

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

*Andrew's Airport Parking, Mickleham Road, Tullamarine, Melbourne*

## 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 each airport operator. The licence agreements permit AAP restricted airport precinct entry and usage rights, subject to payment of licence fees by AAP to the airport operators.

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.

Following 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 lane at Brisbane Airport and the Public Collection Lane ("PCL") 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 other off-airport parking operators 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.

Since September 2004, when it reached an initial agreement with a number of off-airport parking operators where it was agreed to introduce the new fees over an initial 3 year period, Melbourne Airport has increased the licence fees for access to the airport precinct without any explanation or record of the criteria it uses for calculating these increases. The fact that the number of off-airport parking operators doing business at the airport has doubled – from eight (8) to sixteen (16) – over this period, with more than 10,000 off-airport parking spaces currently available, should have significantly reduced the per-operator costs of infrastructure maintenance. With access charges levied on off-airport car parks and private buses contributing a significant sum to the airport's revenue (currently \$3.2 million annually)<sup>1</sup>, it would be reasonable to expect that the airport operator could have reduced – if not completely avoided – the increases in its access charges.

---

<sup>1</sup> ACCC, Airport Monitoring Report 2009-10, p.70. Available at: [www.accc.gov.au/content/index.phtml/itemId/970895](http://www.accc.gov.au/content/index.phtml/itemId/970895)

Any further fee increases will have an impact on AAP's service operational ability and our profitability. Indeed any further rises in the access fees at Melbourne Airport would begin to erode our profitability and our ability to provide a quality service to our customers to an extent that it could undermine our entire business model, and we believe, could potentially even drive some off-airport operators to become economically unviable.

As both Melbourne and Brisbane airports are the major competitors of their 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".*<sup>2</sup> (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".*<sup>3</sup>) The report also noted that excessive access charges *"could have the effect of shifting demand to on-airport parking and, consequently, allow the airport to increase [its own] car parking prices".*<sup>4</sup>

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.

### Andrew's Airport Parking, Melbourne

AAP commenced operations at its flagship business in Tullamarine in September 1997. For the first seven years of our operations, while Melbourne Airport remained under Government control, access to the airport precinct was unrestricted and free of charge. However, upon the airport's privatisation in 2001, the new operator, Australia Pacific Airports Melbourne Pty Ltd ("**APAM**"), initiated a review of airport operations, which resulted in the introduction in September 2004 of access fees for all off-airport parking operators for each trip to collect their passengers through the PCL.

---

<sup>2</sup> <http://www.accc.gov.au/content/index.phtml/itemId/971558/fromItemId/142>

<sup>3</sup> ACCC, Airport Monitoring Report 2009-10, p.72. Available at: [www.accc.gov.au/content/index.phtml/itemId/970895](http://www.accc.gov.au/content/index.phtml/itemId/970895)

<sup>4</sup> ACCC, Airport Monitoring Report 2009-10, Summary xi. At: [www.accc.gov.au/content/index.phtml/itemId/970895](http://www.accc.gov.au/content/index.phtml/itemId/970895)

Before the commencement of this fee arrangement, an association was established to act as a point of liaison between the off-airport parking companies and APAM. Since this time this association is no longer operating and APAM has ceased to meet with the off-airport parking operators on a regular basis, denying the off-airport operators a viable channel to meet with APAM's managers to discuss operational developments and matters of mutual concern. While APAM does host occasional briefings to advise service providers of changes and developments at the airport, these meetings do not provide an appropriate or timely opportunity for off-airport parking operators to raise individual cases of access or parking issues.

Like most international airports, Tullamarine only charges access fees for transport operators collecting arriving passengers – in this case, via the airport's ground-level PCL. Initially, AAP's passenger collections were a relatively straightforward business, with a section of the PCL reserved exclusively for the off-airport parking operator's use. This system has since been abandoned by APAM, which now requires all off-airport parking operators and a number of other transport operators to use a series of 'multiuse' parking zones within the PCL, where they compete for space to park and collect their customers. This system was put in place with no prior consultation or input from the off-airport parking operators.

These multiuse zones continue to face a number of challenges, which affect all the transport operators using them. Members of the public, trying to avoid excessive parking charges in other areas of the airport, often park their vehicles in these zones, in direct contravention of airport regulations. Whilst we understand that APAM has employed contractors specifically to patrol and control these areas, AAP has been subjected to, and hears daily reports about, regular instances of congestion, delays and inadequate parking spaces within the multiuse parking zones. In addition, many of our arriving customers continue to lose their way trying to locate our buses in these multiuse areas.

The speed, ease and convenience of our services – and, in particular, our courtesy bus collection service – forms part of AAP's core business mission and, we believe, is one of our strongest competitive advantages. But such advantages are being regularly, and increasingly, undermined by growing congestion, delays and confusion in the airport's 'multiuse' PCL parking zones. Despite complaints to APAM, this issue shows no sign of being meaningfully addressed or resolved. Requests for APAM to reintroduce dedicated transport operator passenger 'collection points', marked with individual operator signage, have also failed to elicit a formal response.

### **Access Fees: A Critical Bottom Line**

Since AAP began paying access fees at Melbourne Airport in September 2004, these fees have continued to increase without any formal notification or clarification of the methodology used to calculate these increases. In the same period, the number of off-airport parking operators has increased from eight (8) to sixteen (16), providing a current estimated total of more than 10,000 off-airport parking spaces.

One would expect that such a robust and exponential increase in the number of off-airport car parks would provide a compelling incentive for Melbourne Airport to reduce its on-site parking fees, as well as the access charges it levies on its off-airport parking partners. In fact, prices for both access and parking at the airport have continued to rise, to the extent that Melbourne and Sydney airports are now regarded as having some of the most expensive airport parking in the world.<sup>5</sup>

---

<sup>5</sup> <http://www.smh.com.au/travel/travel-news/airport-car-crunch-20090408-a07j.html>

While the costs of Sydney's airport parking have been raised as a matter of concern, an interesting discrepancy exists in the proportion of overall revenue that each airport attributes to car parking. While Sydney Airport claims that parking contributes 7% of its revenue, in Melbourne that figure stands at a much more significant 21%.<sup>6</sup>

While the greater distance from the city centre in Melbourne clearly makes private car parking a more attractive option, it also provides additional avenues for revenue generation. As already noted, figures supplied to the ACCC suggest that access charges imposed on off-airport car park operators and private buses generated \$3.2 million in revenue for Melbourne Airport in 2009-10. This was approximately seven times the amount generated by Brisbane and Sydney airports – a discrepancy that, the Commission stated, "*suggests that Melbourne Airport sets access prices significantly above costs*".<sup>7</sup>

The report also added: "*The ACCC is unaware of any substantive differences in the level of services provided to off-airport parking and private bus services among these three airports*"<sup>8</sup>. With the current arrangements for collecting AAP's customers at Melbourne Airport, those services are currently restricted to the multiuse parking areas within the PCL and the contracted attendants patrolling them – which clearly cost a fraction of the revenue that these areas generate.

Questions have also been raised about the reliability of data supplied to the ACCC and the conclusions that have been drawn from them. Information supplied by APAM suggests that 8% of transport accessing Melbourne Airport originates from off-airport parking operations.<sup>9</sup> However, the actual capacity of off-airport parking spaces during 2009-10 was approximately 8,000 spaces, which when compared to Melbourne Airport's reported 22,412 spaces, equates to over 26% of the total available parking market.<sup>10</sup>

One can only speculate at the reasons behind what appears to be a lack of transparency in recognising the critical role and sizeable contribution provided by off-airport car parks at Melbourne Airport. The enduring 'underrepresentation' of our contribution may suggest that some Australian airports continue to view these off-site facilities more as hostile competitors than as businesses that are providing a vital and value-adding service for their own customer base.

As a primary player in a competitive niche market, it is incumbent upon AAP to keep our fees at a reasonable level – not to mention a level that can compete with the airports' own parking facilities, which attract no access fees. However, continuing increases in access charges at Melbourne Airport have compelled us to increase our parking fees incrementally over the past six years.

We would contend that parking prices at Melbourne Airport are reaching a level that, if they remain unchecked, could pose a significant threat to the existence of many off-airport parking providers, as well as attracting negative publicity for the Australian travel industry as a whole. It is for this reason that we would like to suggest a more reasonable and streamlined framework for calculating access charges at this and Australia's other airports.

---

<sup>6</sup> Ibid.

<sup>7</sup> ACCC, Airport Monitoring Report 2009-10, p.70. Available at: [www.accc.gov.au/content/index.phtml/itemId/970895](http://www.accc.gov.au/content/index.phtml/itemId/970895)

<sup>8</sup> ACCC, Airport Monitoring Report 2009-10, p.70. Available at: [www.accc.gov.au/content/index.phtml/itemId/970895](http://www.accc.gov.au/content/index.phtml/itemId/970895)

<sup>9</sup> ACCC, Airport Monitoring Report 2009-10, p.67, Chart 3.5.1.

<sup>10</sup> ACCC, Airport Monitoring Report 2009-10, p.203.

## 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 straightforward 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 only 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 revenues. We believe that this proposal would be attractive and mutually beneficial to all parties concerned.

We would also like to recommend that APAM immediately reintroduces the dedicated transport operator customer 'collection points' or stations in the current PCL. These points would ideally be marked with individual operator signage and have their access controlled by APAM employed contractors. In view of the growing number of passengers and off-site transport operators using the airport, APAM should also consider the provision of additional expanded 'collection points' or stations at its arrivals terminals.

Lastly, we would suggest that APAM gives consideration to the reinvigoration of meeting with the off-airport parking companies, which would provide a practical and effective channel for discussing the kind of operational developments and customer related concerns outlined in this submission.

If this proposal proves acceptable to the operator of Melbourne Airport, there may be a case for the longer term adoption of a national framework for access charges and mutual arrangements at all Australian international airports. The fact that glaring difficulties currently exist, about access, communication and the levels of fees charged, indicates an enduring lack of equity, transparency and regulation that reflects poorly on our airport operators. Without greater recognition of the role and contribution of off-site operators, and more streamlined and transparent regulation, the current access difficulties, issues and fees impose a very high, if not unbearable, cost on a significant and critical airport industry.

---