

INITIAL SUBMISSION TO THE PRODUCTIVITY COMMISSION'S 2018 ENQUIRY INTO ECONOMIC REGULATION OF AIRPORTS

Andrew's Airport Parking.	Nudgee Road, Hendra, Brisbane ("AAPB")
Andrew's Airport Parking.	Mickleham Road, Tullamarine ("AAPM")
Busy Beaver Airport Parking.	Tullamarine Park Rd, Tullamarine ("BBAP")
Gateway Airport Parking.	MacArthur Avenue, Hamilton, Brisbane ("GAP")

(collectively "the Group, we, us, our")

Separate to this enquiry, the owners of this Group also operate an off-airport car parking business in Adelaide and online airport parking booking websites that provide parking options for 13 airports around Australia and New Zealand.

Please find following the Group's submission in relation to Content 3 (generally) of the Productivity Commission's Issues Paper – Economic Regulation of Airports

Introduction

The Group are all off-airport car parking businesses with branches located in close proximity (5-7 kilometres) to the international and domestic airports in Melbourne and Brisbane. Each business involves customers dropping their vehicles at our off-airport parking station and then being transported in a courtesy bus to near their respective airport departure terminal. On return, customers are collected from near their arrivals terminal and returned to their vehicles parked at each off-airport parking station.

Each business obtains airport access by way of a licence agreement granted by the airport operators. The licence agreement permits each business restricted airport precinct entry and usage rights, subject to payment of licence fees by each business to the airport operator.

Each business operates in direct competition to on-site airport car parks operated by both of the above airports and other off-site airport car parking operators. This gives the Australian travelling public an ability to have choice with respect to their Airport Parking needs. With approximately 3,500 vehicle spaces in Melbourne and 3,200 vehicle spaces in Brisbane, the Group is both airport's largest direct competitor in airport parking.

Clearly, airport access is critical to the conduct of the Group businesses.

Since the privatisation of Melbourne Airport in 2001, the commencement at Brisbane Airport of AAPB in 2006, GAP in 2010 and the commencement at Melbourne Airport of BBAP in 2011, each business of the Group has been paying access fees for their courtesy buses. Access fees have been charged for customer collections via the General Transport Operators lane at Brisbane Airport since 2006. At Melbourne Airport access fees were applicable to customer collections via public collections lanes until 2013, however since 2013 access fees have applied to every entry, including drop offs only, via our allocated buses lane outside Terminal 2 and additionally when required inside Terminal 4 Car Park.

We have long accepted any airport's right to charge access fees that meet the costs of service and development of that access, however we question whether these fees are equitable to those measures.

Instead, we believe we have long endured these airports charging excessive access fees given their monopolistic position. This specific concern was highlighted most clearly in Melbourne by the ACCC in their 2009-10 Airport Monitoring Report:

"Melbourne Airport appears to have reduced the ability of off-airport parking and private bus operators to compete with the airport's own car parking services. For example, the information available suggests that Melbourne Airport imposes excessive access levies and controls the available space for those operators. This affects those operators' own prices, convenience and, therefore, attractiveness to consumers."

Extraordinary on-airport parking revenues and eroding viability of competitive parking and transport alternatives have been topical in ACCC Reports since this statement.

To make the point, Melbourne Airport access fees were \$2.30 per single access for mini buses on January 1, 2014. Today, they are \$4.04, with congestion fees applied after 10 minutes.

Brisbane Airport is higher again, currently at \$4.65 per single access at both Domestic and International collection zones, albeit for collections only. Congestion fees again apply after 10 minutes.

Yet despite significant increases in access fees and resultant revenue, infrastructure and services specific to off-airport parking remain largely unchanged over the same period at both airports.

Fees aside, the Group also suggests that discussion between these airports and off airport operators has become insufficient and cursory. Scheduled briefings are held at Melbourne Airport quarterly and at Brisbane Airport bi-annually, but these barely provide time for information to be conveyed, much less discussion or robust negotiation of planned developments.

As all of Australia's international airports move closer to capacity for particularly on-site multi-level parking, airports must develop close and transparent relationships with the operators of commercial off-airport car parking sites. We believe that such co-operation is critical to the future of healthy competition and choice for the Australian traveling public. For this reason, we would urge the Commission – as well as all Australian airport operators – to give full and proper consideration to the recommendations at the end of our submission.

Melbourne Airport Considerations

AAPM commenced operations at its flagship business in Tullamarine in September 1997, while BBAP also opened in Tullamarine in June 2011. For the first seven years of our operations, while Melbourne Airport remained under Government control, access to the airport precinct was unrestricted and free of charge. However, upon the airport's privatisation in 2001, the new operator, Australia Pacific Airports Melbourne Pty Ltd ("**APAM**"), initiated a review of airport operations, which resulted in the introduction in September 2004 of access fees for all off-airport parking operators for each trip to collect their passengers. As mentioned previously, this has since extended to an access fee for all entries to airport grounds, regardless of collection or drop off. To the Group's knowledge, Melbourne is the only airport in Australia that collects fees for off-airport drop offs only.

Before the commencement of this fee arrangement, an association was established to act as a point of liaison between the off-airport parking companies and APAM. Since this time this association is no longer operating and APAM has restricted meeting with the off-airport parking operators from a regular basis, denying the off-airport operators a viable channel to meet with APAM's managers to discuss operational developments and matters of mutual concern. While APAM does host and document quarterly briefings to advise service providers of changes and developments at the airport, these meetings do not provide an appropriate or timely opportunity for off-airport parking operators to raise individual cases of access or parking issues.

Since AAP began paying access fees at Melbourne Airport in September 2004, these fees have continued to increase without any formal notification or clarification of the methodology used to calculate these increases. In the same period, the number of off-airport parking operators has increased from eight (8) to sixteen (16), providing a current estimated total of more than 12,000 off-airport parking spaces.

One would expect that such a robust and exponential increase in the number of off-airport car parks would provide a compelling incentive for Melbourne Airport to reduce its on-site parking fees, as well as the access charges it levies on its off-airport parking partners. In fact, prices for both access and parking at the airport have continued to rise, the latter to the extent that Melbourne particularly alongside Sydney have some of the most expensive airport parking in the world.

Again, Melbourne Airport access fees have risen from \$2.30 to \$4.04 per access in the past 4 years and will result in annual airport revenue of approximately \$300,000 this calendar year from the Group. A significant share of Group revenue, I assure you.

Or, if not reduce the fees, at least have the revenue generated by those fees provide a proportionate improvement to infrastructure and services. Bus access revenue has lifted from \$3.2M in 2009-10 to \$7.8M in 2016-17 and while SkyBus has seen improvements to their Airport presence over the past 4 years, our Group can point to no tangible improvement in infrastructure or service, other than a hastily implemented shift one lane closer to existing infrastructure outside Terminal 2 in early 2018.

However, we can't afford Melbourne Airport direct credit here, this was done without consultation, without sufficient notice to prepare our customers, online or print messages and appeared to be solely at the requirement of facilitating Uber vehicles.

On the topic of consultation and sufficient notice, recent upgrades to airport access roads during the Tullamarine Widening project have also been poorly communicated. Typically, we have received less than 7 days notice of works to be completed that directly affect our route, staffing requirements and customers. And even those late notifications are by email only.

Brisbane Airport Considerations

AAPB opened just off airport grounds in Hendra in June 2006 and GAP opened to service both Brisbane Airport and the Port of Brisbane in Hamilton Qld in July 2010. Cumulatively, our Brisbane facilities represent around 10% less car spaces than our Melbourne operation. As parking rates are comparable, all other costs and revenues reflect this lesser percentage.

We reported in 2011 to the ACCC, that Brisbane Airport had increased our airport access fees by 134% in AAPB's first five years. And similar to Melbourne Airport, during those years there was a significant expansion in off-airport operators and therefore a compelling argument to at least maintain

status-quo on access fees, allowing higher access numbers to fuel an acceptable level of revenue growth.

During those five years and for several years more, Brisbane Airport charged via an annual access fee, paid in monthly instalments. The 2012, 2013 and 2014 access fees paid by AAPB and GAP combined continued to rise through \$157,000, 183,000 and \$192,000, in each case roughly 45% of the ACCC Annual Report figure for Off-Airport access fees.

Today, Brisbane Airport have adopted the more typical charge per access fee, with their rate lifted annually to currently sit at \$4.65 per customer collection. We forecast that AAPB and GAP access fees will approach \$250,000 this calendar year, again a significant share of Group revenue.

Even as recently as 30 days ago, Brisbane Airport found another method to disadvantage off-airport providers, by changing our bus type so that time limits dropped from 15 minutes to 10 minutes and congestion fees would apply thereafter. Remarkably similar to Melbourne Airport.

Like Melbourne, annual increases are dictated with no direct rationale to off-airport parking, only generalist comments about growth, expansions and broader developments, certainly no tangible improvement to off-airport parking infrastructure or services.

Couple these continuing increases and void of customer improvements with Brisbane Airport's recently developed Airpark – which targets a very similar customer set to off-airport parking operators on aggressive pricing alone – and Brisbane has become a market of significant disadvantage for airport parking competitors. To the extent that AAPB has not been able to increase pricing since 2013, while GAP pricing has oscillated over the same period to currently sit relatively unchanged over the period, also customer choice has been eroded lately with two large off-airport providers (also our competitors) Budget Airport Parking and Kingsford Smith Airport Parking closing their doors in 2018. We have simply had no opportunity to increase value in our businesses, in large courtesy of decisions from Brisbane Airport.

Finally to comment on Brisbane Airport's level of consultation, it is minimal. Where Melbourne has quarterly meetings that follow a structure and are documented, Brisbane have bi-annual meetings, without pre-communicated agenda or documentation (or at least minutes or similar are not circulated). We could not count the number of times that our suggestions were put "into future planning" only to disappear by the next meeting 6 months later.

As a primary player in the Melbourne and Brisbane markets, it is incumbent upon us to keep our own fees at a reasonable level – not to mention a level that can compete and thus provide competitive pressure upon the airports' own parking facilities. Furthermore, we must also deliver a quality and timeliness of service that warrants customers considering us a competitive option.

Unfortunately, Melbourne and Brisbane Airports have zero incentive to support off-airport providers in these requirements. Unchecked, they demonstrate this via continuing increases to access charges, withheld or delayed information and a disappointing level of consultation, eroding our competitive potential and opportunity to deliver an equitable customer experience.

Additional Comments

We would like to briefly address two further points, the competitive nature of off-airport parking and the ACCC discontinuing their surveys to off-airport parking providers due to lack of response.

Off-airport parking is not necessarily given its dues as a competitive force upon on-airport parking (except possibly by the airports themselves). Put more directly, with appropriate regulatory support, we are the industry capable of keeping airport parking honest.

In the most recent ACCC Airport Monitoring Report (2016-17) Melbourne Airport is listed as providing 23,600 customer car spaces, while Brisbane Airport provides 13,100 customer car spaces.

There are some 15-16 off-airport parking providers in Melbourne, providing a spectrum of service quality. Some very good, some not so. The total spaces provided by this group is estimated at 12,000. But even taking only those who meet the criteria of and are entrusted providers to the RACV, there are an estimated 8,500 spaces. Over ¼ of the airport parking market is made up of what you might classify as quality off-airport parking providers. Certainly an amount capable of competitive pressure.

As eluded to earlier, Brisbane has recently lost two large providers in an incredibly tough market. Nevertheless, the four providers that remain are all of quality and represent approximately 5,000 spaces. The same statement can be made, that more than ¼ of the airport parking market is made up of quality off-airport parking providers and therefore capable of exerting a competitive pressure. For the purpose of transparency AAPB and GAP are the only providers approved by and entrusted providers for RACQ Members, representing 3,300 spaces.

Addressing the lack of response to surveys, the Issues Paper states:

“The ACCC discontinued its survey of off-airport car parking operators, taxi and bus industry bodies in 2016-17 due to low response rates (ACCC 2018a).”

We can only speak for our Group. But there are only so many enquiry, annual report and survey responses that private business will put time and resource into, without affecting change, before deciding to no longer allocate that time and resource. It may be that other businesses paying access fees felt the same.

Let us hope that this Enquiry proves different.

A Formula for Success: Summary and Recommendations

We preface this final section by saying that we will work with and encourage an open dialogue with the Productivity Commission on improved regulation. We certainly don't profess to have all or the only answers, but offer these Summary and Recommendations as potential.

The Group is in full agreement that both Melbourne and Brisbane Airports, as competitive commercial businesses, are fully entitled to charge off-airport parking operators access fees that are representative of the services they provide and the costs incurred by those services.

We also contend that this fee must be reasonable, justifiable and should bare a direct relationship to one or both of services rendered for the fee and size of the off-airport parking operators.

Ultimately, we see cause to adopt a national framework for access charges at all Australian Airports. That glaring discrepancies currently exist between major airports, between both quality of access and fees charged, represents a lack of equity, transparency and expectation of customer service standards. Without greater regulation and oversight, the current access fees impose a very high, if not unbearable, cost on a critical airport industry. These fees also make justifying claims to be acting in the interests of passenger comfort and convenience, difficult to support.

We firmly believe there are sufficient high quality off-airport parking operators servicing all major airports, that can exert a competitive pressure on airport parking prices. Changing that group from fragmented to more easily perceived as competitive requires appropriate regulatory support, which we would expect is only made available to providers adhering to standards deemed appropriate to warrant such support.

Most importantly, ongoing monitoring, measurement and most importantly accountability to access fees and communication standards from airports to off-airport parking providers. Having our contributions heard and being charged those reasonable, justifiable and relatable access fees will go a significant distance to ensuring competition and choice for the Australia travelling public.

And from our position, would be a strong demonstration of Australian Airports not abusing their market power.
