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Presiding Commissioner Paul Lindwall
Commissioner Stephen King
Assistant Commissioner Anna Heaney
Airport Regulation Inquiry
Productivity Commission

11 April 2019

By email: airports@pc.gov.au

Dear Commissioners

Economic Regulation of Airports – Draft Report

The Australian Finance Industry Association [AFIA] on behalf of the members of our Car Rental Group (Avis Budget; Bayswater Car Rental, East Coast Car Rental/Sixt, Europcar, Hertz, Redspot/Enterprise and Thrifty) welcomes the opportunity to provide feedback on the Productivity Commission's Draft Report *Economic Regulation of Airports* and your consideration of this late submission.

As you would be aware, our earlier submission and supplementary submission to the Issues paper highlighted concerns and economic modelling from Frontier Economics on how airports are misusing their market power in relation to car rental operators. This included evidence of "take it or leave it" from a live negotiation that was underway with a domestic airport. Further our economic modelling showed the benefits (including for consumers) of moving to a model of final offer negotiate-arbitrate. Such a solution would incentivise parties to reach agreement, minimise costs for all parties and not hinder investment in airports.

We were surprised and disappointed in the Draft Report consideration of landside access, the Commission concluded that it *'has not received enough evidence to reach a conclusion about whether monitored airports have exercised market power in landside access and will withhold its judgment on whether airports have done so until the final report'*. Yet, in the draft Report there did not appear to be any reference to the extensive evidence that AFIA had provided in its submissions. In the absence of some explanation for this by the Commission, it is difficult to know the basis for this omission and therefore what further or more detailed information AFIA might provide that would be of value and assist the finalisation of the Report.

We believe that our previous two submissions provide compelling evidence of the exercise of market power, proving an ample platform for the Commission to make recommendations that reform is needed

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to improve landside access at Australian airports. We respectfully request that it would be useful for readers of the Final Report to have a clear understanding that the Commission had taken the evidence from AFIA into account and the analysis and reasons that the Commissioner had not seen it to be sufficient.

We would welcome an opportunity to discuss our submissions further with you. Please contact me
or Alex Thrift, Economic & Senior Policy Adviser

Kind regards

Helen Gordon
Chief Executive Officer