

SUBMISSION FROM ANDREW'S AIRPORT PARKING TO THE PRODUCTIVITY COMMISSION'S ENQUIRY INTO THE ECONOMIC REGULATION OF AIRPORT SERVICES

Andrew's Airport Parking, Nudgee Road, Hendra, Brisbane

Introduction

Andrew's Airport Parking ("AAP") is an off-airport car parking company with branches located in close proximity (5-7 kilometres) to the international and domestic airports in Melbourne and Brisbane. AAP's business involves customers dropping their vehicles at our off-airport parking station and then being transported in an AAP courtesy bus to their respective airport departure terminal. Upon return, the customers are collected from near their arrivals terminal and returned to their vehicles parked at our off-airport parking station.

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

AAP operates its car parking business in direct competition to on-site airport car parks operated by both of the above airports and other off-site airport car parking operators.

Airport access is critical to the conduct of the AAP business.

Since the privatisation of Melbourne Airport in 2001 and the commencement of our business at Brisbane Airport in 2006, AAP have been paying access fees for our courtesy buses to use the General Transport Operators ("GTO") lane at Brisbane Airport and the public collection lane at Melbourne Airport. This is standard practice at most international airports around the world, and we are strongly aware of the need for major airports to charge such fees for the upkeep of their access roads and associated infrastructure.

What concerns AAP are the amounts that we and others are charged for airport access, and the propensity of the airport operators to increase their access fees without any explanation or prior notification to off-site car parking operators such as AAP.

Over the past five years, the licence fees paid by AAP for access to Brisbane Airport have increased by 134%, which is an average annual rate of nearly 27% – over eight times the current average CPI of 3%. This is despite the fact that there has been a significant expansion in the number of off-airport site parking operators doing business at the airport, which should have the effect of reducing the per-operator costs of infrastructure maintenance.

The impact on the AAP business of large licence fee increases at both Brisbane and Melbourne airports has been highly detrimental to our business, with a significant impact on our service operational ability and our profitability. If the fees are maintained at their current levels, they will make our business (and presumably, those of our off-site parking competitors) only marginally profitable at best – if not potentially economically unviable.

As both airports are the major competitors of off-airport parking operators, it may be that there are benefits other than direct revenue increases for the airports themselves. By increasing airport access fees, the airport operators can restrict or even prevent their off-site rivals from charging competitive rates, as well as enabling the airport operators themselves to charge higher fees for their own on-site parking facilities. It may be no coincidence then that Brisbane, Melbourne and Sydney airports charge the highest car parking rates in Australia, and also the highest access fees for off-airport site car parking operators.

In releasing its Airport Monitoring Report 2009-10 in February 2011, the Australian Competition and Consumer Commission ("ACCC") said its findings suggest that Melbourne Airport *"imposes excessive access levies and controls the available space for [off-airport parking and private bus] operators, [which] affects those operators' own prices, convenience and, therefore, attractiveness to consumers"*.¹ While it found only *"mixed indicators"* that Brisbane and Sydney airports are earning monopoly rents, its consultation with the industry *"suggests that levies imposed by Brisbane and Sydney airports on off-airport parking and private bus operators reduce the ability of these businesses to compete with on-airport car parking to some degree"*.²

As all of Australia's international airports move closer to capacity for on-site multi-level parking, it is clear that their operators must develop close and transparent relationships with the operators of commercial off-airport car parking sites. We believe that such cooperation holds a critical key to the future of passenger convenience, the efficiency, access and affordability of the airports themselves, and the reputation of Australia's travel industry as a whole. For this reason, we would urge the Commission – as well as all Australian airport operators – to give full and proper consideration to the recommendations at the end of this submission.

AAP, Brisbane Operations

AAP opened at Nudgee Road, Hendra Qld, in June 2006. Our Brisbane operation is a similar distance from the airport as our Melbourne operation, but, with fewer places, is about 25% smaller than our Melbourne operation. As parking rates are similar, all other costs and revenues reflect this lesser percentage.

The Domestic Terminal at Brisbane Airport provides a separate access lane for transport operators like AAP, with vehicle entry restricted by an electronic vehicle recognition system to licensed operators. AAP buses (and those of the other six current Qld off-airport parking operators) use this separate access lane to drop off and collect customers. No licensed off-airport parking operators are permitted to use the public pick-up and drop-off lanes at the Domestic Terminal.

At the International Terminal, which is a separate building located approximately 2 kilometres from the Domestic Terminal, AAP are permitted to use the public drop-off lane to deliver our customers, but are required to use a separate pick-up area (also controlled by an electronic vehicle recognition system) to collect our customers. This collection area requires passengers to walk 200 metres from the terminal building and then look for the AAP bus (or those of another off-site parking operator) in a large and busy car-park entirely devoid of signage.

Without the allocation of exclusive areas to park and pick up customers at either the Domestic or International terminals, AAP must compete for space with dozens of other registered services when

¹ <http://www.accc.gov.au/content/index.phtml/itemId/971558/fromItemId/142>

² ACCC, Airport Monitoring Report 2009-10, p.72. Available at: www.accc.gov.au/content/index.phtml/itemId/970895

collecting our customers. Virtually every day, AAP drivers experience frustrating delays in collecting and dropping off customers at the Domestic Terminal and collecting customers at the International Terminal. International passengers regularly lose their way trying to locate our vehicles.

Unlike Melbourne, where concerns about accessibility and costs are directed through an association of off-parking operators set up specifically to negotiate with the airport operator, no such group or forum exists at Brisbane Airport. The Brisbane Airport Corporation Pty Ltd (“BAC”) has therefore been able to increase its access fees without any apparent transparent scrutiny by, or explanation to, individual off-airport site transport operators.

Access Fees: A Critical Bottom Line

Since AAP commenced its Brisbane operations in June 2006, access fees for our courtesy buses to access the secured GTO lane have, as already stated, risen by 134%. Brisbane Airport uniquely levies access charges to AAP when we are dropping off and collecting customers, whereas other Australian airports usually charge either no fees or only one or the other. At Melbourne Airport, AAP are charged one bus access fee only to collect customers from the Domestic and International terminal areas, which are located along the same collection lane. In Brisbane, however, the Domestic and International terminals are in separate discrete areas and, if AAP has collected a customer at the Domestic Terminal and then travels to the International Terminal for another pick-up, we are required to pay both the domestic and international access fees. Brisbane Airport is the only airport in Australia that has adopted such a ‘double charging’ arrangement.

This ‘double charge’ appears to be reserved exclusively for off-airport car parking operators. Other transport operators, such as taxis and limousines, are required to use the GTO lane – and pay its access fee – only when they are parking to collect a specific passenger. These multiple and inconsistent charges caused AAP’s Brisbane operations to incur airport usage expenses of more than \$100,000 in the last financial year.

While AAP have grown steadily to become the most successful private off-airport car parking company in Brisbane, our profits have been progressively eroded by the ever growing access fee charge, which now threatens to undermine our business model and any prospect of a long-term development strategy.

For its part, Brisbane Airport appears to have avoided transparent scrutiny over the size and evolution of its off-site car parking related business and activities. Its declarations to the ACCC in 2009-10 raise more questions than they answer about the financial contributions of all registered off-airport parking providers, as collectively we are reported to have produced a total revenue to the airport operator of \$128,000 in 2009-10³. Based on AAP’s airport usage expenses as above, it would appear that only a nominal amount has been received by BAC from the other off-airport site operators, which combined together are considerably larger than AAP’s Qld operations.

In addition, the data rendered to the ACCC by BAC on modes of transport accessing the airport, omits to make reference to or recognise the sizeable contribution of its off-airport car parks, which are simply grouped together with the 83% of transport reported as ‘*private vehicles*’.⁴ Such an omission suggests BAC may perhaps view the role of off-airport car parks more as hostile competitors than as

³ Ibid, pp. 70, 161.

⁴ Ibid, p.67, Chart 3.5.1.

economically complementary businesses providing a vital and value-adding service to its passengers. Whilst BAC may maintain that the data it has reported to the ACCC is complete and accurate, and that it has no control over what data the Commission publishes, the BAC data may have inadvertently led the ACCC to surmise that off-airport parking seems to be "*less popular with airport users at Sydney and particularly Brisbane airports*"⁵. This assertion was made despite the fact that there are over 4,000 off-airport parking spaces, or nearly 30% of the total available parking spaces, at Brisbane Airport.

A Costly Comparison: Brisbane and Melbourne

While the access fees charged to off-airport car parking operators at Melbourne Airport are in our view excessive, those charged by Brisbane Airport have now reached a level that could prove irreparably damaging to those operators' business models. Not only is BAC charging for both collections and drop-offs, but it has increased its charges since AAP's Brisbane operations commenced at an average annual rate of nearly 27%, and all without a single communication to clarify or justify such increases.

While AAP's Brisbane operation is 25% smaller by capacity than our Melbourne operation, AAP Brisbane now pays airport access fees that are 36% higher than those levied on our Melbourne operations. These fees have been the single largest factor in AAP finding it necessary to increase our own parking charges over the past five years. These parking charge increases have been kept to a lesser level than the increases in our airport access charges in recognition of AAP's competitive market, not to mention being held to a level that can compete with the airport's own parking facilities, which attract no access fees.

One might expect that the growing number of off-airport car parks opening in recent years would, through market forces alone, have reduced both parking prices and access fees. In fact, in both cases, the opposite has occurred. Five years after Brisbane introduced its GTO access fee for AAP, no information has yet been forthcoming about how these charges are calculated, nor how they relate to the maintenance and servicing of access infrastructure. The airport itself has continued to grow exponentially; a recent federal report suggested that Brisbane will be the fastest growing airport in the country, with a projected 172% increase in passenger numbers to over 51 million passengers a year by 2029-30.⁶ Yet this thriving business continues to hold out for ever greater fees purely to enter the airport precinct.

Although AAP has raised the issue a number of times with BAC over the past five years, no explanation or justification has yet been given for the increases in airport access fees, nor has any action been taken to resolve the related issues of inconvenient collection points and non-existent operator signage. As the airport deals with each off-airport parking business individually, there is no information available on what each operator pays, or indeed whether there is any framework or formula for calculating a fair and reasonable impost for airport usage and access. Without such a framework, it is AAP's contention that the existing system of charges is opaque, arbitrary, not transparent, and may even lead to uncompetitive behaviour.

While AAP realise that the airport operator has invested, and continues to invest, significant sums in the development of its traffic and passenger infrastructure, we would contend that any fees for the usage of individual facilities should – as is common business practice – relate to the upkeep and development of

⁵ Ibid, p.67, Chart 3.5.1.

⁶ <http://www.brisbanetimes.com.au/queensland/takeoff-brisbane-flights-set-to-double-20100427-tp4i.html#ixzz1MD9D8ddo>

those specific facilities. In this case, the facilities that AAP and other off-site car parks are using are two access lanes, the International Terminal collection area and pick-up points (for 2-4 minutes at a time), and an electronic vehicle recognition system. In the last five years, there have been no material improvements to any of these facilities.

A Formula for Success: Recommendations

AAP is in full agreement that both Melbourne and Brisbane airports, as competitive commercial businesses, are fully entitled to charge off-airport parking operators access fees that are representative of the services they provide and the costs incurred by those services. However, AAP would contend that this fee must be fair and reasonable, and even could have a direct relationship to the revenue generated by each of the off-airport parking operators.

With a large number of parking businesses of various sizes generating vastly different revenues, there should be a framework or formula that is simple to calculate and simple to administer. Like any equitable commercial fee structure, this formula should be profitable for the service provider, and able to be verified as providing value for money for the customer – in this case, the off-airport parking operators. In this way, each operator will be able to support a fee that is relevant to the size and revenue of their individual business.

After conducting a comparative assessment of AAP operations in Brisbane and Melbourne, we would suggest that a fair and reasonable fee for access to both airport precincts would be $\frac{3}{4}$ of 1% (incl. of GST) of each operator's reasonably disclosed gross parking revenue. Each year, this fee could be based on the previous year's performance and then adjusted at the end of the year if there is any significant difference between the estimated and actual revenues.

In the case of Melbourne Airport, this formula would result in AAP paying a marginally lower overall charge than we currently pay. It would, however, provide some financial certainty that this fee will not increase excessively – and, crucially, that any increase will be tied to an increase in our own parking fees. We believe that this proposal would be attractive and mutually beneficial to all parties concerned in Melbourne.

If we were to adopt the same formula in Brisbane, there would be a significant reduction in the fees we are paying to BAC. While we realise this is unlikely to be regarded as a competitive solution for the airport operator, we would contend that it would be a fair and reasonable impost for all of the reasons outlined in this submission. We would also contend that it would result in a significantly improved relationship between the airport operator and the growing number of off-airport parking operations – leading to a more transparent business environment, greater sectoral collaboration, and, ultimately, more convenient and affordable parking options for all passengers using Brisbane Airport.

If this proposal proves acceptable to the operators of both Melbourne and Brisbane airports, there may be a case for the longer term adoption of a national framework for access charges at all Australian international airports. The fact that glaring discrepancies currently exist, between both categories of access and the level of fees charged, indicates a lack of equity, transparency and regulation that reflects poorly on Australia as an international travel location. Without greater regulation and oversight, the current access fees impose a very high, if not unbearable, cost on a critical airport industry, and makes justification of any claims to be acting in the interests of passenger comfort and convenience, difficult to support.
