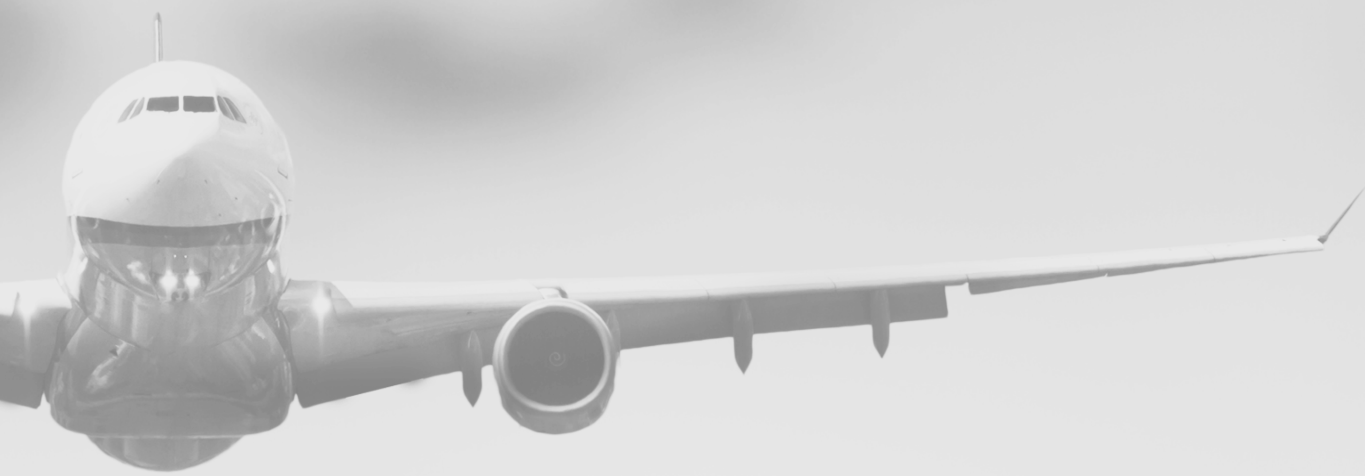
NATIONAL INFRASTRUCTURE PERSPECTIVE – AIRPORTS, REGULATION AND CAPITAL INVESTMENT

Submission to the Productivity Commission's inquiry into the economic regulation of airport services



INFRASTRUCTURE PARTNERSHIPS AUSTRALIA

About Infrastructure Partnerships Australia

Infrastructure Partnerships Australia is an independent think tank and intelligence unit. We are an executive member network made up of public and private infrastructure organisations. We exist to shape public debate and drive policy reform to help Australia achieve the best possible social and economic outcomes.

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Executive Summary

Airports are core economic assets and critical gateways to Australia and the world. They are drivers of economic growth, provide domestic and international access to both people and goods, and shape patterns of economic activity in our cities.

Over the last two decades, private ownership of Australia's major airports has seen unprecedented investment and innovation within a 'light-handed' regulatory environment. This has seen commercial decision-making normalised and encouraged the growth of innovative, flexible and commercial negotiations between airports and airlines.

The privatisation of the nation's major airports and the associated uplift in investment and service quality, is one of Australia's infrastructure success stories. Ultimately, this has benefited both international and domestic travellers, and businesses who rely on efficient movement of high-value, time critical goods to far away markets.

Airport's operating and investment environments have numerous challenges and risks. Many of these are unique to airports, compared to other forms of infrastructure. These include global macroeconomic instabilities (such as the GFC), geopolitical risk, rapidly changing security environment, investment decision making with forecast fluctuations in demand and complex project delivery in 'live' environments.

Despite these challenges and risks, Australia's major airports have continued to invest significant capital, increase asset efficiency and innovate, while keeping infrastructure charges low and competitive. Few other infrastructure sectors have been able to achieve comparable outcomes for the Australian economy. The current 'light handed' monitoring regime has been critical to this success.

Looking forward, demand for airport and supporting transport infrastructure will continue to surge. The 2015 *Australian Infrastructure Audit* forecast demand for airport infrastructure is set to double over the two decades to 2031.[1] This means our major airports will need to continue investing significant capital in upgrades and expansions, while also 'sweating' assets through enhanced utilisation and increasingly demand responsive solutions. Australia's airports are forecast to invest in excess of $20 billion over the next decade, with three quarters of this directed into new runways and terminal expansions.

The capacity and efficiency of airport investment and upgrades will depend on the regulatory frameworks that guide decision making. Any adverse change to the current 'light handed' monitoring regime could distort these investment incentives and jeopardise the capital programmes they support. Adverse change could also serve to further escalate the already high levels of investor uncertainty that exists in the Australian infrastructure market.

CHAPTER 1

Airport privatisation has been an overwhelming success in Australia

The privatisation of Australia's major airports has delivered enduring benefits to customers and the Australian economy through efficient investment and high service quality. The strong performance of Australia's airports is due to the discipline and accessibility of private capital, which has been underpinned by the stable and appropriate 'light handed' regulatory regime implemented in 2002.

The privatisation and economic regulatory regime have been so successful that this model has been recommended for other infrastructure sectors. Infrastructure Australia's 2016 *Australian Infrastructure Plan* stated that the model could also be applied to our seaports. The report states:

> Given the strategic significance of major ports, the potential mixed incentives for governments as both owner and regulator of some ports, and the increasing role of private ownership in the container and bulk ports, there is an important role for the ACCC, or relevant state and territory regulators, in overseeing the nation's major ports, consistent with the regulatory and monitoring approach to nationally significant airports.[2]

The success of our airports has its roots in the introduction of market-based reforms in the 1990s, through programmes such as the National Competition Policy (NCP) and the broader reform of the Australian economy. The reforms of the 1990s saw the burden of infrastructure funding for particular sectors lifted from taxpayers and government. They sought to inject competition and remove conflicts of interest for governments as the owner, operator, funder, regulator, and customer of infrastructure services. This was to drive the development of efficient, sustainable and responsive infrastructure service markets across many sectors, which has proven to deliver enduring benefits to the Australian economy.

As part of the reform movement, Australian governments progressively corporatised monopolistic infrastructure entities (with the exception of the majority of roads) within well-regulated frameworks. The institutional development and ownership structure of infrastructure entities allowed some assets to be progressively privatised, such as telecommunications assets, gas pipelines, energy generation and networks and seaports. The *Australian Infrastructure Plan* also notes the benefit of the reform programme and greater private sector investment. The report states:

> Experience across local and global markets has shown that greater private sector involvement, when properly regulated and incentivised, can make infrastructure services more efficient, lower cost and more flexible, providing better outcomes for users and taxpayers alike.[3]

This reform programme has seen the role of government evolve from one of direct provision, to that of regulator and overseer of services. This has aligned the interests of government and infrastructure entities with the long-term interest of consumers. While the reform process is complicated and not always easy, the overall success of the reform programme is recognised to have delivered enduring benefits to the Australian economy.

Airports were included in this broad national reform programme of the 1990s. This saw the airport privatisation programme commence in April 1994, when the then Federal Government announced its in-principle decision to privatise the 22 airports held by the Federal Airports Corporation. The last privatisation was Sydney Airport in 2002.

Over the privatisation period, the Australian Government applied a CPI-linked price cap. However, in line with recommendations in a 2002 report by the Productivity Commission, these 'heavy-handed' and restrictive price controls were replaced by ACCC price and service monitoring for major capital city airports. The new regime emphasised commercial negotiation to determine investment terms.

Subsequent Productivity Commission reports in 2006 and 2012 found that this 'light-handed' monitoring approach had facilitated a marked increase in aeronautical investment, without the bottlenecks experienced in other infrastructure sectors. The Productivity Commission has also repeatedly found that these benefits had been realised with pricing that did not lead to the inappropriate exercise of market power. This finding was reinforced by the 2015 Australian Infrastructure Audit, which found:

> … the regulatory framework for airports, which requires private airport operators to maintain airport capacity, appears to be working appropriately.[4]

The success of privatisation, supported by the monitoring regime, is also evidenced by the sector's resilience, flexibility and ability to respond to changing market conditions, such as the Global Financial Crisis. This also includes unprecedented demand for airport infrastructure, as population and passenger growth has typically surpassed national forecasts. Airports are consistently upgrading and adjusting infrastructure to maximise efficiency of the assets while also maintaining and improving customer service outcomes.

Since privatisation, Australia's major airports have invested significant amounts of capital. Brisbane Airport is investing $1.7 billion to build a new runway, redevelop the domestic terminal, build a new multi-storey car park and invest in technologies to support the passenger experience.[5]

Sydney Airport has invested more than $4.3 billion in facilities, capacity, safety and security upgrades since privatisation in 2002, following extensive and ongoing consultation with airlines.[6]

Looking forward, capital investments, upgrades and efficiency measures will be necessary to keep up with demand.[7]

On a national level, demand for airport infrastructure across Australia is projected to approximately double between 2011 and 2031.

In Melbourne, for the initial five-year period of the Melbourne Airport Master Plan (2018 to 2023), the total direct and indirect investment associated with future airport developments has been forecast to be about $4 billion, or 0.2 per cent of Victoria's Gross State Product. For the initial six to 20-year period of the Master Plan (by 2038), this figure is forecast to be about $18 billion, including provision of a new runway.[8]

Forecast growth in passengers is also substantial. For example:

- by 2039, 65.6 million passengers are expected to pass through Sydney Airport, up from 43.3 million passengers in 2017[9]
- by 2038, annual passenger numbers are forecast to almost double at Melbourne Airport to more than 67 million[10]
- by 2034, Brisbane Airport will need to cater for 48.3 million passengers, more than double last year's passenger total of 22.9 million[11]
- by 2045, 35 million passengers will travel through Perth Airport, up from 14.3 million passengers in 2017[12]

The privatisation of Australia's major airports, and the subsequent surge of private sector investment which has kept pace with demand, should be considered one of Australia's infrastructure success stories. The task is to ensure that this performance is encouraged and not threatened or jeopardised in any way.

CHAPTER 2

Australia has been a standout infrastructure investment destination

Australia has, over many years, earned a hard-won reputation as a world-leading infrastructure investment destination. This reputation is built on our strong economic performance derived through sensible and predictable reform, sound institutional frameworks, and our robust and stable regulatory landscape.

Airlines, governments, and passengers have benefited from these factors, which have underpinned significant investment and expansion of airport facilities paid for by those who benefit from the investment. Airport capacity has been maintained in line with unprecedented passenger growth, while service levels and passenger experience have improved markedly. The discipline and availability of private capital investment, supported by the current economic regulatory regime for airports, has been essential to this success.

But change to the current regime could further escalate national regulatory uncertainty

Australia has an impressive track record of investment in airport and other infrastructure sectors. However, over recent years, Australia's infrastructure markets have increasingly suffered from rapid policy and regulatory interventions; alongside increasingly unpredictable approaches to decision making.

This gradual erosion of regulatory certainty has the potential to undermine Australia's standing as one of the world's most attractive infrastructure investment destinations. The 2017 *Australian Infrastructure Investment Report* found that 69 per cent of survey respondents stated Australia's track record of infrastructure businesses made Australia attractive for investment. This was the highest rank strength out of a possible ten.

However, the increasing spectre of direct intervention and threat to regulatory certainty, has also served to divert attention from the implementation of a range of sound policy outcomes. The current disorder in the Australian energy market is a contemporary example of this policy and regulatory erosion. A decade long policy vacuum and concurrent instability has led to higher prices and worse customer outcomes. The energy market has also seen the Australian Government unilaterally remove the Limited Merits Review for energy networks and make hasty changes to the gas pipeline access pipeline regime.

To date, airports have been largely insulated from the emerging uncertainty and policy volatility experienced in adjacent infrastructure markets. However, airports remain a core part of the national infrastructure market and regulatory environment. Therefore, airports must be viewed in the context of this uncertainty.

For this reason, any changes to the current regime would likely escalate the already high levels of investor concern and may distort airport infrastructure investment programmes. This, in turn, could limit Australia's capacity to take full advantage of the economic benefits of a growing demand for domestic and international aviation services.

As such, the objective of the Australian Government should be to return our infrastructure markets to a settled, stable and predictable regulatory regime to maintain investor confidence. Maintaining the current economic regulatory regime for airports would serve to limit the emerging national regulatory uncertainty.

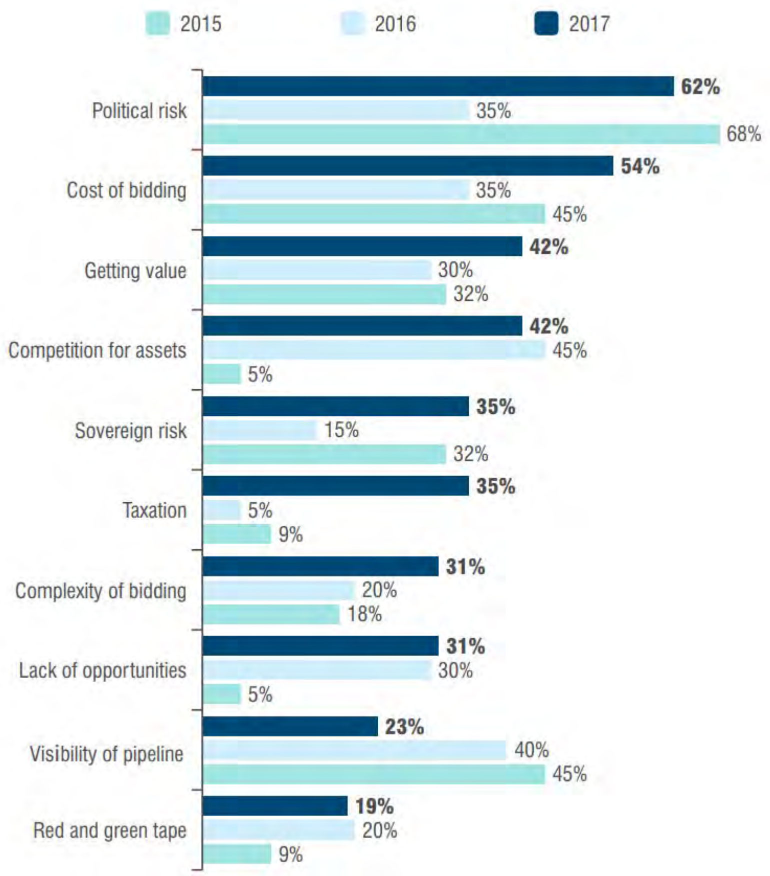
The Australian Infrastructure Investment Report

Over the last three years we have undertaken a survey of both domestic and international infrastructure investors to understand Australia's investment environment in a global context, and how this is changing over time.

In 2017, the report showed that Australia's value proposition to investors is being eroded by policy, regulatory and political uncertainty. As seen in Figure 1, political (62 per cent) and sovereign type risks (35 per cent) are of great concern for investors.

A total of 66 per cent of investors also reported that they are not optimistic about the Australian Government's infrastructure policy. This uncertainty can have long-term impacts on investors and the community, through higher prices and poor service outcomes.

Figure 1: Most significant challenges to investing in Australian infrastructure



Source: Infrastructure Partnerships Australia, 2017

CHAPTER 3

The current regime has underpinned airport infrastructure investment

Both international and domestic investors look to the stability and predictability in Australia's regulatory environment to assess the risks of making investments. A sound regulatory environment that provides certainty is essential to providing the confidence that underpins long-term private investment in major infrastructure. Investment in airport infrastructure involves substantial up-front capital contributions. Returns are generated on this capital over the long-term operation of the asset.

Investor confidence in airport regulatory settings is critical to making efficient and timely investment decisions. In highly mobile global capital markets, investors are constantly adjusting their investment mix to achieve improved risk-adjusted returns. In other words, Australia's airports compete against other infrastructure assets domestically and overseas for capital to invest in infrastructure.

End users will bear the cost of economic regulatory instability and uncertainty

As described in the previous section, altering the current regime will introduce heightened regulatory uncertainty into the Australian airports sector. Ultimately, these costs are passed on to the end users because regulatory uncertainty is not free.

A rise in regulatory uncertainty could increase the cost capital. The provision of regulatory certainty enables airports to source capital at a competitive cost. This means investment in infrastructure is efficient and can lead to lower infrastructure charges. Instability can also lead to a reduction in the amount of capital available for investment or increase the returns that need to be generated from it. This could further inflate the price for airport services and increase the price for end users.

Even the perception of possible regulatory volatility can have adverse impacts on the availability and cost of capital. Airport investors could, for instance, redeploy capital to alternative offshore investments if their confidence in the current regime for airports is undermined.

Any change that deviates from the 'light handed' regime will see costs imposed on actors in the aviation supply chain and eventually passed onto the end users. This could have flow on consequences for the planned infrastructure upgrades and new investments which span multiple five-year regulatory review cycles.

The five-year review period does not reflect the long-term lifecycle of investment

The fixed review period means the airport sector already has a uniquely high regulatory risk because it receives a wholesale review every five years. The review period is short relative to the multi-decade nature of investment in airport infrastructure. Under these arrangements, the conditions set to recover the cost of the investment can change.

It can result in interventions, additional regulatory burden or determinations during the life of the investment. Further, the majority of airport debt is short-term (and therefore more expensive) which reflects the period of regulatory reviews and the airport pricing agreements signed with airlines.

While the principles that underpin the current regime are sounds, Australia's major airport are at different stages of the capital investment lifecycle. For this reason, a more appropriate review timeframe would be one that is flexible and recognises the different stages major airports are positioned in the capital investment lifecycle.

CHAPTER 4

Airport market power is limited

One of the characteristics of firms with substantial market power is that they can act independently of their customers in setting terms and conditions, including prices. However, Australia's airports have a demonstrated track record of reaching successful commercial agreements with airline partners. At times negotiations can be challenging, but this is because both parties come to the table with bargaining power.

We also note that the commercial negotiation techniques have become increasingly sophisticated and customer focused. Airports work in partnership with airlines to ensure investment drives operational efficiency and enhances the passenger experience. During this negotiation process, airlines have a significant degree of market power. They can negotiate when and what investment can be undertaken in potential airport infrastructure and upgrades.

Market power should also be considered a question of degree that needs to be assessed in the relevant markets where an airport competes – and how this is forecast to change over time. Australia's major airports are increasingly competing with each other, and with airports in their own catchment. In Victoria, Avalon Airport will see the commencement of international services later this year[13], while also receiving $20 million capital contribution for upgrades in the 2018-19 Federal Budget.[14]

Brisbane Airport faces increasing competition from Sunshine Coast Airport and Gold Coast Airport, both of which are within a reasonable distance (100 km and 85 km respectively) and serve substantial and growing population centres. The Sunshine Coast Airport has also commenced the expansion of runways to cater for larger aircraft. On freight, the new Toowoomba-Wellcamp Airport will increasingly compete with Brisbane Airport for freight movements.

Sydney's aviation market has and will continue to grow at a high rate. Because of the forecast capacity constraints at Sydney Airport, the Commonwealth has commenced delivery of Western Sydney Airport (WSA). While operations of WSA will commence after one more PC review cycle, altering the current 'light handed' regime as a consequence of the current review will lead to competition and investment issues once WSA commences operations, particularly because of its 24-hour operating capacity.

Brisbane Airport

The Gold Coast Airport

Airports do not charge airlines for air freight carried the belly of passenger aircraft

The International Air Transport Association (IATA) forecast a rise in global air freight carried to 62.5 million tonnes in 2018.[15] This represents less than one per cent of world trade in volume, but over 35 per cent by value. IATA notes e-commerce emerging as a new driver of air freight. The value of goods carried by airlines is expected to exceed $6.2 trillion in 2018, representing 7.4 per cent of world GDP.[16]

In another sign of limited market power over airport charges, airports in Australia do not charge airlines for freight carried in the belly of passenger aircraft, despite freight using much of the same infrastructure as passengers, and a large majority of air freight being carried this way. Melbourne Airport receives only around 15 per cent of total international freight tonnage from dedicated freight carriers, with the balance carried in the belly of passenger aircraft.[17] Similarly, Sydney Airport sees only 20 per cent of international air freight carried in dedicated freight aircraft, while the remaining 80 per cent is transported in passenger aircraft.

Often, revenue generated from freight held in the belly of the aircraft provides the necessary profit margin required to make passenger routes commercially viable. Despite this, airports only charge landing fees for dedicated freight carriers and not freight carried on passenger aircraft.[18]

CHAPTER 5

The ‘light handed’ regime has proven robust, so we now need a pathway forward on other regulatory and policy challenges

Due to the nature of the aviation sector, Australia’s major city airports are required navigate and comply with complex regulations and rules on security, safety, environment, customs, planning, investment, transport connections and technology.

If the Australian Government aims to lift the national productivity and efficiency of our airports, any review should be broad-based and seek to address the evolving challenges and blockages constraining airports operations and investment. As the current ‘light handed’ regulatory regime has repeatedly been found by the Productivity Commission to be robust, the Australian Government has to opportunity to develop a reform pathway on other challenges to support the long-term economic success of airports and related industries.

With the success of the ‘light handed’ regime well acknowledge, we submit the Australian Government should work with state and local governments to undertake an action plan to reform the regulations and policies of airports, with the objective of improving national productivity. We acknowledge many of these issues are considered by the Productivity Commission in the review, however the tiers of government should work together to address these challenges. Areas in need of action include:

- the inefficiencies imposed by operating caps and curfews at Sydney Airport
- overlapping and inconsistent local, state and Federal regulatory and policy settings
- underserviced and increasingly congested land transport connections
- intensifying urban encroachment and suboptimal land use planning, and
- very limited understanding of aviation freight networks and supply chains, despite their economic significance.

Addressing these constraints would improve productivity and facilitate broader economic growth through increased trade, tourism and investment, and wider economic benefits such as agglomeration from the clustering of airport businesses. By way of further explanation, we expand on two areas in need of specific action.

Area of action: Caps and curfews at Sydney Airport

The Productivity Commission's review should provide guidance to the Australian Government on how the tiers of government can work together to consider and address the suitability of the caps and curfew regime at Sydney Airport. These artificial barriers to national productivity should be reviewed and updated.

In its 2016-17 *Airport Monitoring Report*, the ACCC notes that the regulatory constraints on Sydney Airport around aircraft noise and regional airlines 'constrain the airport's ability to both manage congestion and maximise operational efficiency more generally[19]. Indeed, the cap and curfew regulations in place are blunt and often ineffective at achieving the public policy goals they sought to achieve. The 2016 *Australian Infrastructure Plan* also recommended:

> Caps, curfews and other restrictions on how our infrastructure is operated and used should be avoided where possible. Giving Australia's infrastructure the capacity to freely meet its economic and social purposes will open new opportunities for growth and development. Existing regulatory constraints should be regularly reviewed to ensure they remain relevant and new assets – including new ports and airports – should be planned to ensure curfews and other restrictions are avoided.[20]

Sydney Airport is the only major airport in Australia with a cap on aircraft movements (80 movements per hour). This artificial constraint, and the methodology used to calculate compliance, means that if there is a disruption, Sydney Airport cannot recover lost productivity. But the negative impact of the cap is not limited to Sydney Airport. The inability to recover lost productivity impacts aviation nationally as well as the broader Australian economy. Airlines waste fuel with planes circling airports or idling on the tarmac, creating more noise, while passengers are left stranded in transit. This is particularly pertinent for high frequency routes such as Sydney-Melbourne and Sydney-Brisbane.

The curfew placed on Sydney airport also constrains national freight productivity, where 46 per cent of Australia's air freight transits through.[21] By specifically prescribing how many and what type of freight aircraft can operate at certain times, the curfew legislation imposed in 1995 prohibits the efficient use of newer, quieter, larger and more fuel-efficient aircraft. Further, this artificial constraint exacerbates the movement cap at Sydney Airport, turning delays earlier in the day into cancelled flights.

Caps and curfews are suboptimal. But where they do exist, they should be structured to around a desired policy outcome. Where technology changes and innovation occurs, this approach provides the flexibility to extract greater value from our infrastructure without the need to reopen the regulatory structure.

In the absence of an outcomes based regulatory regime, we should regularly review caps and curfews to ensure they are efficiently meeting their policy objective.

Area of action: Airfreight supply chains and regulation

Infrastructure Partnerships Australia welcome the focus on freight in the Productivity Commission's Issues Paper, as it presents an opportunity to lift our level of understanding on a critical issue largely hidden from view. Airfreight is used to move high-value, time-sensitive and perishable items that need to be delivered to markets quickly. A diverse range of products are exported, from meat, fresh fruit, medical products, high value technology products to precious stones and metals. These goods are delivered to multiple destinations, with export countries primarily in Asia.

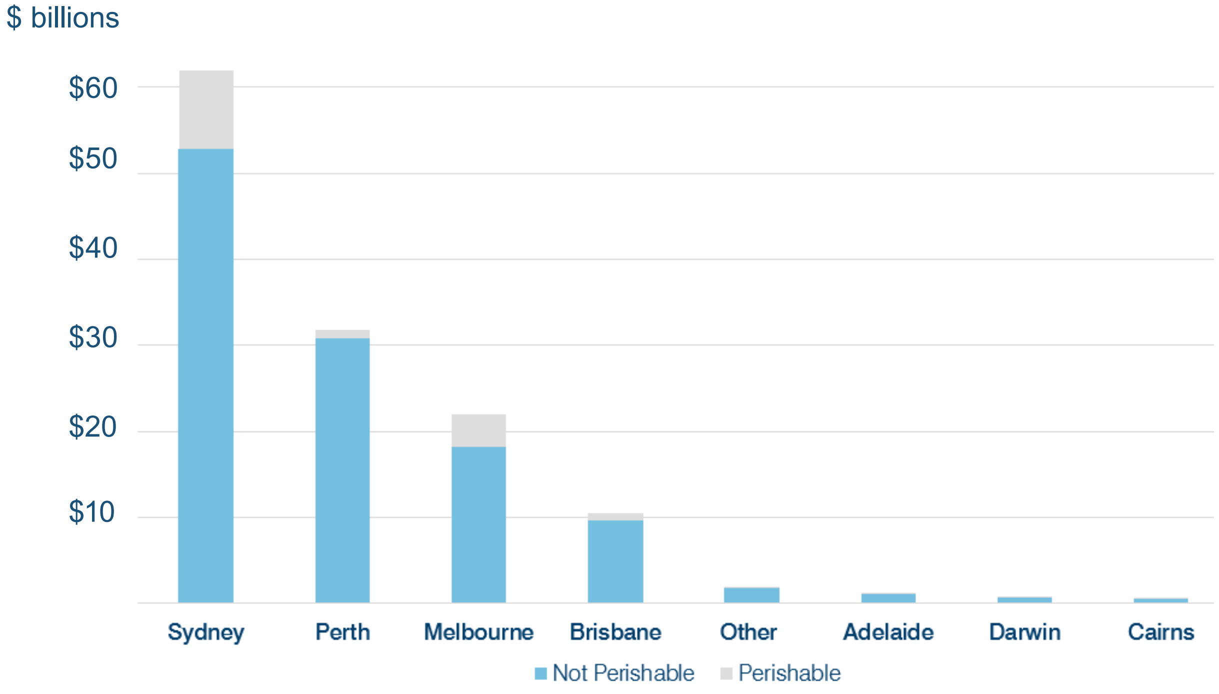
For this reason, we submit that the Australian Government should develop a long-term view of the importance and performance of airfreight and supply chains, specifically in lifting productivity and expanding export opportunities. Collecting, analysing and reporting on freight performance is the first step needed to improve the regulatory and policy decision making. The issues, and our recommended reform pathway, are outlined in our 2018 *Fixing Freight* report, which we include as a supporting paper to this submission.

Indeed, all aspects of the economy rely on our capacity and efficiency to move goods to, from and around the country. Whether it is moving products from farms or mines, exporting live seafood, or servicing our major urban centres with building materials, we rely on a complex network of supply chains.

However, the importance of freight, specifically the role of airfreight, is not well understood in the Australian economy, community or amongst policymakers, as it is largely hidden from view. We also have no understanding of the performance and efficiency of our freight and supply chain networks.

Many would be surprised to hear more than 21 per cent of Australia's total value of international trade in goods is airfreight carried through our airports. Despite this, airports only account for less than one per cent of total volume. As seen Figure 2, Sydney, Perth, Melbourne and Brisbane account for the bulk of the value of international airfreight. The total value of international trade in airfreight is $130 billion.

Figure 2: 2016 international air freight by value at the major airports ($billions)



Source: IPA analysis of ABS Statistics, 2016

In 2016, total export value of airfreight was estimated at $55.3 billion. According to the ABS, a significant value of airfreight is attributed to gold and precious metals, with total value of approximately $20 billion in FY2017. Perth Airport has the largest share of this export commodity. Removing the gold and precious metals component from total airfreight value leaves more than $30 billion worth of exports via airfreight. Gold and precious metals aside, our analysis of ABS data shows the next largest export category is electrical and mechanical appliances, followed by medical and visual equipment, chemicals and finally agricultural and food stuffs products.

But not only do we have a poor understanding of the importance and role of airfreight, we have no visibility or understanding of the performance of our airfreight supply chains that support our regional and urban export industries.

Including airfreight, very few aspects of the supply chain are actually measured in terms of cost, time and quality. That is why there is broad acceptance that Australia has a freight productivity challenge, but no agreement on where or why this is happening, or how it can be fixed. Any attempts to improve freight market efficiency means we have been seeking to solve problems we cannot see.

Various international indicators have also pointed to our deteriorating freight and supply chain performance. For instance, the World Bank's E*ase of Doing Business* report ranks Australia in 14th position overall – but in the 'ease of trading across borders' category we are ranked 95th, down from 23rd in 2006.[22] Another report suggests that this deterioration in competitiveness at the border can be attributed to our customs procedures, however specific details on the cost, causes and how it could be improved are not known.

Moreover, the airfreight component held in the belly of an aircraft can be the determining factor that makes air routes commercially viable. Typically, more than 80 per cent of airfreight is moved in the belly of passenger aircraft, with the remainder carried on dedicated airfreighters.[23] Since airports do not charge for airfreight carried in the belly of passenger aircrafts, Australian airports have limited visibility of what airfreight moves through their terminals. All this data is held separately by customs, freight forwarders and the airlines, and is not completely or readily accessible.

Leveraging the benefits of airfreight should be an objective of the Australian Government. This is because airfreight is comprised of high-value products, and transporting airfreight to airport terminals requires less road and rail infrastructure and resources because of the typically smaller scale of products.

While airfreight should be a key focus of the current National Freight and Supply Chain Strategy being developed by the Australian Government, the Productivity Commission should recognise the importance of airfreight and closely consider the implications of its review for freight market development.

CONCLUSION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Conclusion

In the context of Australia long-term economic reform program, Australia's airports have proven to be a success story for the infrastructure sector and broader economy. This success was built on the privatisation of the major airports into the current 'light handed' monitoring regime, but also the stable maintenance of this regime since 2002. This has delivered significant and enduring prosperity to the Australian community.

The current regime has seen consecutive, successful commercial negotiations reached between airports and airlines. This process has been normalised and sees both parties reach agreements to deliver high quality services at competitive prices – a conclusion which has been reached in previous Productivity Commission reviews. This has allowed our major airports to invest significant capital into upgrades and expansions to meet demand, but also improve operational efficiency by getting more services from less infrastructure.

Looking forward, demand for airport infrastructure will continue to surge over the coming decades. The continuity and stability of the current regime is necessary if Australia's major airports are to meet demand, as well as the expectations of service quality from end users.

Continuity will provide investors with the confidence that the economic regulatory environment that governs investment will remain stable and robust. In turn, this will ensure the right investment will be undertaken, at the right time, and at a low cost of capital.

Any change in the current regime will also have consequence for the national infrastructure sector. Australia's success over recent decades in infrastructure policy, regulation, delivery and reform has earned us a reputation as a world-leading infrastructure investment destination. However, over recent years Australia's infrastructure markets have suffered from rapid and unpredictable policy and regulatory interventions and decision making.

This has gradually eroded regulatory certainty and the broader investment environment for infrastructure investors. The current state of Australia's energy market is a contemporary example of regulatory inconsistency and the existing policy vacuum leads to high costs and poor service quality.

The objective of the Australian Government should be to return the national infrastructure sector to a steady and predicable position to restore investor confidence. Upholding the current regime would serve this objective, and ensure our aviation sector is well placed to maximise the opportunities of a growing and dynamic Australian economy.

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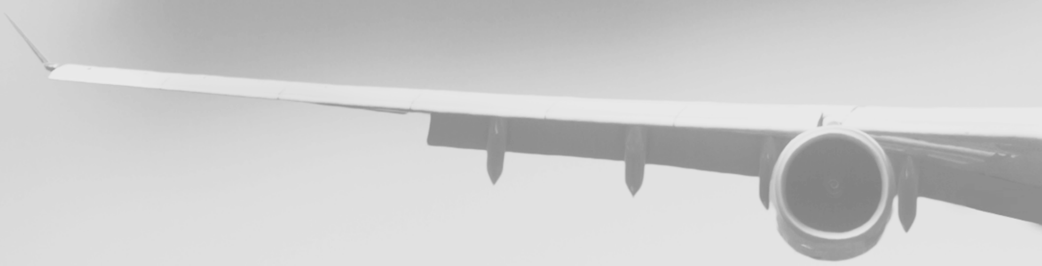
National Infrastructure Perspective – Airports, Regulation and Capital Investment

Infrastructure Partnerships Australia is pleased to provide this submission to the Productivity Commission's inquiry into the economic regulation of airport services.



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