses its own preferred cost allocation method).
- 4.25. To implement this option, the ACCC would require enhanced powers to make record-keeping rules (RKR) for the monitored airports. The ACCC has similar powers in areas such as telecommunications and postal services:
- for telecommunications: price determinations under section 151BU of the CCA
  - for Australia Post: price notification under the *Australian Postal Corporation Act 1989*.

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<sup>16</sup> AER, Cost allocation method, available at: <https://www.aer.gov.au/networks-pipelines/determinations-access-arrangements/cost-allocation-method>.

*The ACCC's preliminary view*

- 4.26. The ACCC's preliminary view is that Option 2 best balances the need for greater transparency over monitored airports operations and financial performance versus the increased compliance costs that may arise from providing more detailed financial and cost allocation data.
- 4.27. While Option 1 would require the least additional work by the monitored airports to implement, it would not provide sufficient transparency over the revenues and costs across all the services/activities of the monitored airports. This is particularly true of the cost allocation method, as monitored airports would only be required to publish the methodologies used to allocate costs across different services, rather than providing the full mapping of costs to all services.
- 4.28. The key benefit of a more detailed and fully allocated cost allocation method under Option 2 is that it would ensure that:
- the basis of allocation is reliable, relevant and appropriate according to the relevant accounting standards
  - the ACCC understands the cost drivers and has visibility over the allocation methods, and can trace the cost allocation
  - the monitored airports cannot game the cost allocations over time.
- 4.29. The ACCC acknowledges that there is likely to be more work for the monitored airports to adjust their practices to meet reporting requirements under Option 2 (compared to Option 1). However, it is unclear whether there is likely to be material difference between Options 1 and 2 in relation to the ongoing regulatory compliance burden beyond the initial set up.
- 4.30. The ACCC notes that introducing a standardised cost allocation method under Option 3 would move the airport monitoring regime closer to the information disclosure framework applied by the NZCC to the monitored New Zealand airports. The main benefit of this option is that it would put the ACCC into a better position to assess performance consistently across the monitored airports and over time. This may allow the ACCC to undertake benchmarking, which could provide stronger incentives for airports to operate efficiently.
- 4.31. However, the ACCC considers that developing a standardised cost allocation method under the RKR process would likely involve a process of detailed design, development and implementation, and considerable stakeholder consultation. Therefore, compared to the other options, Option 3 would be:
- significantly more time-consuming to set up
  - more information intrusive and costly to maintain.

- 4.32. Irrespective of the option chosen, the ACCC would recommend at least 12 months lead in time to allow the monitored airports to update their internal systems and processes.
- 4.33. The ACCC invites interested parties to make submissions to the ACCC on the options set out above, including by answering the following questions.

**Questions on the ACCC collecting disaggregated data**

- 1) What are your views about the options we have identified for addressing the PC's recommendation 9.4? Are there other options that should be considered?
- 2) What are your views about the advantages and disadvantages for each of the options? Do you think there are further issues that should be considered, and if so, what are they and why are they relevant?
- 3) Do you agree with the ACCC's preferred option (Option 2)? Please substantiate your response.
- 4) Is there a significant difference in reporting requirements between Options 1 and 2? If so, please explain why.
- 5) Do you have any concerns about the ACCC collecting commercially sensitive information under our preferred approach (Option 2)? If so, what are they? How do you think these concerns can be mitigated?

**Publication of more detailed financial and operational data**

- 4.34. As set out earlier, the Australian 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.
- 4.35. 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.
- 4.36. 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.
- 4.37. 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.
- 4.38. 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.

- 4.39. As set out in section 3, the monitored airports have raised two types of claims in relation to the potential harms of publishing information in recommendation 9.4:
- damage to the monitored airport’s competitive position
  - adverse impact on competition between airlines.
- 4.40. The ACCC notes that where such confidentiality concerns arise in respect of particular documents or information provided to the ACCC under the Airports Act or Airports Regulations, they may be appropriately managed by:
- existing protections under the Airports Act and CCA in respect of information over which claims of confidentiality are made; and
  - the ACCC publishing data or information in a more aggregated manner in its monitoring report, which the ACCC already does in relation to some categories of information.
- 4.41. The ACCC notes that while publishing aggregated data in its monitoring report would potentially reduce the transparency benefits of the ACCC collecting disaggregated information, the ACCC would still be able to analyse the more detailed information and publish the results or observations arising from it.
- 4.42. The ACCC invites interested parties to make submissions to the ACCC on the costs and benefits of publishing disaggregated information as recommended by the PC, including by answering the following questions.

**Questions on the ACCC publishing disaggregated data**

- 6) What do you consider to be the benefits of publishing the disaggregated financial information recommended by the PC in recommendation 9.4?
- 7) Do you believe that the benefits you have identified outweigh the costs? Please explain your response.
- 8) The ACCC invites the monitored airports to publicly substantiate their claims on why publishing specific information in recommendation 9.4 would damage their competitive position. As part of this, the ACCC requests:
- specific examples to illustrate your concerns
  - suggestions on how this could be mitigated.
- 9) Do you believe that the existing provisions in respect of confidentiality under the Airports Act and the CCA are insufficient to protect confidential information of the types identified in recommendation 9.4? If so, please explain why.
- 10) The ACCC invites the monitored airports, airlines or other interested parties, to comment on the extent to which publication of specific information in recommendation 9.4 is likely to adversely impact on competition between airlines in Australia. As part of this, the ACCC requests:
- specific examples to illustrate how the publication of data recommended by the PC

would allow airlines to back solve aeronautical (or other) charges paid by their competitors or passenger numbers transported by their competitors

- suggestions on how this could be mitigated.

11) Do you have any concerns about the ACCC publishing the information in recommendation 9.4, particularly under Option 2 (as discussed in previous section), which have not been covered in the questions above? If so, please explain your concerns, including by providing:

- specific examples to illustrate your concerns
- suggestions on how your concerns could be mitigated.

### **Monitoring of landside access services**

- 4.43. The ACCC has been monitoring landside access services since around 2009 but obtains most of the information on a voluntary basis. The ACCC has not received a direction to monitor landside access services, so the monitored airports are presently only required to report very limited information under the Airports Regulations.
- 4.44. As set out 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. The PC has also noted the deficiencies in the ACCC's monitoring regime in respect of landside access services.
- 4.45. The ACCC considers that the monitoring of landside access services needs to be made more effective irrespective of any decision that the Australian Government makes in relation to implementing the PC's recommendation 9.4. However, the ACCC notes that improving reporting on landside access services by the monitored airports is also necessary to fully implement the PC's recommendation 9.4.
- 4.46. Accordingly, the ACCC's preliminary view is that amendments to the Airport Regulations should be made to require each of the monitored airports to collect and provide baseline information on the use, costs/assets and revenues of landside access services each year.
- 4.47. Depending on the view reached on the extent of changes required to implement recommendation 9.4, there may be four different aspects of the existing reporting requirements in the Airports Regulations where specific amendments could be required to achieve the Australian Government's stated aims:
- amend regulation 7.02 of the Airport Regulations to include a clear definition of landside access services
  - financial reports – create an obligation on the monitored airports to provide disaggregated costs/assets and revenues in respect of landside access services as part of financial reports they provide to the ACCC under sub-regulation 7.03(5)
  - other reports – amend regulation 7.07 of the Airports Regulations to specify provision of operational reports on aspects of landside services, such as access charges for each type of service

- quality of service data – consider creating matters (and aspects if needed) in Schedule 2 to monitor the quality of landside access services (the quality-of-service review is subject to a separate consultation paper).
- 4.48. However, amendments to the Airport Regulations alone would not align the ACCC's powers and functions with those it presently holds to monitor aeronautical and car parking services. This would additionally require Treasury to issue a direction to the ACCC under section 95ZF to monitor the prices, costs and profits relating to the supply of landside access services and facilities by the monitored airports.
- 4.49. Making changes to the Airport Regulations and issuing a direction to the ACCC under section 95ZF would ensure that the ACCC is provided with more consistent and high-quality data in respect of landside access services.

#### **Question on the ACCC's monitoring of landside access services**

- 12) What do you consider to be the costs and benefits of aligning the ACCC's monitoring of landside access services with its monitoring of aeronautical and car parking services by:
- amending the Airport Regulations to require each of the monitored airports to collect and provide to the ACCC baseline information on the use, costs/assets and revenues of landside access services each year
  - Treasury issuing a direction to the ACCC under section 95ZF to monitor landside access services?
- 13) Do you believe that the benefits you have identified outweigh the costs? Please explain your response.

## **5. Next steps**

- 5.1. The ACCC will consider all the submissions and information before it. If necessary, the ACCC seek further information or meet with some submitting parties to clarify any matters raised in their submission.
- 5.2. Following the conclusion of this consultation process, the ACCC will inform the Australian Government on the outcomes of its review, including any proposed amendments of the Airports Regulations. The ACCC intends to publish this on the ACCC's website.