

09 November 2018

Airport Regulation Inquiry
Productivity Commission
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Dear Commissioners,

PERTH AIRPORT PTY LTD SUPPLEMENTARY SUBMISSION

Perth Airport Pty Ltd (PAPL), as the operator of Perth Airport, welcomes the opportunity to make this supplementary submission to the Productivity Commission's *Inquiry into the Economic Regulation of Airport Services* ('the Inquiry').

In making this submission it is not the intention of Perth Airport to refute or correct erroneous claims that have been made by non-airport inquiry participants in relation to Perth Airport. We are confident that the Commission will properly test claims made by all participants to ensure accuracy and to provide an opportunity for both sides of a matter to be properly reflected in the matters the Commission chooses to discuss in its Draft Report.

The one matter PAPL does wish to comment on is references by some participants to a report by the Grattan Institute titled *Competition in Australia – Too little of a good thing?*

For example, the Australian Consumer and Competition Commission (ACCC) at page 29 of its submission states, 'There are a number of ways to measure profitability. Studies employing alternative methods have also found that the airports are earning substantial profits. A study by the Grattan Institute shows that on average, nearly half of returns earned by airport operators in Australia were 'super-normal' profits'.

Similarly, the Board of Airlines Representatives Australia at page 30 of its submission notes 'Research published by the Grattan Institute also found the airport sector performs very well on profitability measures, stating that 'Nearly half of returns earned by airport operators were super-normal profits, on average, from 2010–11 to 2015–16''.

Attached to this letter is correspondence between PAPL and the Grattan Institute which clarifies the approach taken by the Grattan Institute in reaching this conclusion. We note that references to Perth Airport and Melbourne Airport which were originally included in the report have been removed, and qualifications have been added to the remaining text.

The correspondence from the Grattan Institute provides further context for its amended final text in that, whilst the correspondence notes that temporary high profitability can be expected during extraordinary demand spikes, such as that experienced by Perth Airport during the peak of the mining investment boom, the final report, whilst amended, does not specifically note this observation.

We would also note that the reference by the ACCC to the text of the Grattan Institute report is misleading in that it does not include the qualifying notation that the reference to 'super-normal' profits relates to the period 2010-11 to 2015-16, the period roughly equating to extraordinary growth in the WA economy driven by the mining boom which flowed through to the rest of the Australian economy during the same period.

Regards,

Debra Blaskett
CHIEF CORPORATE SERVICES OFFICER.