

4 October 2011

Dr Wendy Craik AM
Commissioner
Inquiry into Airport Regulation
Productivity Commission
GPO Box 1428,
Canberra City ACT 2601

Dear Dr Craik,

We refer to the Productivity Commission Draft Report into the Economic Regulation of Airport Services released on 22 August 2011 (**Draft Report**).

Aerial Capital Group Ltd (Aerial) is a corporation registered in the ACT providing transport communication network services to taxis, hire cars and shuttle bus operators. Aerial has been in business for 51 years and throughout this history continually provided land side services at Canberra Airport .

Market Power (Draft Finding 4.1)

1 The provision of *landside access* at Canberra Airport demonstrates different market characteristics to the provision of *aeronautical services and facilities*. We submit that Canberra Airport has a high degree of market power in relation to the provision of landside access (including the terms and conditions of access to landside vehicle facilities and services).

- (a) In the Draft Report the Productivity Commission (**Commission**) concludes that neither the data nor other evidence received indicates that the market power of Canberra Airport is of sufficient concern to warrant policy intervention.¹
- (b) In our submission, Canberra Airport does have sufficient market power to warrant policy intervention in relation to the provision of landside access:
 - (i) Canberra Airport unilaterally controls access to its landside vehicle facilities and services and the terms and conditions (e.g. access fees, location of taxi ranks etc) on which access will be granted.
 - (ii) There are a number of smaller ground transport operators, such as taxi operators including Aerial, who require landside access at Canberra Airport and for whom Canberra Airport represents a significant share of business.
 - (iii) These smaller ground transport operators lack the resources to negotiate with Canberra Airport on a level playing field. Essentially, there is no constraint on Canberra Airport in setting prices for landside access and imposing the terms and conditions for landside vehicle facilities and services.

¹ See Draft Report (p. 56 & Draft Finding 4.1)

2 Moreover, in addition to being the sole supplier of landside access, Canberra Airport is also a key competitor of other ground transport operators (such as Aerial) because it is a vertically integrated provider of on-airport car parking. Canberra Airport's on-airport car parking competes directly with taxi services.

- (a) This form of vertical integration is particularly concerning because Canberra Airport is in a position to discourage competition from taxis and other ground transport operators. The ACCC notes this power of airports, more generally, in its initial submission (p. 28):

Airports may ... levy excessive access charges or influence alternatives to on-airport car parking through non-price means, such as setting inconvenient locations for kerbside set-down and pick-up points. This would have the effect of shifting demand to on-airport services, which allows the airports to increase car parking prices and earn monopoly rents.

- (b) Aerial is concerned that Canberra Airport may exercise this ability and incentive to increasingly favour its on-site car parking and make alternative forms of ground transport to and from Canberra Airport less attractive.
- (c) Currently, there is no constraint on Canberra Airport in discouraging competition from other ground transport operators. Because Canberra Airport is not monitored, there is no data available to assess the extent to which access levies and terms and conditions discourage the use of alternatives to on-airport car parking in a way that inefficiently distorts travelers' decisions about which transport option they use.²
- (d) The ACCC notes that Adelaide and Perth airports do not impose charges on some off-airport car parking operators, which means that these businesses can compete with the airports on a level playing field and the competition from off-airport parking can create a constraint on airport parking charges to some extent.³ This is not the case at Canberra Airport.

Options for Future Airport Regulation (Draft Recommendation 11.7)

- 3 In 2006, the Commission recommended that Canberra Airport be removed from the ACCC monitoring regime. The recommendation, subsequently implemented, was primarily based on an assessment by the Commission that Canberra Airport's market power vis-à-vis the airlines (i.e. with respect to the provision of airside services) was not sufficient to warrant monitoring.⁴
- 4 The removal of Canberra Airport from the monitoring regime meant that monitoring ceased not only in relation to aeronautical services and facilities, but also in relation to passenger-related services and facilities, including landside access. The ACCC's quality of service surveys for landside facilities, including taxi facilities and kerbside pick-up and drop-off points, ceased.

² Indeed, the Draft Report itself notes that even in relation to the monitored airports "... information about terms and conditions of [landside] access is less transparent" (Draft Finding 8.4)

³ ACCC Submission, p. 28.

⁴ See Draft Report (p. 50), which notes that the 2006 decision was because Qantas had 75 per cent of market share and was considered to have countervailing power vis-à-vis Canberra Airport.

- 5 For the reasons outlined in (1) and (2) above, our strong submission is that the findings and recommendations in the Draft Report (particularly Draft Recommendation 11.7) be amended to reintroduce Canberra Airport into the ACCC monitoring regime in relation to the provision of landside access.
- 6 Noting that the second-tier self-administered monitoring regime is not within the scope of the inquiry, we nonetheless submit that Canberra Airport be reconsidered for inclusion in the ACCC monitoring regime in relation to landside access.
- (a) We consider that Canberra Airport should be required to furnish to the ACCC:
- (i) in relation to car parking — schedules of fees and information on charges and revenues, costs, assets, the number of parking spaces provides and the number of cars parked at each price point; and
- (ii) in relation to other landside access — schedules of access fees and information on charges and revenues, costs, assets, the terms and conditions of access to ground transport operators.
- (b) The ACCC should also publish quality of service survey measures for Canberra Airport.

Please do not hesitate to contact us if you require further information or have any questions in relation to our submission.

Yours faithfully

Kim Hancock
Chairman