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Economists

# Car parking and ground access – market power assessment

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A report for Sydney Airport

31 August 2018

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# Contents

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Executive summary	i
1. Introduction	1
2. Car parking and ground access services	2
2.1 Range of methods of accessing the airport	2
2.2 Car parking services	3
2.3 Capacity and investment at the car parking facilities	5
2.4 Pricing of car parking facilities	9
2.5 Other ground access services	15
2.6 Revenue from car parking and ground access	18
3. ACCC Airport Monitoring Report 2016-17	21
3.1 Profit margins for car parking remain high	21
3.2 Airports meeting the challenge of congestion and strong passenger demand growth	21
3.3 Independent car parks and online booking options offer lower cost alternatives	22
4. Does SACL have substantial market power?	23
4.1 Car parking	23
4.2 Landside access	32
5. Has SACL exercised market power?	34
5.1 Car parking	34
5.2 Landside access	44
6. Conclusion	47
A1. Off-airport parking operators	48

## Figures

---

Figure 2.1: Car parking at Sydney Airport	3
Figure 2.2: Pick-up areas at domestic precinct	4
Figure 2.3: Pick-up areas at international precinct	4
Figure 2.4: Capacity of SACL's car parking facilities 2012-13 – 2016-17	6
Figure 2.5: Arriving and departing passengers at Sydney Airport	7
Figure 2.6: Average daily throughput of car parking facilities at Sydney Airport	7
Figure 2.7: Maximum daily occupancy for the P6 and P7 car parks combined	8
Figure 2.8: Maximum daily occupancy for the Blu Emu car park	8
Figure 2.9: Proportion of car parkers at Sydney Airport that booked online	10
Figure 2.10: Current drive-up rates and 2016-17 average online rates at P1/P2 car park	11
Figure 2.11: Current drive-up rates and 2016-17 average online rates at P3 car park	12
Figure 2.12: Current drive-up rates and 2016-17 average online rates at P7 car park	12
Figure 2.13: Current drive-up rates and 2016-17 average online rates at Blu Emu car park	13
Figure 2.14: Domestic P1/P2 real drive-up car parking prices at Sydney Airport	13
Figure 2.15: International P7 real drive-up car parking prices at Sydney Airport	14
Figure 2.16: Blu Emu car park real drive-up car parking prices at Sydney Airport	15
Figure 2.17: Estimated usage of access types by passengers for 2012 and 2017	16
Figure 2.18: Estimated usage of access types by passengers, 2017	16
Figure 2.19: Real ground access charges at Sydney Airport domestic precinct	17
Figure 2.20: Car parking revenues at Sydney Airport in real (2016-17) terms	19
Figure 2.21: Car parking revenue per space at Sydney Airport in real (2016-17) terms	19
Figure 2.22: Car parking revenue per passenger (T1 and T2 only) in real (2016-17) terms	20
Figure 2.23: Ground access revenues at Sydney Airport in real (2016-17) terms	20
Figure 4.1: Prices of off-airport car parks servicing Sydney Airport	24
Figure 4.2: Locations of off-airport car parks servicing Sydney Airport	24
Figure 4.3: Proportion of users who enter car parks but are not charged by SACL	26

Figure 4.4: Taxi ranks at Terminal 1	28
Figure 4.5: Rideshare pick-up bays at Sydney Airport	29
Figure 5.1: Comparison of one hour car parking rates at Sydney Airport vs CBD	36
Figure 5.2: Three-hour car parking prices at Wilson and Secure car parks in Sydney CBD	37
Figure 5.3: Movement in implied return on land	41
Figure 5.4: Passenger survey ratings of quality of car parking facilities at the domestic terminals	42
Figure 5.5: Passenger survey ratings of quality of car parking facilities at the international terminal	42
Figure 5.6: Landside access fees at Sydney Airport	45
Figure 5.7: Quality of landside access ratings at Sydney Airport	46

## Tables

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Table 4.1: Estimated taxi fares from Sydney Airport	27
Table 4.2: Estimated UberX fares from Sydney Airport	29
Table 4.3: Private shuttle bus fares from Sydney CBD to Sydney Airport	31
Table 4.4: Price comparisons for return trips from Sydney CBD to Sydney Airport	32
Table 5.1: Land values in Bayside LGA, 2015 – 2017	39
Table 5.2: Sydney residential property prices, 2013 – 2017	39
Table 5.3: Benchmark property land value near Sydney Airport, 2013 – 2017	39
Table 5.4: Average movement in parking prices, 2013 – 2017	40
Table 5.5: SACL car parking revenues, expense and EBITA profit	40

## Executive summary

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The Australian Competition and Consumer Commission (ACCC) is required to monitor car parking and other ground access services at Sydney, Melbourne, Brisbane and Perth airports. These monitoring arrangements were put in place in light of a concern that the airports may be exercising market power in relation to those services.

This report considers whether Sydney Airport Corporation Limited (SACL) has substantial market power in relation to the provision of either car parking or landside access services (such as access land, pick-up and drop-off points, taxi holding areas, and so on), and whether it has exercised any such power.

In particular, we assess the extent to which SACL:

- has the ability to sustain revenues that exceed significantly the underlying economic cost of its car parking services, with this assessment being undertaken by reference to the competitive constraints faced by SACL from:
  - > off-airport car parking facilities; and
  - > other modes of transport, such as pick-up and drop-off, taxi, rideshare and public transport options; and
- whether SACL has exercised market power by successfully engaging in at least one of the following forms of conduct, ie:
  - > increasing car parking or landside access charges to levels that exceed the underlying economic cost of providing the relevant services (including the opportunity cost of land);
  - > reducing the quality of its car parking or landside access services without a corresponding reduction in prices; and/or
  - > restricting unduly its competitors' access to the airport.

Our analysis shows that SACL does not have substantial market power in car parking services. Further, there is no evidence that SACL has exercised substantial market power in respect of car parking or landside access services.

### SACL does not hold substantial market power in car parking services

Several factors suggest strongly that SACL does not have substantial market power in relation to its car parking arrangements.

First, there are at least eight 'off-airport' car parking providers in close proximity to the terminals, and which offer a door-to-door service for passengers. These operators provide an alternative to parking at the airport for people wishing to leave their car for one day or more and they constrain SACL because they provide a similar service to the Blu Emu car parking service in terms of location and price.

Second, there are many alternative ways of accessing Sydney Airport with varying comfort, speed and cost, including free pick-up and drop-off, public and private buses, taxis, rideshare, and the train. Each service offers particular advantages and disadvantages to different people in different circumstances.

Third, paid car parking is used by less than ten per cent of passengers accessing the airport, with free pick-up being more commonly used. Further, the proportion of customers entering car parks at Sydney Airport but not paying for parking has been increasing over time, and in 2016/17 it was around 38 per cent.

Fourth, car parking revenue per passenger (T1 and T2 only) has fallen in real terms from 2014-15 to 2016-17. We understand from Sydney Airport that the increased use of rideshare and the train are part of the explanation for this decline.

The existence of a range of potential substitute services – many of which are not provided by SACL, and whose usage is increasing – is likely to constrain SACL's ability to charge excessive prices for parking, since customers have the ready ability to switch between alternative modes.

## Market power has not been exercised in car parking services

Several factors suggest that, notwithstanding our finding that SACL does not hold substantial market power, there is no evidence that any form of market power has been exercised.

The ACCC has said that SACL earns high levels of profits from its car parking services. Such measures take no account of a key element of the economic cost of car parks, being the opportunity cost of the relevant land, in addition to the capital cost of the car park.

The evidence suggests that the locational rents at Sydney Airport are likely to be significant and have recently increased, ie:

- Sydney Airport would be able to rent out the car parking land for other purposes for substantial sums;
- airports are becoming more like small cities with a wide range of services, giving SACL a wide range of alternatives for the land used for car parks;
- the land used for car parks has increased substantially in value over the last five years; and
- the value of locational rents are very substantial in Sydney CBD, with car parks closer to the centre of the CBD having much higher prices than those just 1km away.

It follows that the prices set by SACL for car parking are likely to be explained to a significant extent by locational rents and convenience premiums. The ACCC's assessment of profitability does not take into account other aspects of opportunity cost (such as return on other capital). In the absence of such analysis, the ACCC's assessment of the economic costs of car parking is significantly compromised, and the reported profitability of car parking services at Sydney Airport is overstated. As such, there is no evidence that SACL has exercised substantial market power by charging high prices for parking.

The evidence and analysis we set out in this report is also not consistent with SACL exercising substantial market power in the supply of car parking services by other non-price means, ie:

- there is no indication that SACL has restricted capacity to create scarcity rents; and
- there is no evidence that the quality of car parking is below that of a competitive market.

Last, overall market outcomes have improved since the Productivity Commission's last review seven years ago, following substantial investments in car parking services made by SACL.

None of these factors are suggestive of a firm seeking to exercise market power by charging excessive prices, reducing quality or hindering access. This is unsurprising in light of our earlier observation that SACL is unlikely to possess substantial market power.

## SACL has not exercised market power in relation to landside access charges

Access to terminals is an essential component of the services provided at an airport and it is inherent in the physical configuration of its facilities that each airport controls (or has the ability to control) access to its terminals. It follows that SACL is likely to have some market power in the provision of landside access services.

However, there is no evidence that SACL has exercised market power, given that:

- SACL does not prevent any public or private operators from accessing the airport, and it does not charge higher prices for operators of off airport car parks, as compared to other ground access seekers with similar vehicles;
- SACL chooses to locate facilities for a variety of low to no yielding access modes, such as private vehicle pick-up and drop-off and taxi ranks and supporting holding areas on high value land located proximate to terminals. This prioritises the efficient movement of passengers and vehicles over the superior commercial returns that could otherwise be generated from this land;
- to manage peak demand and alleviate congestion for access modes including private vehicle pick-up and drop-off, SACL provides free parking options, prioritising quality for customers and the efficient movement of passengers and vehicles over achieving commercial returns from these assets;
- SACL has introduced a number of new options for landside access in the last few years, including the rideshare priority pick-up bays within walking distance of each terminal, and the express and priority pick-up areas;
- SACL has continued to invest substantial sums in providing new and improved landside access services. This is reflected in the ratings of quality for landside access as reported by the ACCC. Indeed, in 2016-17, most services were rated as 'good' by passengers, with the large majority improving since the previous year; and
- there is no evidence of market outcomes worsening in the provision of ground access services since the Productivity Commission's last review seven years ago.

# 1. Introduction

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This report has been prepared for Sydney Airport Corporation Limited (SACL) to support its participation in the recently commenced Productivity Commission inquiry into the economic regulation of airport services.

Aeronautical services, car parking and ground access services at Sydney Airport are currently subject to price, financial reporting and quality of service monitoring by the Australian Competition and Consumer Commission (ACCC) under Part VIIA of the *Competition and Consumer Act* (2010). The performance of the airports' regulatory regime has been the subject of two substantial reviews undertaken by the Productivity Commission, in 2007 and 2012, with these reviews following an earlier 2002 Productivity Commission review which recommended the removal of price controls on aeronautical services. The Productivity Commission is currently undertaking a further detailed review of the performance of the regulatory regime for airports, with the final report due to be presented to the government in June 2019.

This report addresses the provision of car parking and ground access services provided at Sydney Airport from the financial year ended 30 June 2013 onwards. It considers whether SACL has a substantial degree of market power in relation to the provision of both car parking and landside access services (such as access roads, taxi holding area, and so on), and whether it has exercised any such power.

Our report is structured as follows:

- in section two, we describe the car parking and other ground access services provided at Sydney Airport, including relevant trends in the price and quality of those services since 2013;
- section three summarises the key findings of the ACCC Airport Monitoring Report 2016-17 as it relates to activities at Sydney Airport;
- section four considers whether SACL has substantial market power in relation to car parking and landside access charges;
- in section five we assess whether SACL has an incentive to exercise market power in relation to car parking and ground access services, and whether there is any evidence that suggests it has exercised market power; and
- finally, section six concludes on the existence of market power and likelihood that SACL has used any market power in car parking and ground access services provided at Sydney Airport.

## 2. Car parking and ground access services

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Sydney Airport is situated around 8km south of the Sydney central business district (CBD), and is Australia's busiest airport with 43.3 million passengers in 2017.<sup>1</sup> Sydney Airport has three terminals, spread across two separate precincts, ie:

- Terminal 1 (T1) is the international terminal housing all international flights;
- Terminal 2 (T2) is used by all operators of domestic flights with the exception of Qantas; and
- Terminal 3 (T3) is currently exclusively used by Qantas for its domestic operations.

The remainder of this section details the car parking and ground access services available at Sydney Airport, including:

- the range of access options for accessing Sydney Airport;
- the car parking services at Sydney Airport;
- the usage and investment in SACL's car parking facilities;
- the pricing of SACL's car parking facilities;
- the other ground access services at Sydney Airport; and
- SACL's revenue from car parking and other ground access services.

### 2.1 Range of methods of accessing the airport

There are many travel options for passengers and other visitors travelling to and from Sydney Airport. These options span a wide price range (both within and across alternatives) and the majority are provided by companies independent of SACL. Customers choose the most appropriate travel mode for each journey, based on price considerations, time sensitivity, the reasons for travel, number of travellers in the group, time of day (ie traffic considerations) and other personal preferences.

Current options for accessing the airport include:

- train;
- public drop-off and pick-up;
- car parking, offered both by SACL and private operators;
- taxi;
- rideshare and private vehicle hire;
- private bus services; and
- public bus.

It is very likely that visitors to Sydney Airport value the wide range of travel alternatives and the ability to alternate between these modes, eg, by catching a taxi or rideshare service late at night when safety and door to door service may be important, by catching the train when travelling to the city where there may be significant congestion on the roads, or by parking at the airport when convenience is most important.

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<sup>1</sup> Sydney Airport, *Annual Report 2017*, p 4.

The remainder of this section sets out the services provided by SACL, whilst other ways of accessing the airport are described in section 4.1.

## 2.2 Car parking services

SACL provides a range of choices within its car parking facilities, namely:

1. P1 and P2 – a multi-storey car park offering short and long-term public parking close to the domestic terminals.
2. P3 – a multi-storey carpark also located at the domestic terminal, offering both short and long term public parking.
3. P6 – a multi-storey car park offering short and long-term public parking and staff parking.
4. P7 – a multi-storey car park offering short and long-term public parking close to the international terminal.
5. Blu Emu – an open air on grade car parking facility servicing the domestic terminal for both public and staff, with options for either shaded or unshaded public parking. Customers and staff that park in Blu Emu parking catch a free shuttle bus to and from the domestic terminals, which runs frequently throughout the day.

In addition, SACL provides other parking services such as express and priority pick-up areas and valet in both the international and domestic precincts. The valet service stores vehicles in various car parks at Sydney Airport. SACL also offers Guaranteed Space at both international and domestic, a proximity product in locations in the P1 and P7 car parks that are closest to the terminals and available for booking online only. Figures 2.1 to 2.3 below depict the location of SACL's car parking and pick-up facilities.

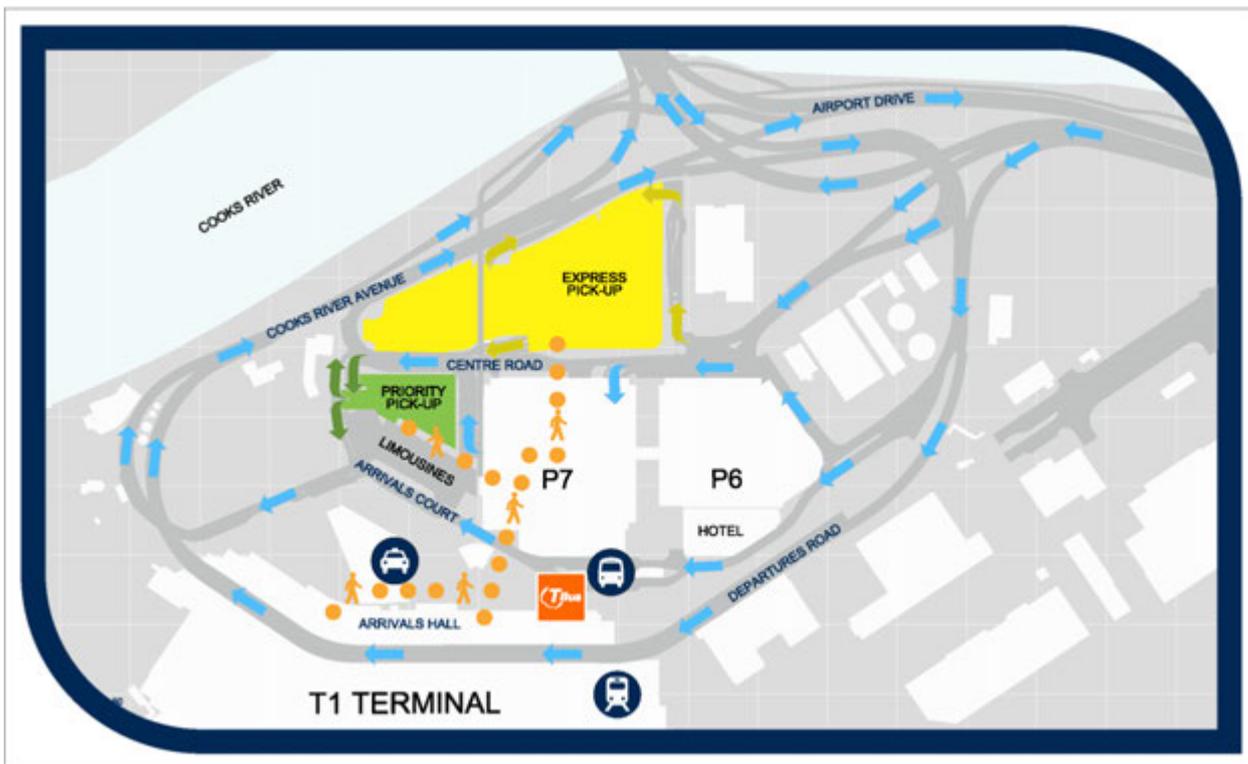
Figure 2.1: Car parking at Sydney Airport (not to scale)



Figure 2.2: Pick-up areas at domestic precinct



Figure 2.3: Pick-up areas at international precinct



Note: Priority pick-up at the international precinct was introduced in February 2018.

## 2.3 Capacity and investment at the car parking facilities

The capacity and utilisation of car parking facilities at Sydney Airport are described below, as well as recent investments made in those facilities.

### 2.3.1 Expectations for car parking at Sydney Airport

A critical characteristic of demand for airport parking is that passengers and other visitors at Sydney Airport generally expect car parking to be available onsite at any time. Passengers accessing the car park may also be time sensitive and may not have factored in a long wait for a car park in planning to catch their flight. SACL thus has to manage its car park, pick-up and road operations to meet peak demand on the busiest days of the year to avoid high congestion levels which would otherwise affect not only the users of car parks at Sydney Airport but also other passengers. This does not suggest that airport car parks never become congested, but rather that SACL is likely to be more mindful of insufficient parking capacity than would a commercial car park operator in, for example, a city's central business district (CBD), due to expectations regarding car parking and the relationship with overall airport operations.

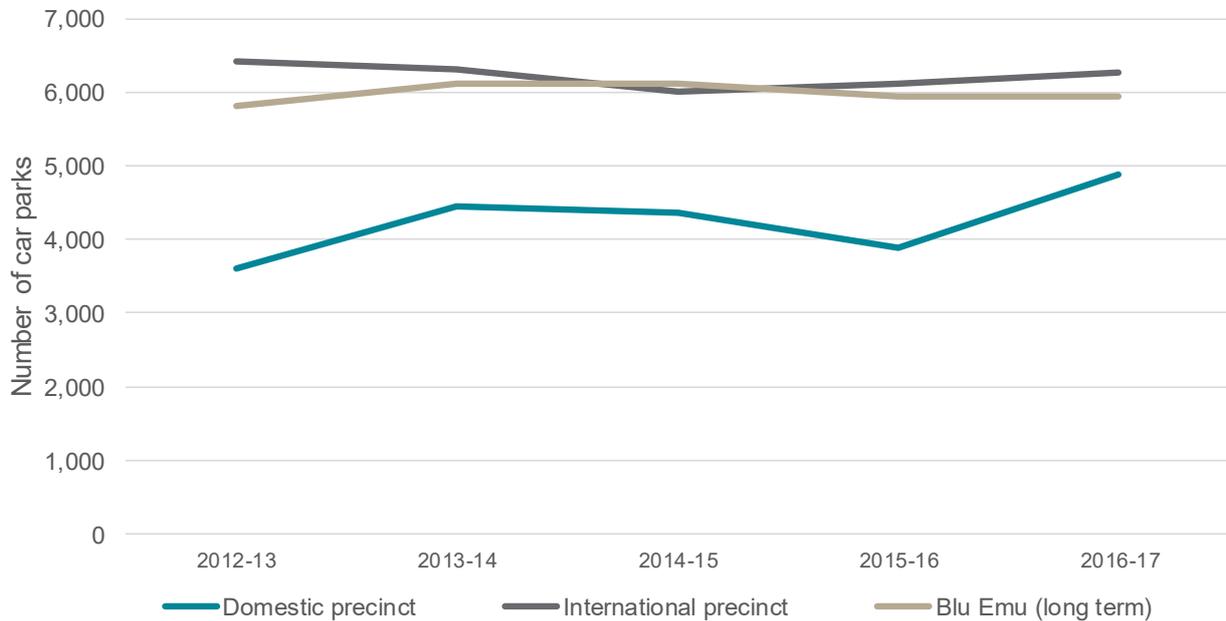
Maintaining sufficient capacity to meet consumer expectations at the busiest times of the year imposes a high opportunity cost of intermittent usage, since average utilisation must be well below peak demand to accommodate this level of service availability. Put differently, capacity must significantly exceed average use. As noted, this form of service 'requirement' is unlikely to be shared to the same extent by off-airport or CBD car parks.

### 2.3.2 Capacity of SACL's parking facilities

As at June 2017, SACL's parking facilities had capacity for 17,094 public and staff vehicles at any point in time.

The capacity of SACL's car parking facilities over time is set out in figure 2.4 below, which shows that the capacity at each precinct and Blu Emu has increased from 2012-13 to 2016-17.

Figure 2.4: Capacity of SACL's car parking facilities 2012-13 – 2016-17



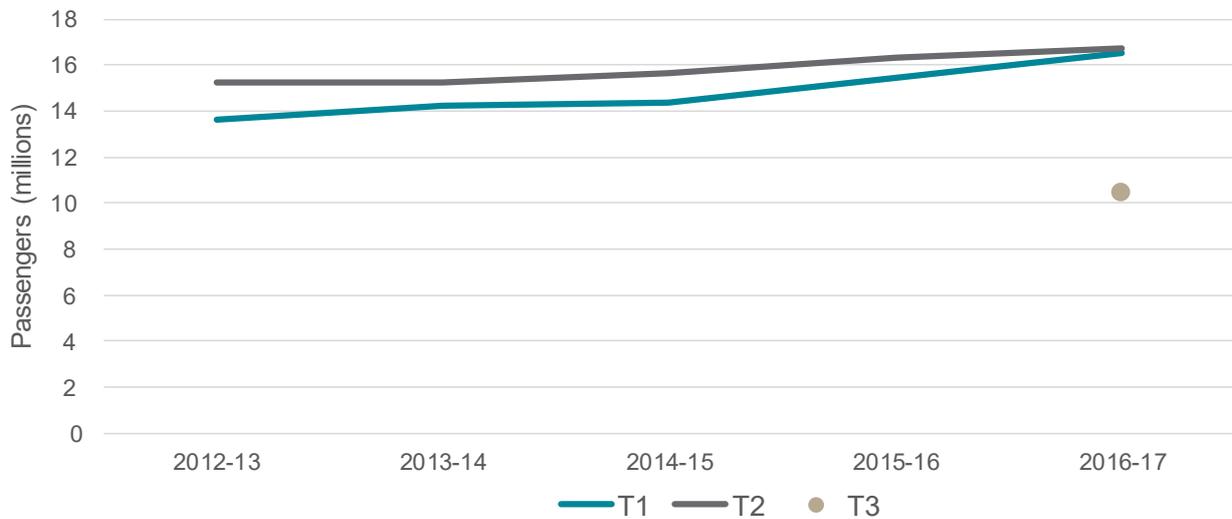
Source/notes: The number of car parks at the international precinct in 2012-13 includes 3,149 spaces displayed as staff car parking in the Airport monitoring reports. ACCC, Airport monitoring report 2016-17, April 2018, p 167.

Over the period from 2012-13 to 2016-17, the total number of car parking spaces provided at Sydney Airport increased by 1,272 spaces, or eight per cent. This is primarily as a result of the expansion of the multi-level car park in the domestic precinct in 2013-14, which added approximately 972 spaces, and the completion of additional levels at the P3 car park in early 2017. SACL also lost some parking spaces making way for new roads for ground access requirements.

Figure 2.5 below shows that in general, there has been an increase in passengers arriving and departing at Sydney Airport at terminals 1 and 2.

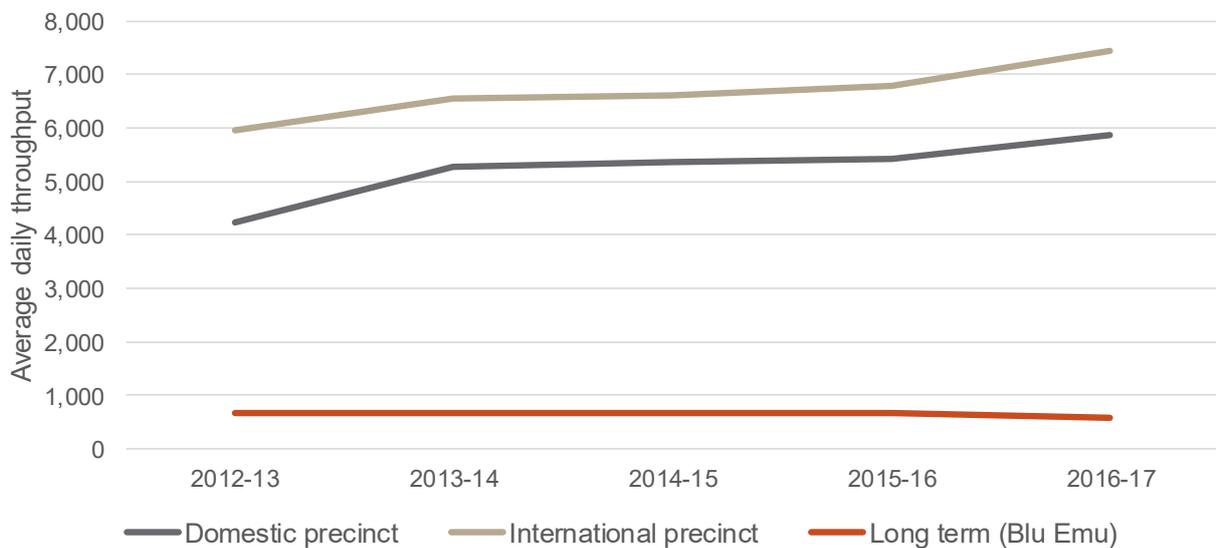


Figure 2.5: Arriving and departing passengers at Sydney Airport



Source/notes: Data for terminal 3 is only available for 2016-17 as it was previously operated directly by Qantas. SACL ACCC submissions 2016-17.

Figure 2.6: Average daily throughput of car parking facilities at Sydney Airport



Source: SACL introduced priority pick-up in 2016-17 at the domestic precinct. Throughput of this service of 2,032 vehicles per day on average is measured using a different system and was not reported in the 2016-17 airport monitoring report. In producing this chart, we have added the 2,032 vehicles per day to the figured reported for the domestic terminal in the airport monitoring report. ACCC, Airport monitoring report 2016-17, April 2018, p 167

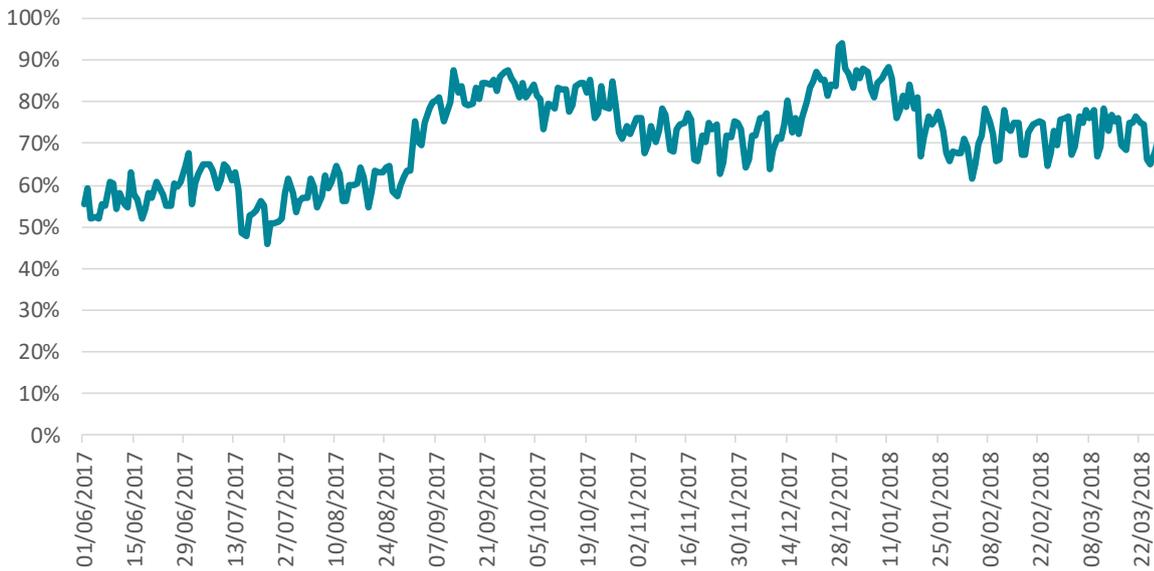
Figure 2.6 above shows that throughput at the domestic and international terminals increased steadily over the period.

### 2.3.3 Occupancy of SACL's parking facilities

Figure 2.7 below shows that peak occupancy on each day for the P6 and P7 car park was well below its capacity from June 2017 to March 2018, with the maximum occupancy over that period being 94 per cent,

but the average daily maximum occupancy on each day was just 71 per cent. In other words, on average, there is a great deal of capacity remaining even at the busiest time of the day.

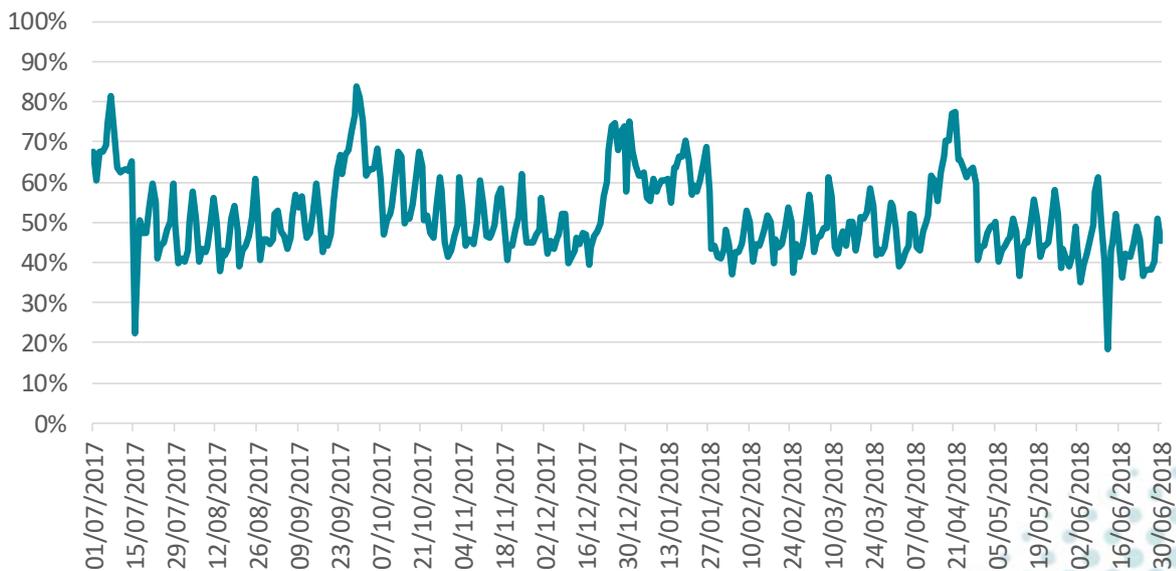
Figure 2.7: Maximum daily occupancy for the P6 and P7 car parks combined



Source: SACL

Figure 2.8 shows that the average peak occupancy on each day for the Blu Emu car park was well below its capacity from July 2017 to June 2018, with the maximum capacity over that period being 84 per cent, but the average maximum occupancy on each day was just 52 per cent. In other words, as with the P6 and P7 car parks, on average, there is a great deal of capacity remaining even at the busiest time of the day.

Figure 2.8: Maximum daily occupancy for the Blu Emu car park



Source: SACL

Information on the occupancy of the domestic car parks were not available, but the figures above show that SACL has provided more than a sufficient number of car parks for customers at Sydney Airport.

### 2.3.4 Recent and planned investments in car parking services by SACL

SACL has recently completed a number of expansion and development investments in car parking services, including:

- opening of the P6 car park in October 2012 with 2,770 spaces, initially for staff parking and vehicle storage;
- opening of a multi-storey (P3) car park in the domestic precinct in December 2013 with 972 spaces, increasing domestic car parking capacity by approximately 25 per cent;
- introduction of a dynamic demand management system to manage bookings for online parking in June 2015;
- addition of three new floors at the P3 car park and a connection bridge to P2, adding around 430 spaces in October 2016;
- investment in the online booking platform to improve customer experience in December 2016;
- introduction of the Guaranteed Space parking product at the international and domestic precincts in 2017;
- addition of four extra floors and around 1,100 spaces to P6 in October 2017, with four floors now dedicated to public parking and vehicle storage;
- construction of new roads into the international and domestic precincts; and
- introduction of electric buses and charging stations on the Blu Emu bus service for passengers and staff.

A number of car parks or parts thereof were repurposed in response to consumer demand, with the introduction of the priority pick-up areas used by rideshare services such as Uber, expansion of express pick-up areas as well as additional drop-off facilities at international to address demand and reduce road congestion.

SACL has also introduced a randomised customer feedback survey program for car parking users to help inform SACL's future strategy and to ensure that customer needs continue to be met.

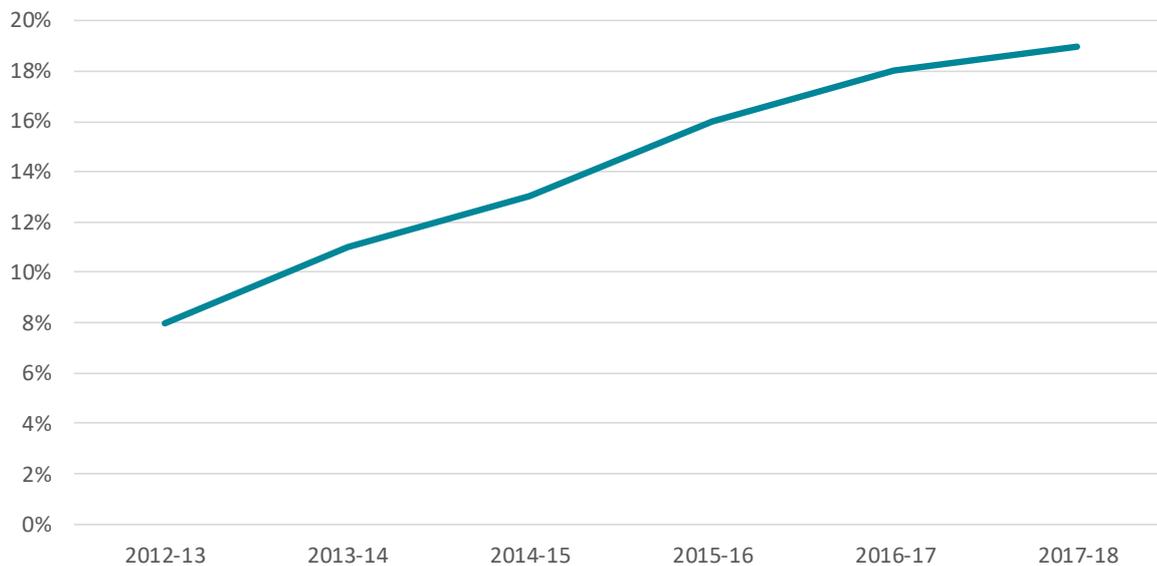
## 2.4 Pricing of car parking facilities

Car parking can be purchased when a customer arrives at the car park (drive up), or online in advance. Online prices are always less than drive up rates, and they vary over time based on demand and capacity. Figure 2.9 below shows that the proportion of car parking transactions where customers booked online has been increasing over time to around 18 per cent in 2016-17. SACL notes that more than 50 per cent of stays longer than one day are booked online.<sup>2</sup>

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<sup>2</sup> Data provided by SACL.

Figure 2.9: Proportion of car parkers at Sydney Airport that booked online



Source: SACL

Prices vary by car park and sales channel and increase as the time spent at the car park extends, and so there are many different prices that consumers may pay.

#### 2.4.1 Pricing principles

Sydney Airport car parks are used by both short stay and long stay users, where short stay is defined as less than three hours. Short stay users tend to be those dropping off, picking up or bidding farewell to a departing passenger or meeting/greeting an arriving passenger. Users longer than three hours are generally passengers self driving to the airport.

SACL has indicated that drive up parking prices have been set to address these different users' stay durations, as well as proximity to the terminals to ensure a distribution of usage across all car parks and minimise congestion.

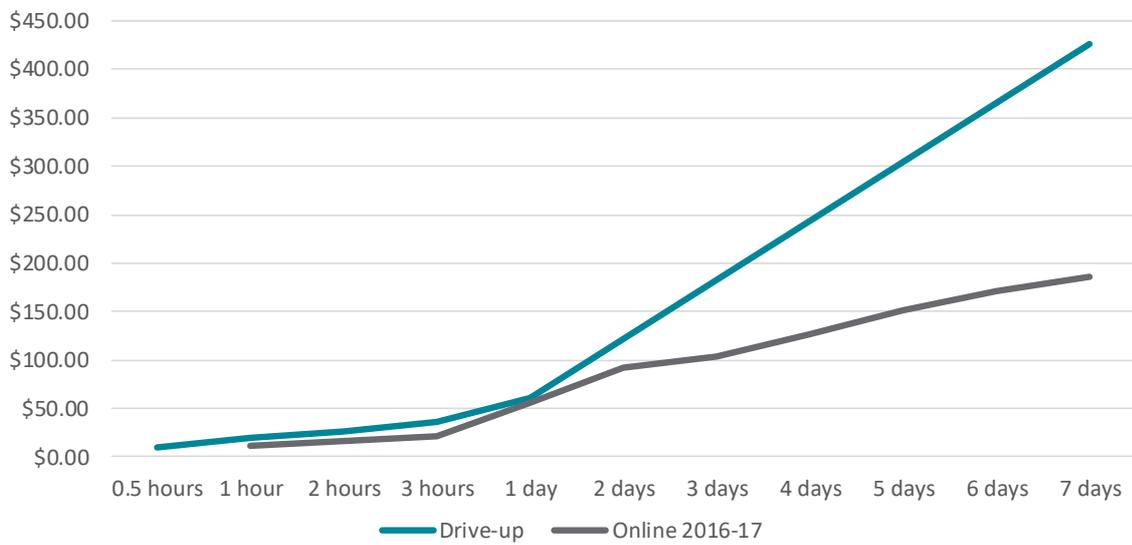
Further, Sydney Airport recognises that users travel at different times of day and so it recently changed its long stay charging principles from calendar day to 24 hour increments.

#### 2.4.2 Current prices at Sydney Airport

Online prices reflect a significant discount on drive-up prices

As noted above, customers are able to pre-book parking online. These customers typically receive a discount on the drive-up rates. Indeed, customers can save over 50 per cent on the drive-up rates at the multi-storey car parks, P1/P2.

Figure 2.10: Current drive-up rates and 2016-17 average online rates at P1/P2 car park

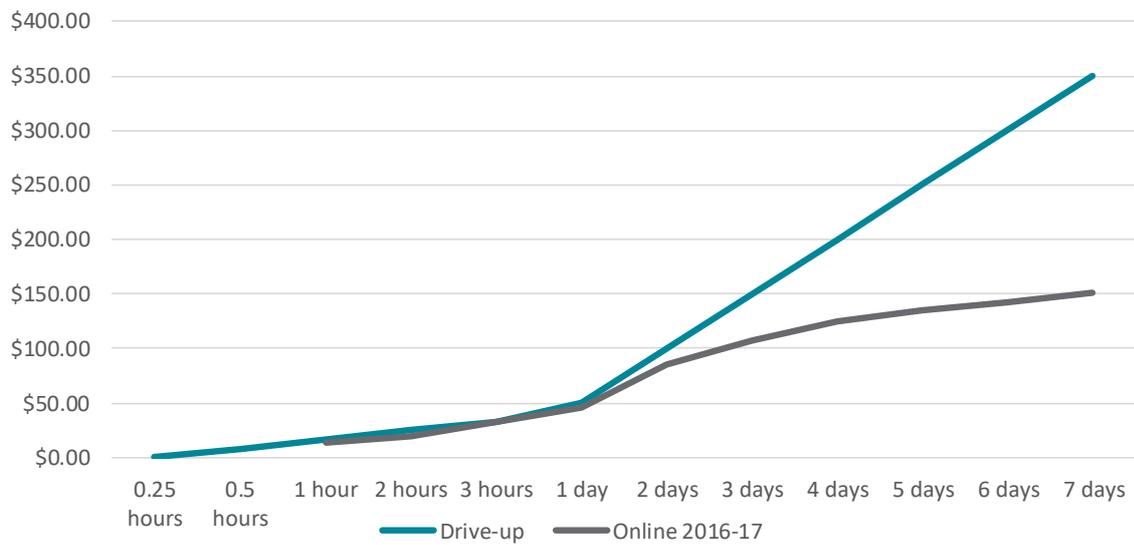


Source: SAACL ACCC 2016-17 submissions, <https://www.sydneyairport.com.au/info-sheet/parking-options>, accessed 3 July 2018

Similarly, figures 2.1, 2.12 and 2.13 below show that customers receive significant discounts when booking online at the P3, P7 and Blu Emu car parks respectively.

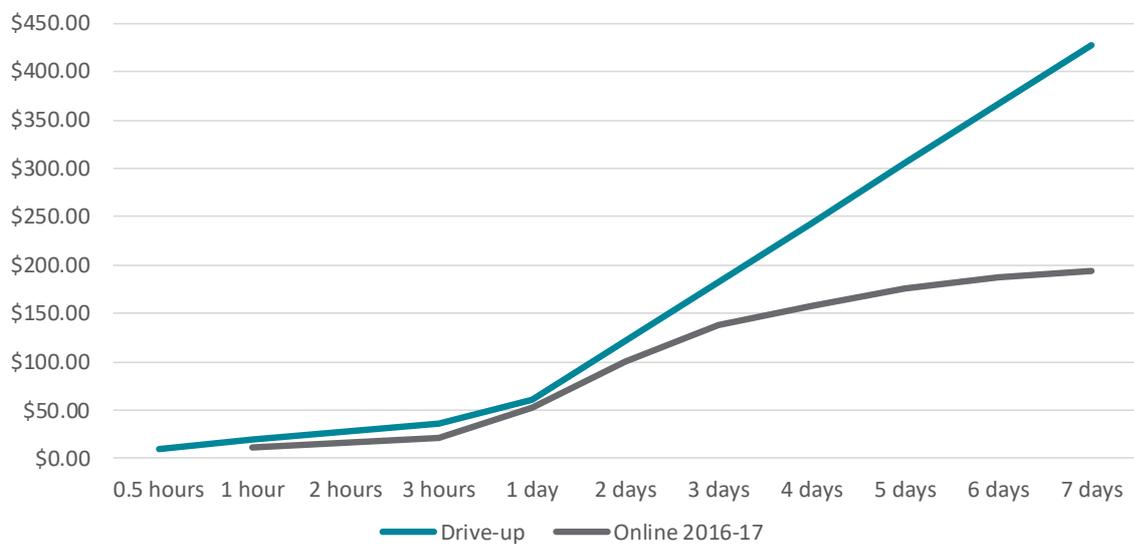


Figure 2.11: Current drive-up rates and 2016-17 average online rates at P3 car park



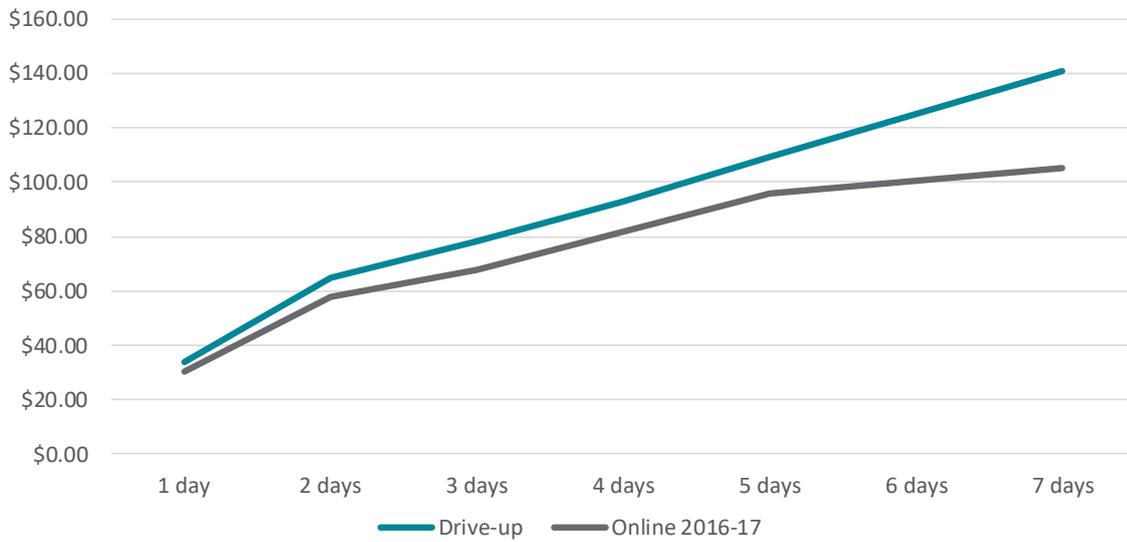
Source: SACL ACCC 2016-17 submissions, <https://www.sydneyairport.com.au/info-sheet/parking-options>, accessed 3 July 2018

Figure 2.12: Current drive-up rates and 2016-17 average online rates at P7 car park



Source: SACL ACCC 2016-17 submissions, <https://www.sydneyairport.com.au/info-sheet/parking-options>, accessed 3 July 2018

Figure 2.13: Current drive-up rates and 2016-17 average online rates at Blu Emu car park

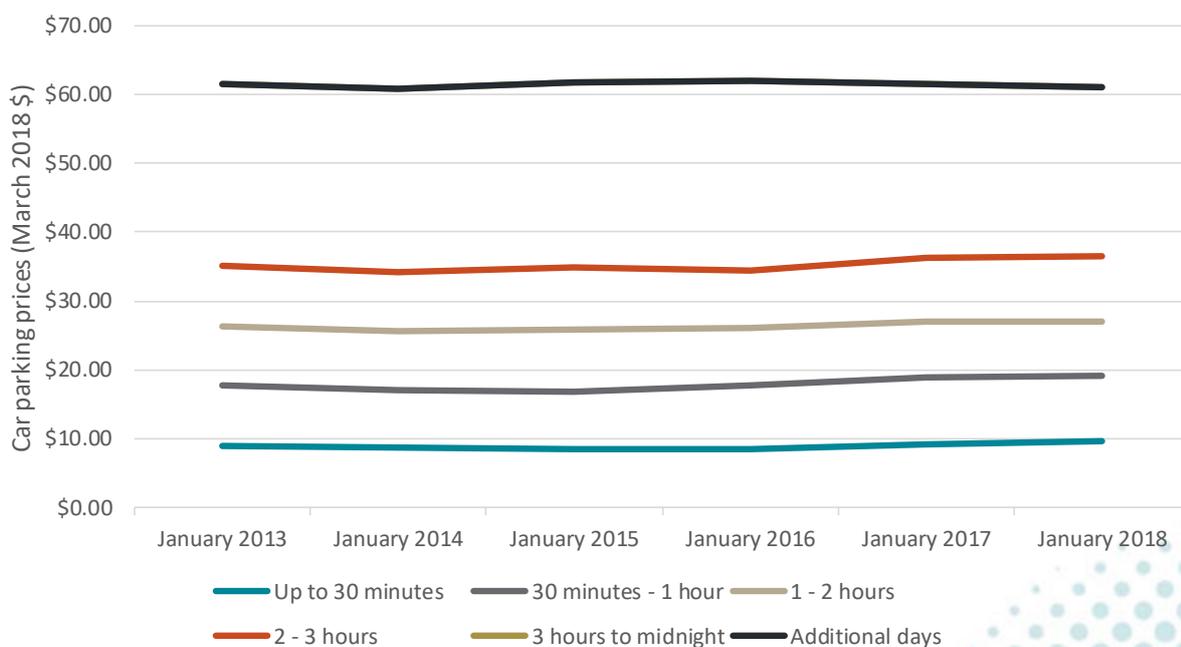


### 2.4.3 Drive up car parking prices over time at Sydney Airport

Drive-up car parking prices at Sydney Airport have remained relatively flat in real terms over the past five years.

Figure 2.14 shows that drive up car parking prices at the domestic terminal (P1/P2) have been fairly flat in real terms over the past five years, with some increasing slightly and others falling.

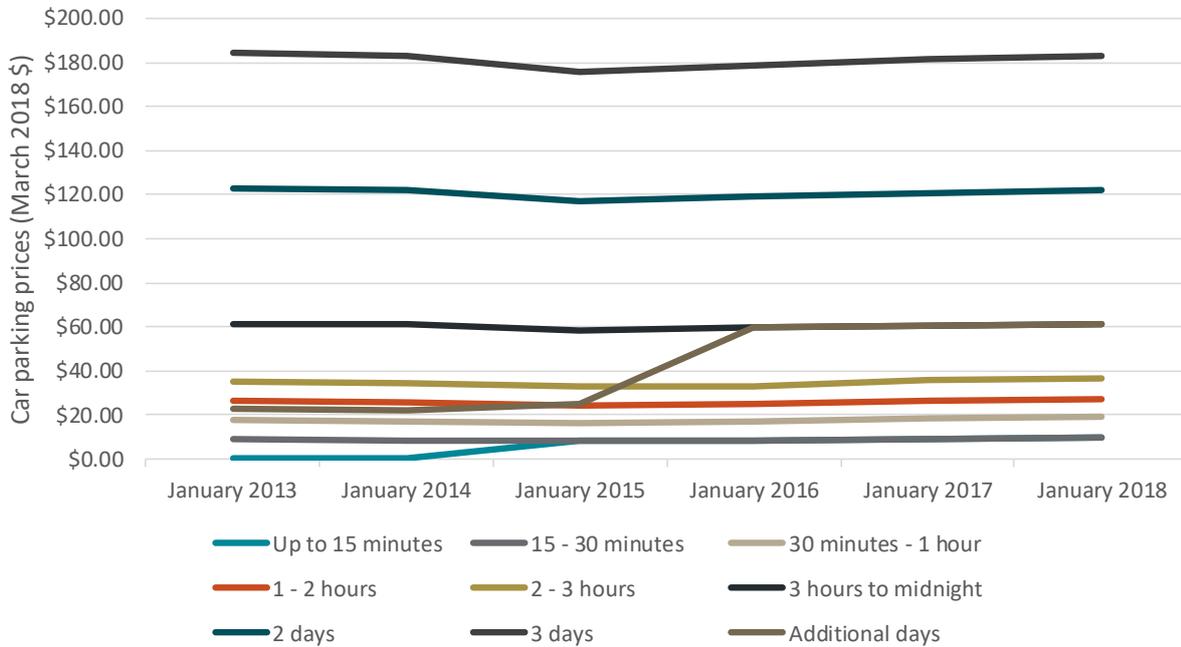
Figure 2.14: Domestic P1/P2 real drive-up car parking prices at Sydney Airport



Source/notes: 1) SACL changed from calendar day based pricing to 24 hour based pricing in 2016; 3 hours to one day duration changed to 3 – 24 hours. Data from SACL, RBA inflation calculator. Prices are in March 2018 dollars.

Figure 2.15 shows that car parking prices at the international terminal also remained relatively constant over the period, with some prices increasing and others falling.

Figure 2.15: International P7 real drive-up car parking prices at Sydney Airport

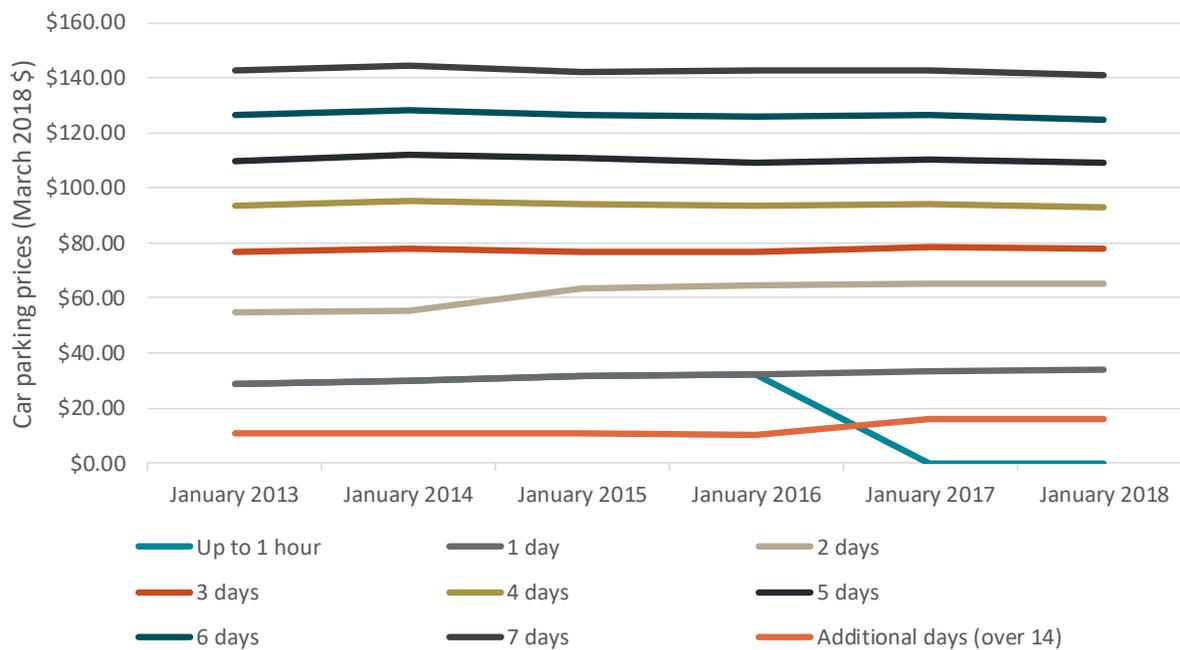


Source/notes: 1) SACL changed from calendar day based pricing to 24 hour based pricing in 2016; 3 hours to one day duration changed to 3 – 24 hours. Data from SACL, RBA inflation calculator. Prices are in March 2018 dollars.

Figure 2.16 shows that most prices for long term parking have fallen slightly over the last five years, with free parking up to one hour introduced in 2017 to complement the priority/express pick-up services. The free one hour is intended for users who arrive early to wait at Blu Emu until their passenger is ready for pick-up. This reduces congestion on the precinct roads and in the pick-up areas.



Figure 2.16: Blu Emu car park real drive-up car parking prices at Sydney Airport



Source/notes: 1) SACL changed from calendar day based pricing to 24 hour based pricing in 2016; 3 hours to one day duration changed to 3 – 24 hours. Data from SACL, RBA inflation calculator.

## 2.5 Other ground access services

SACL needs to offer access to its terminals by means of land access for private vehicles dropping or collecting passengers, taxis, rideshare, charter vehicles and buses. Landside infrastructure facilities include:

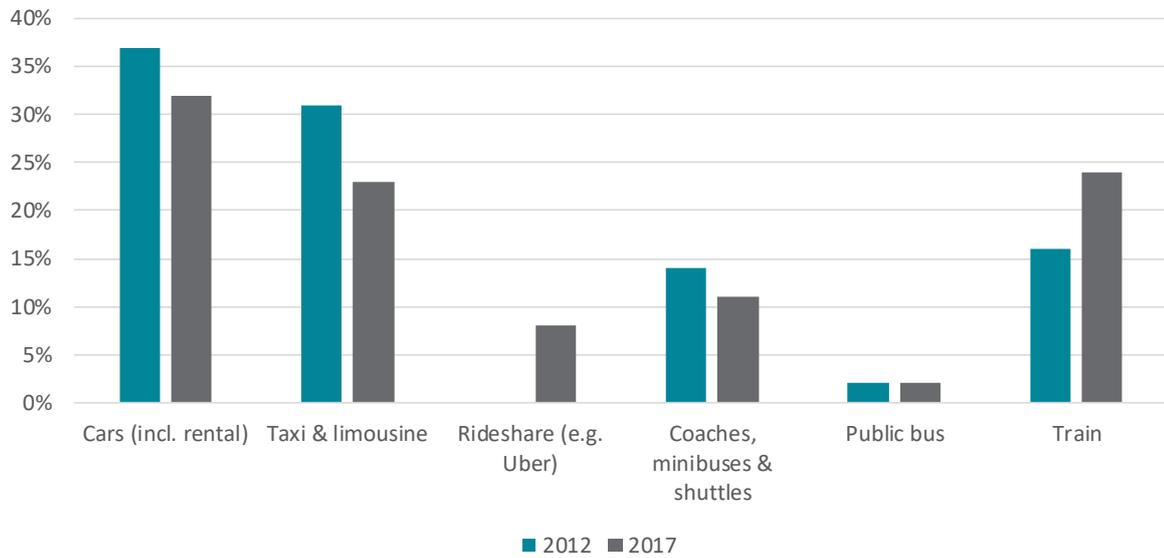
- terminal access roads;
- forecourts for vehicle pick-up and drop-off;
- areas for hire car operators;
- taxi, rideshare, charter vehicle, commercial vehicle and bus zones; and
- covered walkways and lighting in landside areas.

Sydney Airport is served by a number of different access types, including passengers on foot, private vehicles, taxi, rideshare, train, public and private buses.

### 2.5.1 Usage/info on volumes of different access types if available

SACL offers access to its terminals by a range of different access types. It is notable that the usage of private cars to access Sydney Airport has fallen substantially in five years, whilst the train has become much more popular. Taxis have fallen in popularity, but this is offset by rideshare.

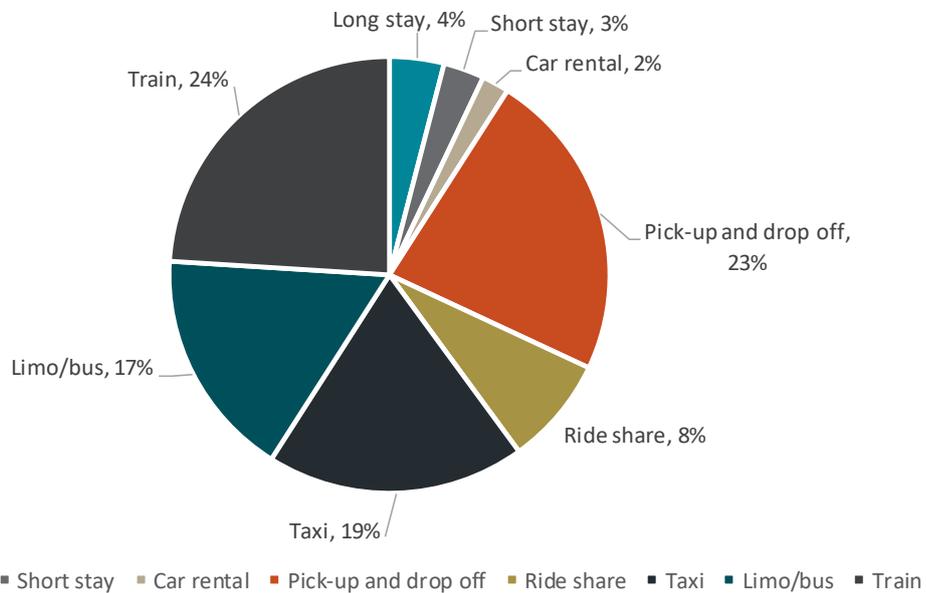
Figure 2.17: Estimated usage of access types by passengers for 2012 and 2017



Source: SACL, using AMECOM analysis

Figure 2.18 below shows that paid parking is used by less than ten per cent of passengers accessing the airport, with free pick-up and drop-off being used more than three times as often.

Figure 2.18: Estimated usage of access types by passengers, 2017



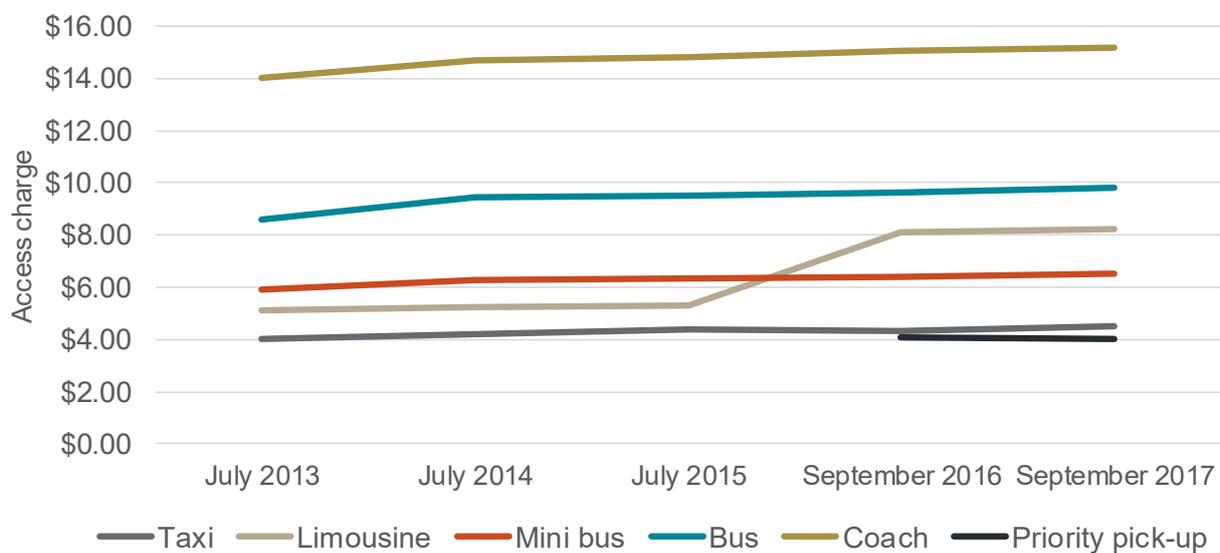
Source: SACL estimates.

### 2.5.2 Ground access charges

SACL charges some users for picking up passengers at the airport, but does not charge users in the free pick-up areas or any users for dropping-off at terminal kerbside or other dedicated drop-off facilities.<sup>3</sup>

Figure 2.19 below shows that ground access charges at the international precinct have remained relatively flat in real terms. SACL has indicated that the increase in the limousine charge in 2017 was as a result of an industry desire to offer a premium limousine service above that planned for rideshare operators – the designated limousine area is a premium location, closer to the terminals than the priority pick-up area used by rideshare operators. Limousine operators also have the choice of using the priority pick-up area and paying the lower access charge.

Figure 2.19: Real ground access charges at Sydney Airport domestic precinct



Source/notes: 1) Limousine – parking for up to 20 minutes before 2016, up to 15 minutes from September 2016. 2) Mini bus – up to 14 seats, parking for up to 20 minutes before 2016, up to 15 minutes from September 2016. 3) Bus – 15 to 29 seats, parking for up to 20 minutes before 2016, up to 15 minutes from September 2016. 4) Coach – 30 or more seats, parking for up to 40 minutes before 2016, up to 15 minutes from September 2016. 5) Priority pick-up area is used by rideshare operators and may also be used by limousines or taxis, parking for up to 15 minutes. Data from SACL, RBA Inflation calculator.

### 2.5.3 Recent and planned investments in maintaining ground access

Since 2014, SACL has invested more than \$200 million in ground access and parking improvements. The ground access improvements include:<sup>4</sup>

- construction of Centre Road through the international precinct and relocation of entry/exit gates to each parking location to create a free flowing road through the precinct (2014);
- construction of a new five lane one way exit road, extending Seventh Street through the Jetbase to a new intersection on Qantas Drive, allowing for up to three right turn lanes for traffic heading to the city/east (2015);
- an upgrade of Sir Reginald Ansett Drive to a five lane one way entry in (2016);
- the expansion of the domestic taxi holding area with the addition of 80 storage spaces and a new entry lane to reduce travel time (2016);

<sup>3</sup> Users that drop-off passengers in car parks may be charged depending on their length of stay.

<sup>4</sup> Information provided by SACL.

- a new bus lane and bus signal priority on Ross Smith avenue (2016);
- constructing a new exit road from Marsh Street to Centre Road which has removed 600 vehicles per hour at peak times from the Departures Road approach ramp 'pinch point' (2016);
- establishment of a landside operations centre as part of Sydney Airport's Integrated Operations Centre for centralised monitoring and management of all landside roads, car parks and operations (2016);
- widening of Qantas Drive to three lanes through lanes and two right turn lanes in each direction (2017);
- introduction of a taxi queue wait-time display to provide customers with expected wait times for taxi services (2017);
- the installation of digital wayfinding gantries (variable messaging signs) at key points on Sydney Airport roads to provide relevant wayfinding based on current traffic conditions or service impacting traffic incidents on and off airport (2017).
- construction of a flyover bridge allowing Airport Drive traffic direct access to Arrivals Court and the overflow drop-off facility (2018); and
- widening of the Bridge Crescent bridge to permit two entry lanes from Marsh Street (2018).

Further, the total area at the international terminal kerbside and designated waiting areas for passenger pick-up and drop-off provided to the public at no charge increased by 56 per cent from 2015-16 to 2016-17.<sup>5</sup>

SACL continues to invest and improve its ground access facilities and is currently planning further upgrades to ground access facilities, most notably the ground transport interchange at the domestic precinct. The interchange is a new multi-level structure comprising bus and coach pick-up and drop-off facilities, storage and parking for approximately 4,000 vehicles, as well as additional facilities for rental cars and active transport users. The total investment by SACL is expected to exceed \$100 million, and is due for completion in 2021.

## 2.6 Revenue from car parking and ground access

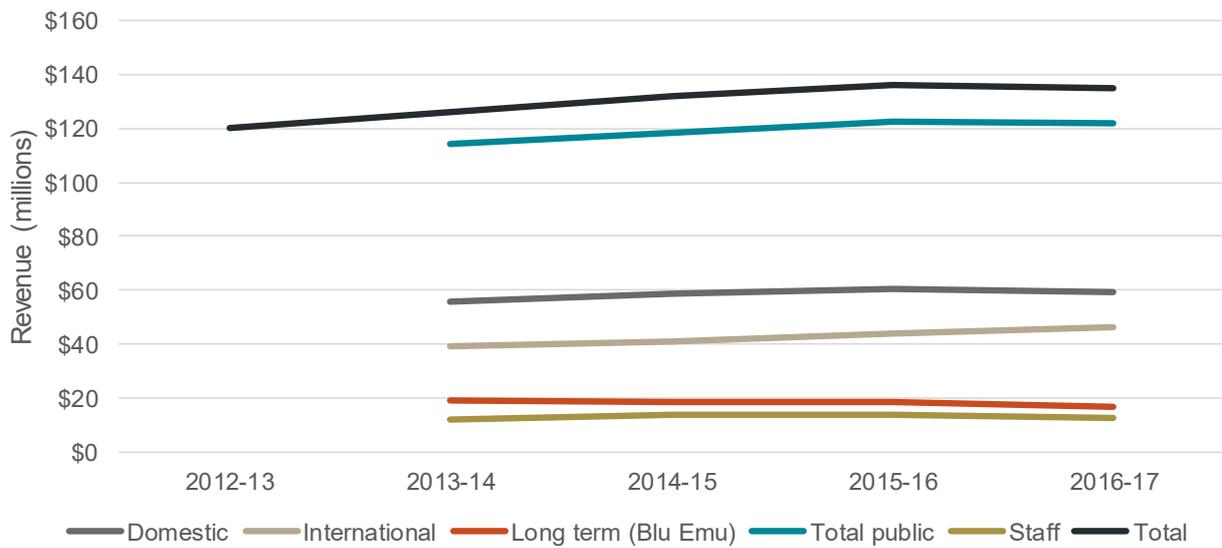
Since 2012-13, revenue has increased by 12.2 per cent in real terms, at an average annual rate of 2.9 per cent. However, as noted in the ACCC monitoring report<sup>6</sup>, in 2016-17, car parking revenue fell by 0.9 per cent in real terms. This is shown in figure 2.20 below and may be attributable to the increased use of rideshare services and customers opting to be dropped off and picked up as opposed to self-parking.

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<sup>5</sup> SACL, ACCC AMR submissions 2016-17.

<sup>6</sup> ACCC, *Airport Monitoring Report 2016-17*, April 2018, p 171

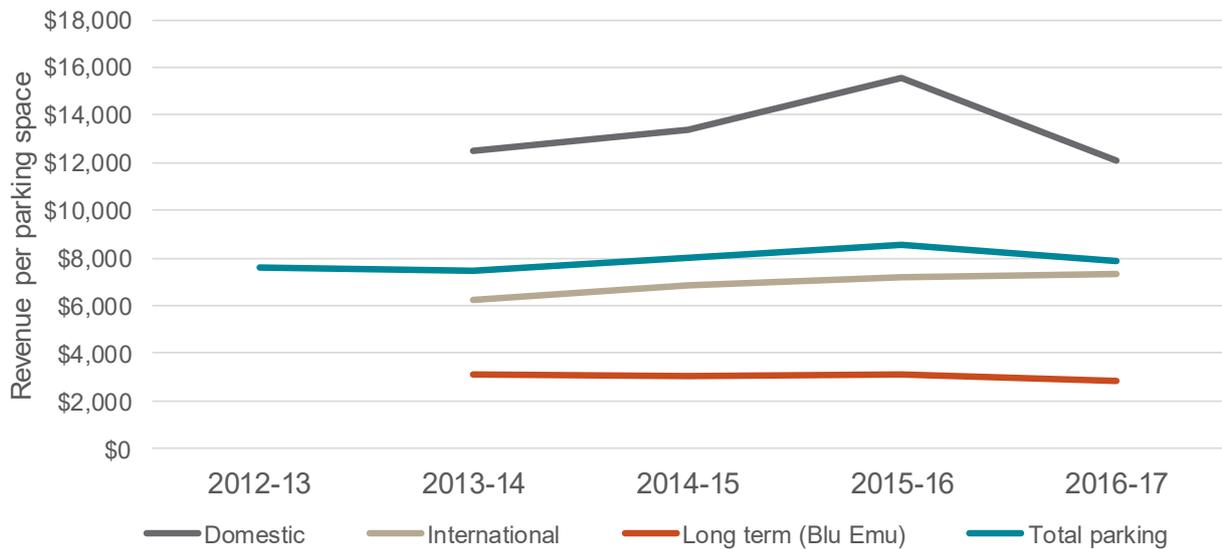
Figure 2.20: Car parking revenues at Sydney Airport in real (2016-17) terms



Source/notes: Revenue data for 2012-13 was only available as a total. ACCC monitoring report submissions, RBA inflation calculator.

Total car parking revenues per space have remained relatively constant over the period, with domestic revenue per space increasing until 2015-16 and then decreasing in the final reported year. This fall in revenue per space at the domestic precinct is attributable to the 972 additional spaces provided by the new P3 car park and the decline in revenue in 2016-17 – see figure 2.21 below.

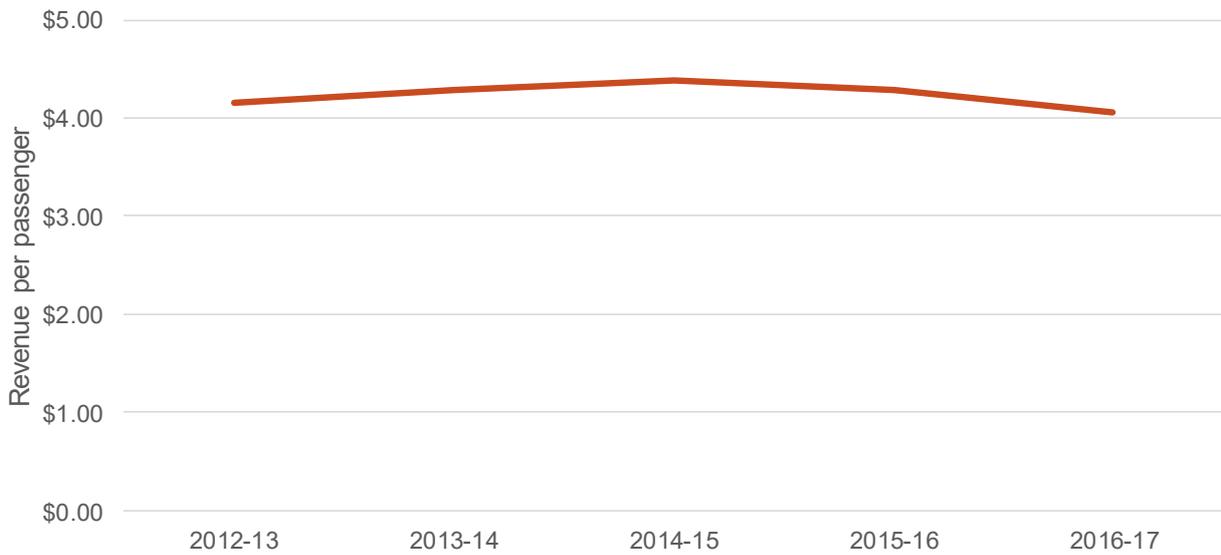
Figure 2.21: Car parking revenue per space at Sydney Airport in real (2016-17) terms



Source/notes: Revenue data for 2012-13 was only available as a total. ACCC monitoring report submissions, RBA inflation calculator.

Figure 2.22 shows that car parking revenue per passenger at T1 and T2 declined slightly over the period.

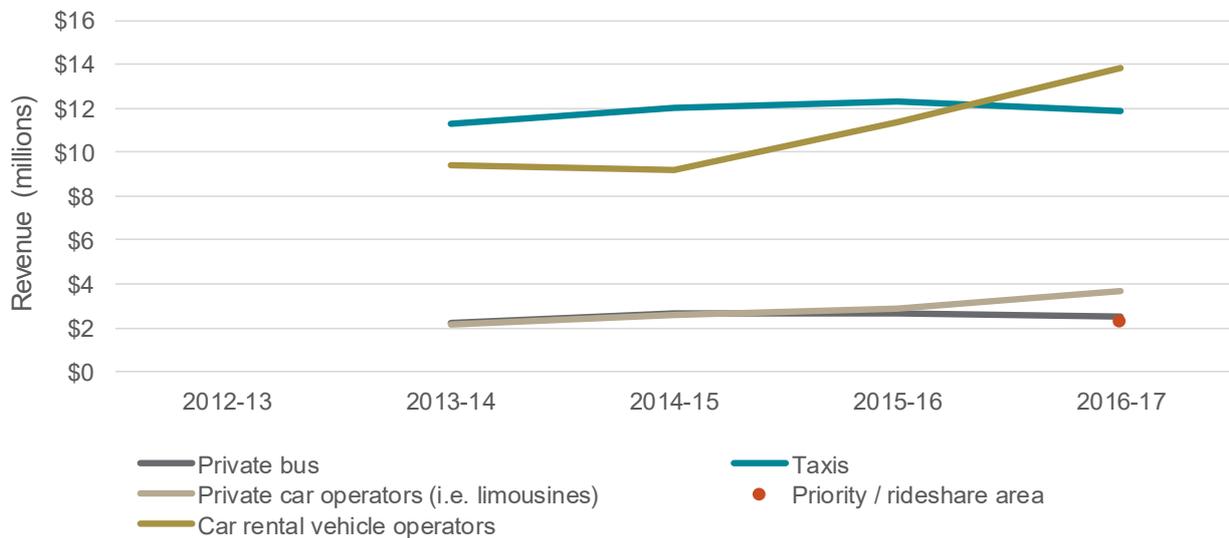
Figure 2.22: Car parking revenue per passenger (T1 and T2 only) in real (2016-17) terms



Source/notes: Passenger counts only include passengers at T1 and T2 as T3 was previously operated directly by Qantas. ACCC monitoring report submissions.

Figure 2.23 below shows that in real terms, ground access revenues from car rental operators have increased, whilst taxi revenue fell in 2016-17, which may be attributable to the increased use of rideshare services at Sydney Airport.

Figure 2.23: Ground access revenues at Sydney Airport in real (2016-17) terms



Source/notes: Rideshare and priority area was introduced in 2016-17. ACCC monitoring report submissions, RBA inflation calculator.

## 3. ACCC Airport Monitoring Report 2016-17

This section summarises the key findings of the ACCC Airport Monitoring Report 2016-17 (the ACCC report) that was released in April 2018, as it relates to activities at Sydney Airport.

The principal observations from the ACCC report as they relate to Sydney Airport appear to be:

- profit margins for car parking remained high (across all airports);
- there was strong passenger growth at Sydney Airport. This puts pressure on airport infrastructure, but airports are managing the congestion challenge – for example, investment in SACL’s infrastructure has been significant; and
- independent car parks and online booking options offer lower cost alternatives to on-airport drive up parking.

### 3.1 Profit margins for car parking remain high

The ACCC noted in its report that profit margins for car parking remained very high across all airports, and that they ranged from 52.4 per cent for Perth Airport to 71.9 per cent for Sydney Airport in 2016–17.<sup>7</sup>

The measure of profit margin adopted by the ACCC is earnings before interest, tax and amortisation (EBITA), as a percentage of revenue. However, EBITA is an accounting measure of profit that does not take into account the opportunity cost of the capital assets employed in providing car parking services.

It follows that observations made by the ACCC using EBITA are apt to mislead, if the opportunity cost of the capital assets is substantial. In the context of car parking, an important element of the opportunity cost of the capital assets is the opportunity cost of the land itself, ie, the revenue foregone by not using the land for another purpose.

### 3.2 Airports meeting the challenge of congestion and strong passenger demand growth

The ACCC noted that total passenger volumes at airports have grown significantly over the period, with passenger volumes at Sydney Airport increasing by 3.8 per cent in 2017.<sup>8</sup>

As well as being Australia’s busiest airport, Sydney Airport is unique among the four major airports in that it faces a flight curfew, with zero passenger movements after 11pm and limited movements from 5am to 6am.

SACL has undertaken a range of efforts to cater for increasing demand alongside these constraints, including significant investment in its car parking and landside access infrastructure, as we set out in section 2.3.4 above. SACL has continued to invest in car parking infrastructure despite passengers increasingly utilising alternative transport options, as described by the ACCC:<sup>9,10</sup>

The total number of car park spaces at Sydney Airport increased by 7.3 per cent to 17,094 spaces during 2016-17...[whilst] the average daily throughput of all car park facilities at Sydney Airport decreased by 7.8 per cent to 11,856 vehicles during 2016-17.

The largest increase [in car parking spaces] was at Sydney Airport.

<sup>7</sup> ACCC, *Airport Monitoring Report 2016-17*, April 2018, p 2.

<sup>8</sup> ACCC, *Airport Monitoring Report 2016-17*, April 2018, p 4.

<sup>9</sup> ACCC, *Airport Monitoring Report 2016-17*, April 2018, p 166.

<sup>10</sup> ACCC, *Airport Monitoring Report 2016-17*, April 2018, p 39.

### 3.3 Independent car parks and online booking options offer lower cost alternatives

The ACCC observed the increased use and awareness of independent off-airport car parks, which offer an alternative to on-airport car parking facilities:<sup>11,12</sup>

There are a number of off-airport car park operators that compete with the airport on-site car parks.

The ACCC found that motorists could save between 30 and 70 per cent for 3 days of parking, compared to paying drive-up rates for the airports' own car parks at a distance from the terminals.

Off-airport car parks are considered in more detail in section 4.1.2 below.

The ACCC also alluded to the effect of the close substitutability of other transport options on car parking service demand, stating that:<sup>13</sup>

Car parking throughput has been on a gradual decline in recent years as passengers find other ways to get to and from the airport.

We explore competition from other transport options in section 4.1.3 of this report.

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<sup>11</sup> ACCC, *Airport monitoring report 2016-17*, April 2018, p 12.

<sup>12</sup> ACCC, *Airport monitoring report 2016-17*, April 2018, p 176.

<sup>13</sup> ACCC, *Airport monitoring report 2016-17*, April 2018, p 39.

## 4. Does SACL have substantial market power?

This section considers whether SACL can be said to possess a substantial degree of market power in relation to either car parking or landside access arrangements.

### 4.1 Car parking

In this section, we show that SACL's car parking services face competition from both off-airport car parking operators and other means of accessing Sydney Airport.

#### 4.1.1 ACCC's opinion

The ACCC has historically contended that airports have 'a monopoly position' in airport car parking. The ACCC bases its view on the observations that:<sup>14</sup>

- airports have discretion in determining landside access provisions, which influence the ability of car parking alternatives such as taxi and off-airport car parking facilities, to compete;
- airports have control over the number of car parking spaces supplied in proximity to the terminals; and
- airports typically charge 'high prices' for car parking.<sup>15</sup>

However, the ACCC acknowledges that there are a range of options for travel to and from airports,<sup>16</sup> which may limit the degree to which SACL has market power.

#### 4.1.2 Competition from off-airport car parking operators

There are at least eight providers of parking services to passengers and other users of Sydney Airport, apart from SACL.<sup>17</sup> These providers are typically located in the suburbs surrounding the airport and operate shuttle bus services to transport passengers from the car park to the terminals. A number of these providers offer additional services such as car washing and polishing, and options for undercover or outdoor parking.

Prices at off-airport car parks

Figure 4.1 below sets out publicly available prices of off-airport car parks servicing Sydney Airport. It is important to note that the independent providers typically charge on a calendar day basis, whereas SACL charges on a 24 hour basis for drive up parking and for online parking for stays up to two days. For example, a customer arriving at a car park at 11am and leaving 9am the next day would be charged for two days at an independent provider, but only one 24 hour period at Sydney Airport. Therefore, on average, Figure 4.1 overstates the prices at Sydney airport relative to others.

Figure 4.1 shows that Blu Emu car parking prices are similar to the prices charged by off-airport car parks.

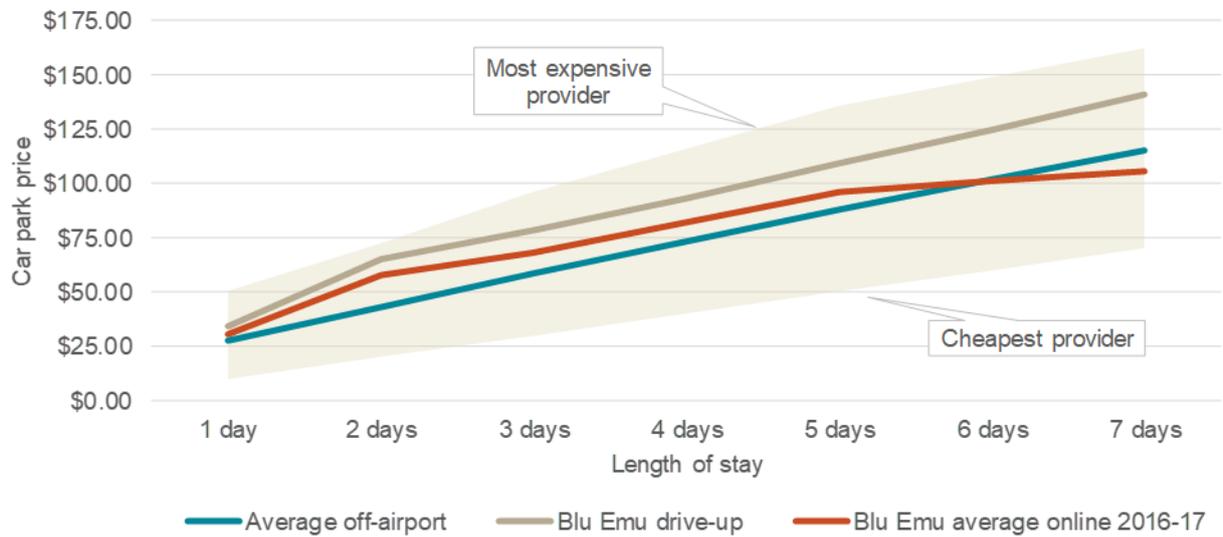
<sup>14</sup> See, for example, ACCC, *Submission to the Productivity Commission's inquiry into the economic regulation of airport services*, March 2011, p 26.

<sup>15</sup> The Productivity Commission noted in its 2011 report on airport regulation that airport users – particularly those who infrequently use the airport – may experience 'sticker shock' when parking at airports, which may lead to efficient prices being perceived as 'high'. See Productivity Commission, *Economic regulation of airport services*, December 2011.

<sup>16</sup> For example, ACCC, *Airport monitoring report 2016-17*, April 2018, pp 23-24.

<sup>17</sup> Based on publicly available information as at April 2018. These car parking service providers include Park n Fly, Airport Express Car Parking, Airport Park and Fly, Mascot Airport Valet Parking, Space Shuttle Parking, Park on King, Precision Parking and Syd Airpark. See appendix A1 for a description of these car parking service providers.

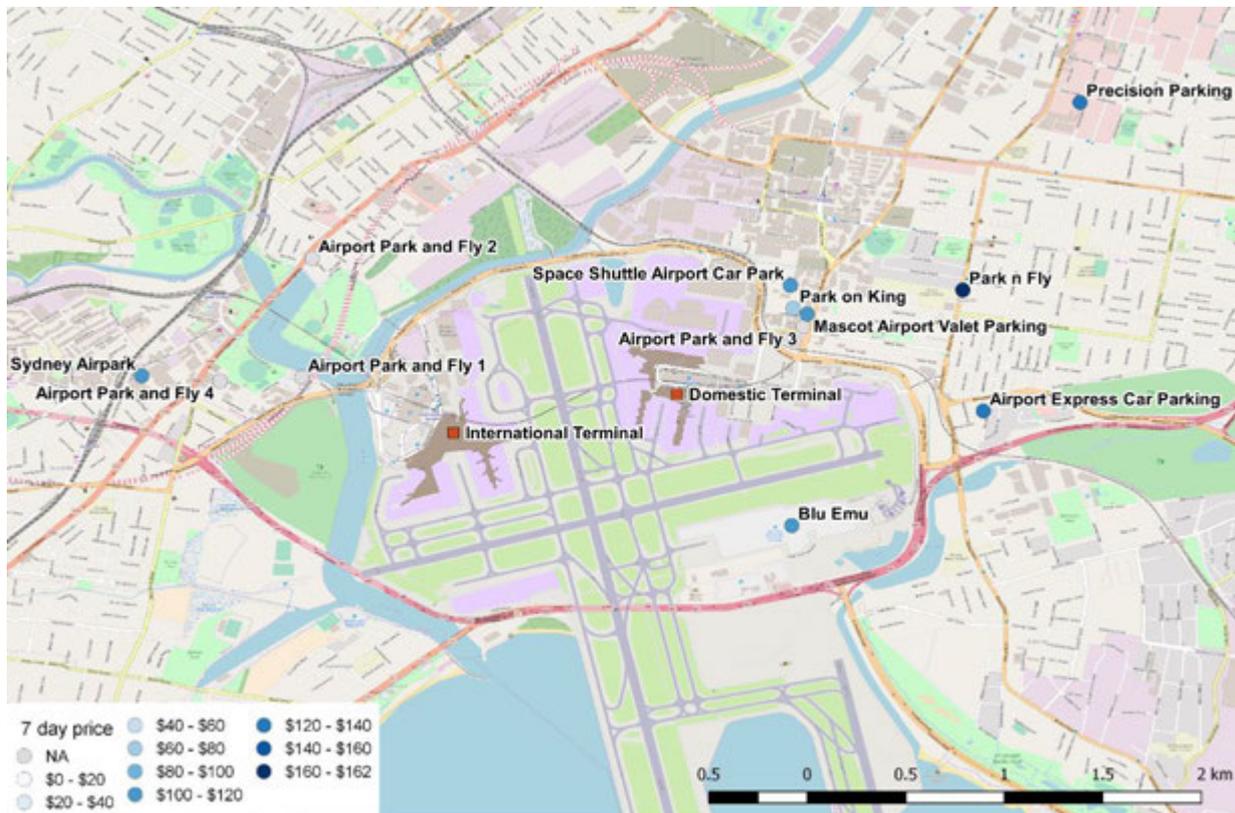
Figure 4.1: Prices of off-airport car parks servicing Sydney Airport



Source/notes: <https://www.parknfly.com.au> (outdoor prices used), <https://airportexpresscarparking.com.au>, <https://www.mascotvalet.com.au> (online discount uncovered parking prices used, full prices in brackets), [https://www.wilsonparking.com.au/park/2297\\_Space-Shuttle-Car-Park---289-King-St-Mascot\\_289-King-Street-Mascot](https://www.wilsonparking.com.au/park/2297_Space-Shuttle-Car-Park---289-King-St-Mascot_289-King-Street-Mascot) (book a bay prices used), <https://www.parkonking.com.au> (online uncovered prices used, full prices in brackets), <http://www.sydneyairpark.com.au> (outdoor prices used), <http://www.precisionairportparking.com.au>, SACL ACCC AMR 2017 submissions.

Figure 4.2 below shows that some off-airport car parks are closer to the terminals than the Blu Emu car park.

Figure 4.2: Locations of off-airport car parks servicing Sydney Airport



It appears that SACL competes with off-airport car parks because the Blu Emu car parking service is similar to off airport car parks in its location, and has prices that are comparable to off-site options, especially when the difference in charging bases is taken into account.

#### 4.1.3 Competition from other transport options

Other forms of accessing the airport represent a close substitute for the parking of a private vehicle for many users of Sydney Airport, and only a relatively small proportion of users accessing the airport pay for car parking at Sydney Airport.

##### Free drop-off and pick-up

SACL provides customers with a range of free parking options. Private vehicles can drop-off and pick-up passengers at Sydney Airport for free, under certain conditions.<sup>18</sup> This is an option used by more than three times more passengers than pay for parking at Sydney Airport (see Figure 2.18).

SACL is not obliged to offer free access for pick-ups and drop-offs. Internationally, there are many examples of airports charging for access closest to terminal – such as Birmingham,<sup>19</sup> Luton (London),<sup>20</sup> Belfast,<sup>21</sup> and Edinburgh<sup>22</sup> airports. Such charges reflect that while many airports such as SACL may offer this option to passengers at no charge, it is not a costless service from SACL's perspective.

SACL estimates that over 60 per cent of vehicle traffic at the international terminal is attributed to free pick-up and drop-off, contributing significantly to congestion around the airport terminal and therefore representing a significant cost to SACL and its customers.

Car parks at Sydney Airport can be used for free for short periods to allow passengers to be picked up or dropped off. In particular, customers can park for free at:

- P3, the domestic car park, for less than 15 minutes;
- international express car park, for less than 15 minutes; and
- Blu Emu for up to an hour, which allows people to park and wait for their passenger to arrive before heading to the free pick-up zones.

SACL increased the total area at the international terminal kerbside and designated waiting areas for passenger pick-up and drop-off provided to the public at no charge by 56 per cent from 2015-16 to 2016-17.<sup>23</sup>

Figure 4.3 below shows that the proportion of customers entering car parks at Sydney Airport's international terminal but not paying for parking has been increasing over time, to 46 per cent in 2017-18. The proportion has fallen at the domestic precinct as a result of the introduction of the priority pick-up zone and rideshare now using the priority pick-up zone – dedicated areas that SACL provides to the benefit of the users.

A passenger being picked up may also have been dropped off for free too. This demonstrates the traffic burden of pick-up/drop-off (four journeys) compared to self-parking (two journeys) and thus the potential

<sup>18</sup> Drivers may park and wait for free for up to 15 minutes in the Express Pick-up zone, or for up to one hour in the Blu Emu car park. For drop-offs, drivers may drop-off passengers at the departures level of any terminal, although they may not stop for more than one minute.

<sup>19</sup> Birmingham Airport website, <https://www.birminghamairport.co.uk/airport-parking/dropping-off-and-picking-up/>, accessed 20 August 2018.

<sup>20</sup> Luton Airport website, <https://www.london-luton.co.uk/to-and-from-lla/want-to-drop-off-for-free/>, accessed 20 August 2018.

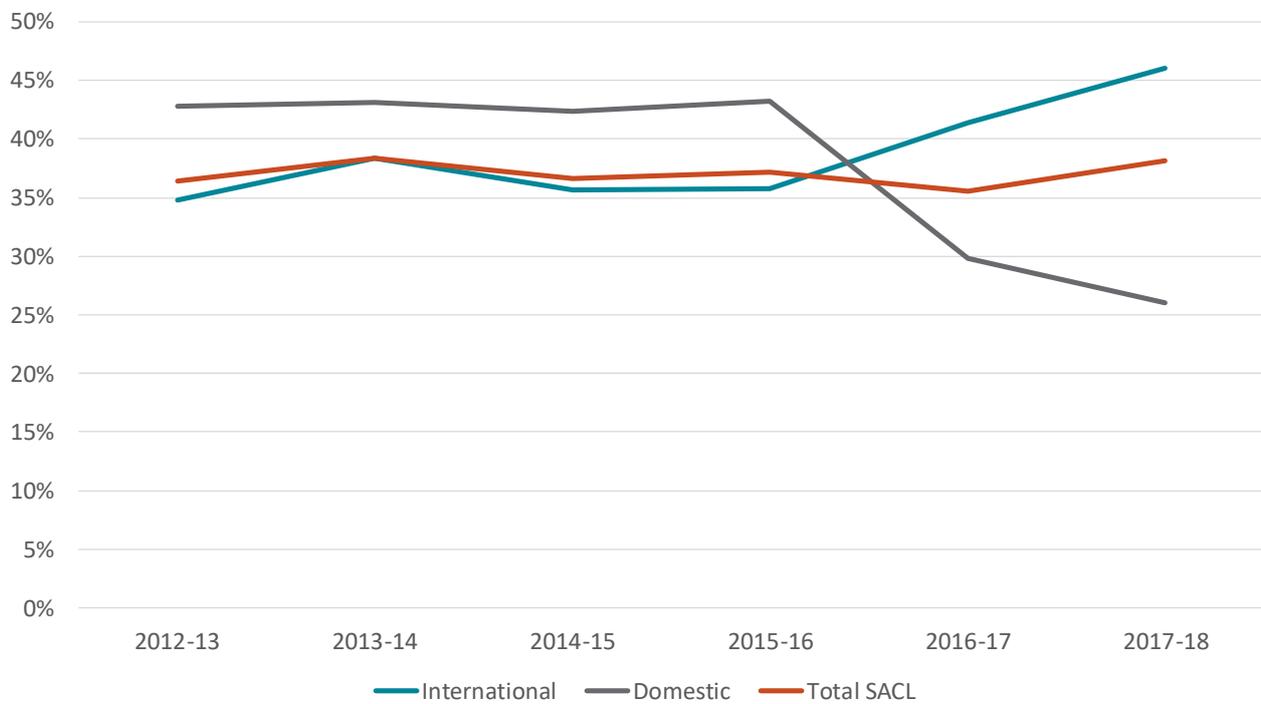
<sup>21</sup> Belfast Airport website, <http://www.belfastinternationalairportparking.com/news/drop-off-charges/>, accessed 20 August 2018.

<sup>22</sup> Edinburgh Airport website, <https://www.edinburghairport.com/edinburgh-airport-parking/drop-off-and-pick-up>, accessed 20 August 2018.

<sup>23</sup> SACL, ACCC AMR submissions 2016-17.

impact on congestion of airport and surrounding roads as a result of the move away from parking to pick-up/drop-off.

Figure 4.3: Proportion of users who enter car parks but are not charged by SACL



Source: SACL. 2017-18 data is correct as at March 2018.

#### Does drop-off and pick-up compete with car parking?

Free parking for pick-ups and drop-offs provide a constraint for short term parking:

- ‘meeters and greeters’ may substitute from short term parking to this fly-by approach if the prices for short term parking at the airport exceed their willingness to pay; and
- passengers that would like to use the airport’s car parking facilities may instead ask family or friends to drop them at the airport, if the cost of parking over the duration of their trip are too high.

Put differently, SACL can be said to be ‘competing with itself’ by offering free pick-up and drop-off as a substitute for airport car parking. The most likely incentive for doing so is that the core driver of long term profits for SACL is people using the airport.

Indeed, SACL has indicated that significant emphasis is placed on enabling access to terminals to effectively support passenger growth, and a significant proportion of cars entering the car parks are not charged by SACL.

#### Taxi

A number of taxi providers operate at Sydney Airport, including 13CABS, Legion Cabs, Premier Cabs, Silver Service Fleet, St George Cabs and GM Cabs. SACL provides taxi ranks in front of each terminal, with signs indicating the way for passengers. There are kerbside supervisors available during peak times to ensure efficient operation for passengers.

In addition to the fare charged by the taxi service, a \$4.50 airport fee is applied to all taxi pick-ups at the airport. This fee assists SACL to provide infrastructure to support taxi facilities, including waiting areas, monitoring equipment, and kerbside supervisors and facilities. No fee is charged for drop-offs at the airport.

Estimated fares for taxi rides to certain locations are displayed in table 4.1 below. These fares are comparable to the cost of parking for certain services and durations of stay. For example, parking for three days in the domestic car parking facility (P2) would cost around \$130-\$140 if booked online, ie, more than a return taxi fare from Sydney CBD, but similar to the fare to and from North Sydney.

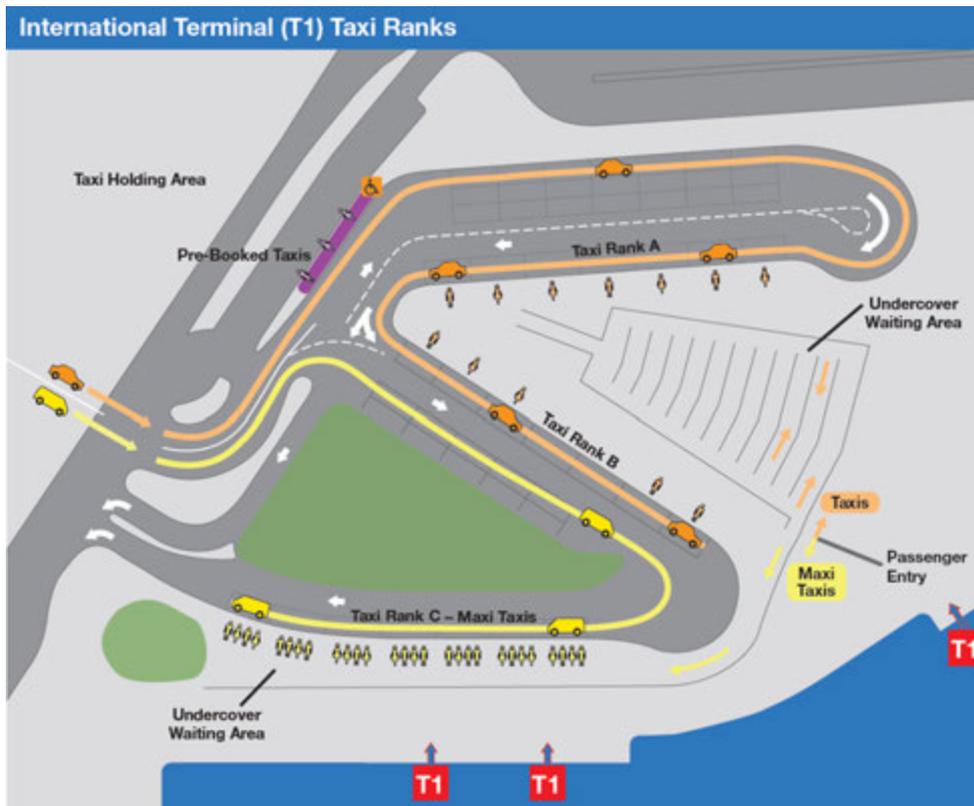
Table 4.1: Estimated taxi fares from Sydney Airport

Destination	One way	Return
Sydney CBD	\$45 - \$55	\$90 - \$110
North Sydney	\$55 - \$65	\$110 - \$130
Manly	\$90 - \$100	\$180 - \$200
Parramatta	\$100 - \$120	\$200 - \$240
Liverpool	\$95 - \$110	\$190 - \$220
Cronulla	\$75 - \$85	\$150 - \$170

Source: Fares exclude tolls. <https://www.sydneyairport.com.au/info-sheet/by-taxi-and-rideshare>, accessed 4 June 2018.

A map of the taxi ranks outside Terminal 1 is displayed in figure 4.4 below.

Figure 4.4: Taxi ranks at Terminal 1



Source: <https://www.sydneyairport.com.au/info-sheet/by-taxi-and-rideshare-international>, accessed 23 April 2018.

### Rideshare

A number of rideshare services can be accessed at Sydney Airport including GoCatch, Uber, InGoGo, Rydo, Ladies on the run, Taxify, Ola and DiDi. Passengers can request a car from their mobile phone using one of the rideshare operators once they have collected their luggage.

In addition to the standard fare charged by the rideshare operator, a \$4.20 airport fee applies to all pick-ups at the airport. Again, this fee assists SACL in providing the infrastructure necessary to support rideshare activities.

SACL has assisted its customers to access the airport using various rideshare services. SACL has chosen to provide dedicated rideshare priority pick-up bays within walking distance of each terminal, and passengers are directed to their nearest pick-up bay in the Uber app and by signage at the terminals. The priority pick-up area for rideshare at the domestic terminal was opened in September 2016, and March 2018 at the international area.

Estimated fares for UberX rides from Sydney Airport are displayed in table 4.2 below. These fares are somewhat lower than the taxis fares given in table 4.1, and so we expect that the introduction of Uber has increased the competitive constraint on car parking services at Sydney Airport.

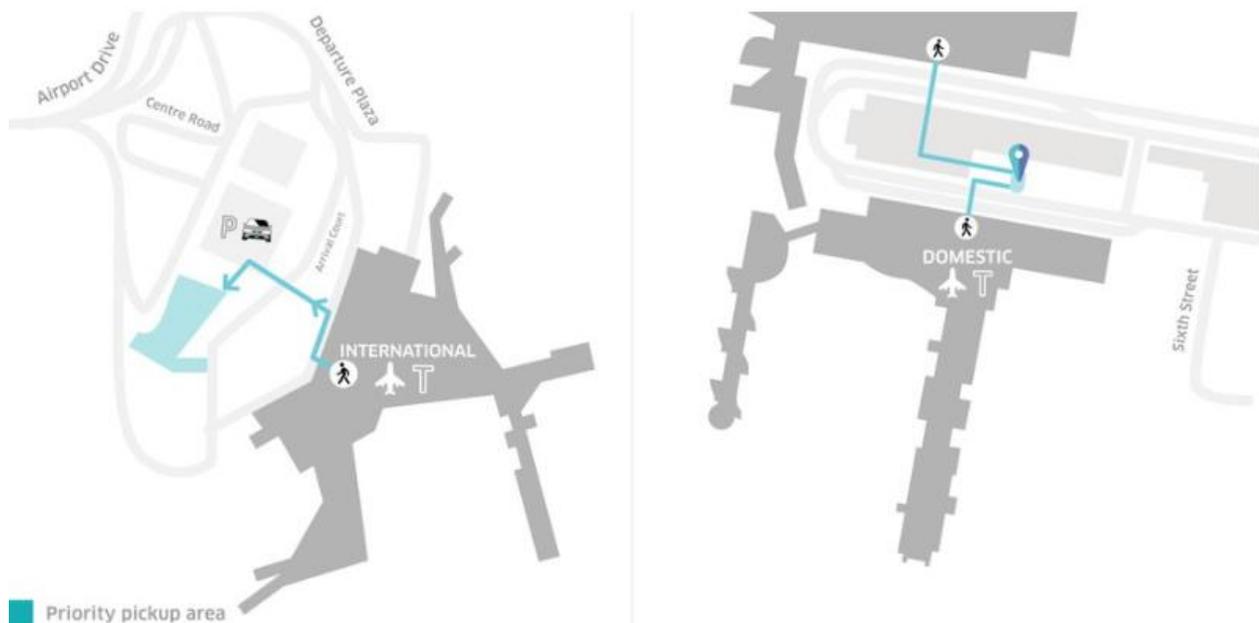
Table 4.2: Estimated UberX fares from Sydney Airport

Destination	Location to airport	Airport to location	Return
Hyde Park	\$30 - \$40	\$31 - \$41	\$61 - \$81
Opera House	\$33 - \$44	\$40 - \$50	\$73 - \$94
Bondi Beach	\$42 - \$56	\$43 - \$57	\$85 - \$113
North Sydney	\$42 - \$54	\$46 - \$58	\$88 - \$112

Source/notes: Fares are estimates only and may vary based on time of day and pick-up and drop-off locations. Data from <https://www.uber.com/en-AU/airports/syd>, accessed 4 June 2018.

Maps of the dedicated rideshare bays showing their location relative to the terminals are displayed in figure 4.5 below.

Figure 4.5: Rideshare pick-up bays at Sydney Airport



Source: <https://www.uber.com/en-AU/airports/syd>, accessed 4 June 2018.

Train

The Airport Link is the train service between Sydney CBD and the airport terminals, with a station at each of the domestic and international precincts. The train is operated by Sydney Trains and the stations are operated by Airport Link Company (ALC). The train takes 13 minutes and operates approximately every ten minutes during the week. ALC charges a \$14.30 ‘gate pass’ for access to the airport stations, paid in addition to the rail price. The total cost for one way travel during the peak train charge period between the CBD and the domestic or international terminals is currently \$18.70, and \$17.38 off peak.<sup>24</sup>

<sup>24</sup> See <https://www.airportlink.com.au/trip-information/price>, accessed 2 August 2018.

SACL has no investment interests in the Airport Link, which is an alternative form of access to that which SACL provides. The train's mode share for passengers increased from 16 per cent in 2012 to 24 per cent in 2017, as shown in figure 2.17.

SACL has been a public supporter of reducing the gate pass, for example:<sup>25,26</sup>

Since 2008, Sydney Airport has advocated reform of the [station access fee] SAF and long argued that it should be reduced.

[Reducing the gate pass fee] would ensure greater choice for the 160,000 people travelling to the airport each day.

The train can be an attractive alternative to car parking for many passengers, especially when taking into account the impact of traffic and congestion around Sydney on travel times to the airport.

We note that SACL does not receive any direct revenue from passengers on the airport train or from ALC.

#### Public bus

There is currently one public bus servicing Sydney Airport. The route 400 bus operates between Bondi Junction and Burwood, stopping at both the domestic and international precincts.<sup>27</sup> The fare for travel between Bondi Junction and the international terminal is \$4.61 using an Opal card (\$5.60 for a single fare), while travel from Bondi Junction to the domestic terminals costs \$3.58 with an Opal card (\$4.30 for a single fare). Travel between Burwood Station and either of the airport stations costs \$4.61 with an Opal card.

SACL has also supported the addition of more public bus services operating at the airport for a number of years:<sup>28,29</sup>

Together, the lack of bus services and the high cost of train travel discourages people from using public transport.

Sydney Airport has advocated for ... the provision of additional public bus services to the airport.

[SACL has advocated for] better and increased public transport services to the airport...the more people we can get on buses and trains the better.

#### Private bus

There are a number of private bus operators servicing Sydney Airport, including Plan B Shuttle, Airbus Airport Shuttle, Redy2Go and Airport Connect. Prices for travel from Sydney CBD to the airport are displayed in the table below.

<sup>25</sup> SACL, *Submission to the inquiry into removing or reducing station access fees at Sydney airport*, November 2013, p 6.

<sup>26</sup> <https://www.smh.com.au/national/nsw/state-collects-87-million-in-single-year-from-sydney-airport-train-station-fees-20171206-gzsz7p.html>, accessed 20 June 2018.

<sup>27</sup> See <https://transportnsw.info/routes/details/sydney-buses-network/400/31400>, accessed 4 June 2018.

<sup>28</sup> SACL, *Submission to the inquiry into removing or reducing station access fees at Sydney airport*, November 2013, pp 4 and 5.

<sup>29</sup> See <https://www.smh.com.au/national/nsw/congested-roads-overtake-aircraft-noise-as-biggest-sydney-airport-gripe-20180617-p4zlye.html>, accessed 26 June 2018.

Table 4.3: Private shuttle bus fares from Sydney CBD to Sydney Airport

Provider	One way	Return
Plan B Shuttle	\$50.00	\$100.00
AirBus Airport Shuttle	\$16.00	\$30.00
Redy2Go	\$22.00	\$41.80
Airport Connect	\$16.00	\$30.00
<b>Average</b>	<b>\$26.00</b>	<b>\$50.45</b>

Source: <http://planbshuttle.com.au>, <https://airbussydney.com.au>, <https://www.redy2go.com.au>, <https://airportconnect.com.au>, accessed 4 June 2018.

#### 4.1.4 Summary

There are many ways of accessing Sydney Airport with varying comfort, speed and cost. There is also a wide range of people that want to access the airport with varying preferences as to the ground access options, depending on where they are coming from, the length of time for which they will be leaving Sydney, their income, etc.

Paid car parking is used by less than ten per cent of passengers accessing the airport, with free pick-up being used by more than three times the passengers. Substitution between methods to access Sydney Airport has occurred, with usage of the train increasing from 16 to 24 per cent over just five years, and accessing the airport by private car falling from 37 to 32 per cent over the same period.

The degree of substitution between the various means of accessing the airport will vary depending on the person and their requirements. For example, the train will be more attractive to people who live close to one of the train stations, and taxis will be more attractive to those living close to the airport.

The cost of parking increases with the length of the stay, and so it becomes less attractive as the length of stay increases. For example, the cost of a taxi for someone living in Sydney CBD will be about the same as the Blu Emu car park for a seven day stay – see table 4.4. A taxi will be relatively cheaper as compared to parking for longer stays and more expensive for shorter stays.

Table 4.4: Price comparisons for return trips from Sydney CBD to Sydney Airport

Trip Duration	Pick-up / drop-off	Taxi <sup>1</sup>	Uber <sup>2</sup>	Train	Private bus (average)	Sydney Blu Emu average online 2016-17	Off-airport parking (average)
1 day	<i>Minimal – petrol, convenience / time costs incurred by friends / family</i>	\$90 - \$110	\$61 - \$81	\$37	\$50.45	\$30.09	\$29.75
2 days		\$90 - \$110	\$61 - \$81	\$37	\$50.45	\$57.78	\$44.65
3 days		\$90 - \$110	\$61 - \$81	\$37	\$50.45	\$67.59	\$59.72
5 days		\$90 - \$110	\$61 - \$81	\$37	\$50.45	\$95.88	\$87.85
7 days		\$90 - \$110	\$61 - \$81	\$37	\$50.45	\$100.78	\$114.48
14 days		\$90 - \$110	\$61 - \$81	\$37	\$50.45	\$122.61	\$194.45

Sources/notes: 1) Price for taxi is based on estimated range for travel to the CBD. 2) Price for Uber is based on an estimated return fare to Hyde Park.

Some examples of substitution may include:

- a customer travelling on their own may be willing to substitute between using the train and the Blu Emu service for a one day trip, which have similar costs;
- a group of four people may be willing to substitute between a taxi and using the Blu Emu car park for a five day trip, which have similar costs; and
- an individual flying out and returning on the same day may substitute between taking an Uber (at around \$70), and parking near to the terminal at a slightly lower cost (around \$50-60) because it is more convenient to be dropped off by the Uber closer to the terminal.

Car parking revenue per passenger (T1 and T2 only) has fallen in real terms from 2014-15 to 2016-17. We understand from Sydney Airport that the increased use of rideshare and the train are part of the explanation for this decline.

Further, the proportion of customers entering car parks at Sydney Airport but not paying for parking has been increasing over time, and in 2016/17 it was around 38 per cent.<sup>30</sup>

The existence of a range of potential substitute services – many of which are not provided by SACL, and whose usage is increasing – is likely to constrain SACL's ability to charge excessive prices for parking, since customers have the ready ability to switch between alternative modes.

## 4.2 Landside access

Access to terminals is an essential component of the services provided at an airport and it is inherent in the physical configuration of its facilities that each airport controls (or has the ability to control) access to its terminals. However, SACL earns only 2.4 per cent of its revenue from ground access, whilst it is almost completely reliant upon passengers using landside access to reach the airport for the remainder of its revenue.<sup>31</sup>

<sup>30</sup> See Figure 4.3.

<sup>31</sup> SACL ACCC submissions 2016-17.

Further, some of the landside access users have a degree of countervailing power. For example, ridesharing firms and the representatives of taxi operators have a strong bargaining position because SACL relies on passengers being able to use these services for a large proportion of its customers.

It follows that SACL is likely to have some market power in the provision of landside access services.

## 5. Has SACL exercised market power?

In this section we consider whether there is any evidence of SACL exercising a degree of market power in relation to car parking or landside access services.

### 5.1 Car parking

We consider below whether SACL has:

- the incentive to charge monopolistic prices for car parking;
- derived monopoly rents on car parking activities;
- reduced the quality of its car parking services; and/or
- reduced the quantity of car parking spaces available below the competitive level.

Finally, we examine whether these market outcomes have deteriorated since 2013.

#### 5.1.1 Incentives to set excessive charges

Airport operators' revenue is primarily generated by people coming to the airport, regardless of whether they park a car or generate access fees. Indeed, car parking revenue represented a maximum of 10.7 per cent of total airport revenue for SACL in the last five years, and 9.5 per cent in 2016-17.<sup>32</sup>

Therefore, SACL has an incentive to charge prices at rates that attract visitors to the airport, since doing so will maximise the long-term revenue and profit associated with the airport.

In short, it is unlikely to be in the long-term interests of SACL to discourage visitors by setting high prices on car parking and landside access. SACL's ongoing investment in car parking and other landside access facilities is consistent with this long-term interest. In particular, SACL has indicated that it places significant emphasis on enabling access to facilitate passenger growth, which in turn maximises aeronautical and retail revenues.

#### 5.1.2 Locational rents

The ACCC has consistently reported that the margins (ie, profit expressed as a percentage of sales) derived by the major airports in relation to car parking services are high.

We noted in section 3.1 above that the ACCC's measure of accounting profit is of limited relevance for assessing the extent of any economic profit derived by airports on car parking services.

An economic framework for interpreting profit margins

In order to establish by means of profit-based observations whether an airport has exercised substantial market power through setting car parking charges above competitive levels, it is essential to distinguish between two forms of economic rent that may be present. These are locational rents, and rents arising from use of market power, or 'monopoly rents'. The distinction between these is that:

- locational rents arise if the space or land available at a preferred location is limited, and users are prepared to pay a premium (though not because of artificial restrictions); whilst
- monopoly rents come about through the use of market power, which arises when a facility owner has the ability to set a price that exceeds the cost of supply (including any locational rent that may exist) or the

<sup>32</sup> ACCC, *Airport monitoring report 2016-17*, April 2018, p 172.

price that would prevail under workable competition, or to reduce its quality below that which would prevail under workable competition, thus reducing its costs and increasing its margins.

There are many examples of locational rents, including residential land values that increase with proximity to city centres, good schools or beaches. Locational rents reflect that the land in premium locations is scarce, and that people are willing to pay more for the land as a result, ie, the opportunity cost of the land. Unless users of premium land are charged prices that reflect its locational attributes, over-crowding or congestion is inevitable.

The same principle applies to airports, which are centres of commerce in their own right. Land proximate to the terminal tends to be scarce, and so a premium must be paid to secure such prime locations. The critical, in principle distinction between a locational rent and a monopoly rent is that the former covers the opportunity cost of the land, and no more. This distinction is important, because it has implications for efficiency and for whether market power can reasonably be said to have been exercised, ie:

- locational rents are consistent with efficient pricing, since they represent the opportunity cost of space or land which is in scarce supply; and
- monopoly rents come about because the owner has set prices above an efficient level, thereby reducing output below the efficient level, creating a dead weight loss.

Locational rents do not justify regulatory intervention since they represent an important component of efficient, cost-reflective prices. In practice, the distinction between monopoly and locational rents is a challenging one to draw. The opportunity cost of land can be very high, difficult to measure and vary considerably by location.

The absence of any evidence on the location value of airport land is an intrinsic shortcoming in the way in which the ACCC monitors car parking and ground access charges. Because the reported operating margin does not factor in the opportunity cost of land, it provides no indication of whether prices are excessive. Past contentions by the ACCC that airports have been charging excessively have therefore had no basis.

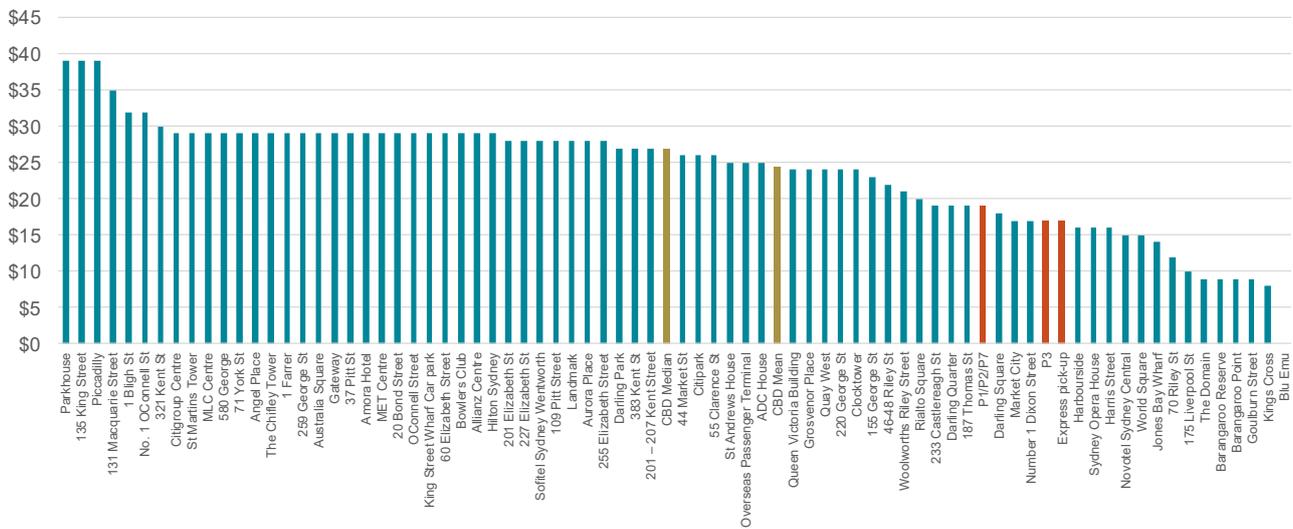
#### Locational rents in Sydney CBD

It can be instructive to explore the nature of locational rents in other areas, such as Sydney CBD. Car parks located in Sydney's CBD can be expected to include an element of locational rent, unlike non-CBD car parks such as shopping centres and stadiums, that may also face close competition from free parking on surrounding streets, and which (in particular for shopping centres) may cross-subsidise car parking to encourage patronage.

The existence of many public car parks in Sydney's CBD allows for an illustration of the existence of locational rents. Since the services provided are largely the same, differences in prices may be used to examine the existence and range of locational rents. Our analysis focuses on short term pricing, since the land closest to the terminals is likely to command the greatest degree of locational rent, and SACL faces significant competition from off-airport providers for longer term stays.

Figure 5.1 below highlights that the charge for one hour of car parking at Sydney Airport is below the average charge for one hour in the CBD, with SACL prices in red and the median and mean CBD prices in gold.

Figure 5.1: Comparison of one hour car parking rates at Sydney Airport vs CBD

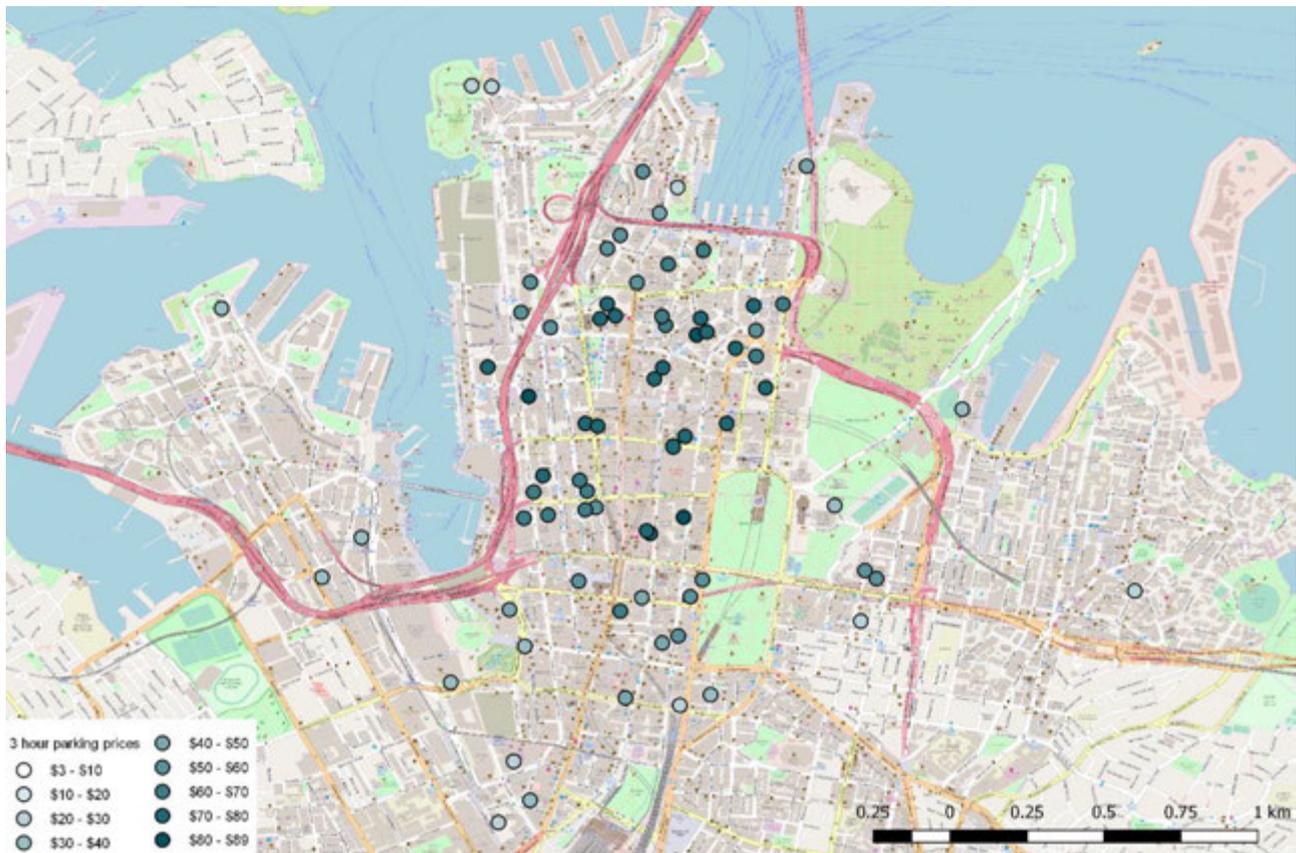


Source: <https://www.sydneyairport.com.au/parking-and-transport/departing/domestic/parking-options>, accessed 9 July 2018, <https://www.wilsonparking.com.au>, accessed 25 June 2018, <https://www.secureparking.com.au>, accessed 4 July 2018.

Figure 5.2 below shows car parking prices for a three hour stay at a range of Wilson and Secure car parks near Sydney CBD. In particular, it shows that car parks towards the geographic centre of Sydney tend to charge higher prices (shown by darker shading) than those further out, because these locations have a higher opportunity cost of providing car parking services.<sup>33</sup>

<sup>33</sup> This analysis is included to show the *general* trend that car parks close to the city centre charge higher prices than those further out, but prices may also vary with the services provided, for example undercover compared to outdoor parking, or with other factors including the number of parks provided, proximity to shopping centres and security levels. It is not intended to be an in-depth analysis of CBD parking prices.

Figure 5.2: Three-hour car parking prices at Wilson and Secure car parks in Sydney CBD



Source: <https://www.wilsonparking.com.au/Pages/default.aspx>, accessed 25 June 2018, <https://www.secureparking.com.au>, accessed 4 July 2018

#### Opportunity cost of car parking spaces

SACL rents 'ready bays' to car rental providers at the domestic and international precincts. These bays are located close to the terminals. SACL also provides a Guaranteed Space parking product, which are the closest car parks to the terminal. SACL has indicated that an alternative use for these Guaranteed Space car parks would be as additional ready bays. In other words, the opportunity cost of offering the Guaranteed Space car parks is providing ready bays.

In 2017, SACL charged car rental operators [CIC] per space at either the international or domestic terminals for the year, which is approximately [CIC] per space per month. On the other hand, average revenue per space for Guaranteed Space per month over 2017<sup>34</sup> was \$452 at the international precinct and \$887 at the domestic precinct.

This shows that the revenue generated by providing an additional Guaranteed Space bay<sup>35</sup> is less than the opportunity cost, and so SACL appears to be charging a price that reflects the locational rents on the land, not monopoly rents.

<sup>34</sup> SACL began offering the Guaranteed space product at the domestic precinct in February 2017, and at the international precinct in March.

<sup>35</sup> This analysis is conducted at the *margin*, ie, it is not necessarily appropriate to conclude that SACL would be able to remove *all* of their Guaranteed space bays in favour of car rental ready bays, but that at least some bays would be able to be leased to the car rental providers. However, SACL have indicated that, in their opinion, car rental providers would be willing to purchase at least another 100 bays, representing about one sixth of the Guaranteed space bays.

### 5.1.3 Quality

As discussed in section 2.3.4, SACL has invested significantly in car parking infrastructure, with the aim to improve the quality of service provided to users.

SACL has introduced a number of new parking products over the period, including Guaranteed Space, and as such has improved the options available for consumers, as well as recently implementing a customer feedback system for car parkers to assist SACL with measuring and improving the quality of car parking services.

Figures 5.4 and 5.5 below indicate that quality ratings of car parks at Sydney Airport have remained relatively constant over time, with international facilities rated as 'good' and domestic ratings at the upper end of the 'satisfactory' band. There has been very little change in these ratings over the last five years.

### 5.1.4 Capacity

As shown in section 2.3, SACL has increased the number of car parks available to the public in recent years. As such, there is no evidence that SACL is artificially reducing the quantity of parking available.

### 5.1.5 Changes since 2013

#### Prices

In section 2.4.3, we set out that drive-up car parking prices at Sydney Airport have remained relatively flat in real terms over the past five years. At the same time, online sales have increased with large discounts available relative to the drive up prices. So, in effect, prices overall are likely to have fallen in real terms. We also showed in section 2.6 that total car parking revenues per space have remained relatively constant over the last five years, whilst car parking revenue per passenger at T1 and T2 declined slightly over the period.

#### Prices relative to land values

It is relevant to compare the change in SACL's car parking prices to the movement in land values in various locations near the airport. If the land surrounding the airport (and in Sydney in general) has increased in value, it is reasonable to infer that the land on which SACL's car parks are located will have as well. As such, the opportunity cost of SACL's car parking land will have increased and it should be expected that it would earn more revenue from car parking to reflect that increased opportunity cost.

First, we consider movements in values for industrial properties in the Bayside Local Government Area (LGA).<sup>36</sup> Table 5.1 below shows that these land values increased substantially from 2015 to 2017.

<sup>36</sup> Bayside Council was formed on 9 September 2016 from the merger of the Botany Bay and Rockdale councils. Sydney Airport was located in the Rockdale LGA.

Table 5.1: Land values in Bayside LGA, 2015 – 2017

Property type	July 2015	July 2016	July 2017	Percentage change 2015-2017
Commercial	\$2,459,196,421	\$2,904,099,370	\$3,377,240,830	37.3%
Industrial	\$2,219,901,940	\$2,350,962,170	\$2,524,312,780	13.7%

Source/notes: July 2015 value is the sum of the corresponding values for Botany Bay and Rockdale councils.  
[http://www.valuergeneral.nsw.gov.au/land\\_value\\_summaries/lga.php](http://www.valuergeneral.nsw.gov.au/land_value_summaries/lga.php)

Second, we consider the change in residential property prices in Sydney over time. Although not a perfect substitute for commercial or industrial land, it does give an indication of the value of land in Sydney over time. Table 5.2 below shows that in the period June 2013 to June 2017, residential house prices in Sydney increased by 62.5 per cent.

Table 5.2: Sydney residential property prices, 2013 – 2017

Index	June 2013	June 2014	June 2015	June 2016	June 2017	Percentage change 2013-2017
Residential Property Price Index	108.7	126.0	149.8	155.2	176.6	62.5%

Source: Table 1. Residential Property Price Index, Index Numbers and Percentage Changes, Residential Property Price Indexes (series A83728383L). <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6416.0>, accessed 4 June 2018.

Third, the NSW Valuer General publishes long term land value trends for benchmark properties across LGAs in Sydney.<sup>37</sup> The closest benchmark site to the airport is a 'small industrial site' on Erith Street, Botany. The reported land values of this property are shown in table 5.3 below.

Table 5.3: Benchmark property land value near Sydney Airport, 2013 – 2017

Property	Land area (m <sup>2</sup> )	2013	2014	2015	2016	2017	Percentage change 2013-2017
Erith Street, Botany 2019	1,543	\$1,390,000	\$1,450,000	\$1,800,000	\$1,800,000	\$1,940,000	36.6%

Source: [http://valuergeneral.nsw.gov.au/land\\_value\\_summaries/historical\\_values.php](http://valuergeneral.nsw.gov.au/land_value_summaries/historical_values.php), accessed 6 June 2018.

In contrast to these estimates of land values, SACL parking prices did not rise to the same extent over the period. Indeed, table 5.4 below shows that the average price change for each SACL car park from 2013 to 2017 was less than the commercial land value increase, the change in the residential property price index, and the increase in the value of the benchmark property. As such, the price of car parking has not increased by more than the increase in land value.

<sup>37</sup> See [http://valuergeneral.nsw.gov.au/land\\_value\\_summaries/historical\\_values.php](http://valuergeneral.nsw.gov.au/land_value_summaries/historical_values.php), accessed 6 June 2018.

Table 5.4: Average movement in parking prices, 2013 – 2017

Car park	Average percentage change 2013-2017	Average percentage change 2015-2017
P1/P2 car park	9.6%	6.2%
P3 car park		-20.2%
P7 car park	24.6%	18.9%
P9 car park		0.8%
Blu Emu	13.9%	5.1%

Source/notes: P3 and P9 car parks were not operational in 2013. Average price changes for period less than one week. SACL moved from calendar day pricing to 24 hour based pricing in 2016.

### Movement in implied return on land

We examine below how the implied rate of return on Sydney Airport's car parking land changed from 2013 to 2017. The ACCC airport monitoring reports reported car parking revenues and operational expenditure as shown in table 5.5.

Table 5.5: SACL car parking revenues, expense and EBITA profit

Item	2012-13	2013-14	2014-15	2015-16	2016-17
Revenue (\$ millions)	111.5	120.0	127.8	133.8	134.8
Expenses (\$ millions)	34.8	32.0	36.2	36.0	37.8
<b>EBITA profit (\$ millions)</b>	<b>76.7</b>	<b>88.1</b>	<b>91.5</b>	<b>97.8</b>	<b>97.0</b>

Source: ACCC, Airport monitoring report 2012-13, April 2014, p 238. ACCC, Airport monitoring report 2013-14, April 2015, p 189. ACCC, Airport monitoring report 2014-15, April 2016, p 158. ACCC, Airport monitoring report 2015-16, March 2017, p 163. ACCC, Airport monitoring report 2016-17, April 2018, p 172.

The table above reveals that in 2012-13, SACL received \$111.5 million in revenue from car parking and incurred \$34.8 million in operating costs, resulting in a \$76.7 million operating margin. The operating margin can be thought of as a return on the assets in situ at that time, including the relevant land. In other words, it provides a high-level indication of the implied return on car parking assets at that time.

Table 5.3 above indicates that industrial land near Sydney Airport increased in value by 36.6 per cent (in nominal terms) over the period 2012-13 to 2016-17. Assuming that this increase in land values also applies to the value of the capital assets as a whole, we find that SACL would have needed an operating margin of \$104.8 million in 2016-17 to earn the same return on car parking assets as in 2012-13.<sup>38</sup>

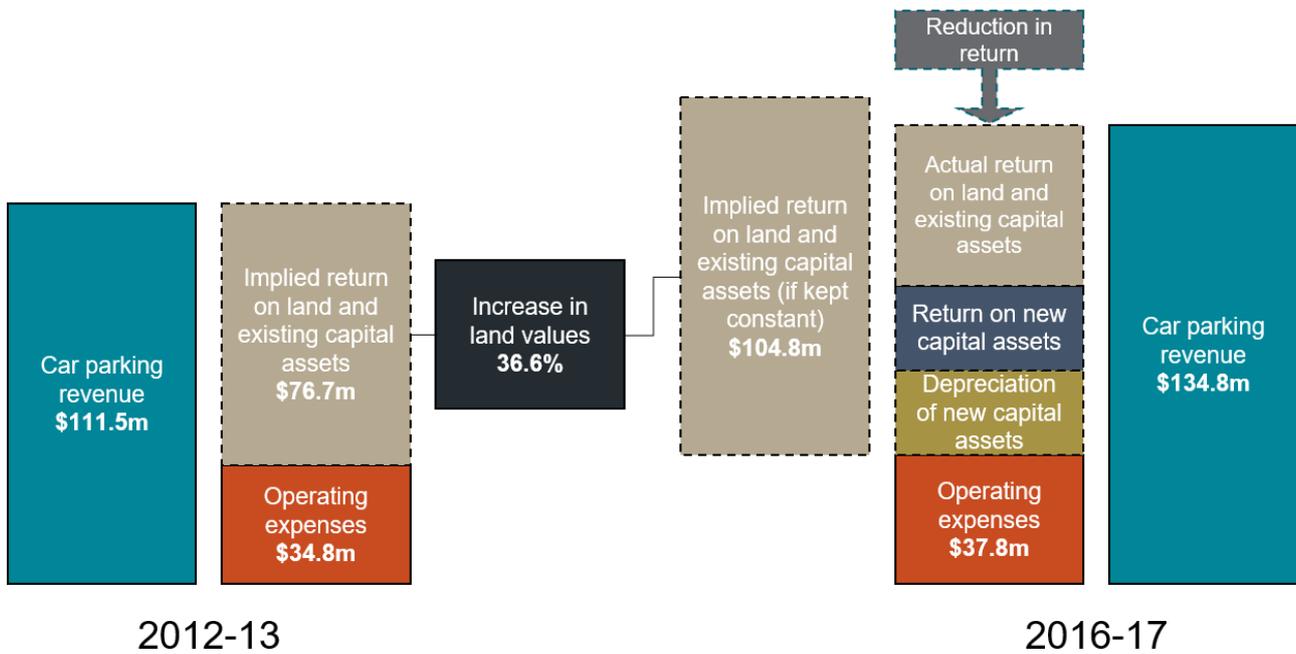
This significantly exceeds the actual operating margin in 2017 of \$97.0 million. Indeed, the operating margin in 2016-17 was only 26.5 per cent higher than (in nominal terms) the return in 2012-13. Further, the implied

<sup>38</sup> We also assume that the weighted average cost of capital has not changed from 2012-13 to 2016-17.

return of \$104.8 million does not include the return on and of any new capital expenditure by SACL, which was significant during the period.

Figure 5.3 below illustrates that the required implied return in 2016-17 exceeds the actual return in that year, even before taking into account the new capital expenditure. It follows that Sydney Airport is likely to have earned a lower return on land used for car parks in 2016-17, as compared to 2012-13.

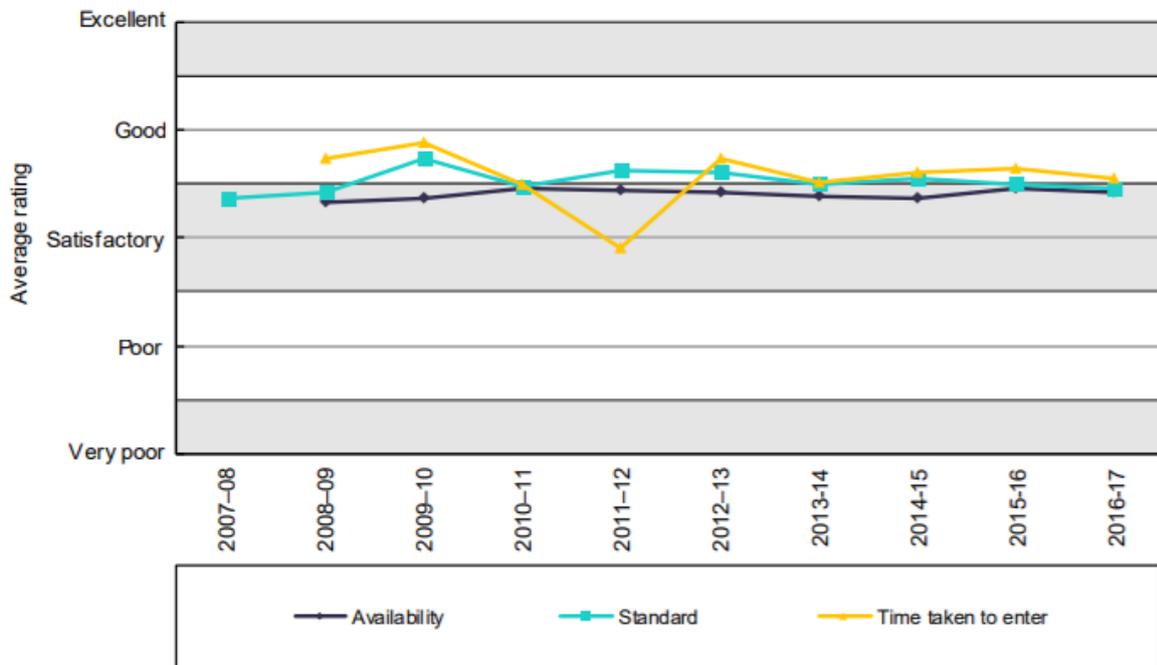
Figure 5.3: Movement in implied return on land



Quality

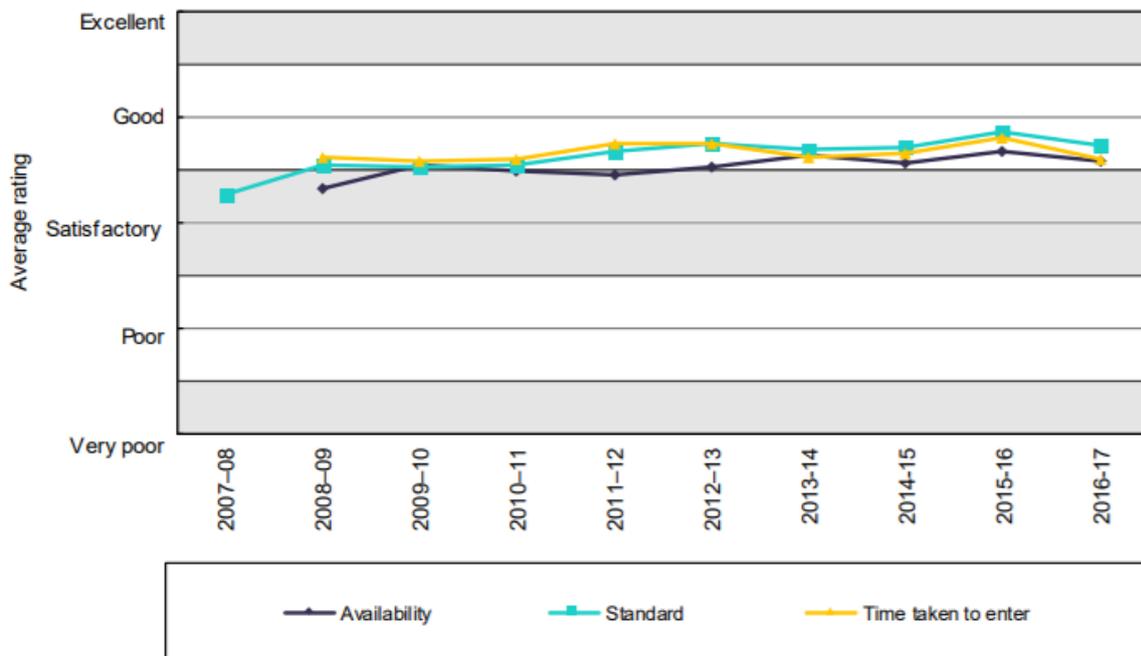
Figure 5.4 and Figure 5.5 show that the ratings of the quality of car parking services given by passenger surveys have been fairly flat for the domestic terminal over the past five years, whilst they have improved at the international terminal. Therefore, the quality of car parking services has remained the same or improved over the last five years.

Figure 5.4: Passenger survey ratings of quality of car parking facilities at the domestic terminals



Source: ACCC, Airport monitoring report 2016-17, April 2018, p 174.

Figure 5.5: Passenger survey ratings of quality of car parking facilities at the international terminal



Source: ACCC, Airport monitoring report 2016-17, April 2018, p 174.

## Capacity

As set out in section 5.1.4, SACL has increased the number of car parks available to the public in recent years. As such, SACL has not reduced the quantity of car parks available since the last review five years ago.

In summary, the above analysis indicates that SACL has not increased the extent to which it has used market power in the supply of car parking services over the past five years.

### 5.1.6 Summary

The ACCC's assessment of profitability at airports focuses on accounting measures of profitability. Such measures take no account of a key important element of the economic cost of car parks, being the opportunity cost of the relevant land or other locational attribute.

The evidence suggests that the locational rents at Sydney Airport are likely to be significant and have recently increased, ie:

- Sydney Airport would be able to rent out the car parking land for other purposes for substantial sums;
- airports are becoming more like small cities with a wide range of services, giving SACL a wide range of alternatives for the land used for car parks;
- the land used for car parks has increased substantially in value over the last five years; and
- the value of locational rents are very substantial in Sydney CBD, with car parks closer to the centre of the CBD having much higher prices than those just 1km away.

It follows that the prices set by SACL for car parking are likely to be explained to a significant extent by locational rents and convenience premiums. The ACCC's assessment of profitability does not take into account other aspects of opportunity cost (such as return on other capital). In the absence of such analysis, the ACCC's assessment of the economic costs of car parking is significantly compromised, and the reported profitability of car parking services at Sydney Airport is overstated. As such, there is no evidence that SACL has exercised substantial market power by charging high prices for parking.

The evidence and analysis set out above is also not consistent with SACL exercising substantial market power in the supply of car parking services by other non-price means, ie:

- there is no indication that SACL has restricted capacity to create scarcity rents; and
- there is no evidence that the quality of car parking is below that of a competitive market.

Overall market outcomes have improved since the Productivity Commission's last review seven years ago, ie:

- drive up car parking prices have been fairly flat in real terms over the last five years, whilst more people are booking online where substantial discounts on drive-up rates are available;
- the average price change for each SACL car park from 2013 to 2017 was less than the increase in the value of the land (ie, the change in the opportunity cost of the land);
- Sydney Airport is likely to have earned a lower return on land used for car parks in 2016-17, as compared to 2012-13;
- there has been substantial investments in car parking services made by SACL over the last five years; and
- SACL has increased the quantity of car parks available in the last five years.

## 5.2 Landside access

The ACCC has repeatedly voiced the concern that airports are in a position to reduce competition by placing restrictions on landside access to terminals.<sup>39</sup> Such restrictions might include excessive levies, setting inconvenient locations for pick-up and drop-off points, and under-investment in the quality of roads and waiting areas for passengers using such routes. Despite such actions having the potential to contravene section 46 of the *Competition and Consumer Act 2010* (Cth) we are not aware of the ACCC undertaking any enforcement actions in such circumstances.

Although it is clear that SACL has considerable discretion over its terms and conditions of landside access, the available evidence suggests that SACL has set those terms so as to facilitate access, with the ultimate objective of maximising long term foot traffic at Sydney Airport.

### 5.2.1 Accessing the airport

SACL does not prevent any public or private operators from accessing the airport.

### 5.2.2 Landside access fees

We discussed in section 2.5.2 that SACL charges fees to some users for accessing the terminals. However, there are substantial costs involved in maintaining the landside access infrastructure, including roads, drop-off and pickup bays, taxi stands, and so on. The recovery of the costs for such facilities through access charges does not in itself suggest that market power is being exercised. The Productivity Commission has previously acknowledged this basic point:<sup>40</sup>

*As a first step, the price of ground transport access must reflect the cost of providing the service.*

Importantly, we note that access fees are not charged to private vehicles to pick-up and drop-off passengers. There are also short term parking options available without charge. This is not consistent with the exercise of substantial market power.

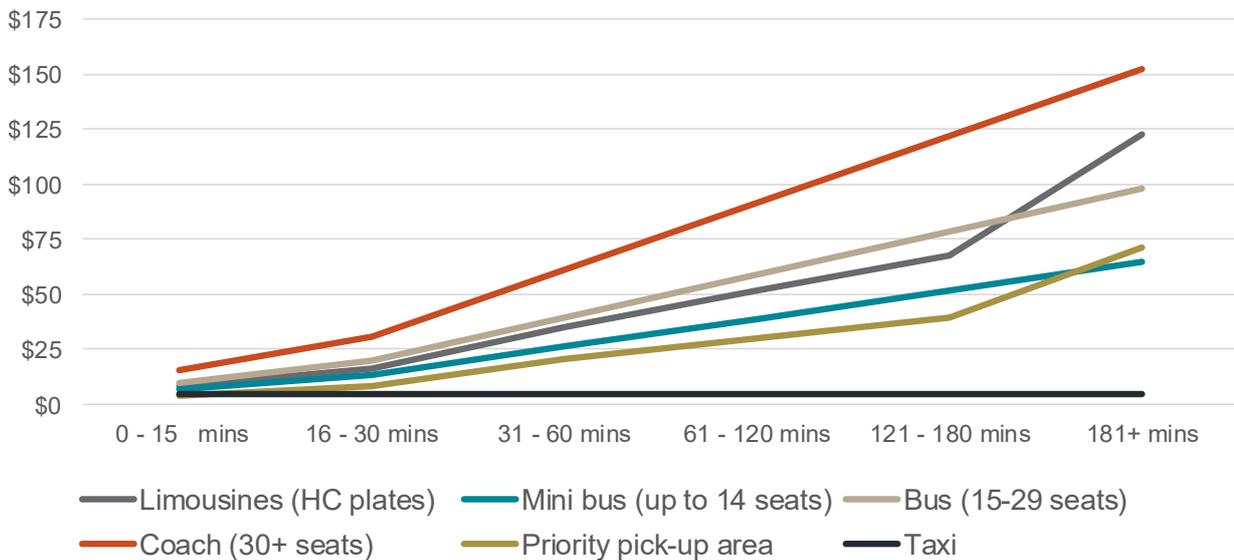
Further, where SACL charges for landside access, it determines fees so as to manage demand by ensuring turnover of spaces and areas to facilitate greater numbers of vehicles being able to use the footprint – prices act as a rationing mechanism to reduce congestion around the terminals. Figure 5.6 shows that access fees generally increase with time stayed and with the size of the vehicle or the location relative to the terminal of the access. Whilst current technology only permits charging per vehicle it can be seen from the chart below that the larger the capacity vehicles are charged less, on a per passenger basis, than smaller capacity vehicles. This is consistent with encouraging usage of vehicles with greater capacity as they use the available kerbside and spaces in a more efficient manner.

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<sup>39</sup> ACCC, *Airport monitoring report 2015-16*, p xii.

<sup>40</sup> Productivity Commission, *Economic regulation of airport services*, December 2011, p 286.

Figure 5.6: Landside access fees at Sydney Airport



Notes: Uber and other rideshare services use the priority pick-up areas.

SACL does not receive any direct revenue from passengers using the train, yet has been an advocate for a reduction in the gate pass charged by the station operators, and increased use of rail and other forms of public transport by passengers.

### 5.2.3 Quality

SACL has continued to invest in landside access, as discussed in section 2.5.3. This is reflected in the ratings of quality for landside access as reported recently by the ACCC. Indeed, in 2016-17, most services were rated as 'good' by passengers, with kerbside space congestion rated as 'satisfactory' at each terminal as shown in Figure 5.7 below.

Congestion is a significant issue for Sydney as a whole, and forms part of the reason that SACL has been vocal in supporting reduction in the train gate pass, as this would relieve some congestion at the terminals.

SACL is also mindful of the increased congestion that can result from providing free passenger drop off and pick up facilities located close to the terminal.

Figure 5.7: Quality of landside access ratings at Sydney Airport

Terminal	Indicator	Rating category 2016–17	1-year change
<b>International</b>	Kerbside pick-up and drop-off facilities	Good	—
	Taxi facilities waiting time	Good	▲
	Kerbside space congestion	Satisfactory	▼
<b>Domestic terminal (T2)</b>	Kerbside pick-up and drop-off facilities	Good	▲
	Taxi facilities waiting time	Good	▲
	Kerbside space congestion	Satisfactory	▲
<b>Domestic terminal (T3)</b>	Kerbside pick-up and drop-off facilities	Good	▲
	Taxi facilities waiting time	Good	▲
	Kerbside space congestion	Satisfactory	▲

Source: ACCC, Airport monitoring report 2016-17, April 2018, p 177.

SACL has introduced a number of new options for landside access in the last few years, including the rideshare priority pick-up bays within walking distance of each terminal, the express and priority pick-up areas and additional drop-off facilities at T1. The addition of e-tag technology to the priority pick-up areas means that rideshare services and members of the public are able to access these areas quickly and pay conveniently.

#### 5.2.4 Changes over the last five years

We showed in section 2.5.2 that prices for ground access have been fairly flat over the last five years in real terms. In section 2.5.3 we showed that SACL has invested substantially in improving ground access, and this is reflected in the quality ratings set out above.

Therefore, there is no evidence of market outcomes worsening in the provision of ground access services since the Productivity Commission's last review seven years ago.

In summary, SACL does not appear to have the incentive to restrict landside access to its terminals, and there is no evidence that it has done so.

## 6. Conclusion

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This report has assessed the extent to which SACL can be regarded as having a degree of market power in relation to either car parking or landside access services at Sydney Airport, and whether it has taken advantage of any such power.

Our analysis shows that, in relation to car parking:

- SACL is unlikely to have substantial market power, on account of competition from other transport options for accessing Sydney Airport, such as drop-off and pick-up, taxi, train and rideshare, as well as competition from off-airport car parking operators, each of which constrain the prices that SACL is able to set for car parking;
- we find no evidence of SACL exercising any market power in the supply of car parking services, given that:
  - > the locational rents at Sydney Airport are likely to be significant and have recently increased, and so explain a large part of the prices for car parking services set by SACL;
  - > there is no indication that SACL has restricted the capacity or the quality of car parking services; and
- overall market outcomes have improved since the Productivity Commission's last review seven years ago.

In relation to ground access:

- access to terminals is an essential component of the services provided at an airport and it is inherent in the physical configuration of its facilities that each airport controls (or has the ability to control) access to its terminals. It follows that SACL is likely to have some market power in the provision of landside access services; however
- there is no evidence that SACL has exercised substantial market power, given that:
  - > SACL does not prevent any public or private operators from accessing the airport, and it does not charge higher prices for operators of off airport car parks, as compared to other ground access seekers with similar vehicles;
  - > SACL chooses to locate facilities for a variety of low to no yielding access modes, such as private vehicle pick-up and drop-off and taxi ranks and supporting holding areas on high value land located proximate to terminals. This prioritises the efficient movement of passengers and vehicles over the superior commercial returns that could otherwise be generated from this land;
  - > to manage peak demand and alleviate congestion for access modes including private vehicle pick-up and drop-off, SACL provides free parking options, prioritising quality for customers and the efficient movement of passengers and vehicles over achieving commercial returns from these assets;
  - > SACL has introduced a number of new options for landside access in the last few years, including the rideshare priority pick-up bays within walking distance of each terminal, and the express and priority pick-up areas;
  - > SACL has continued to invest substantial sums in providing new and improved landside access services. This is reflected in the ratings of quality for landside access as reported by the ACCC. Indeed, in 2016-17, most services were rated as 'good' by passengers, with the large majority improving since the previous year; and
  - > there is no evidence of market outcomes worsening in the provision of ground access services since the Productivity Commission's last review seven years ago.

In our opinion, this amounts to compelling evidence that SACL is not exercising market power, but is instead seeking to *facilitate* access.

## A1. Off-airport parking operators

In this section we describe the various off-airport car operators for which information is readily available as at June 2018, including the services they offer, the location of the car parks and prices of the services.

### A1.1 Park n Fly

Park n Fly is located at 1080 Botany Road, Mascot,<sup>41</sup> approximately 1.6 km from the domestic terminal.<sup>42</sup>

Park n Fly provides open air and undercover parking, with 24 hour security. Park n Fly is open seven days per week from 5:00 am to 11:00 pm.

Park n Fly provides free shuttle buses to and from Sydney Airport, which are operated on an ‘on demand’ basis.

Park n Fly also offer additional services for additional cost, including car washing and detailing. Park n Fly does not set out its rates directly on its website but does provide an online quote facility, with rates set out in the table below.

Table A 1.1: Park n Fly rates

Calendar days	Undercover	Outdoors
1	\$42.00	\$40.00
2	\$72.00	\$70.00
3	\$98.00	\$96.00
4	\$118.00	\$116.00
5	\$138.00	\$136.00
6	\$151.00	\$149.00
7	\$164.00	\$162.00
8	\$177.00	\$175.00
9	\$190.00	\$188.00
10	\$203.00	\$201.00
11	\$216.00	\$214.00
12	\$229.00	\$227.00
13	\$242.00	\$240.00
14	\$255.00	\$253.00

Source: <https://www.parknfly.com.au>, accessed 4 June 2018.

### A1.2 Airport Express Car Parking

Airport Express Car Parking is located at 2 Merchant Street, Mascot,<sup>43</sup> approximately 2.0 km from the domestic terminal and 5.1 km from the international terminal.<sup>44</sup>

<sup>41</sup> See Park n Fly website, <https://www.parknfly.com.au>, accessed 4 June 2018.

<sup>42</sup> Distances calculated using Google Maps.

<sup>43</sup> See Park n Fly website, <https://www.airportexpresscarparking.com.au>, accessed 4 June 2018.

<sup>44</sup> Distances calculated using Google Maps.

Airport Express Car Parking provides a security fenced car park with CCTV monitoring. Airport Express Car Parking is open seven days per week from 5:00 am to 11:00 pm.

Airport Express Car Parking provides free shuttle buses to and from Sydney Airport.

Airport Express Car Parking also offer additional services for additional cost, including car washing. Airport Express Car Parking charges per calendar day or part thereof, as per the table set out below.

Table A 1.2: Airport Express Car Parking rates

Calendar days	Parking
1	\$30.00
2	\$50.00
3	\$70.00
4	\$85.00
5	\$100.00
6	\$115.00
7	\$130.00
8	\$140.00
9	\$150.00
10	\$160.00
11	\$170.00
12	\$180.00
13	\$190.00
14	\$200.00

Source: <https://airportexpresscarparking.com.au>, accessed 4 June 2018.

### A1.3 Airport Park and Fly

Airport Park and Fly has four locations near the airport,<sup>45</sup> set out in the table below.

Table A 1.3: Airport Park and Fly locations

Location	Distance to domestic airport	Distance to international airport
1 Levey Street, Wolli Creek	4.4 km	1.9 km
910 Princes Highway, Tempe	5.3 km	2.8 km
2 Sarah Street, Mascot	0.9 km	5.0 km
13 Gertrude Street, Wolli Creek	4.3 km	1.8 km

Source: Distances calculated using Google Maps

Airport Park and Fly provides a security car parking with 24 hour onsite security. Airport Express Car Parking is open seven days per week, but does not specify their hours of operation on their website.

<sup>45</sup> See Airport Park and Fly website, <https://www.airportparkandfly.com.au>, accessed 4 June 2018.

Airport Park and Fly provides free shuttle buses to and from Sydney Airport.

Airport Park and Fly does not set out their rates on their website.

#### A1.4 Mascot Airport Valet Parking

Mascot Airport Valet Parking is located at 235 O’Riordan Street, Mascot,<sup>46</sup> approximately 1.8 km from the domestic terminal and 4.9 km from the international terminal.<sup>47</sup>

Mascot Airport Valet Parking provides a security fenced car park with CCTV monitoring, and offers both undercover and outdoor car parking. Mascot Airport Valet Parking is open seven days per week but does not specify their hours of operation on their website.

Mascot Airport Valet Parking provides free shuttle buses to and from Sydney Airport.

Mascot Airport Valet Parking also offer additional services for additional cost (trading as Diamond Finish), including car washing and detailing. Mascot Airport Valet Parking charges per calendar day or part thereof, as per the table set out below.

Table A 1.4: Mascot Airport Valet Parking rates

Calendar days	Outdoor drive up	Undercover drive up	Outdoor online	Undercover online
1	\$35.00	\$35.00	\$31.50	\$31.50
2	\$51.00	\$55.00	\$45.90	\$49.50
3	\$67.00	\$75.00	\$60.30	\$67.50
4	\$83.00	\$95.00	\$74.70	\$85.50
5	\$99.00	\$115.00	\$89.10	\$103.50
6	\$115.00	\$135.00	\$103.50	\$121.50
7	\$131.00	\$155.00	\$117.90	\$139.50
8	\$147.00	\$175.00	\$132.30	\$157.50
9	\$163.00	\$195.00	\$146.70	\$175.50
10	\$179.00	\$215.00	\$161.10	\$193.50
11	\$195.00	\$235.00	\$175.50	\$211.50
12	\$211.00	\$255.00	\$189.90	\$229.50
13	\$227.00	\$275.00	\$204.30	\$247.50
14	\$243.00	\$295.00	\$218.70	\$265.50

Source: <https://www.mascotvalet.com.au/quick-quote>, accessed 4 June 2018.

#### A1.5 Space Shuttle Airport Car Park

Space Shuttle Airport Car Park is located at 289 King Street, Mascot,<sup>48</sup> approximately 0.9 km from the domestic terminal and 4.0 km from the international terminal.<sup>49</sup> Space Shuttle Airport Car Park is operated by Wilson Parking.

<sup>46</sup> See Mascot Airport Valet Parking website, <https://www.mascotvalet.com.au>, accessed 4 June 2018.

<sup>47</sup> Distances calculated using Google Maps.

<sup>48</sup> See [https://www.wilsonparking.com.au/park/2297\\_Space-Shuttle-Car-Park---289-King-St-Mascot\\_289-King-Street-Mascot](https://www.wilsonparking.com.au/park/2297_Space-Shuttle-Car-Park---289-King-St-Mascot_289-King-Street-Mascot), accessed 4 June 2018.

<sup>49</sup> Distances calculated using Google Maps.

Space Shuttle Airport Car Park is open seven days per week.

Space Shuttle Airport Car Park provides free shuttle buses to and from Sydney Airport for customers purchasing the 'park & fly' service.

Space Shuttle Airport Car Park charges per calendar day or part thereof, as per the table set out below.

Table A 1.5: Space Shuttle Airport Car Park 'park & fly' rates

Calendar days	Parking
1	\$15.00
2	\$30.00
3	\$45.00
4	\$60.00
5	\$75.00
6	\$90.00
7	\$105.00
8	\$120.00
9	\$135.00
10	\$150.00
11	\$165.00
12	\$180.00
13	\$195.00
14	\$210.00

Source: [https://www.wilsonparking.com.au/park/2297\\_Space-Shuttle-Car-Park--289-King-St-Mascot\\_289-King-Street-Mascot](https://www.wilsonparking.com.au/park/2297_Space-Shuttle-Car-Park--289-King-St-Mascot_289-King-Street-Mascot), accessed 4 June 2018.

## A1.6 Park on King

Park on King is located at 338 King Street, Mascot,<sup>50</sup> approximately 0.9 km from the domestic terminal and 3.9 km from the international terminal.<sup>51</sup>

Park on King provides open air and undercover parking, with 24 hour security and CCTV. Park on King is open seven days per week from 4:30 am to 11:00 pm.

Park on King provides free shuttle buses to and from Sydney Airport, which are operated on an 'on demand' basis.

Park on King also offer additional services for additional cost, including car washing, servicing and electric vehicle charging. Park on King does not set out its rates directly on its website but does provide an online quote facility, with rates set out in the table below.

<sup>50</sup> See Park on King website, <https://www.parkonking.com.au>, accessed 4 June 2018.

<sup>51</sup> Distances calculated using Google Maps.

Table A 1.6: Park on King rates

Calendar days	Drive up	VIP parking	Undercover parking	Outdoor parking
1	\$25.00	\$20.00	\$17.00	\$10.00
2	\$50.00	\$39.00	\$27.00	\$20.00
3	\$75.00	\$58.00	\$39.00	\$30.00
4	\$100.00	\$77.00	\$51.00	\$40.00
5	\$125.00	\$96.00	\$63.00	\$50.00
6	\$150.00	\$115.00	\$75.00	\$60.00
7	\$175.00	\$130.00	\$87.00	\$70.00
8	\$200.00	\$145.00	\$99.00	\$80.00
9	\$225.00	\$160.00	\$111.00	\$90.00
10	\$250.00	\$175.00	\$123.00	\$100.00
11	\$275.00	\$190.00	\$135.00	\$110.00
12	\$300.00	\$205.00	\$147.00	\$120.00
13	\$325.00	\$220.00	\$159.00	\$130.00
14	\$350.00	\$235.00	\$171.00	\$140.00

Source: <https://www.parkonking.com.au>, accessed 4 June 2018.

## A1.7 Sydney Airpark

Sydney Airpark is located at 28 Arncliffe Street, Wollj Creek,<sup>52</sup> approximately 5.4 km from the domestic terminal and 2.9 km from the international terminal.<sup>53</sup>

Sydney Airpark provides a secure car park with 24 hour security and CCTV monitoring. Sydney Airpark is open seven days per week from 5:00 am to 11:00 pm.

Sydney Airpark provides free shuttle buses to and from Sydney Airport.

Sydney Airpark charges per calendar day or part thereof, as per the table set out below.

<sup>52</sup> See Sydney Airpark website, <https://www.sydneyairpark.com.au>, accessed 4 June 2018.

<sup>53</sup> Distances calculated using Google Maps.

Table A 1.7: Sydney Airpark rates

Calendar days	Outdoor	Indoor
1	\$50.00	\$50.00
2	\$50.00	\$65.00
3	\$60.00	\$65.00
4	\$70.00	\$80.00
5	\$80.00	\$100.00
6	\$95.00	\$120.00
7	\$105.00	\$130.00
8	\$110.00	\$140.00
9	\$115.00	\$150.00
10	\$120.00	\$155.00
11	\$125.00	\$160.00
12	\$135.00	\$170.00
13	\$140.00	\$180.00
14	\$145.00	\$185.00

Source: <https://www.sydneyairpark.com.au>, accessed 4 June 2018.

## A1.8 Precision Parking

Precision Parking is located at 130 Dunning Avenue, Rosebery,<sup>54</sup> approximately 3.0 km from the domestic terminal and 6.0 km from the international terminal.<sup>55</sup>

Precision Parking provides a secure undercover car park with 24 hour security and CCTV monitoring. Precision Parking is open seven days per week from 5:00 am to 11:00 pm.

Precision Parking provides free shuttle buses to and from Sydney Airport international terminal, with a \$4 fee for shuttles to the domestic terminal.

Precision Parking also offer additional services for additional cost, including car washing and detailing.

Precision Parking charges per calendar day or part thereof, as per the table set out below. Precision Parking states on its website that all bookings of ten to 30 days attract a charge of \$175, although customers do not receive this discount when booking online.

<sup>54</sup> See Precision Parking website, <http://www.precisionairportparking.com.au>, accessed 18 June 2018.

<sup>55</sup> Distances calculated using Google Maps.

Table A 1.8: Precision Parking rates

Calendar days	Online rates	Phone rates
1	\$17.50	\$17.50
2	\$35.00	\$35.00
3	\$52.50	\$52.50
4	\$70.00	\$70.00
5	\$87.50	\$87.50
6	\$105.00	\$105.00
7	\$122.50	\$122.50
8	\$140.00	\$140.00
9	\$157.50	\$157.50
10	\$175.00	\$175.00
11	\$192.50	\$175.00
12	\$210.00	\$175.00
13	\$227.50	\$175.00
14	\$245.00	\$175.00

Source: <http://www.precisionairportparking.com.au/pricing>, accessed 19 June 2018.



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