

Brisbane City Council Submission to Productivity Commission regarding  
Economic Regulation of Airport Services

April 2011

**This submission is in response to:** Productivity Commission Issues Paper -  
*Economic Regulation of Airport Services*, January 2011

## **1. Introduction**

Brisbane City Council welcomes the opportunity to provide comment to inform the Federal Government's 2011 review of the economic regulation of airports. Council recognises the important role of airports in supporting the economic growth and expansion of major global cities and seeks to work closely with Brisbane airport operators to ensure that the strategic investments being planned and undertaken by Brisbane airports appropriately contribute to Brisbane's future economic development.

Before addressing some specific issues raised by the Productivity Commission in its 'Issues Paper', Council would like to draw the Commission's attention to some key strategic issues around airport performance and impacts on the development of the city.

## **2. Background**

### **2.1. Brisbane Local Government Area**

Brisbane City Council is Australia's largest local government authority with responsibility for a local government area spanning 1,300 km<sup>2</sup>, a residential population of over 1 million persons, and an economy contributing over \$100 billion to Australia's annual Gross Domestic Product.

Brisbane City Council plays a leading role in managing Brisbane's development as one of Australia's fastest growing capital cities through investing in infrastructure and regulating land use and property development. Council plans and delivers major infrastructure investments for the city.

Council's future plans for the city are informed by extensive analysis of future demand derived from assumptions about future economic, employment and population growth and the optimal combination of land use and infrastructure required to support this growth. This requires a careful balancing act and is based on a long term vision of a prosperous and liveable city which works for the benefit of all of its residents and businesses. Large special use developments such as airports are recognised in the Brisbane City Plan as major contributors to the city's growth and development. Accordingly, ensuring excellent transport

accessibility to these major activity areas is accorded a high priority and Council is keen to work closely with the relevant Airport Authorities to ensure that proposed developments at airports are aligned with the overall strategic direction of the City to deliver the maximum benefits for its residents and businesses.

## **2.2. Brisbane Airports**

Brisbane has two airports of relevance to this discussion. The Brisbane Airport, which provides all domestic and international commercial passenger transport services, and Archerfield Airport, which is a secondary air field located to the south of the Brisbane River and offers predominantly private air landing services.

Brisbane Airport covers the northern section of an economic region at the mouth of the Brisbane River called AustraliaTradeCoast (ATC). Under an agreement between the Port of Brisbane, the Airport, the State Government and Brisbane City Council, ATC was established in the late 1990s as a strategic economic region to attract new investment to Brisbane. The ATC offers specific advantages to its businesses by providing industrial land in close proximity to the Port and Airport facilities.

Archerfield Airport occupies a large central site south-west of central Brisbane and is located in close proximity to Brisbane's other major concentration of industrial land in that part of the city. Archerfield has limited facilities and operates as a general aviation and recreational airport, though a current Master Plan for the airport proposes a new strategy to greatly increase the utilisation of the airport for a range of airport related services.

This submission is concerned mainly with the Brisbane Airport. However, some issues specific to Archerfield, as a secondary airport which remains under federal jurisdiction, are raised at the end of this submission.

## **2.3 The Strategic Value of Brisbane Airport to Brisbane's Economic Prosperity**

Airports are a vital part of the infrastructure assets of a city and contribute to both productivity growth and better outcomes for consumers. As discussed earlier, Brisbane Airport is a vital asset contributing to the overall attractiveness of the Australia TradeCoast Area to new investment by incoming businesses.

Some key aspects of Brisbane Airport as a strategic economic asset for Brisbane relate to the following:

- Hours of Operation: The capacity to operate air services without a curfew provides a competitive advantage to service additional flights from distant destinations and utilise the full capacity of the airport infrastructure more efficiently;

- Growth in Demand for Air Services: The capacity to increase cost effective, reliable air transport service responsive to growing demand for passenger and freight travel;
- Room to Expand: The airport occupies a large land holding of 2,700 hectares of which 1,000 hectares is developable land;
- Transport Connectivity: The airport land is directly connected to major arterial transport routes to the north and south. Road access to the airport from the city centre is severely congested, particularly at peak travel times. Significant road investments being undertaken by State and Local Government are expected to resolve this issue. Public transport accessibility has been constrained by agreements restricting operating hours for the AirTrain and limiting public bus access to the airport.
- Growth in Business and Tourism: The ability of the airport to attract competitive and diverse airline services is important to the attractiveness of the city for both business and leisure related travel to Brisbane;
- Contribution to Global Recognition of Brisbane: Growing the diversity and frequency of air services to the Brisbane Airport will support the future growth of services exports and bring more skilled migrants, tourists and students to Brisbane.

Airport activity at Brisbane Airport has experienced significant growth in both passenger and cargo traffic. Over the last decade, the number of international passengers arriving in Brisbane increased by 54%, to reach 4.1 million in 2009/10. Over the same period, the number of domestic passengers nearly doubled, increasing by 84% and exceeding 19 million passengers in 2009/10.

Cargo traffic grew by almost 50 per cent in real value between 2000/01 and 2009/10, driven by a 76 per cent growth in exports. Though all exports are expected to grow, the growth of high-value business services exports is expected to outpace the growth of physical exports, to reach 24 per cent of Brisbane total export value (by land, sea and air) by 2031.

Business services exports increase the demand for air travel and increase the importance of efficient and accessible air services as a major input cost in the delivery of such services. A diversity of efficient air service connections to a large number of global destinations provides a clear economic advantage for business services exporters. Direct travel connections to a range of destinations also improve accessibility for international students, tourists and incoming business visitors, all of which contribute significantly to the economic opportunities generated in the Brisbane economy.

As an indicator of future demand in the Brisbane economy, forecasts commissioned by Council indicate that high-skilled employment is forecast to grow by 198,000 jobs within the next 20 years to represent 559,000 jobs and account for 52 per cent of total employment in Brisbane LGA by 2031<sup>1</sup>. Employment in professional, scientific and technical services is

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<sup>1</sup> Brisbane City Council forecasts commissioned from the National Institute of Economic and Industry Research, 2009

forecast to grow by 44,000 jobs, to reach 164,000 jobs and account for 15 per cent of total employment in Brisbane by 2031. Both of these trends are correlated with growing demand for air travel. Employment growth in professional, scientific and technical services also indicates growing demand for commercial office space that is efficiently connected to a wide range of direct air services to a large number of global destinations.

Council notes that further significant investment in airport facilities at Brisbane Airport will be required over coming decades to ensure that it continues to meet the needs of a rapidly growing and deepening base of business services exports, international education exports and tourism.

Direct overseas migration, both temporary and permanent, is an important source of skills for the growing Brisbane economy and currently contributes roughly 40 per cent to total population increase in Queensland.

The perception and willingness of skilled migrants, short term corporate placements, students and tourists to travel to unfamiliar cities is influenced by quality of living comparative indices for global cities. Airport facilities and connections to international destinations are a key component in rankings attached to cities under the Mercer Quality of Living Index. The poorer choice of direct air services to other destinations in the world is one factor which detracts from Brisbane's standing on this Index in comparison with other cities.

Though Brisbane's connection to international destinations has improved, many international flights to Brisbane are not direct from their origin destination. As is observed in the Commission's 'Issues Paper', the Gold Coast is the fastest growing airport in Australia. Much of the recent growth at the Gold Coast can be attributed to low cost carriers which offer indirect cheap flights to many international destinations for Australian outbound travel. Further discussion on the drivers behind the rapid growth of the Gold Coast is included towards the end of this submission.

Council also notes that the Brisbane Airport has substantial growth opportunities going forwards. It has a significant locational advantage when compared with most other capital city airports due to its proximity to the inner city and the Port of Brisbane combined with its significant land holdings available for further development. The capacity of the airport to attract and host both air related and other business activities on its land will depend on a range of factors, including the availability and cost of locations in other parts of the city. Effective integration of the Airport with the rest of the city and timely delivery of infrastructure will be essential to support its future growth and maximise the benefits it brings to Brisbane.

### **3. Issues**

#### **3.1. Ensuring that airport land development drives economic productivity and efficiency for the benefit of the urban economy and its residents**

As outlined in the background section of the 'Issues Paper', the privatisation of airports, which commenced in 1997, involved the sale of long term airport leases to the private sector. Associated with the privatisation of its airports, the Federal Government imposed price regulation of airport services, a system which was subsequently eased to one of light handed regulation accompanied by a price monitoring system.

The 'Issues Paper' indicates that light handed regulation proved mostly satisfactory in terms of maintaining reasonable prices for landside and aeronautical services.

Pricing for services to ensure high quality services and value for money on airport precincts is a key issue that the Federal Government has appropriately managed. A regular review of this dimension of airport operations is necessary, given that airport operators have considerable market power.

Council notes that the Airports Amendment Bill 2010 strengthens consultation with relevant government stakeholders around the development of airport master plans, including a 60 day public consultation period. It also requires airports to update airport master plans every five years and requires a ground transport plan to be developed for the first five years of a master plan. These new measures address some of the concerns raised in the past.

However, Council notes that airport developments can require substantial upgrades to city wide infrastructure. Though the development of a five year road transport plan may assist in identifying additional transport requirements, the funding responsibility for any required upgrades to city-wide road and other infrastructure remains unresolved.

From a competition perspective, developments such as retail warehousing on Brisbane airport land are advantaged over other retail developments across the rest of the city:

1. They are able to bypass local planning regulations and development approval procedures.
2. They do not attract an infrastructure charge which would normally be required as a contribution to the additional infrastructure enhancements required to service the additional demand (e.g. additional users of the road network).

Council recognises that there is a broad range of economic activities which could demonstrate a 'strategic fit' with the long term objectives for the airport and the city. These could include a range of industries and services that use airport services frequently. Recognising that airports are critical strategic assets for Australian capital cities, particularly as developable land becomes increasingly scarce, Council would not wish to impede the development of airport land for a wide range of uses.

Council's concern is that the development of the airport land in Brisbane should target the growth of the productive economy. Apart from the export of light weight and high value physical goods, airport efficiency and connectivity affects the costs of exporting other knowledge intensive services such as professional and technical services, education and research, engineering, architectural, consulting, information technology and mining services. Designing airport facilities and land side services to support these activities is a future strategic advantage for the airport and the city.

Council is aware that airports are currently required to develop Master Planning documents and to consult on these twenty year plans with local stakeholders. To ensure that the future development plans for airports align with the future plans and expectations of other key stakeholders such as the State and local government, Master Plan approvals should require negotiation and agreement with selected stakeholders around a common position. The recent amendments require airports to inform relevant government stakeholders as part of the master planning process and the establishment of consultative committees will assist with information sharing and agreement. It would however be preferable to seek the involvement and agreement of the relevant government stakeholders in the master planning process. This would ensure that investment decisions by all local stakeholders are aligned to deliver the greatest benefit for the region.

Council would draw the Federal Government's attention to these issues and recommends:

1. That development proposals on airport land, which are not demonstrably linked to the airport's services, are required to meet the same local compliance conditions as are imposed on other competing developments of a similar nature on non-airport land.
2. Councils receive appropriate financial compensation towards the costs of servicing the wider demands of airports on cities, e.g. road and public transport network investments through formal infrastructure agreements.
3. The Master Planning of airports on Federal land requires meaningful engagement with relevant stakeholders as part of the process of shaping the Master Plan. Following in principle agreement with all parties on the contents of the Master Plan, formal infrastructure agreements should be concluded and attached as an integral part of the Plan.

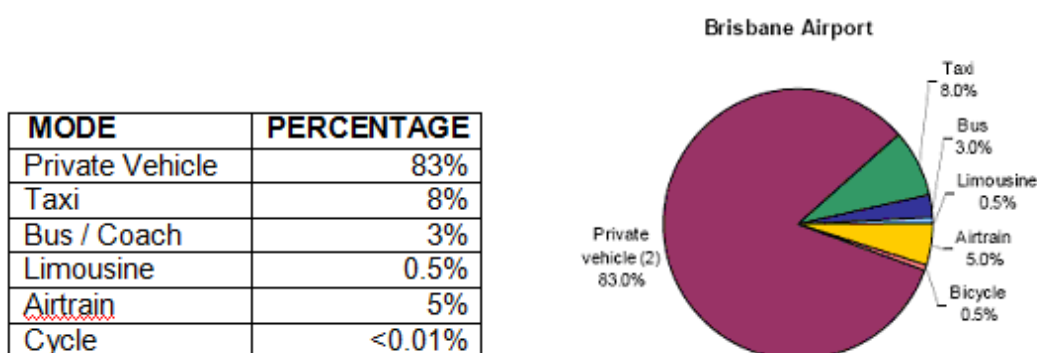
### 3.2 Responses to Specific Issues Raised by the Productivity Commission

#### Car Park Price Monitoring / Transport Linkages to Airports

Questions asked by the Productivity Commission:

*What percentage of passengers use the airport's car park facilities? To what extent are other transport options used relative to private cars? (p. 12)*

The Brisbane Airport Corporation's (BAC) 2009 Master Plan has the following mode share estimates:



Source: Brisbane Airport Corporation 2009 Master Plan, p. 165

The provision of Airtrain and Coachtrans bus services has managed to increase public transport use to access the airport, but this remains at comparatively low levels. The 2009 Master Plan proposes to decrease private vehicle mode share to 71.3% by 2029. Council believes that to support the anticipated growth in demand for the airport's services, a greater shift to public transport modes will be necessary but this will need to be supported by an appropriate infrastructure development strategy.

*What is the level of competition from other sources of transport? What transport options exist at the major airports in Australia? Are these reliable, frequent and cost effective services? Are they integrated into the suburban transport network? (pp. 12 & 22)*

Though other sources of transport service the Airport, competition appears to be constrained due to factors such as contractual arrangements, restricted hours of operation and limited access.

#### Trains

Airtrain services the Brisbane Airport. In the 2009-10 financial year, Airtrain paid a \$140,000 landside access charge to BAC in the form of a train corridor lease (ACCC, *Airport Monitoring Report 2009-10*, p.70).



Operation of the service was restricted when it opened and has in recent years been extended to permit operations from 5am till 7:59pm daily, 7 days a week. Service frequencies are 15 minutes in peak hours (7:30-9:30am and 3:00-5:00pm) and every 30 minutes thereafter and on weekends. However, BAC is in discussions with Airtain to lift the current curfew on the service (BAC 2009, Masterplan, p. 169). The price of a one-way adult ticket from the CBD to the airport is \$15 and \$28 for a round trip.

The mode share of Airtrain is limited because of pricing and commercial arrangements. Prices have been kept high to provide a return on investment for the financiers of Airtrain.

The Airtrain is integrated with the Queensland Rail passenger network.

### Airport Regulated Buses

There are several bus operators servicing the Airport. These operate in different markets and are not in direct competition with each other.

- Coachtrans are the BAC's only "licensed operator" to provide bus services to and from the airport from the Brisbane CBD, Gold Coast and Portside/ Cruise Terminal. Sun Air also provides bus services to the Sunshine Coast.
- Coachtrans service frequencies are every 40 minutes from 5:40am till 11:45pm daily. The price of a one-way adult ticket from the airport to the Brisbane CBD is \$15 and \$30 for a round trip.
- BAC also operates the "T-Bus" – a local bus operating between the domestic and international terminals, as well as Airport Village.
- The "T-Bus" operates from 5:00am until 11pm daily and costs \$5 per passenger between terminals but is free to the Airport Village.

In the 2009-10 financial year, BAC received \$840,000 for landside access charges from private buses (ACCC, *Airport Monitoring Report 2009-10*, pg.70).

### Integration of Airport Bus Services with the Public Bus Network

- Under the agreement between Airtrain and Queensland Transport, Brisbane City Council is not permitted to operate a bus service within 1 kilometre of Airtrain stations until 2014. As both the domestic and international terminals fall within 1 kilometre of an Airtrain station, Council can only provide limited services (the 304 and 308 service) to the Airport Village (Number 1 Airport Drive); the Airport Industrial Park (off Lomandra Drive) and the Aerotech Park (near Myrtle town).



- Neither Coachtrans nor the “T-Bus” are integrated into the wider bus passenger network. However, Coachtrans uses the Brisbane Transit Centre as a major drop-off point for the service, ensuring that there is connectivity to other public transport services.

### Taxis

BAC provides taxi drop-off and pick-up areas, as well as holding bays nearby. Taxis are charged a pick-up charge of \$3 per pick-up, totalling \$2.6 million airport revenue for the year ended 30 June 2010 (ACCC, *Airport Monitoring Report 2009-10*, p.70).

The efficiency of taxi services could be improved through automation of the cash toll currently charged on exit. This would facilitate faster exit from the airport terminal area.

### Cycles

The BAC 2009 Masterplan highlights the need for good external pedestrian and cycle connections with the regional network, as well as a need for routes that support development within the precinct. Better integration of the cycle network to provide a cycle option for airport workers is desirable.

### Car Parking at the Airport

Car parking charges indicated in Table 3 of the Issues Paper are out of date. Brisbane Airport currently charges \$2 for 15 minutes and \$13 for 1 hour. It should be noted that 15 minutes is not sufficient for a car operator to accompany a passenger to the terminal and return to their vehicle. As a result, vehicles that might wish to park briefly to assist with a drop off or pick up tend not to enter the car park, adding to considerable congestion and safety issues at the arrivals and departure road access area of the domestic terminal. Short stay parking charges ramp up quickly, reaching \$40 for 4 hours. This is substantially higher than indicated in the Issues Paper and unless other Airports have escalated car parking charges to a similar extent, suggests that Brisbane could be the second most expensive airport for parking in the country after Sydney (long term rates at Brisbane are \$40 for 1 day and \$140 for 7 days).

It should be noted that Brisbane Airport is constructing a new 5000 bay multi-level car park (replacing the former at-grade open-air car park). In addition, expanded public drop-off roads and set down facilities for buses, coaches and limousines associated with this new development are expected to address the congestion issues referred to above.

## Off-site parking

### *Are off-site carparks a real source of competition to the airport car parks? (p.12)*

There are several off-site car-parking operators that service the Airport area:

- Budget Airport Parking
- Kingsford Smith Airport Parking
- Gateway Airport Parking
- Priority Airport Parking
- Alpha Airport Parking
- Portside Parking Cruise and Airport
- Airport Parking
- Andrew's Airport Parking

All of the above offer a low-cost alternative to parking at the airport, indicating a competitive market for off-site car parking. While most of the operators are close to the BAC area, none are actually situated on BAC land. Off-site parking is not really substitutable for on-site airport parking in terms of convenience and efficiency. The Airport has a high degree of competitive advantage in this respect that allows it to charge substantially higher prices. This is evidenced by the high numbers of people opting to park on-site despite a 30% increase in price over recent years (ACCC, *Airport Monitoring Report 2009-10*, p. 117).

Off-site parking operators are charged a monthly landside access fee by BAC to use BAC facilities. BAC collected \$128 000 airport revenue from this source in the year ended 2010 (ACCC, *Airport Monitoring Report 2009-10*, p. 70). There is no evidence to suggest that this fee is excessive.

### *Is there evidence that land transport service providers (such as taxis, shuttles, off-airport car parking providers) are impeded unduly in gaining access to airports? Are charges and conditions of access to airports (e.g. convenient pick-up and drop-off points) appropriate? Is there a need to monitor such terms and conditions? (p.22)*

Transport service providers may be impeded in gaining access to airports through direct restrictions on access or through insufficient infrastructure provision to support additional services. There is no evidence to suggest that BAC is directly impeding access for new providers. A review of agreements with existing providers would confirm this. However, where substantial physical constraints exist due to inadequate infrastructure, high prices paid by existing users may operate as a deterrent to new entrants.

*What mechanisms exist at airports to coordinate with local and state governments on planning issues? (p.22)*

Brisbane Airport Corporation has a number of consultative mechanisms to consult with the three levels of government and community representatives.

Brisbane City Council is represented at the 'Brisbane Airport & Surrounds Round Table.' This group is made up of senior representatives of Brisbane Airport and the three levels of government and meets three times a year to discuss issues of mutual interest in relation to Brisbane Airport matters. The forum provides a mechanism to discuss and resolve issues and advance items of mutual interest.

Brisbane City Council is also represented at the 'Brisbane Airport Community Aviation Consultation Group meeting.' This group has an independent chair (currently Major General Peter Arnison) and is made up of representatives of Brisbane Airport, the three levels of government, airlines, Airservices Australia and community representatives. This group meets quarterly to discuss issues of interest to the broader community in relation to the operation of Brisbane Airport. This includes noise issues, outcomes of community consultation, and airport developments. The opportunity is provided to raise issues in relation to airport operations.

Brisbane City Council staff also meet periodically with Brisbane Airport Staff to discuss planning processes and items of mutual interest.

There is scope to improve coordination of planning through strengthened legislative provisions. Airport Master Plans should also consider expectations of all levels of government and be subject to a true consultative process that ensures seamless integration of the airport area into the wider community.

*Are planning and development regulations working effectively? Can 'excessive' or 'inappropriate' economic development at airports impinge on effective transport linkages to and from airports, or might such development facilitate better transport linkages?(p.22)*

As discussed above, airport developments, including non-airport related developments, are exempt from local planning and development regulations. Exemption from conditions that apply to other developments across the city is in itself a distortion of competition.

Local Government approvals and planning regulations are based on an assessment of the impacts of each development proposal on the local area and particularly, impacts on existing infrastructure capacity. In terms of large retail developments, implications for road and public transport access would be a particular concern and infrastructure contributions can be required to assist with infrastructure upgrades.

In contrast with the provisions that apply to land administered by Brisbane City Council, developments on airport land increase demand on the city's urban infrastructure without contributing to its costs. For example, there is no requirement to contribute to the upgrading of arterial roads controlled by other levels of government that connect to the airport road network. A more desirable arrangement would be for closer integration between airport authorities and State and local authorities through formalised infrastructure agreements which would commit to the timely delivery and funding of required additional infrastructure capacity to service additional demand. This would ensure that transport and other infrastructure upgrades are appropriately planned and provided for to service demand generated by new developments on airport land.

### **3.3 Other Issues**

#### **Gold Coast Airport**

The Issues Paper notes that the Gold Coast airport has been one of the fastest growing airports in Australia, growing passenger numbers very rapidly at an annual rate of 10.5 per cent. The Paper suggests that Gold Coast and Cairns play a significant role as tourist destinations or as regional gateways. However, recent data indicates that the surge in Gold Coast activity has been driven by low cost international flights, substantially taken up by Australians travelling abroad. Since Air Asia began servicing the airport, Gold Coast experienced a near doubling of international passenger numbers. Passenger numbers increased from 261,000 to 474,000 in 2008-09 and from 475,000 to 729,000 in 2009-10.

The following differences between Brisbane Airport and Gold Coast Airport are noted:

- Brisbane Airport offers comparatively few direct international services. Cheaper international flights originating in the Gold Coast via transit hubs in Asia are potentially more attractive to travellers than a change of plane in Sydney.<sup>2</sup>
- Both airports provide common use space at their domestic and international terminals. In 2010, domestic charges per passenger were similar at the Gold Coast (\$11.67) to Brisbane (\$11.10). Total international charges per passenger (including government mandated charges) were substantially cheaper at Gold Coast (\$13.62) than at Brisbane (\$28.12). Such a pricing variation on international passengers may be an appropriate reflection of operational costs at the two airports and would explain why international services at the Gold Coast are growing rapidly.
- The cost of accessing both Brisbane and Gold Coast Airports by public transport is similar for trips originating in Brisbane. Travel time by private vehicle is generally longer and over a substantially longer distance to the Gold Coast from most parts of Brisbane.

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<sup>2</sup> Source: Gold Coast Airport Charges, 1 July 2010 at website: <http://goldcoastairport.com.au/regulatory/airport-charges>; Brisbane Airport Aviation Services and Charges Agreement; Schedule 8 – Aviation Charges (clause 11); Year 4, 1 July 2010 to 30 June 2011.

- The cost of airport parking is cheaper at the Gold Coast and may provide an additional cost advantage for people who leave their cars in long stay parking.

### **Archerfield Airport**

Archerfield Airport is located on the south side of Brisbane, 12 kms from the Brisbane CBD. The Airport is located in close proximity to Brisbane's second largest concentration of industry after AustraliaTradeCoast.

To operate as a successful regional airport, Archerfield Airport requires the development of new opportunities backed by substantial investment in new terminal facilities and infrastructure upgrades. Currently it is regarded as an underutilised asset, supporting general aviation, flying training operations and recreational uses. A current Master Plan for the Airport proposes to add a second runway which is proposed to substantially increase the viability of the airport to increase its revenues from general aviation, flying training, recreational flying, charter flights and regional flights. As Brisbane's second airport, Archerfield Airport has potential to complement the growing demand for airport facilities in Brisbane.

The comparative underutilisation of the Archerfield Airport raises questions about its role and function, particularly in light of the value of the land asset it occupies. Federal Government jurisdiction over Archerfield has preserved its continued operation as an airport, but when compared with other regional airports in South East Queensland, Archerfield has not attracted a sizeable share of the general growth in demand for air services.

As an airport, Archerfield is considered a long term strategic asset for Brisbane that may one day complement the air services at Brisbane Airport and provide Brisbane's businesses and residents with efficient air services across the whole spectrum of needs, including the increasing growth in demand for recreational air travel, personal air travel, regional air freight and air services to regional towns.

Given Archerfield Airport's underutilisation, Council would encourage the Federal Government to investigate the contributing factors, including whether current regulatory and financial arrangements are in any way restricting its competitiveness in attracting aviation related business, particularly when compared with other sub-regional airports such as the Sunshine Coast Airport.

Council's recommendation on full engagement in the master planning process would apply equally to Archerfield as it does to Brisbane Airport, including provision to develop infrastructure agreements required to support future development on airport land.