

## **PRICE REGULATION OF AIRPORT SERVICES INQUIRY**

### **Introduction**

Australian Automobile Association represents the interests of over 6 million motorists through its State and Territory motoring Clubs and Associations. Apart from representing the Clubs in motoring related matters such as fuel pricing and taxation, road safety, road infrastructure investment and environmental issues, our role extends to facilitating the involvement of the Clubs in a range of tourism related activities. We are also linked internationally to the Alliance International de Tourisme (AIT), an international organisation responsible for the certification and distribution of a number of international travel documents.

It is in this tourism and motoring context we wish to make a brief submission to the Inquiry into Price Regulation of Airport Services.

### **Car parking charges**

Many members of the Clubs which we represent have expressed concern about the level of, and the rapid escalation in, car parking charges at Australia's airports.

We note that the current PC Inquiry extends to reviewing so called non-aeronautical commercial services, which includes car parking. We believe that the charges for car parking are tantamount to price gouging and we ask the PC to analyse in some detail the extent of this gouging.

We have undertaken a preliminary assessment of car parking charges at the seven (7) airports where ACCC is required to undertake price monitoring. Our brief analysis of prices is based on information presented in the ACCC price monitoring and financial reports and airport websites.

### **Brief review of revenue, costs and charges**

All price monitored airports, except for Canberra, have substantially increased their car park margins (i.e. the difference between revenue and costs) over the period 2002-03 to 2004-05. Details are shown in Table 1.

It can be seen from Table 1 that margins have increased by around 30 per cent over three years at most airports, although in Melbourne the increase was a staggering 62 per cent.

We note that the 2005-06 financial results for Sydney airport were released on 20 July 2006 and the financial highlights provided on its website reveal an increase in commercial trading revenue (which includes revenue from car parks) of 8.6 per

cent for the year 2004-05 to 2005-06.<sup>1</sup> We sought to obtain separate figures for car parking revenue from Sydney Airport but were advised that this is not publicly available (although presumably it will be made available to the ACCC at some time in the future and this organisation will then publish the information).

**Table 1: Revenues, costs and margins for public and staff car parking, 2002-03 to 2004-05**

	Revenues ('000)			Costs ('000)			Margins ('000)			Margin
	02-03	03-04	04-05	02-03	03-04	04-05	02-03	03-04	04-05	% Change 02-03 to 04-05
Adelaide	5844	6 308	6 886	2 145	2 086	2 023	3699	4222	4863	31%
Brisbane	20 972	25 289	29 392	4 368	4 694	7 224	16604	20596	22168	34%
Canberra	2 490	3 190	3 693	267	1 575	2 114	2223	1615	2118	-5%
Darwin	1 689	1 792	1 998	368	391	293	1321	1401	1705	29%
Melbourne	36 272	42 868	49 219	12 461	9 248	10 666	23811	33620	38553	62%
Perth	9 249	10 686	12 932	2 526	2 983	3 811	6723	7703	9121	36%
Sydney	48 780	54 364	59 636	14 979	14 845	14 551	33801	39519	45085	33%

*Source:* ACCC, Airport price monitoring and financial reports, various years.

Car park revenue in 2004-05 for Sydney airport reflected the introduction of an additional 2,000 car spaces in the long-term car park and an extension of the domestic multi-storey car park by 700 spaces.<sup>2</sup> Further retail and commercial development involving an additional 7,900 car park spaces is being progressed at the present time. In our view, the roads around the complex which will need to be enhanced to cope with increased traffic, should at least be part-financed by the airport owner – since it will be a principal beneficiary of the road.

Actual charges obviously differ between the seven price-monitored airports. Charges would be influenced by the value of land (and the opportunity cost of that land), the extent to which access to the airport can be gained by public transport (including taxis) and the competition, if any, provided by other car parking facilities (that is, those not provided by the airport owners).

We have not had the time to explore these factors, but ask that the PC undertake some research into this issue as part of its Inquiry to determine the extent of

<sup>1</sup> <http://www.sydneyairport.com.au/NR/rdonlyres/0D634346-2DCD-40E4-85A0-35971A9C7F76/0/FY06SCACHFinancialHighlights.pdf>

<sup>2</sup> Southern Cross Airports Corporations Holding Limited Annual Report, 2004-05

monopolistic provision of car parking at the seven airports. The PC should also consider recommending price caps, particularly if the light-handed regulation introduced since price caps were removed a few years ago is resulting in motorists and travelers being exploited.

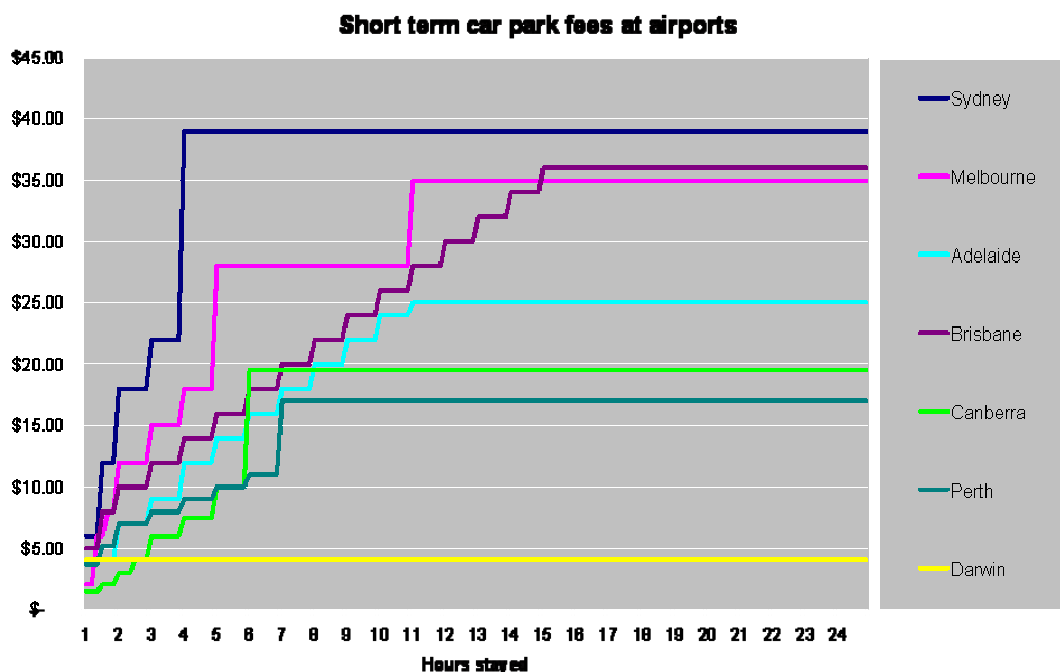
In the case of Sydney, the airport rail link represents a substitute – although not a close one - for car parking. Rather than departing airline passengers choosing to park at the airport, they could access the airport via rail. However, this link is also subject to what we term price gouging, since the one-way fare from Central station to the airport is \$12, yet it costs only \$2.80 to travel to Central from Wolli Creek, the first station after the airport on the East Hills line.

Taxis also offer a competitive service, but as far as we are aware, all airports also charge a taxi holding fee of at least \$2. These fees should be reviewed by the PC with a view to recommending price caps.

Charges for parking at the seven price-monitored airports for various short-term stays, is shown in Chart 1.

It can be seen that charges at all airports ratchet up very quickly after a few hours. In Sydney, charges are almost \$40 for any stay longer than 5 hours. In Canberra – a city of no more than a twelfth of the Sydney population – the charge for a comparable period is around \$20.

**Chart1: Car parking charges at the seven price monitored airports**



*Source: Airport websites*

Since most, if not all, airports ban short-term drop-offs and pick-ups at the kerbside – ostensibly for security reasons - motorists wanting to drop-off or pick-up passengers have to access the car park and pay the minimum charge. For Perth, it is free for the first 5 minutes (or at least it was in 2004-05) but minimum charges for Brisbane and Sydney in 2004-05 were \$5 and \$6 respectively. In our view, this is exorbitant.

Apart from the range in charges over a day, we have identified a few examples showing actual increases in charges since 2004-05. A review of information on airport websites has revealed that the charge for staying between 3 and 4 hours in Adelaide increased from \$9 in 2004-05 to \$12 today – an increase of 33 per cent. In Brisbane, the charge for staying between 0.5 and 1 hours increased from \$7 to \$8 over the same period – a 14 per cent increase.

AAA recommends that the PC undertake more detailed analysis of price increases which have taken place at all airports since they were privatised with a view to recommended price caps.

## **Conclusion**

On the surface at least, it does appear that the supply of car parking spaces is largely monopolistic. While there may be some competition from public car parks at some airports, there is very little opportunity for the traveling public, or those motorists collecting or dropping off travelers, to access the airport via any means other than parking in spaces provided by the airports. Short-term travelers, particularly those traveling there and back in a day, appear to be charged excessive prices for car parking – and those charges keep going up.

AAA recommends that the PC examine in much greater detail than we have done here, the charges being levied on motorists and the traveling public. If it is found that the car park charges are excessive – as we believe they are – and that there is price gouging through the regular substantial increase in charges, then we believe it would be appropriate for the PC to recommend price caps being imposed on car park charges so as to counter the adverse effects of monopolistic supply of car park spaces at Australia's price-monitored airports.