

8 April 2011

Economic Regulation of Airport Services
Productivity Commission
GPO Box 1428
CANBERRA CITY ACT 2601
By email: airport-regulation@pc.gov.au

Dear Sir / Madam

**RE: PRODUCTIVITY COMMISSION INQUIRY – ECONOMIC
REGULATION OF AIRPORT SERVICES**

The Australian Taxi Industry Association (ATIA) is the national peak representative body for the taxi industry in Australia. Its membership comprises the following peak State / Territory taxi industry representative bodies –

- New South Wales Taxi Council;
- Victorian Taxi Association;
- Taxi Council of Queensland;
- Taxi Council of Western Australia;
- Taxi Council of South Australia;
- Taxi Council of the Northern Territory; and
- Canberra Taxi Industry Association.

The ATIA prefaces this submission to the Productivity Commission inquiry into the Economic Regulation of Airport Services with following remarks.

1. The views and concerns expressed in this submission are those of the ATIA, and they are made on behalf of our members and the Australian taxi industry in the broad.
2. The focus of this submission is directed to airports' landside rather than airside facilities and services, and in particular, those facilities and services provided to/for ground transportation operators such as taxis.
3. Ground transportation operators fundamentally lack the organisational scale and capacity of national or transnational airlines to bargain efficiently or effectively with monopolistic airports.
4. The ATIA concurs with the Australian Consumer and Competition Commission's (ACCC) concerns in respect of "*monopoly pricing for car parking*" by airports and would contend that the same concerns extend to fees and tolls charged to ground transportation operators.
5. Airports as an origin and destination are typically the largest generator of taxi trips in any capital city.

The submission will now deal with those questions in the issues paper of relevance to the Australian taxi industry.

Has the need to adjust the previous FAC's pricing legacy been fully accommodated? Has the price monitoring regime promoted efficient investment and facilitated commercially negotiated outcomes? How would it compare relative to counterfactuals of explicit price regulation, or no regulation? Does the information emerging from the price monitoring process assist commercial negotiations between airports and their customers?

Airports around Australia have variously built facilities for taxis, including –

- central holding areas with amenities, cafes, prayer rooms, refuelling stations etc; and
- controlled taxi ranks for passenger pick-up.

In the main, facilities when supplied are appreciated by the taxi industry. However it should be noted that the supply of any such facilities has rarely if ever occurred as a result of a commercially negotiated outcome.

In principle, the ATIA does not support the imposition of tolls on taxis by airports. However, if tolls are a necessary means by which airports fund the supply of facilities and services for taxis on airport, then in our view the quantum of the toll collected should be commensurate with the cost of the facilities and services provided, plus a modest profit margin for the respective airport.

It is a matter of considerable disappointment to the ATIA that this does not currently occur. Airports appear to regard taxi tolls as a convenient “cash cow”.

It is ATIA's view that the ACCC should intervene to require all airports imposing tolls on taxis to explicitly report the respective revenues generated, directly attributable costs incurred, and profits made from taxi tolls on an annual basis. Where an airport engages in demonstrably excessive profit taking from taxi tolls, the ACCC should intervene to set toll maxima for the respective airport.

What percentage of passengers use the airport's car park facilities? What is the level of competition from other sources of transport? Are off-site car parks a real source of competition to the airport car parks? Is there evidence that airports are influencing the level of competition from alternative transport modes?

The ATIA is not aware of airports using their monopoly powers to reduce the level of competition from alternative ground transport modes.

To the contrary, airports in the capital cities at least seemingly recognise the natural segmentation that exists within passengers' ground transportation preferences. Rather than seeking to modify passengers' preferences, airports appear to treat each alternate mode as a separately exploitable profit centre.

Accordingly, it is the ATIA's view that it is completely inadequate for the ACCC to simply monitor car parking prices on airport in isolation. In order to maintain established parities, airports that exploit their market power in respect of car parking prices are likely to do similarly with taxi tolls and fees charged to other ground operators.

Monitoring taxi tolls (prices) would presumably also provide context for the ACCC's existing monitoring of service quality cost issues –

- convenience of, and access arrangements for, pick-up (rank) and drop-off locations;
- the size of holding areas and the facilities supported; and
- the support services provided such as rank and holding area supervisors.

Are there any significant quality problems for services under the control of the airports that are not being addressed?

Most airports understand that the efficiency of taxi ranks can be improved when under the control of one or more rank “supervisors” (or concierges). Supervised ranks achieve significantly higher throughputs and consequently reduce waiting times for queuing passengers.

Of some concern to the ATIA, many airports engage security personnel or traffic controllers to perform the rank supervision role. The ATIA understands that this occurs for reasons of convenience or cost minimisation.

As previously identified, airports typically collect revenues from taxi tolls well in excess of their expenditures on services and facilities for taxis. It would be the view of the ATIA that there is no reasonable impediment for airports to engage specifically trained staff or contractors to perform the rank supervision services on airport. In monitoring service quality issues related to taxis, the ACCC should consider whether appropriately qualified rank supervisors are being used to supply such services.

How robust are the survey techniques in indicating quality of service?

As far as the ATIA is aware, the quality of service surveys have not directly sought input from the taxi industry. The ATIA and its members would welcome the opportunity to participate in such surveys. The exclusion of input from interested industry representative bodies would appear to be a serious flaw in the current approach.

At a broad level, is there value in continuing the monitoring of aeronautical services and/or parking prices? Is there evidence that the current light-handed approach has not been successful in addressing market power concerns, and if so, what alternatives are available? Is both price and service quality monitoring needed?

Consistent with the ATIA’s comments above, we see significant value in not only continued monitoring of parking prices but also augmenting that monitoring to include taxi tolls and ground operator charges. The current approach to monitoring is not preventing excessive profit taking by airports. If airports are unwilling to act reasonably it is self evident that the Regulator must be given powers to impose pricing maxima and acceptable service benchmarks. In the ATIA’s view, prices and service quality monitoring are both essential.

Should there be a fixed duration for any future period of price monitoring? Are further prescheduled reviews necessary?

The ATIA sees no reason to invite speculation or expectation by airports for an end to price monitoring.

Have there been changes in the overall market power enjoyed by any of the price monitored airports and if so why? For example, do Avalon and Gold Coast airports materially reduce the market power of Melbourne and Brisbane Airports?

The ATIA is unaware of any lessening of market power enjoyed by the price monitored airports. Certainly the taxi industry has no experience of any lessening of market power occurring for Melbourne and Brisbane airports as a result of possible competition respectively from Avalon and Gold Coast airports.

If monitoring was to continue, should some airports be removed from, or added to, the list of monitored airports?

The ATIA recommends that Canberra airport should be elevated to a price monitored airport. In respect of services and facilities provided to ground transportation operators it is a serious underperformer and this reflects badly on Australia's national capital.

Are the definitions of aeronautical services appropriate in reflecting market power in particular services? Should some services be excluded or others included? What is the market power of the major airports in relation to car parking prices?

The market power of airports in respect of car parking prices is dominant. Off-airport parking is not an independent or well functioning mature market. Prices for off-airport parking tend to be set in reference to, or exhibit dependence on, prevailing airport car parking prices. The pricing of major modal substitutes such as taxis, buses, and trains are set in large part, or entirely, by State Governments or their instruments. The pricing of taxi fares in particular, as the mode most closely substitutable in terms of attributes for private motor vehicle transport to and from the airport, are set by State / Territory taxi regulators with reference to shorter rather than longer trips. As a consequence, taxi fares are unlikely to provide any efficient cap or limit to airport car parking prices, especially when airports enjoy a capacity to increase the effective fare to passengers through their taxi tolls.

Summary

The ATIA recommends that –

- airports engage their respective local taxi industry in meaningful and ongoing consultation about facilities and services provided to/for ground transportation operators;
- airports be required to publicly report the revenues generated, directly attributable costs incurred, and profits made from taxi tolls on an annual basis;
- the ACCC monitor airports' taxi tolls and intervene as required to prevent excessive profit taking;
- the ACCC monitor the facilities and services that airports provide to ground transport operators, and in particular, promote the use of appropriately trained personnel to manage / control taxi ranks and holding areas;
- the ACCC continue to monitor airports' car parking prices and service quality performance;
- the ATIA and its State / Territory based members be consulted during quality of service surveys of airports; and

- Canberra airport should be elevated to a price monitored airport.

Finally, the ATIA would welcome the opportunity to provide the Productivity Commission with further information or clarification on any the points or matters raised in this submission.

Yours sincerely

Blair Davies
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