Australian Competition & Consumer Commission

Airport monitoring report 2008–09

Price, financial performance and quality of service monitoring

Adelaide | Brisbane | Melbourne | Perth | Sydney

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Competition &
Consumer
Commission

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Australian Competition and Consumer Commission
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Glossary

AAL	Adelaide Airport Limited
AASB	Australian Accounting Standards Board
ACCC	Australian Competition and Consumer Commission
AC&BPS	Australian Customs and Border Protection Service Note: During 2008–09, the Australian Customs Service (ACS) became the Australian Customs and Border Protection Service. Previous reports refer to ACS.
AFPPS	Australian Federal Police Protective Service
AGAAP	Australian Generally Accepted Accounting Principles
AIFRS	Australian equivalents to International Financial Reporting Standards
APS	Australian Protective Service
AQIS	Australian Quarantine and Inspection Service
Availability	Describes the amount of the facility/service made available relative to demands for the facility or service. May include whether facilities or services are available or restricted due to congestion, positioning, maintenance, or repairs, the accessibility or usefulness of the facility/service provided, and the efficiency of the system to allocate usage.
BARA	Board of Airline Representatives of Australia
CBD	central business district
CBS	checked-bag screening
CTFR	Counter Terrorism First Response
CPI	consumer price index
DIAC	Department of Immigration and Citizenship
DOTARS	(former) Department of Transport and Regional Services The Department of Transport and Regional Services became the Department of Infrastructure, Transport, Regional Development and Local Government in December 2007.
DTL	domestic terminal lease
EBITA	earnings before interest, tax and amortisation
EBITDA	earnings before interest, tax, depreciation and amortisation
ECP	entry control point
FAC	Federal Airports Corporation
FID	flight information display
FSC	full service carrier
GA	general aviation
GST	goods and services tax
IASB	International Accounting Standards Board
LCC	low cost carrier
LHS	left-hand side
MTOW	maximum take-off weight

NA	not applicable
NR	not relevant
OAC	operationally agreed capacity
OCP	outwards control point
Peak hour	The hour that, on average for each day in the financial year, has the highest number of (arriving/departing/total of both) passengers. In previous reports peak hour was defined as the peak hour in the average day of the peak month.
PC	Productivity Commission
PFC	passenger facilitation charges
PSC	passenger services charge
RHS	right-hand side
RPT	regular passenger transport
SACL	Sydney Airport Corporation Limited
Standard	Describes the physical condition of the facility/service supplied and condition in which it is generally maintained.
STAR	state of the art renewal
TPA	*Trade Practices Act 1974*

Summary

Key findings

Aeronautical services

- To increase market transparency, the government established regulatory oversight arrangements that involve the monitoring of aeronautical prices, costs, profits and quality of service for the major airports.
  - To this end, the ACCC has examined the relationship between the airports and airlines in the provision of aeronautical services in this report.
- The ACCC's analysis potentially indicates that Sydney Airport has increased profits by permitting service-quality levels to fall below that which could be expected in a competitive environment over a sustained period.
  - The monitoring results do not indicate that Adelaide, Brisbane, Melbourne and Perth airports have exercised their market power at the expense of airlines who are users of aeronautical services.
- The average overall quality of service rating for the five monitored airports increased slightly in 2008–09.
  - Brisbane Airport was again ranked first among the airports, while Sydney Airport was ranked last for the fourth consecutive year.
- Notwithstanding the global economic slowdown in 2008–09:
  - Passenger numbers increased at all the monitored airports except Sydney Airport.
  - Aeronautical revenue and operating margins increased at the five airports.
  - In charging on a per passenger basis, airports appear to share some of the risks of changes in passenger demand with airlines. However, the airports' per passenger charges to airlines are often set for several years at a time. Airports do not therefore bear the risks of changes in airfares that airlines do, for example.
- Return on assets for aeronautical services decreased at most of the airports in 2008–09, generally as a result of asset values increasing (due to investment) at a greater rate than returns.

Car parking

- In 2008–09 and more recently, at least some car parking charges increased at all the airports.
  - The ACCC maintains its view that airport car parking prices charged to consumers are consistent with charges reflecting an element of monopoly rent.
- Airports are in a position to set car parking prices above an efficient level by controlling the conditions of landside access to terminal facilities.
- The ACCC has observed that some airports have affected the conditions for which alternatives to on-airport parking operate.

This report presents the results of the Australian Competition and Consumer Commission's (ACCC's) monitoring of aeronautical services and airport car parking for 2008–09.

The ACCC's role in monitoring aeronautical services

The Australian Government has directed the ACCC to monitor the prices, costs and profits for Adelaide, Brisbane, Melbourne (Tullamarine), Perth and Sydney (Kingsford Smith) airports. The ACCC is also required to monitor the airports' quality of service in relation to the supply of those services.

The government established a 'light-handed' price monitoring approach to regulating the airports in 2002 following consideration of the recommendations of a Productivity Commission inquiry. The move from a price-regulation regime to a monitoring regime was intended to facilitate investment and innovation, while retaining a constraint on the exercise of market power by the airports in their dealings with airlines and other customers.

Although monitoring does not provide *conclusive evidence* as to whether the airports have been earning monopoly rents, judgements about the performance of the airports can be made based on observations from the monitoring results over time, and an examination of the airports' incentives and ability to exercise their market power. By providing a greater level of transparency to the airports' performance in this way, monitoring seeks to discourage airport operators from exercising their market power.

The monitoring results indicate that Sydney Airport might be earning monopoly rents from aeronautical services

The ACCC's analysis potentially indicates that Sydney Airport has increased profits by permitting quality of aeronautical services to fall below that which could be expected in a competitive environment over a sustained period. In particular, from 2002–03 to 2008–09, the quality of Sydney Airport's international terminal was rated by airlines at below satisfactory on average. Although Sydney Airport has recently commenced significant capital works at the terminal, it seems that the timing of this investment might have been inefficiently delayed by the airport and, in the meantime, there has been inadequate maintenance.

Interpreting the price and service-quality outcomes at the other airports

The monitoring results do not indicate that Adelaide, Brisbane, Melbourne and Perth airports have exercised their market power to earn monopoly rents. For example:

- Since the new terminal was brought into operation at *Adelaide Airport* in 2006, previously poor service-quality results increased significantly to levels above satisfactory.
- Both *Brisbane and Melbourne* airports achieved quality of service ratings by the user airlines that were well above satisfactory.
  - While Brisbane Airport has recorded significant increases in prices and profitability in more recent periods, the airport has also reported substantial increases in investment and costs.
- The recent increases in profitability and decline in the airlines' ratings of service quality at *Perth Airport* seem to be relatively short-lived, and these outcomes appear to have been largely driven by unexpected growth in passenger numbers.

A comprehensive evaluation of the major airports' performance, which is beyond the scope of a monitoring exercise, would be required to make more definitive findings.

Overall quality of service ratings

The ACCC monitors the airports' dealings with airlines as well as other stakeholders, such as passengers and border agencies. The ACCC determines an overall rating of quality of service, taking into consideration a range of quality of service indicators, including survey responses from all of these airport users.

It should be noted, however, that the ACCC's measurement of quality of service relates only to those terminals that are owned and run by the airport operators. Some of the airports' domestic terminals are leased and operated by airlines and are not subject to monitoring.

Overall ratings of quality of service at the five monitored airports were mostly satisfactory, increasing slightly in 2008–09. Brisbane Airport was the only airport to achieve a rating of good between 2004–05 and 2008–09.

Over the same period, passengers' perceptions of quality of service were generally higher than ratings by airlines for the monitored airports. A possible explanation for this is that airlines and border agencies may influence passengers' perceptions by adding value to service quality. Border agencies have a relationship with airports that is different to other users, with many services and facilities being provided by the airports on non-commercial terms. Even so, ratings given by border agencies varied from airport to airport.

Where do the airports rank on quality of service?

Taking all users' perceptions into consideration as well as a range of objective indicators about quality of service, the ACCC ranks the airports relative to each other (table 1). The overall rankings of the airports were unchanged in 2008–09. Brisbane Airport remained the highest ranked airport, while Sydney Airport was ranked last for the fourth consecutive year.

Table 1: Overall ranking of quality of service for the monitored airports

Rank	2004–05	2005–06	2006–07	2007–08	2008–09
1st	Brisbane	Brisbane	Brisbane	Brisbane	Brisbane
2nd	Perth	Adelaide	Adelaide	Adelaide	Adelaide
3rd	Sydney	Perth	Perth	Perth	Perth
4th	Melbourne	Melbourne	Melbourne	Melbourne	Melbourne
5th	Adelaide	Sydney	Sydney	Sydney	Sydney

Monitoring quality of service complements the ACCC's role of monitoring prices, costs and profits at the airports. It seeks to provide information on whether airport operators are improving profitability by running down assets or reducing service standards.

Recent trends in demand and profitability at the monitored airports

In 2008–09, a combination of increased demand for services and increased average aeronautical prices contributed to an overall increase in total aeronautical revenue and operating margins at the monitored airports (table 2).

Table 2: Percentage change in key indicators for the monitored airports

Airport	Passenger numbers (million)	Change in passenger numbers (%)	Total aeronautical revenue ($million)	Change in total aeronautical revenue (%)	Total aeronautical operating margin ($million)	Change in total aeronautical operating margin (%)
Adelaide	6.9	2.3	81	5.0	34	1.3
Brisbane	19.1	1.7	164	15.5	58	7.2
Melbourne	24.8	2.1	197	5.2	94	2.0
Perth	9.7	6.0	80	7.9	33	1.0[(a)]
Sydney	32.7	-1.4	446	5.4	202	7.8

Note: (a) This figure excludes the effect of the reversal of a technical services fee in 2007–08.[1]

Notwithstanding the global economic slowdown, approximately 93.3 million passengers passed through the five monitored airports in 2008–09. Compared to the previous year, passenger numbers increased at all of the airports except for Sydney Airport. Notably, although international passengers decreased by 158 000 (0.7 per cent) to 23.1 million, this was offset by an increase in domestic passengers of 1.2 million (1.8 per cent) to 70.2 million.

The airports typically charge airlines on a per passenger basis for the use of their services and facilities, with the revenue received from those charges being a primary driver of total aeronautical revenue. This implies that the airports appear to share with airlines some of the risk of changes in passenger demand. However, in many cases, the charges to airlines by airports are determined in long-term pricing agreements. Therefore, the airports do not appear to bear the risks associated with price volatility that is typical of airfares charged to passengers. Consequently, the monitored airports appear to have been less affected by the global economic slowdown than airlines.

Increased passenger numbers and average prices contributed to revenue derived from aeronautical services increasing at all the monitored airports in 2008–09. Expenses incurred in providing aeronautical services were higher at all the airports in 2008–09. However, operating margins on aeronautical services increased as revenue growth was generally higher than increases in operating expenses.

The rates of return on average assets (that is, earnings before interest, tax and amortisation (EBITA) on average tangible non-current assets) for aeronautical services were relatively unchanged or had decreased at the airports in 2008–09. Notably, EBITA was higher for all airports in 2008–09 and, therefore, reductions in return on assets were driven by higher asset values at the airports.

1 Perth Airport advised that, in 2007–08, aeronautical operating expenses were understated relative to 2008–09 due to the reversal of a technical services fee. The fee was accrued in 2006–07 but was reversed in 2007–08. This resulted in the operating margin for 2007–08 being overstated relative to 2008–09. For more details, refer to the Perth Airport chapter (chapter 8).

Airport car parking

The government has also directed the ACCC to formally monitor prices, costs and profits relating to the supply of car parking at Adelaide, Brisbane, Melbourne, Perth and Sydney airports. Unlike aeronautical services, which are typically provided to airlines or to passengers in combination with airlines and border agencies, airport car parking services are provided directly by the airports to consumers.

Airport car parking charges continue to reflect some element of monopoly rents

The ACCC's view, set out in its 2007–08 monitoring report, was that the monitored airports can act strategically to raise the costs of alternatives to on-airport car parking by controlling the conditions of landside access to terminal facilities. Consequently, the competitive constraint on airports' pricing decisions for parking will be weak. Although the extent to which the airports' charges exceed efficient levels cannot be determined based on the current monitoring program, it is likely that airport car parking charges reflect some element of monopoly rents.[2]

In light of the monitoring results for 2008–09, particularly in relation to ongoing price increases, the ACCC maintains its view that airport car parking prices are consistent with charges reflecting some element of monopoly rents.

The car parking monitoring results for 2008–09

Charges for car parking increased at most of the monitored airports in 2008–09. A sample of car parking charges as at 30 June 2009 are shown in table 3. The ACCC has also observed increased car parking charges at all of the airports since 30 June 2009.

Table 3: Car parking charges as at 30 June 2009

Airport	Short-term car park				Long-term car park	
	1 hour	4 hours	8 hours	24 hours	1 day	7 days
Adelaide	$4.00	$12.00	$20.00	$30.00	$20.00	$70.00
Brisbane	$10.00	$16.00	$45.00	$45.00	$25.00	$105.00
Melbourne	$12.00	$35.00	$35.00	$45.00	$25.00	$69.00
Perth	$5.40	$9.40	$26.00	$26.00	$17.00	$79.00
Sydney	$15.00	$50.00	$50.00	$50.00	$25.00	$110.00

Note: Brisbane Airport and Sydney Airport short-term car parking charges for 24 hours are based on the domestic car park at each airport.

2 For further information on the ACCC's analysis regarding airport car parking, see ACCC, *Airport monitoring report 2007–08*, p. 67.

Partly as a result of increased prices, car parking revenue also increased at all of the monitored airports in 2008–09 (table 4). While some airports reported higher operating expenses and others lower, all of the airports had increases in operating margins. Operating margins for airport car parking ranged between $8.5 million (Adelaide Airport) and $74.5 million (Melbourne Airport) in 2008–09.

Table 4: Total car parking revenue, operating expenses and operating margins for 2008–09 and changes from 2007–08

Airport	Revenue ($million)	Change in revenue (%)	Operating expenses ($million)	Change in operating expenses (%)	Operating margins ($million)	Change in operating margins (%)
Adelaide	12.5	4.7	3.9	–0.6	8.5	7.4
Brisbane	52.3	19.0	12.5	6.2	39.8	24.0
Melbourne	94.8	4.1	20.3	–4.0	74.5	6.5
Perth	29.2	21.0	10.5	56.3	18.6	7.3
Sydney	88.3	2.3	23.9	–4.0	64.4	4.9

Some of the airports have invested in multi-level car parking facilities over the last five years. In 2008–09, the number of short-term car parking spaces increased at a significantly higher rate relative to total average daily throughput for those car park facilities. However, the profits earned on an annual basis are, in some instances, far greater than the new investment in car parking, which suggests that a rapid rate of return of and on capital is likely.

Airports have affected alternatives to on-airport car parking

In 2008–09 and more recently, the ACCC has observed whether the airports have affected the conditions for which alternatives to on-airport car parking operate.

For example, Sydney Airport recently closed a passenger collection bay outside its Terminal 2 and replaced it with a new pick-up area at a greater distance from that terminal. This has essentially reduced the attractiveness of a substitute (kerbside pick-ups) to short-term parking. In contrast, Adelaide Airport has a public bus service that runs directly to its terminal at no extra cost to passengers, suggesting that the airport has not acted to affect the attractiveness of an available substitute to on-airport car parking.

In addition to on-airport car parking, several alternative transport options have been observed by the ACCC at all of the airports, including terminal drop-off and pick-up, off-airport car parking, taxis, trains and buses. Airports can influence the costs of alternatives to on-airport parking by, for example, imposing levies on them to access the airport terminal facilities. Generally, if substitute access modes for on-airport car parking are provided on reasonable terms and conditions, the ability for airports to impose charges above efficient levels for car parking would be limited.

3.1.2. What are the implications of domestic terminal leases for the airports' results?

Terminals at the monitored airports that are occupied and operated by airlines under DTLs and, therefore, the revenue, prices, costs and profits, and quality of service associated with those terminals, are excluded from the results presented in this report.

Importantly, out of the five monitored airports, Adelaide Airport is the only airport that does not have any terminals occupied and operated by airlines under DTLs. At the other monitored airports, the revenue, prices, costs and profits associated with those terminals under DTLs are excluded from aeronautical results (but included in total airport as non-aeronautical) which result, therefore, in some figures being understated relative to Adelaide Airport.

In addition, ratings for the quality of service of those terminals under DTLs are not included. For example, the ACCC has observed at Melbourne Airport that, during peak periods (such as between 7 am and 8 am Monday to Friday), there is significant crowding by passengers at the security points that provide access to the Qantas domestic terminal (T1). However, this is not evident in Melbourne Airport's quality of service results in which passenger surveys rate the 'quality of security search process' as 'good' because the results relate only to the international (T2) and common-user domestic terminals (T3 and T4). Melbourne Airport advised that the operation of the Qantas domestic terminal, including security, is the responsibility of Qantas under a DTL and is therefore not included in the ACCC's monitoring.

Government proposing self-reporting of DTLs

On 16 December 2009, the Australian Government released its *National aviation policy white paper*. In the white paper, the government recognises the limited control airports have over DTLs and that quality of service of those terminals are not included in the current quality of service monitoring regime. The government 'considers this an area where the industry should provide a coordinated response through self-reporting. The Government will be encouraging relevant airlines and airports to work together to ensure these terminals are covered in the expanded quality of service monitoring regime being developed by the industry'.[1]

3.2. Price monitoring results

This section provides an overview of key price monitoring indicators for the five monitored airports. The indicators focus on aeronautical services and facilities—in particular:

- activity levels (including passengers and aircraft movements) (section 3.2.1)
- revenues (section 3.2.2)
- prices, costs and profits (sections 3.2.3–3.2.7).

A discussion of *total* airport profitability is also included (section 3.2.6).

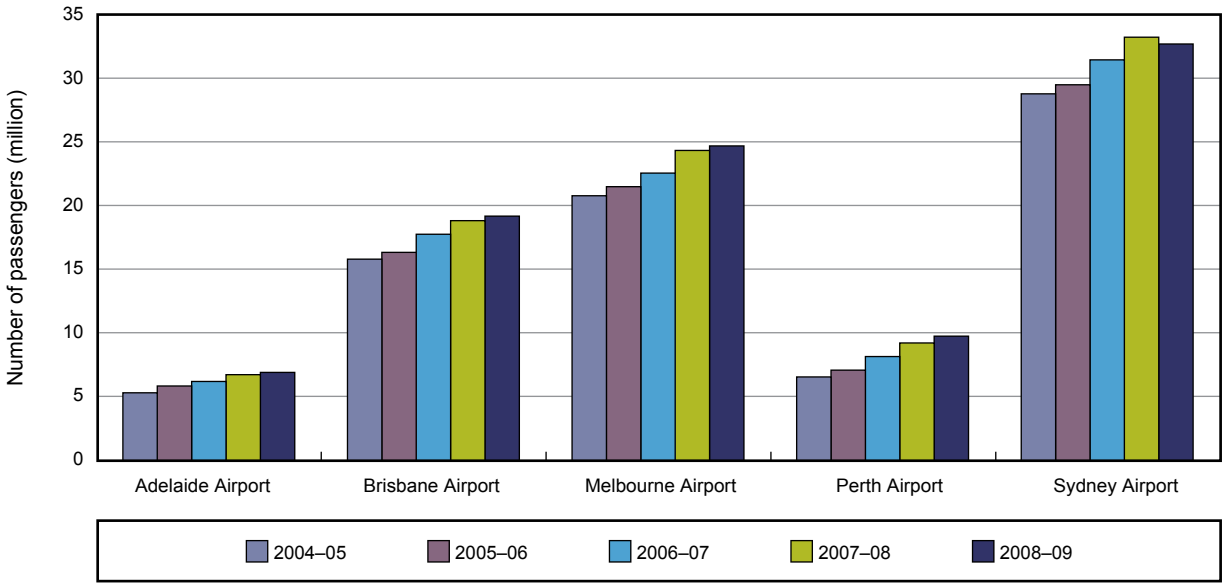
More detailed information for both aeronautical and total airport services and facilities is provided on an airport-by-airport basis in chapters 5 to 9.

1 Department of Infrastructure, Transport, Regional Development and Local Government, *National aviation policy white paper: flight path to the future*, December 2009, p. 177.

3.2.1. Activity levels

Users of the airport services and facilities primarily include airlines, passengers and border agencies. Passengers are considered an appropriate measure of activity at the monitored airports as consumer demand is likely to be the primary driver of capacity needs at airports. Activity levels provide an indication of the relative size of the airports.

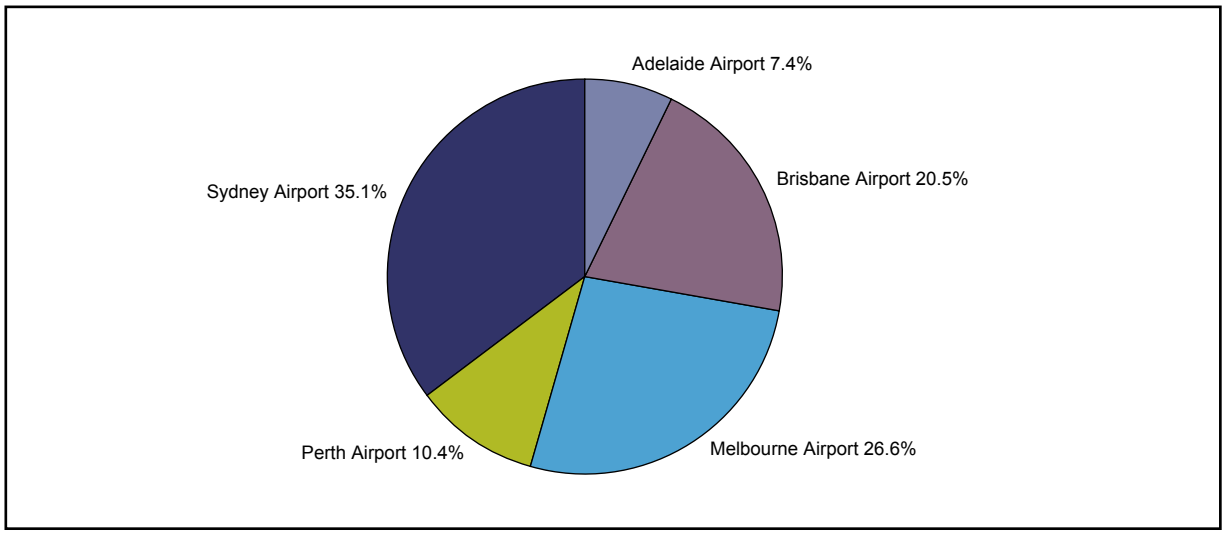
Chart 3.2.1: Volume of passengers



Notwithstanding the global economic slowdown, approximately 93.3 million passengers passed through the five monitored airports in 2008–09—an increase of 1.2 per cent from the previous period (chart 3.2.1). Although international passengers decreased by 158 000 (0.7 per cent) to 23.1 million in 2008–09, domestic passengers increased by a greater amount of 1.2 million (1.8 per cent), to 70.2 million.

The 2008–09 volume of passengers compares to around 77.6 million passengers in 2004–05—an increase of 20.3 per cent over the entire reporting period (2004–05 to 2008–09).

Chart 3.2.2: Percentage of total passengers through each airport in 2008–09



In terms of total passenger numbers, Sydney Airport is the busiest of the five monitored airports (chart 3.2.2). Despite being the only airport to have experienced a slight decrease in passenger numbers in 2008–09 (1.4 per cent), 32.7 million travellers (or 35.1 per cent of the total number) passing through the five monitored airports did so through Sydney Airport.

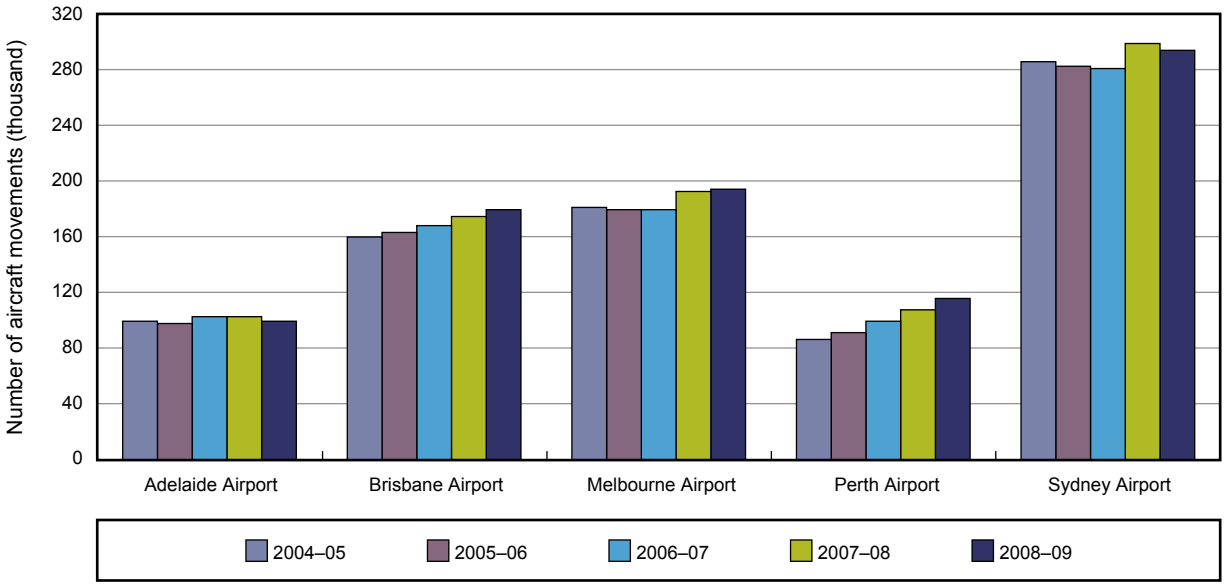
Melbourne Airport is the second busiest airport, with 26.6 per cent of the monitored airports' passengers passing through its terminals. Passenger numbers grew by 2.1 per cent in the most recent period to 24.8 million, and by 19.2 per cent over the past five years.

Brisbane Airport has seen an increase in passenger demand of 20.3 per cent over the entire reporting period to 19.1 million passengers in 2008–09, or 20.5 per cent of the total passengers through the five airports.

Perth Airport is the fastest growing airport, with an increase of 46.3 per cent since 2004–05, and an increase from 9.2 million passengers in 2007–08 to 9.7 million in 2008–09 (6 per cent). Perth Airport services around 10.4 per cent of passengers that pass through the monitored airports.

In terms of passenger numbers, Adelaide Airport is the smallest of the five monitored airports, with 7.4 per cent of the travellers, or 6.9 million passengers in 2008–09. Despite being the smallest, Adelaide Airport was the second fastest growing airport over the whole reporting period, increasing passenger throughput by 28.1 per cent between 2004–05 and 2008–09.

Chart 3.2.3: Aircraft movements



A combined 882 000 aircraft flew to and from the five monitored airports in 2008–09, increasing only slightly from the previous period (chart 3.2.3). The change in aircraft movements at each of the monitored airports in 2008–09 ranged between a decrease of 3.1 per cent (Adelaide Airport) and an increase of 7.3 per cent (Perth Airport). Over the entire reporting period, total aircraft movements increased by only 8.5 per cent.

Similarly to passenger numbers, Sydney Airport had the highest number of aircraft movements for the entire reporting period, despite only a marginal increase of 2.3 per cent since 2004–05 and a decrease of 1.7 per cent in 2008–09. There were around 293 000 aircraft movements through Sydney Airport in 2008–09.

Melbourne Airport remained relatively unchanged in 2008–09, reporting around 194 000 aircraft movements. Since 2004–05, aircraft movements at Melbourne Airport have increased by around 7.5 per cent.

Brisbane Airport also remained fairly stable in 2008–09, with only a slight increase of 2.3 per cent to around 179 000 aircraft movements. Over the entire reporting period, Brisbane Airport's aircraft movements increased by 12.2 per cent, the second highest growth in aircraft movements of the five monitored airports.

Perth Airport saw the highest growth in aircraft movements of the five airports, reporting an increase of 7.3 per cent in 2008–09 and 33.1 per cent since 2004–05. Perth Airport had the second smallest number of aircraft movements, with around 115 000 in 2008–09.

Similarly to passenger numbers, Adelaide Airport is the smallest of the five monitored airports, with around 100 000 aircraft movements in 2008–09. Adelaide Airport reported the largest decrease in the most recent period (3.1 per cent). Aircraft movements at Adelaide Airport have increased from around 99 100 in 2004–05.

It is interesting to note that while passenger numbers have generally increased at the airports over the past five years, aircraft movements have not necessarily followed the same trend, with the number of aircraft increasing at a slower rate and, in some instances, decreasing.

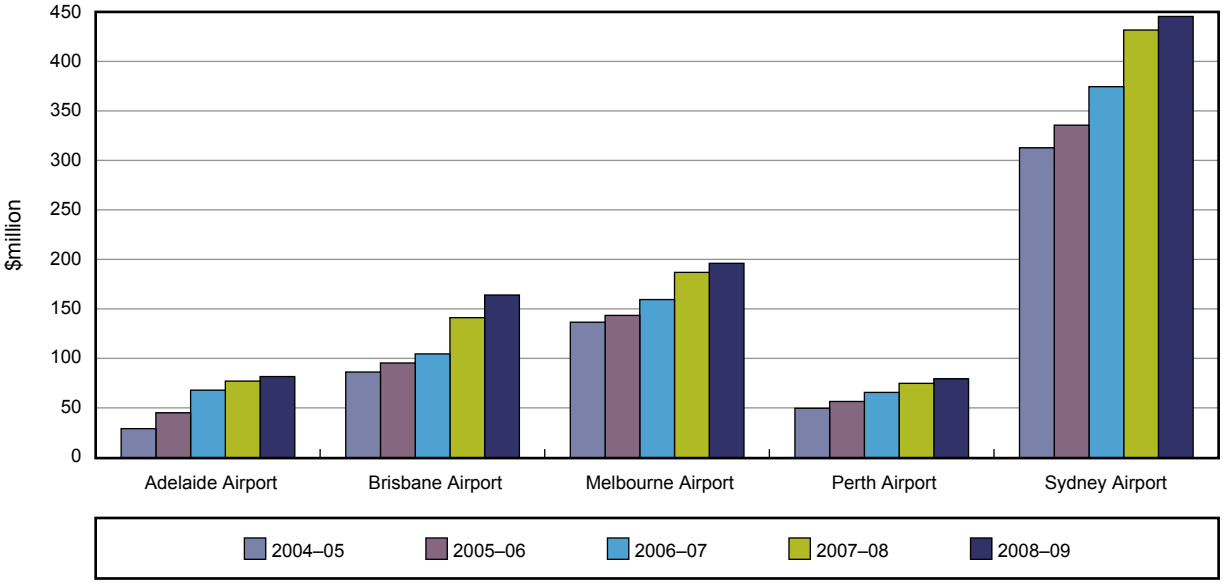
Over time, there has been a change in aircraft configurations, particularly with an increasing number of low cost carriers (LCCs) which carry a higher number of passengers per flight, as well as a shift towards airlines using larger aircraft which carry a much greater load of passengers (such as the A380, which carries 525 passengers[2] compared to a typical Boeing 747, which carries 416 passengers[3]).

As above, passengers are likely to be a primary driver of capacity needs and total aeronautical revenue.

3.2.2. Total aeronautical revenue

In 2008–09, the five major Australian airports reported a combined $969 million in revenue from aeronautical functions. Specifically, this is revenue derived from charges to airlines, but some of it may ultimately be passed on to consumers through airfares and charges. Like activity levels, total aeronautical revenue can provide an indication of the relative size of the monitored airports.

Chart 3.2.4: Total aeronautical revenue



Aeronautical revenue increased at all of the monitored airports in 2008–09 (chart 3.2.4). Combined, the airports reported an increase of 56.8 per cent between 2004–05 and 2008–09 (from $618 million in 2004–05).

Sydney Airport's aeronautical revenue was significantly higher than the other airports' over the whole reporting period—ranging from $313.6 million in 2004–05 to $446.4 million in 2008–09.

2 Airbus, viewed 5 October 2009, http://www.airbus.com/en/aircraftfamilies/passenger_comfort.html

3 Boeing, viewed 5 October 2009, http://www.boeing.com/commercial/747family/pf/pf_seating_charts.html

Melbourne and Brisbane airports were the second and third largest in terms of aeronautical revenue, with $197.1 million and $163.5 million respectively. Adelaide and Perth airports continued to have the lowest aeronautical revenue in 2008–09 at around $81.2 million and $80.4 million respectively.

Between 2004–05 and 2008–09, Adelaide Airport had the highest percentage growth in aeronautical revenue at 172 per cent, noting an increase of 54.8 per cent from 2004–05 to 2005–06 alone and 75.6 per cent since 2005–06 when the airport opened its new multi-user integrated terminal. Notably, DTLs ceased at Adelaide Airport following the opening of the new terminal. This resulted in revenue from DTLs, which was previously excluded from aeronautical revenue, being included in aeronautical revenue from 2005–06 onwards.

Following Adelaide Airport, Brisbane Airport had the second highest percentage growth in aeronautical revenue at 89.5 per cent for the entire reporting period. Brisbane Airport also had the highest growth for the most recent period, at 15.5 per cent in 2008–09. Melbourne and Sydney airports reported the lowest growth for the entire reporting period at 43.8 per cent and 42.4 per cent respectively, while Perth Airport increased by 57.8 per cent.

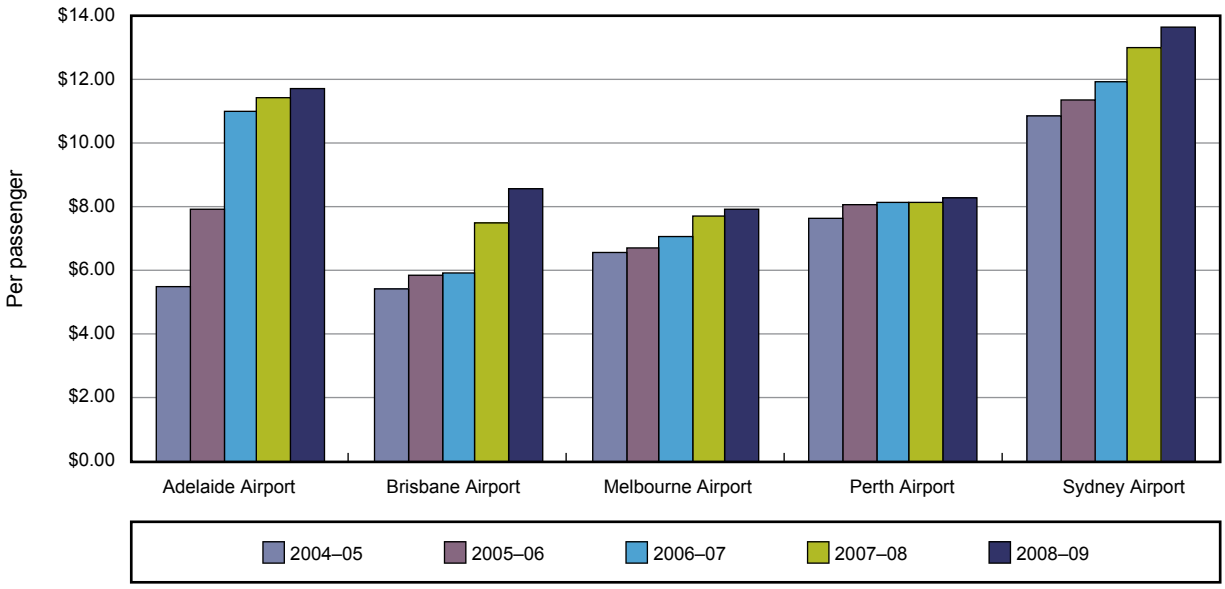
It should be noted that in some previous reporting periods, Brisbane, Perth and Sydney airports excluded aircraft refuelling services from their aeronautical revenue, relying on the clause 3 exemption in direction 27. Therefore, the aeronautical revenue for these airports was understated from 2004–05 to 2006–07. From 2007–08 onwards, aircraft refuelling services were required under direction 29 to be included as part of aeronautical revenue.

The airports typically charge airlines on a per passenger basis for the use of their services and facilities, with the revenue received from those charges being a primary driver of total aeronautical revenue. This implies that the airports appear to share with airlines some of the risk of changes in passenger demand. However, in many cases, the charges to airlines by airports are determined in long-term pricing agreements. Therefore, the airports do not appear to bear the risks associated with price volatility that is typical of airfares charged to passengers.

3.2.3. What prices do the airports charge for using their services and facilities?

Given the complex nature of airports' bundling and changes in the basis of charges, the ACCC adopts aeronautical revenue per passenger as an indicator of average prices the airports charge airlines. Chapter 2 of this report focuses on the relationship between the airports and airlines in the provision of aeronautical services and facilities. More recent changes in average prices at the monitored airports over the past five years are highlighted below.

Chart 3.2.5: Aeronautical revenue per passenger



In 2008–09, all the airports had increases in aeronautical revenue per passenger (chart 3.2.5). For the second year in a row, the largest increase occurred at Brisbane Airport (13.6 per cent), while increases at the other monitored airports were between 1.7 per cent (Perth Airport) and 5.1 per cent (Sydney Airport).

The increase at Brisbane Airport was due to total aeronautical revenue (15.5 per cent) having increased at a higher rate than passenger numbers (1.7 per cent). The increase in aeronautical revenue was largely a result of an increase in charges for international passengers. Brisbane Airport's revenue per passenger increased by around 57.6 per cent over the whole reporting period.

Sydney Airport continued to have the highest aeronautical revenue at $13.63 per passenger in 2008–09, up from $12.97 per passenger in 2007–08. Despite having the second lowest total aeronautical revenue, Adelaide Airport has the second highest revenue on a per passenger basis at $11.70. Notably, Adelaide Airport has the lowest volume of passengers of the five monitored airports. Aeronautical revenue at Brisbane, Melbourne and Perth airports ranged between $7.96 (Melbourne Airport) and $8.56 (Brisbane Airport) per passenger.

Between 2004–05 and 2008–09, Adelaide Airport had the largest increase in aeronautical revenue per passenger, at approximately 112 per cent. However, most of the increases occurred in 2004–05 and 2005–06 following the opening of Adelaide Airport's new fully-integrated terminal. Since 2006–07, the increase in average prices was 6.3 per cent.

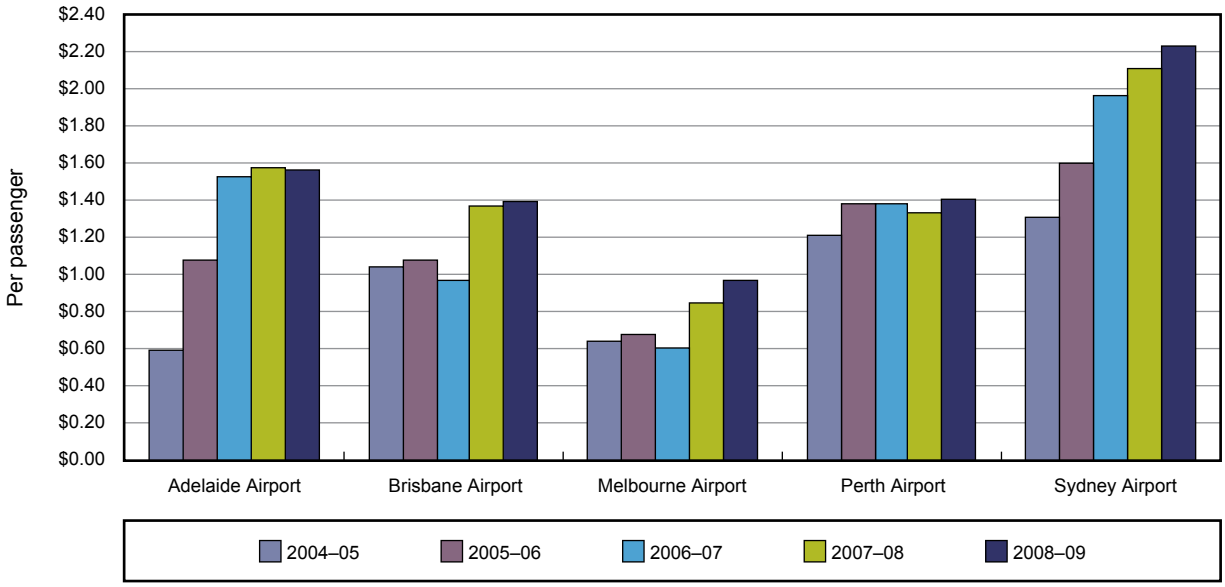
In contrast, Perth Airport's aeronautical revenue per passenger increased by only 7.8 per cent for the whole reporting period. Melbourne and Sydney airports had growth in per passenger revenue of 20.6 per cent and 25.4 per cent respectively.

It is worth noting that some of the charges to airlines, and the associated aeronautical revenue, are a direct result of security requirements mandated by government.

How much of the airports' aeronautical revenue is attributable to mandated security requirements?

Following terrorist incidents and threats to security, the Australian Government has introduced additional security requirements at Australian airports over the years. These include increased passenger and baggage screening, with the additional requirements contributing to the airports' costs and associated revenue. The airports generally advise that aeronautical revenue from security is on a cost recovery basis.

Chart 3.2.6: Total security revenue per passenger



In 2008–09, the total security revenue per passenger increased at all five monitored airports (chart 3.2.6). The largest increase occurred at Melbourne Airport (15.7 per cent), while Brisbane Airport reported only a slight increase of 2.1 per cent. Other airports had increases ranging between 5.4 per cent and 5.8 per cent, while Adelaide Airport had a decrease of 0.7 per cent.

As a component of aeronautical revenue per passenger, security revenue accounted for between 12.3 per cent (Melbourne Airport) and 17 per cent (Perth Airport) on a per passenger basis in 2008–09. Between 2004–05 and 2008–09, security revenue accounted for, on average, 14.6 per cent of the airports' total aeronautical revenue on a per passenger basis.

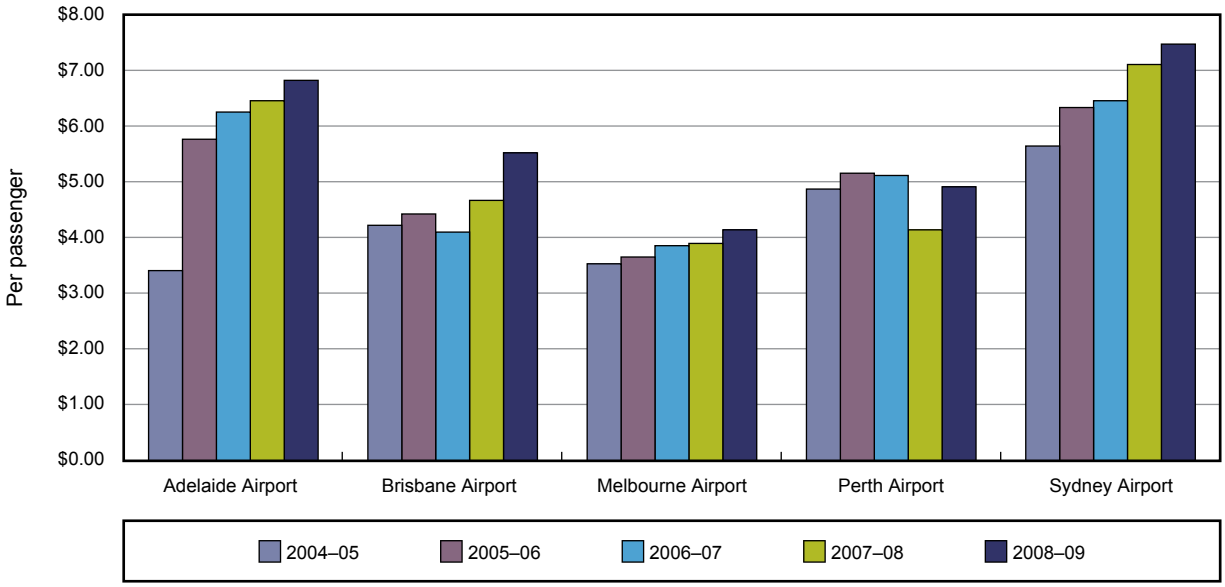
Sydney Airport had the highest security revenue at $2.23 per passenger, followed by Adelaide Airport ($1.57) and Brisbane and Perth airports ($1.40). Despite having the largest increase, Melbourne Airport reported the lowest security revenue per passenger at $0.98 in 2008–09.

Over the whole reporting period, security revenue per passenger increased by 162 per cent at Adelaide Airport. This increase was largely the result of the introduction of new security charges in 2005–06, coinciding with the commencement of operations of the new terminal.

3.2.4. How much does it cost the airports to provide aeronautical services and facilities?

In order to provide the aeronautical services and facilities, airports incur costs that are recovered in their aeronautical revenue.

Chart 3.2.7: Aeronautical operating expenses per passenger



In 2008–09, all the airports had increases in aeronautical operating expenses per passenger (chart 3.2.7). For the second year in a row, the largest increase occurred at Brisbane Airport (18.7 per cent), which was closely followed by Perth Airport (18.3 per cent). The other airports reported increases of between 5.2 per cent (Sydney Airport) and 6 per cent (Melbourne Airport).

The increase in Brisbane Airport's aeronautical operating expenses per passenger was largely attributable to expenses increasing (20.7 per cent) at a faster rate than passenger numbers (1.7 per cent) in 2008–09. Increases in total aeronautical expenses were largely related to salaries and wages, depreciation and increased security costs.

In 2008–09, Perth Airport's aeronautical operating expenses per passenger also increased as a result of total aeronautical expenses increasing (25.4 per cent) at a faster rate than passenger volumes (6 per cent).

Over the whole reporting period, Adelaide Airport had the largest increase in aeronautical operating expenses per passenger, being approximately 100 per cent. However, most of the increases occurred in 2004–05, prior to the opening of Adelaide Airport's new terminal in 2005–06. Since 2005–06, the total increase in expenses per passenger was around 18.1 per cent.

Melbourne and Sydney airports' aeronautical operating expenses per passenger increased by 17.2 per cent and 32.2 per cent respectively between 2004–05 and 2008–09. This represents a per annum increase of approximately 3.2 per cent and 6.7 per cent respectively.

Line in the sand approach

The ACCC required airport operators to provide additional information relating to the aeronautical asset base under the 'line in the sand' approach for the first time in 2007–08, as discussed in chapter 1. Under this approach, the value of an airport's aeronautical asset base for monitoring purposes is the value of tangible non-current aeronautical assets reported to the ACCC at 30 June 2005—plus new investments, less depreciation and disposals.

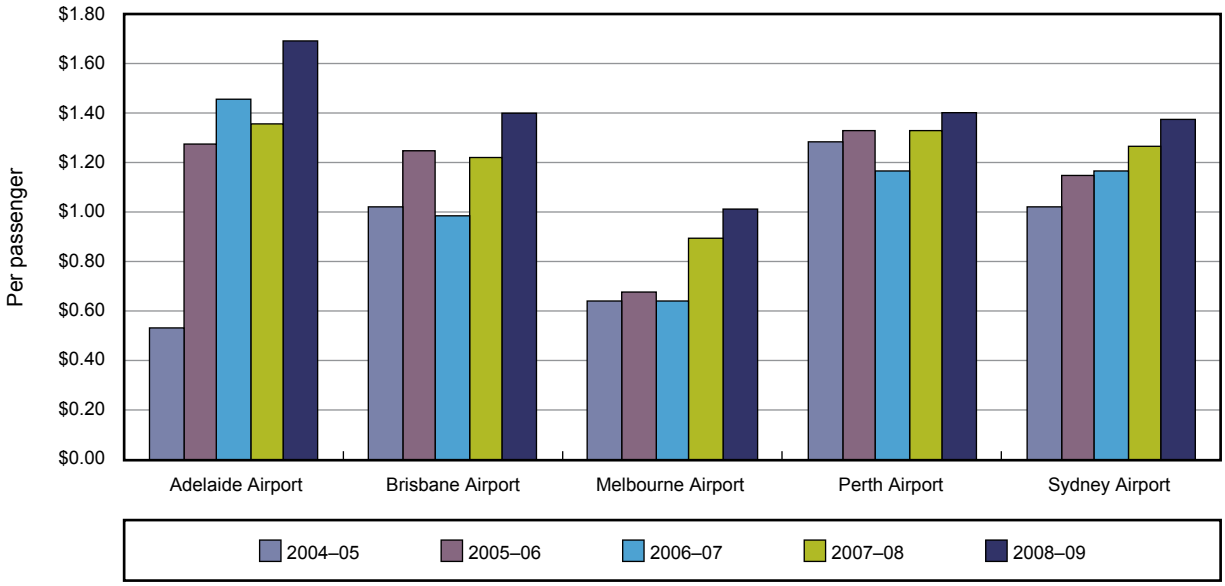
Under the line in the sand approach, aeronautical operating expenses per passenger were lower for Adelaide and Brisbane airports but higher for Sydney Airport in 2008–09 compared to the non line in the sand values. However, Melbourne and Perth airports' values were no different under the line in the sand approach as they had no revaluations of their aeronautical assets recorded in the regulatory accounts during the relevant periods.

Sydney Airport's aeronautical operating expenses per passenger under the line in the sand approach was higher than all other airports for 2008–09 at $7.67. This was 2.8 per cent higher than Sydney Airport's non line in the sand value for the same period ($7.46). The difference was a result of higher aeronautical assets values and depreciation expenses under the line in the sand approach.

As above, some of the airports' increased costs are associated with increased mandated security requirements.

How much of the airports' aeronautical expenses are directly attributable to mandated security requirements?

Chart 3.2.8: Total security expenses per passenger



In 2008–09, the total security expenses per passenger increased at all five monitored airports (chart 3.2.8). The largest increase occurred at Adelaide Airport (24.8 per cent), while Perth Airport reported the smallest increase of 5.6 per cent. The other airports had increases ranging between 8.7 per cent (Sydney Airport) and 14 per cent (Brisbane Airport).

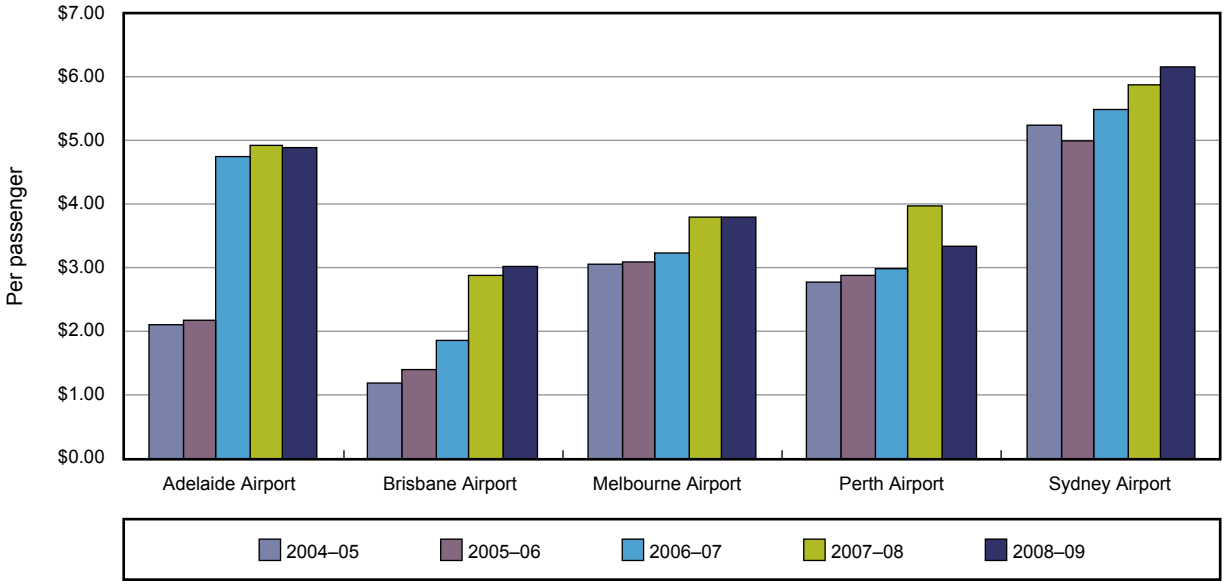
As a component of aeronautical expenses per passenger, security expenses accounted for between 18.4 per cent (Sydney Airport) and 28.6 per cent (Perth Airport) on a per passenger basis in 2008–09. Between 2004–05 and 2008–09, security expenses accounted for, on average, 21.6 per cent of the airports' total aeronautical expenses on a per passenger basis.

Adelaide Airport had the highest security expenses on a per passenger basis at $1.69, followed by Brisbane and Perth airports at $1.40 and Sydney Airport at $1.37. Melbourne Airport reported the lowest security expenses per passenger at $1.02 in 2008–09.

3.2.5. Aeronautical margins

Aeronautical operating margins provide a measure of airport operating performance and trends in operating performance over time for each of the airports.

Chart 3.2.9: Aeronautical operating margin per passenger



The aeronautical operating margin per passenger decreased only slightly at Adelaide and Melbourne airports, while Perth Airport's margin fell by 15.5 per cent in 2008–09 (chart 3.2.9). Brisbane and Sydney airports' margins on a per passenger basis increased by 4.8 per cent and 5.1 per cent respectively.

Over the entire reporting period, Sydney Airport had the highest margin on a per passenger basis of the monitored airports—reaching $6.17 in 2008–09. However, Sydney Airport had the smallest increase in operating margin between 2004–05 and 2008–09 (18.1 per cent).

Brisbane Airport experienced the largest increase in aeronautical operating margin over the whole reporting period, from $1.21 per passenger in 2004–05 to $3.04 per passenger in 2008–09 (151 per cent).

Despite a slight decrease in 2008–09, Adelaide Airport's operating margin per passenger increased by around 132 per cent between 2004–05 and 2008–09. It should be noted, however, that most of the increases occurred in 2004–05 and 2005–06, following the opening of the new terminal. The margin increased by only 3 per cent between 2006–07 and 2008–09.

Melbourne and Perth airports had increases of around 24.6 per cent and 20.3 per cent respectively over the entire reporting period.

Under the line in the sand approach, Adelaide and Brisbane airports had a higher aeronautical operating margin per passenger as a result of lower aeronautical operating expenses per passenger in 2008–09 (as discussed above). On the other hand, Sydney Airport had a lower margin as a result of higher expenses under the line in the sand approach in 2008–09.

Sydney Airport maintained the highest operating margin per passenger ($5.97) compared to the other airports under the line in the sand approach.

The operating margins of the airports provide an indicator of their profitability. An additional measure of the airports' return on assets provides another indicator of the airports' profitability relative to their assets.

3.2.6. Return on assets

Aeronautical services

In 2008–09, Perth and Melbourne airports reported the highest earnings before interest, tax and amortisation (EBITA) on average tangible non-current assets for aeronautical services. Perth Airport decreased from 18.5 per cent in 2007–08 to 14.5 per cent in 2008–09, while Melbourne Airport decreased from 16.4 per cent in 2007–08 to 14.3 per cent in 2008–09. EBITA on average tangible non-current assets decreased at both airports as a result of significant increases in asset values compared to aeronautical operating profit.

In 2008–09 and over the whole reporting period, Brisbane Airport had the lowest rate of return on aeronautical assets, ranging from 2.6 per cent in 2005–06 to 4.7 per cent in 2007–08. It was 4.4 per cent in 2008–09. This was largely a result of Brisbane Airport's tangible non-current asset base, which was valued at $1.4 billion in 2008–09, compared to $729 million for Melbourne Airport and $244 million for Perth Airport, for example (see chart 3.2.10 for further information). This reflects the different approaches taken by airports in revaluing their asset bases and this measure should, therefore, be interpreted with caution.

Adelaide and Sydney airports reported EBITA on average tangible non-current assets for aeronautical services of 8.7 per cent and 8.3 per cent respectively in 2008–09. Both were relatively unchanged from the previous period.

Under the line in the sand approach, Adelaide and Brisbane airports both had a higher EBITA on average tangible non-current assets for aeronautical services in 2008–09, compared to non line in the sand values. Sydney Airport's value was lower using the line in the sand approach, while Melbourne and Perth airports' values were no different.

The greatest difference between the line in the sand values and non line in the sand values in 2008–09 was at Brisbane Airport where EBITA on average tangible non-current assts for aeronautical services was higher at 6.5 per cent compared to 4.4 per cent for non line in the sand (2.1 percentage points). This is because Brisbane Airport's aeronautical tangible non-current asset base was most affected by the line in the sand approach.

Total airport services

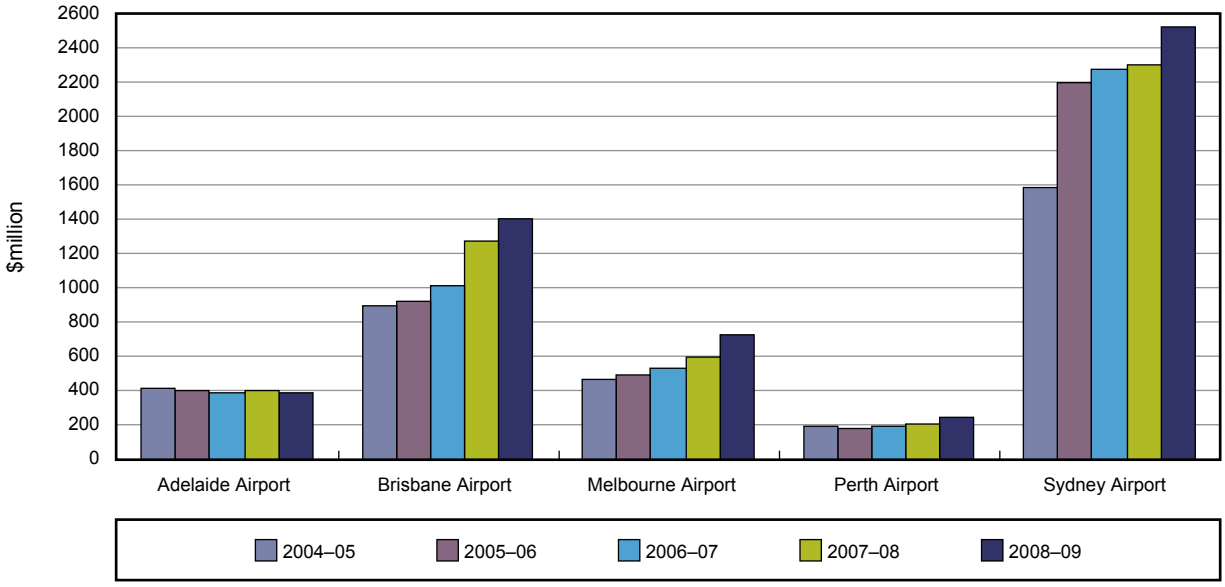
With the exception of a slight increase at Sydney Airport, all of the monitored airports' EBITA on average tangible non-current assets for total airport services decreased in 2008–09. The most significant decrease occurred at Perth Airport for the second year in a row. Following a reporting period high of 31.7 per cent in 2006–07, Perth Airport's measure decreased to 22.5 per cent and 10.9 per cent in 2007–08 and 2008–09 respectively—largely as a result of substantial decreases in total airport operating margins (44.5 per cent).

In 2008–09, the airports' rates of return on total airport assets ranged from 8.7 per cent at Brisbane Airport to 23.1 per cent at Sydney Airport.

3.2.7. What is the value of the airports' assets?

In 2008–09 the five major airports in Australia controlled a combined $5.3 billion worth of aeronautical assets, being assets for primary airport functions such as runways and terminal buildings. Over the past five years, the airports collectively invested, on average, around $422 million annually in aeronautical assets.

Chart 3.2.10: Aeronautical tangible non-current assets



With the exception of Adelaide Airport, the aeronautical tangible non-current asset base increased at all the monitored airports in 2008–09 (chart 3.2.10).

Melbourne Airport has invested heavily in assets over the past five years, increasing its tangible asset base by 23 per cent to $729.3 million in 2008–09. In the last year alone, Melbourne Airport had additions of almost $160 million, or 22.1 per cent of its aeronautical asset base. Additions in 2008–09 were to buildings, land improvement, plant and machinery, and work in progress.

Perth Airport has also had a substantial increase in assets of around 19 per cent from $196.4 million in 2004–05 to $244.3 million in 2008–09. In the most recent period, Perth Airport had additions of $87.9 million, or 36 per cent of its aeronautical asset base. Additions in 2008–09 were to buildings, plant and machinery, work in progress and other assets.

Brisbane Airport had additions equivalent to 14.2 per cent of its asset base ($1.4 billion) in 2008–09, being $199.1 million. Notably, Brisbane Airport has a significantly higher asset base compared to Adelaide ($384 million), Melbourne ($729.3 million) and Perth ($244.3 million) airports largely as a result of Brisbane Airport's application of the Australian equivalents to International Financial Reporting Standards (AIFRS) in 2004–05. This resulted in a $355 million increase in the value of Brisbane Airport's asset base. Brisbane Airport also undertook significant investments during the whole reporting period—totalling $591.7 million.

Sydney Airport invested around $345 million in aeronautical assets in 2008–09, equivalent to 13.7 per cent of its aeronautical asset base ($2.6 billion). Additions included buildings ($114 million), land improvement ($145 million) and plant and machinery ($62.8 million). Over the whole reporting period, Sydney Airport has increased its asset base by around 9.6 per cent.

Since Adelaide Airport opened its new terminal in 2005–06, the value of Adelaide Airport's total aeronautical assets decreased by 6.6 per cent to be worth $384 million in 2008–09.

3.3. Quality of service monitoring results

Information was collected for each airport, including quantitative measures of utilisation of services and facilities and results from surveys of airlines, border agencies (government) and passengers. The results obtained for each airport were aggregated to give an overall view of the quality of service provided by the airport operators over the whole reporting period (section 3.3.1).

The overall view of quality of service can, however, be broken down into the relevant users' average ratings to provide an indication of their individual views of the airport's quality of service (sections 3.3.2 to 3.3.4).

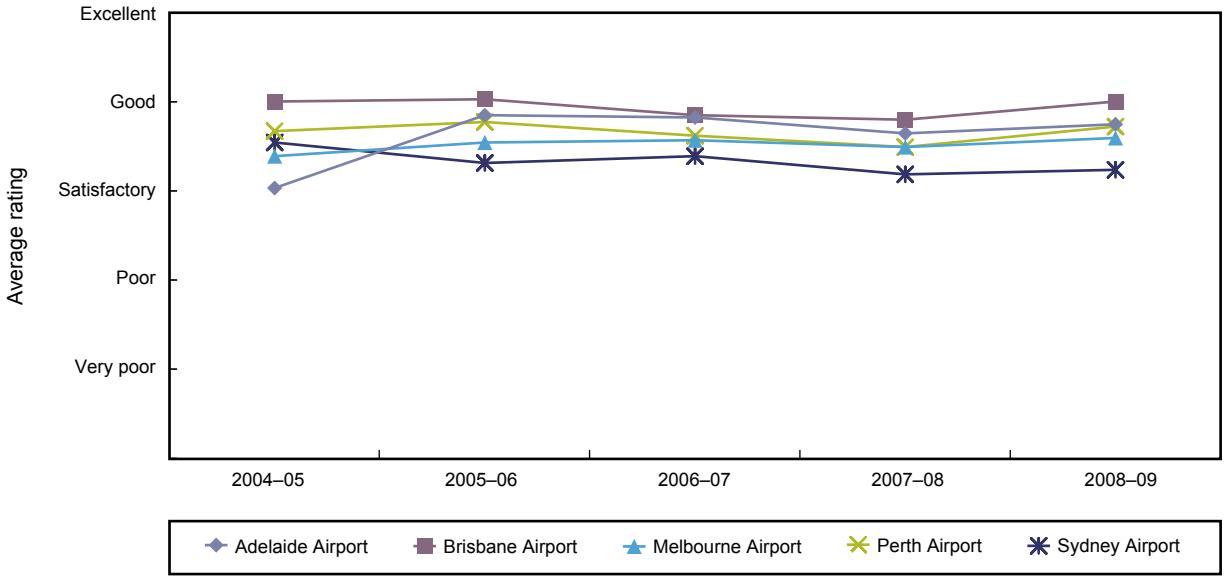
3.3.1. Overall airport ratings for quality of service

The following table (table 3.3.1) shows the overall ranking of quality of service for the monitored airports from 2004–05 to 2008–09 based on the average of a range of quality of service indicators examined at each airport.

Table 3.3.1: Overall ranking of quality of service for the monitored airports

Rank	2004–05	2005–06	2006–07	2007–08	2008–09
1st	Brisbane	Brisbane	Brisbane	Brisbane	Brisbane
2nd	Perth	Adelaide	Adelaide	Adelaide	Adelaide
3rd	Sydney	Perth	Perth	Perth	Perth
4th	Melbourne	Melbourne	Melbourne	Melbourne	Melbourne
5th	Adelaide	Sydney	Sydney	Sydney	Sydney

Chart 3.3.1: Overall ratings of quality of service for the monitored airports



The overall rating of quality of service at the five monitored airports over the whole reporting period (2004–05 to 2008–09) were mostly satisfactory at 3.61 on average (chart 3.3.1).

In terms of overall airport ratings for quality of service at the monitored airports, Brisbane Airport was ranked first over the whole reporting period. On average, the airport was rated just below good for the period, at around 3.94. Notably, Brisbane Airport is the only airport to have achieved an overall rating of good (that is, a rating of 4 or above) at any time over the reporting period. In 2008–09, Brisbane Airport had an average overall rating of 4.01.

Since opening its new multi-user integrated terminal in 2005–06, Adelaide Airport has been ranked second overall for quality of service. With an average overall rating of 3.73 (satisfactory) in 2008–09, Adelaide Airport was only just rated above Perth Airport, which had an average rating of 3.72 in the period. Both Adelaide and Perth airports improved in their overall average rating by 2 per cent and 6.8 per cent respectively from 2007–08 to 2008–09.

Melbourne Airport maintained its position for overall quality of service at fourth over the whole reporting period, with a reporting period average of 3.51 (satisfactory). Melbourne Airport was rated satisfactory at around 3.57 on average in 2008–09.

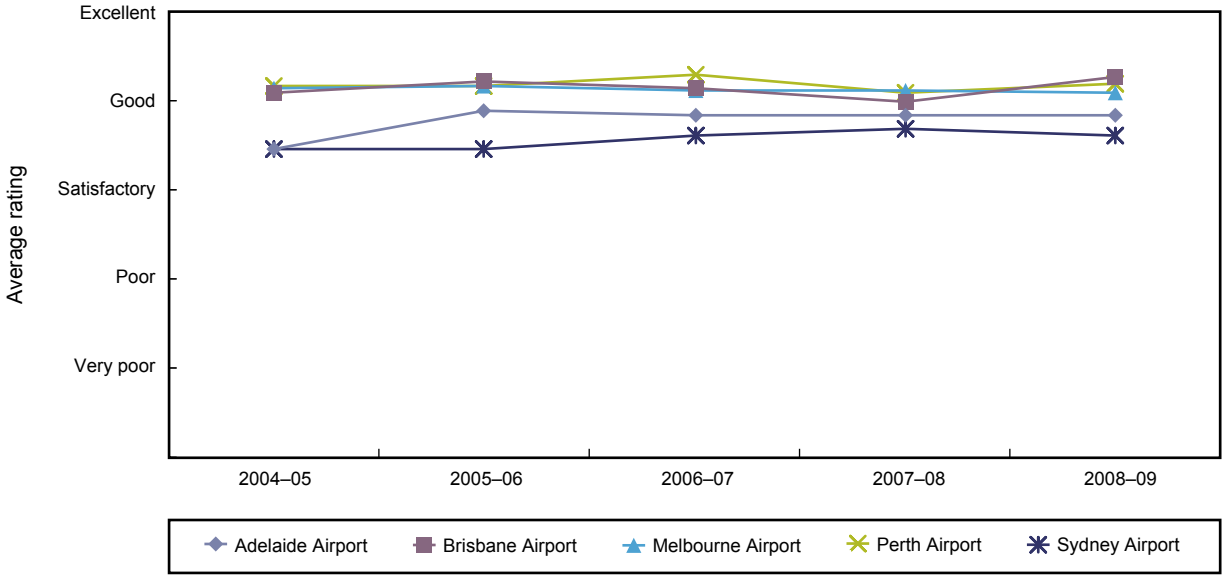
Between 2004–05 and 2008–09, Sydney Airport was consistently ranked last in overall quality of service for the five monitored airports. With an average overall rating of around 3.34, Sydney Airport was deemed satisfactory on average. However, some services were rated below satisfactory in some years over the reporting period.

Passenger or consumer demand is regarded as a main driver behind capacity needs of the airports' services and facilities. Therefore, passengers' perceptions of their airport experience are an important indicator of the airports' quality of service.

3.3.2. Passengers' ratings of the airports' quality of service

The demand for airport services is derived from the demand for airline services, which in turn is driven by passengers. Passengers presumably expect a minimum standard of services and facilities they use (including for check-in waiting times, quality of search process, and flight information display screens).

Chart 3.3.2: Average of passenger survey ratings



Over the whole reporting period, passengers have, on average, rated the airports between satisfactory and good (chart 3.3.2).

Brisbane Airport was regarded as the highest rated airport, on average, by passengers in 2008–09 with a reporting period high for the airport of 4.26 (good). Brisbane Airport was one of the highest rating airports across the whole reporting period, with the second highest reporting period average of 4.14.

Perth Airport was rated the highest, on average, by passengers over most of the reporting period with an average of 4.18 (good) between 2004–05 and 2008–09. However, in 2008–09, it was rated 4.19 and therefore ranked second behind Brisbane Airport.

Melbourne Airport was consistently rated as good by passengers over the whole reporting period, with a reporting period average of 4.13. Relative to the other airports, it was ranked third by passengers in 2008–09, fluctuating between being ranked second and third over the whole reporting period.

Passengers' perceptions of Adelaide Airport improved from 3.46 (satisfactory) in 2004–05 to 3.88 in 2005–06. Notably, Adelaide Airport opened a new airport terminal in the 2005–06 financial year that combined international, domestic and regional airline services. From 2005–06 onwards, passengers rated Adelaide Airport at around 3.85 on average (satisfactory), and only slightly lower at 3.83 in 2008–09.

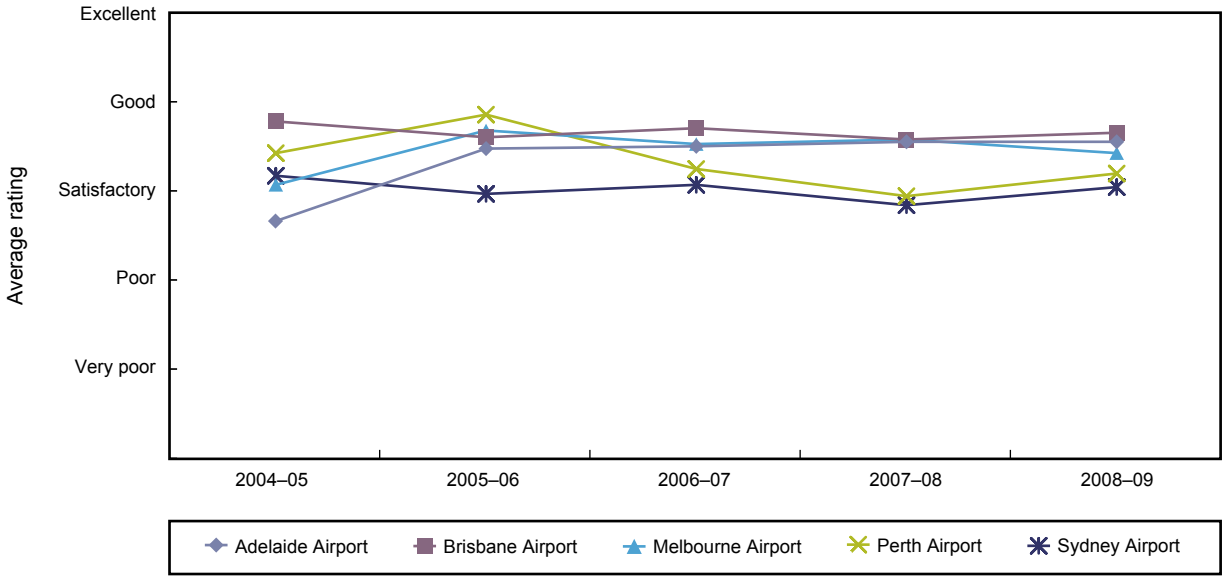
Sydney Airport was rated the lowest of all the monitored airports by passengers for the whole reporting period with an average rating of 3.57 (satisfactory). Sydney Airport was rated only slightly above its reporting period average in 2008–09 at 3.61.

Interestingly, passengers' perceptions were, in general, higher than the overall ratings of quality of service for the monitored airports. While airports provide much of the services and facilities at the airports, the airlines and border protection agencies also provide services that may influence the passenger experience. Therefore, airlines' and border agencies' ratings of the airports can vary significantly from passengers' perceptions and provide another indicator of the airports' quality of service.

3.3.3. Airlines' ratings of the airports' quality of service

Airline survey results can provide, in the first instance, an indication of whether airports' quality of service meets their expectations for airside services and facilities (such as runways and aircraft parking facilities), as well as terminal services and facilities (such as check-in counters, aerobridges and baggage processing facilities). As noted above, the relationship between airlines and the airports is discussed in greater depth in chapter 2.

Chart 3.3.3: Average of airline survey ratings



On average, airlines' ratings of the airports services and facilities over the past five years have been lower than passengers' perceptions for the same period (chart 3.3.3).

Brisbane Airport was rated one of the highest by airlines over the reporting period at 3.66 (satisfactory) on average, with the exception of 2005–06 when it was rated third of the monitored airports.

Following a rating of 3.08 in 2004–05 and being ranked fourth of the monitored airports, airlines rated Melbourne Airport second for the rest of the reporting period, from 2005–06 to 2008–09. In 2008–09, Melbourne Airport was rated 3.42 (satisfactory) on average by airlines, although this was a decrease from 3.58 in 2007–08.

Adelaide Airport dramatically improved its average rating by airlines from 2.67 (poor) in 2004–05 to around 3.60 (satisfactory) following the opening of its new terminal in 2005–06. Airlines' ratings increased to 3.65 (satisfactory) in 2008–09.

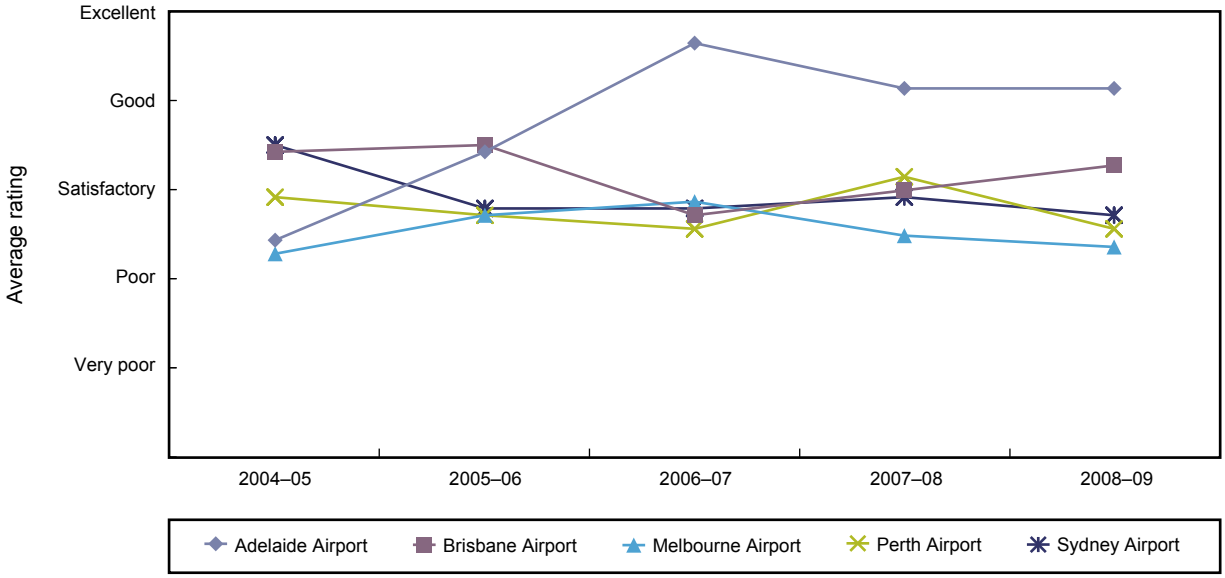
After achieving the highest rating of all the monitored airports for the entire reporting period in 2005–06 (3.86), airlines' ratings of Perth Airport fell to 2.94 (poor) in 2007–08, although slightly improved to 3.21 (satisfactory) on average in 2008–09. Between 2006–07 and 2008–09, airlines ranked Perth Airport second last.

From 2005–06 onwards, Sydney Airport was rated last by airlines for quality of services and facilities, with an average of 2.98 (below satisfactory) between 2005–06 and 2008–09. Airlines rated Sydney Airport at 3.06 on average in 2008–09.

3.3.4. Border agencies' ratings of the airports' quality of service

Border agencies are surveyed on services and facilities provided by airport operators to allow for government inspection services (such as adequacy of areas for circulation and queuing, signage and desks). However, it should be noted that the relationship between the border agencies and airports is partly mandated by government and not subject to the same commercial relationship discussed in chapter 2 in relation to airlines and airports.

Chart 3.3.4: Average of customs and border protection survey ratings



With the exception of Adelaide Airport, border agencies' ratings of the airports' services and facilities over the past five years were, on average, lower than passengers' ratings of the airports' overall quality of services and facilities (chart 3.3.4).

3.3.5. Runway traffic—demand and delays

The ACCC collects information on runway traffic and demand from Airservices Australia. Currently, this information is only available for Brisbane, Melbourne, Perth and Sydney airports and is presented in the individual airport results in chapters 6 to 9.

In 2008–09, runway demand at Sydney Airport was high compared with agreed operational capacity during the morning peak hour. Runway demand at Brisbane and Melbourne airports was within agreed operational capacity during the morning peak hour. Perth Airport's runway demand was well within agreed operational capacity during the morning peak hour in 2008–09.

Delay times were stable at both Melbourne and Sydney airports in 2008–09. Reported delay times at Brisbane and Perth airports increased in the most recent period.

The average system delay time at Perth Airport was 2.8 minutes, compared with 3.7 minutes at Brisbane Airport, 4.1 minutes at Sydney Airport and 4.7 minutes at Melbourne Airport. The average maximum system delay was also lowest at Perth Airport, averaging 7.1 minutes, compared with 10.1, 11.2 and 12.5 minutes at Brisbane, Melbourne and Sydney airports respectively.

Airservices Australia states that Sydney Airport has a tendency to experience greater average delays than other Australian airports because of factors such as higher peak movement rates, terminal area constraints and the 'government noise sharing' policy.

It should be noted that some delays to flights may be the result of factors outside the airports' and Airservices Australia's control.

4. Overview of airport car parking monitoring results

Key points

- The ACCC maintains its view that airport car parking prices are consistent with charges reflecting an element of monopoly rent.
- In 2008–09, at least some airport car parking charges increased at all the monitored airports except for Brisbane Airport.
  - Since 30 June 2009 all of the airports have increased some car parking charges.
- Combined total airport car parking revenue for the monitored airports was around $278 million in 2008–09.
  - Car parking revenue at each airport ranged from $12.5 million (Adelaide Airport) to $94.8 million (Melbourne Airport).
  - Melbourne Airport reported the highest car parking revenue as a share of total airport revenue at around 20.5 per cent, whereas Sydney Airport had the lowest car parking revenue share at 7.8 per cent.
- The airports' operating margins from car parking operations increased and clearly made important contributions to the airports' overall profitability.
- Although a number of alternatives to on-airport car parking have been observed by the ACCC at the airports, airports are in a position to set car parking prices above an efficient level by controlling the conditions of landside access to terminal facilities.
  - The ACCC has observed that some airports have affected the conditions under which alternatives to on-airport car parking operate.

This chapter provides an overview for the results of the Australian Competition and Consumer Commission's (ACCC's) monitoring of prices, costs and profits, and quality of service relating to the supply of car parking at Adelaide, Brisbane, Melbourne, Perth and Sydney airports. Unlike aeronautical services, which are typically provided to airlines or to passengers in combination with airlines and border agencies (see chapters 2 and 3), airport car parking services are provided directly by the airports to consumers.

In this chapter, the different airport car parking configurations are described in section 4.1. Section 4.2 provides some comparisons relating to car parking charges for various time periods at the monitored airports, and key indicators relating to car parking revenue, costs and profits are presented in section 4.3. The quality of car parking services across the monitored airports is presented in section 4.4. Finally, section 4.5 looks at market power in relation to airport car parking and includes an update on previous observations about the airports' use of market power.

More detailed information for car parking services over the past five years is provided on an airport-by-airport basis in chapters 5 to 9. Appendix 3 of this report also provides a full list of car parking charges and changes to prices over the past five years for each of the monitored airports.

4.1. What are the airports' car parking configurations?

Car parking services and facilities are differentiated considerably by the airports with parking provided at some distance from the airport, as well as in close proximity to the terminal for convenience. Car parking facility configurations offered by the monitored airports vary as follows:

- Adelaide Airport has two car parking facilities—a short-term and a long-term car park, both servicing domestic and international terminal users.
- Brisbane Airport offers domestic terminal users car parking facilities for short-term and undercover long-term parking, as well as undercover valet parking. In a separate facility, Brisbane airport provides undercover parking for international terminal users, which combines short- and long-term parking.
- Melbourne Airport has combined car parking facilities for domestic and international passengers, including for short-term parking (undercover), 'express' parking, business parking, multi-level long-term parking (within walking distance from terminals), and long-term parking (shuttle bus provided).
- Perth Airport provides separate car parking facilities for domestic and international passengers for both short- and long-term parking. Also, Perth airport offers 'FASTtrack' undercover parking for domestic terminal users and a separate car park for regional/general aviation users.
- Sydney Airport provides a ground-level and multi-storey car park adjacent to the domestic terminal that provides short-term, long-term and valet parking for domestic terminal users. In addition, there is a remote ground-level car park that provides short-term and long-term parking for users of the domestic terminal. For users of the international terminal, there is a ground-level and multi-storey car park adjacent to the terminal. This provides short-term, long-term and valet parking for international terminal users.

Comparisons of airport car parking prices, revenues and costs are complicated by these various parking facility configurations.

Maps of the airport car parking facility locations relative to each of the airports are provided in chapters 5 to 9.

4.2. How much does it cost to park at the airports?

As car parking configurations vary greatly across the monitored airports, comparisons of airport car parking prices, revenues, costs and profits are complicated. As discussed in the 2007–08 report, care should be taken in interpreting differences in parking charges across airports.[1]

Table 4.2.1: Car parking charges as at 30 June 2009

Airport	Short-term car park				Long-term car park	
	1 hour	4 hours	8 hours	24 hours	1 day	7 days
Adelaide	$4.00	$12.00	$20.00	$30.00	$20.00	$70.00
Brisbane	$10.00	$16.00	$45.00	$45.00	$25.00	$105.00
Melbourne	$12.00	$35.00	$35.00	$45.00	$25.00	$69.00
Perth	$5.40	$9.40	$26.00	$26.00	$17.00	$79.00
Sydney	$15.00	$50.00	$50.00	$50.00	$25.00	$110.00

Note: Brisbane Airport and Sydney Airport short-term car park charges for 24 hours are based on the domestic car park at each airport.

Adelaide Airport charges the least for one hour of parking in its short-term car park ($4.00) (table 4.2.1). However, parking for four hours costs 200 per cent more (or three times the one hour rate).

Brisbane Airport's seven day rate in the long-term car park is the second highest of the monitored airports at $105. It also charges the second highest rate for an eight hour and 24 hour stay in its short-term car park.

1 See chapter 3 of the ACCC's *Airport monitoring report 2007–08* (March 2009) for a comprehensive discussion of the monitored airports' car parking services and difficulties in making comparisons across airports.

Melbourne Airport has the lowest rate for seven days of parking in the long-term car park ($69). Notably, though, Melbourne Airport charged the same rate for people parking from three to seven days.[2]

Perth Airport charges the least of the monitored airports for stays of four hours and 24 hours in its short-term car park as well as a one day stay in its long-term car park.

Sydney Airport generally has the highest charges for car parking across the time stay periods. Any stays over three hours in the short-term car park (up to 24 hours), are charged at the same rate ($50).

For all of the monitored airports, parking for 24 hours in the long-term car park is around 41 per cent cheaper on average than parking for the same period of time in the short-term car park.

4.3. Airport car parking revenues, costs and profits

Revenues and operating expenses are not reported separately for public and staff car parking by most of the airports. Therefore, to assist comparability, the profitability measures presented below include data for both public and staff car parking.

Table 4.3.1: Total car parking revenue, operating expenses and operating margins for 2008–09 and changes from 2007–08

Airport	Revenue ($million)	Change in revenue (%)	Operating expenses[3] ($million)	Change in operating expenses (%)	Operating margins[3] ($million)	Change in operating margins (%)
Adelaide	12.5	4.7	3.9	-0.6	8.5	7.4
Brisbane	52.3	19.0	12.5	6.2	39.8	24.0
Melbourne	94.8	4.1	20.3	-4.0	74.5	6.5
Perth	29.2	21.0	10.5	56.3	18.6	7.3
Sydney	88.3	2.3	23.9	-4.0	64.4	4.9

All of the monitored airports reported increased revenue from car parking services in 2008–09 (table 4.3.1). With the exception of Perth Airport, the percentage growth in revenue was greater than operating expenses, resulting in all airports also reporting increased operating margins for the same period.

Brisbane and Perth airports reported the largest increases in revenue from car parking in 2008–09 at 19 per cent and 21 per cent respectively.

Brisbane Airport had a relatively modest increase in operating expenses (6.2 per cent) in 2008–09, resulting in the largest increase in operating margin (24 per cent) of the monitored airports.

At Perth Airport, car parking operating expenses increased substantially (by 56.3 per cent) compared to the previous period. Perth Airport advised that it opened a new long-term car park in the domestic precinct in November 2008. Despite increased costs, Perth Airport reported an increase in margin (7.3 per cent) compared to 2007–08.

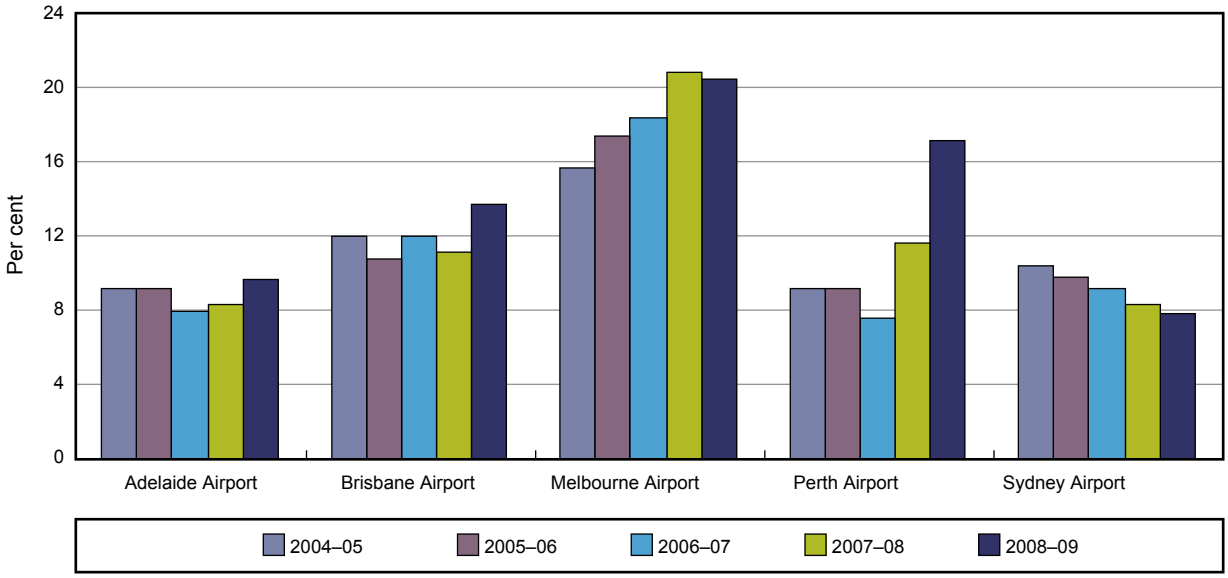
Sydney Airport had the smallest increase in operating margin in 2008–09, being 4.9 per cent. This was a result of a slight increase in car parking revenue (2.3 per cent) as well as a decrease in operating expenses in the period (4 per cent). The decrease in operating expenses followed an increase from 2006–07 to 2007–08 of 42.3 per cent. Car parking operating expenses in 2008–09 were 36.6 per cent higher than in 2006–07 when it was $17.5 million. Sydney Airport opened a new multi-storey short-term car park in the international precinct in 2008–09.

2 As at 30 June 2009, the three day parking rate was slightly cheaper at $65. However, as at 1 November 2009, the rate for three to seven days was $69.

3 Car parking operating expenses and operating margins include depreciation expenses.

Adelaide and Melbourne airports reported increases in revenue from car parking in 2008–09 of 4.7 per cent and 4.1 per cent respectively. However, with both airports reporting lower operating expenses, they increased their operating margins by 7.4 per cent and 6.5 per cent respectively. In dollar terms, Adelaide Airport had the lowest margin ($8.5 million) for car parking of all the monitored airports. In contrast, Melbourne Airport had the highest margin ($74.5 million) of the airports.

Chart 4.3.1: Total car parking revenue as a share of total airport revenue



In 2008–09, car parking revenue as a share of total airport revenue ranged between 7.8 per cent (Sydney Airport) and 20.5 per cent (Melbourne Airport) (chart 4.3.1).

Despite a slight decrease in revenue share (3.3 percentage points) in 2008–09, Melbourne Airport's car parking revenue share remained the highest of the monitored airports for the entire reporting period. Perth Airport reported the highest increase in revenue share in the most recent period, from 11.7 per cent in 2007–08 to 17.2 per cent in 2008–09. Other airports reported increases in revenue share of 1.3 percentage points (Adelaide Airport) and 2.5 percentage points (Brisbane Airport), while Sydney Airport decreased by 0.5 percentage points in the most recent period.[4]

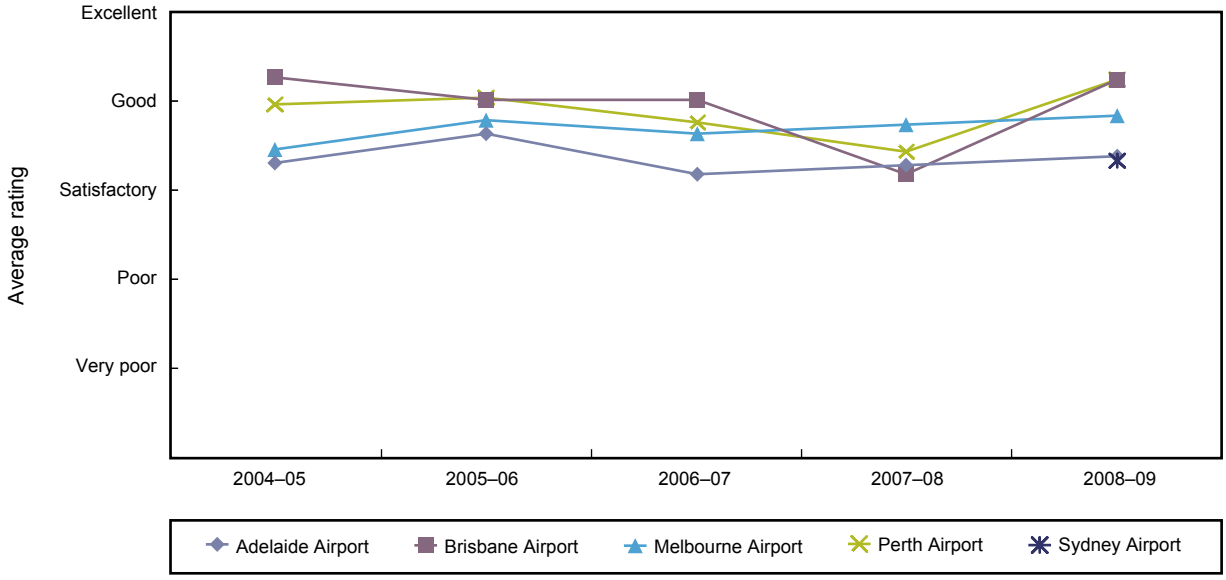
Between 2004–05 and 2008–09, car parking revenue shares increased for all the airports by between 0.5 percentage points (Adelaide Airport) and 8 percentage points (Perth Airport), with the exception of Sydney Airport where it decreased by 2.5 percentage points.

4 Sydney Airport advised in 2008–09 that the car parking figures reported by it for the *Airport monitoring report* in previous years erroneously omitted revenue from valet car parking services. The figures have been amended in the 2008–09 report to include this amount.

4.4. Quality of airport car parking

Comparisons of quality of car parking facilities across the monitored airports are presented below. This includes overall comparisons of passenger survey results for availability of car parking and 'time taken to enter' the car park facility. Also, overall results for the number of car parks and average daily throughput for both short- and long-term car parking are highlighted.

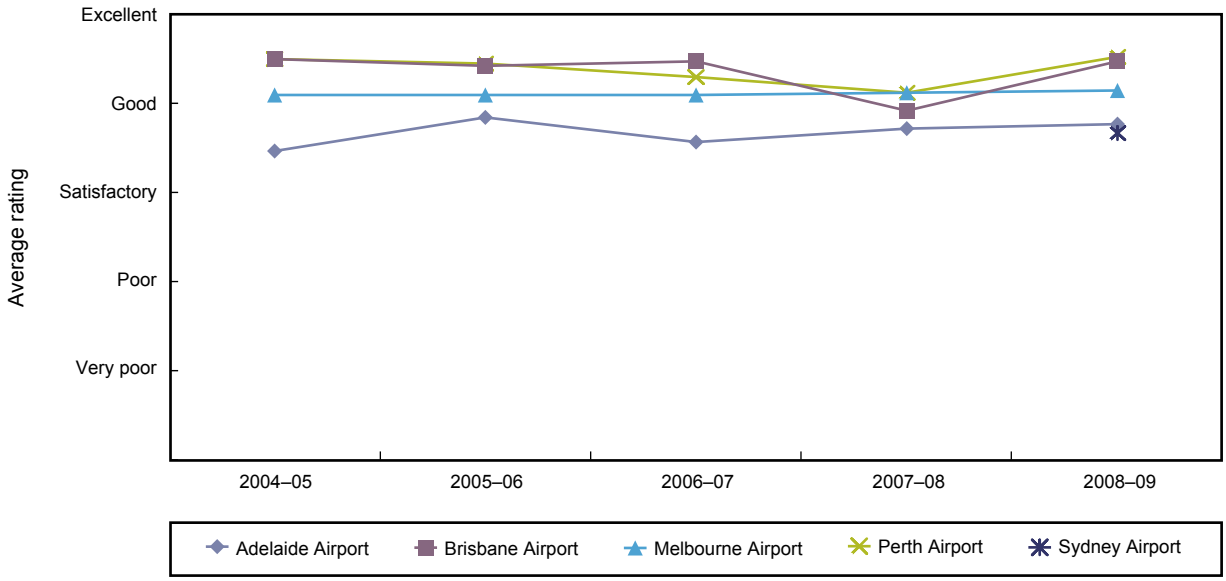
Chart 4.4.1: Overall passenger survey results for airport car parking availability



With the exception of Sydney Airport, which provided survey results for airport car parking *availability* for the first time in 2008–09, all of the airports' ratings of *availability* increased in the most recent period (chart 4.4.1).

In 2008–09, overall ratings of the *availability* of airport car parking facilities were highest for Brisbane and Perth airports at 4.25 and 4.24 (good) respectively. Adelaide and Sydney airports were the lowest of the monitored airports with 3.38 and 3.33 (satisfactory) respectively.

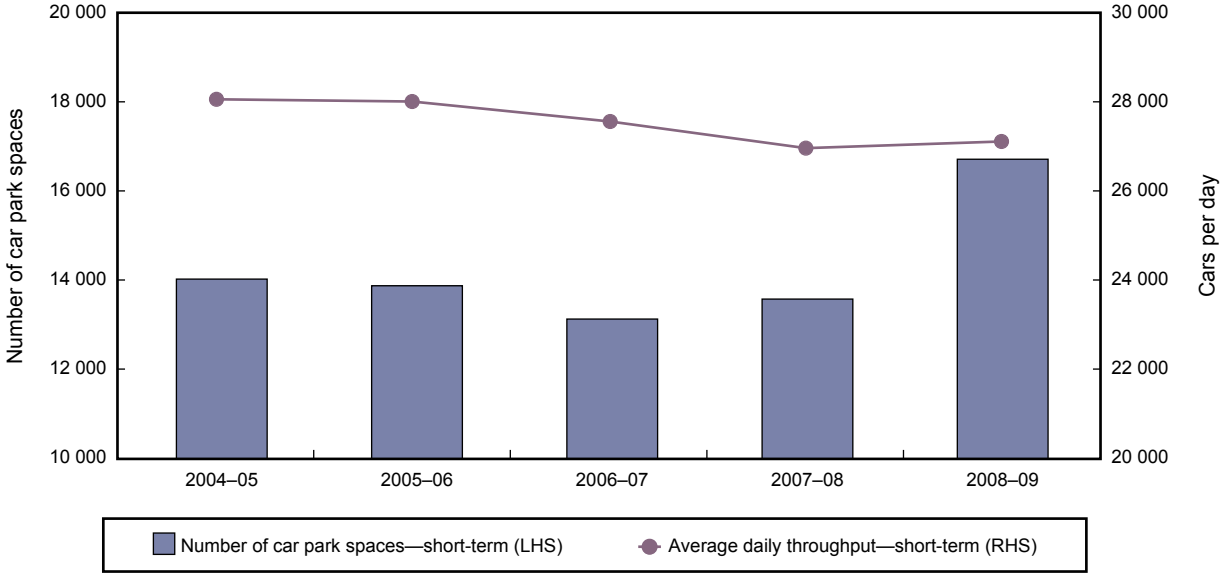
Chart 4.4.2: Overall passenger survey results for time taken to enter the car park from the access road



With the exception of Sydney Airport, which provided survey results for time taken to enter the car park for the first time in 2008–09, all of the airports' ratings increased (chart 4.4.2).

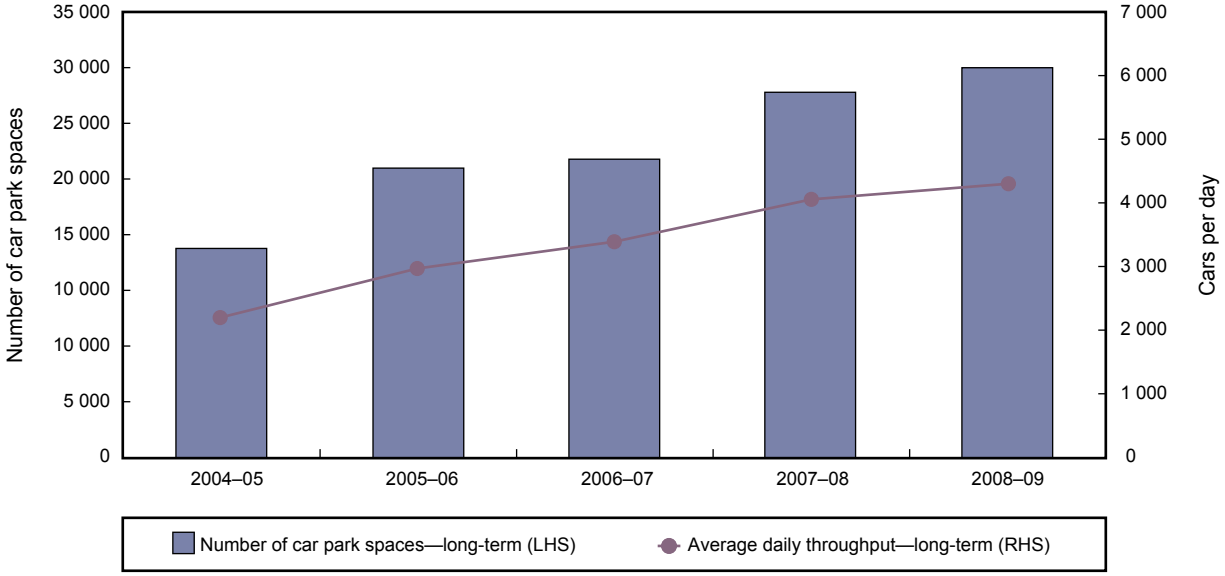
In 2008–09, overall ratings of the time taken to enter the car park were highest for Brisbane and Perth airports at 4.47 and 4.52 (good) respectively. Sydney Airport was the lowest of the monitored airports with 3.68 (satisfactory).

Chart 4.4.3: Overall airport results for number of short-term car parking spaces and average daily throughput for short-term parking



In 2008–09, the number of short-term car parks increased by 6374 spaces (47.7 per cent) while average daily throughput for short-term car parking decreased by around 10.1 per cent (3012 cars per day) (chart 4.4.3). The number of short-term car park spaces increased by 40.6 per cent between 2004–05 and 2008–09 and average daily throughput decreased by 4 per cent over the same period. In 2008–09, Brisbane, Melbourne and Sydney airports added significant numbers of short-term car parking spaces.

Chart 4.4.4: Overall results for number of long-term car parking spaces and average daily throughput for long-term parking



In 2008–09, the number of long-term car parks increased by 1471 spaces (5.4 per cent) while average daily throughput for long-term car parking decreased by around 7.6 per cent (307 cars per day) (chart 4.4.4). Perth Airport opened new long-term parking bays in 2008–09, contributing to much of the increase. Over the whole reporting period, the number of long-term spaces and average daily throughput increased by 84.6 per cent and 70.4 per cent respectively.

4.5. Market power in relation to airport car parking

Having regard to the monitoring results for airport car parking, some observations can be made about whether the charges reflect an element of monopoly rent (section 4.5.1). In addition, section 4.5.2 notes some observations of whether the airports have affected the conditions under which alternatives to on-airport car parking operate.

4.5.1. Observations from airport car parking monitoring

The ACCC's *Airport monitoring report* for 2007–08 provided some analysis of certain key indicators relating to car parking prices, costs and profits as well as quality of service across the monitored airports. In addition, observations relating to these comparisons and other significant trends were presented and the potential for airports to exercise market power in car parking was discussed.

In the 2007–08 report, the ACCC found that it is likely that airport car parking charges reflect some element of monopoly rents. That is, airport operators have a monopoly position in airport car parking and may be able to exploit their monopoly position to set higher prices for car parking relative to efficient levels.

In response to the ACCC's report, the then Assistant Treasurer and Minister for Competition Policy and Consumer Affairs, the Hon. Chris Bowen MP, released a statement noting that 'airport car parking charges may be being set above an efficient level. In light of this, the Government will continue to examine developments with respect to airport car parking charges and levels of new investments in car parking space'.[5] The following section continues the ACCC's analysis of airport car parking.

The ACCC previously identified a number of structural characteristics that provide airports with an ability to potentially earn monopoly rents from car parking:

- there are effective barriers to entry to on-airport car parking that arise from the airports' control over landside access to terminal facilities
- airports have a considerable amount of discretion in determining the conditions upon which alternatives to its car parking services compete (such as allocation of kerbside space) and the security measures relating to landside access
- levies imposed by the airports on alternatives to on-airport parking to access airport terminal facilities are not monitored or regulated
- airports have direct control over the number of car parking spaces supplied that are in close proximity to terminals.

For the monitored airports, the ACCC notes that, on average, prices for car parking increased significantly between 2004–05 and 2008–09. It is also noted that some car parking charges have increased at all of the monitored airports since 30 June 2009. For example, Brisbane Airport increased its charge for parking for seven days in its long-term car park from $105 to $140 and Sydney Airport increased its charge for the same time period from $110 to $114. Adelaide Airport increased its charge for eight hours in the short-term car park from $20 to $26, Melbourne Airport increased charges for the same parking period from $30 to $49 while Perth Airport increased its charge from $26 to $35.[6]

Partly as a result of increased prices in 2008–09, car parking revenue increased at all of the monitored airports. Car parking revenue was well above operating expenses (including depreciation), with the airports earning revenue of between $12.5 million (Adelaide Airport) and $94.8 million (Melbourne Airport) for car parking while

5 The Hon. Chris Bowen MP, former Assistant Treasurer and Minister for Competition Policy and Consumer Affairs, media release no. 024, 30 March 2009.

6 Details of price changes are provided on an airport-by-airport basis in chapters 5 to 9 and appendix 3.

expenses were between $3.9 million (Adelaide Airport) and $23.9 million (Sydney Airport) in 2008–09, leading to all of the airports reporting increased operating margins of between $8.5 million (Adelaide Airport) and $74.5 million (Melbourne Airport).

While the airports have made investments in multi-level car parking facilities over the period, it is useful to consider this in the context of profitability. The operating margins earned on an annual basis are, in some instances, far greater than the new investment. For example, Melbourne Airport completed a $65 million expansion of its multi-level car park in 2008–09, while the airport earned profits of $74.5 million in 2008–09 alone. This suggests that a rapid return of and on capital is likely.

In 2008–09, the total number of short-term car parks increased at a significantly higher rate relative to total average daily throughput for the monitored airports. Despite this level of additional capacity, prices have continued to increase.

Car parking consistent with charges reflecting an element of monopoly rent

In light of the monitoring results, and in particular the ongoing price increases, the ACCC maintains its view that airport car parking prices are consistent with charges reflecting an element of monopoly rent.

4.5.2. Observations of airports' control over alternatives to car parking

In 2008–09 and more recently, the ACCC has observed whether the airports have affected the conditions for which alternatives to on-airport car parking operate. Airports that face less significant substitution possibilities for car parking will confront less price-sensitive demand and, therefore, enable price increases for car parking services to achieve monopoly rents.

For example, Sydney Airport recently closed the passenger collection bay outside its Terminal 2, and replaced it with a new pick-up area at a greater distance from that terminal.[7] Sydney Airport claims that the changes will benefit passengers in the domestic precinct by providing 'more spaces, more free pick-up time and less congestion'.[8] However, although drivers could potentially benefit from 10 minutes of free parking in the new pick-up area, the attractiveness of a substitute (kerbside pick-ups) to short-term parking has been reduced.

A contrasting example where an airport appears not to have affected the attractiveness of an available substitute to on-airport car parking can be observed at Adelaide Airport. Adelaide's public bus service runs directly to Terminal 1 for arrivals and departures at no extra cost (on the standard metro fare) to passengers.

Several alternative transport options have been observed by the ACCC at all of the monitored airports, including terminal drop-off and pick-up, off-airport car parking, taxis, trains and buses.[9] Airports can influence the costs of alternatives to on-airport parking by, for example, imposing levies on them to access airport terminal facilities. Generally, if sufficient access for modes that represent substitutes for car parking is provided on reasonable terms and conditions, the ability of airports to impose charges above efficient levels for car parking would be limited.

Therefore, a more thorough assessment of market power in car parking would involve an examination of the terms and conditions on which each airport offers access to alternatives. This could include consideration of whether and how charges to alternative transportation providers incorporate a recovery of airport costs—such as capital, operating and maintenance costs associated with roadway and kerbside space. It would also need to consider the discretion airports have in managing security and congestion at the kerbside.

7 At the old pick-up area (which included seven spaces), drivers were not able to stand for longer than two minutes nor leave their cars unattended. In contrast, at the new pick-up area (which includes 51 spaces), drivers are able to leave their car parked for 10 minutes for free, after which charges revert to typical short-term parking rates.

8 Sydney Airport, 'To and from the airport', viewed 5 November 2009, www.sydneyairport.com.au/SACL/To-and-From-the-Airport.html.

9 Other transport options to the airports (including costs to the users) are detailed on an airport-by-airport basis in chapters 5 to 9.