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Airport Monitoring Report 2015-16

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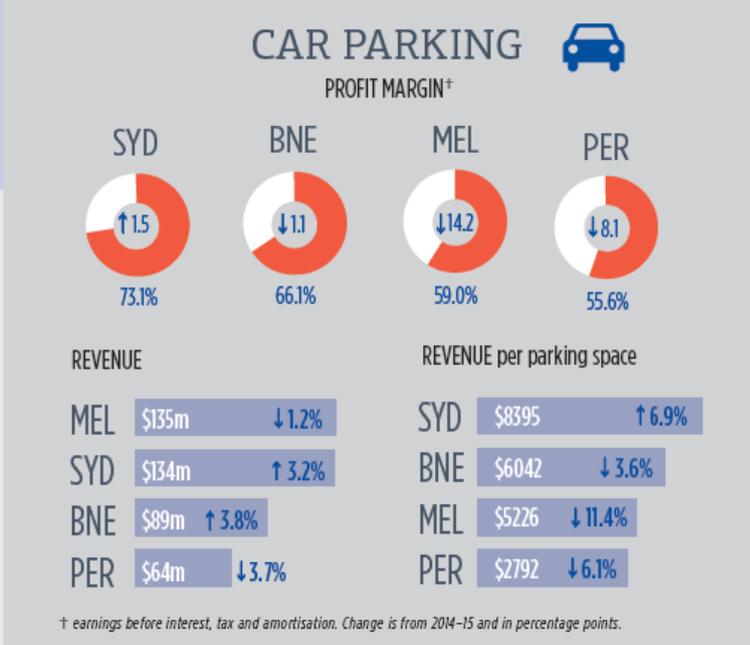
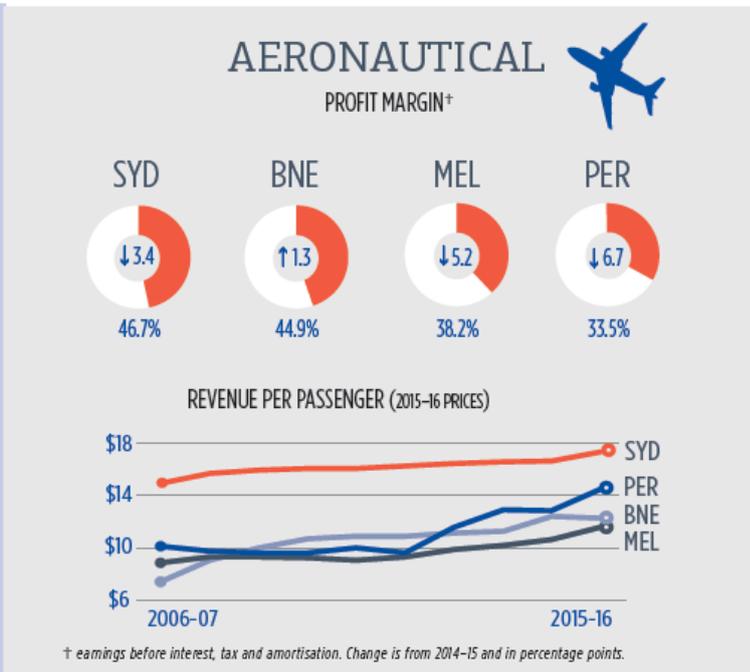
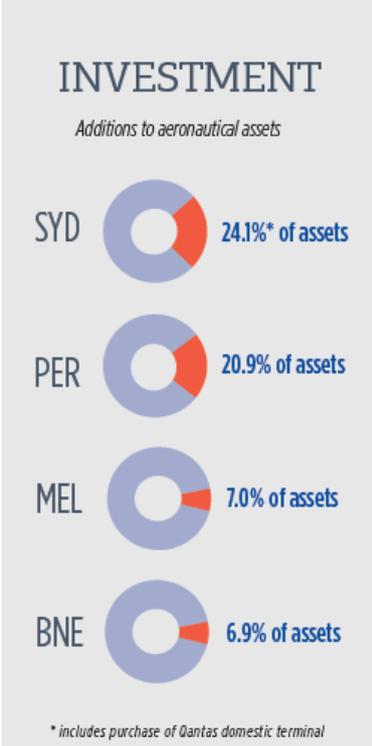
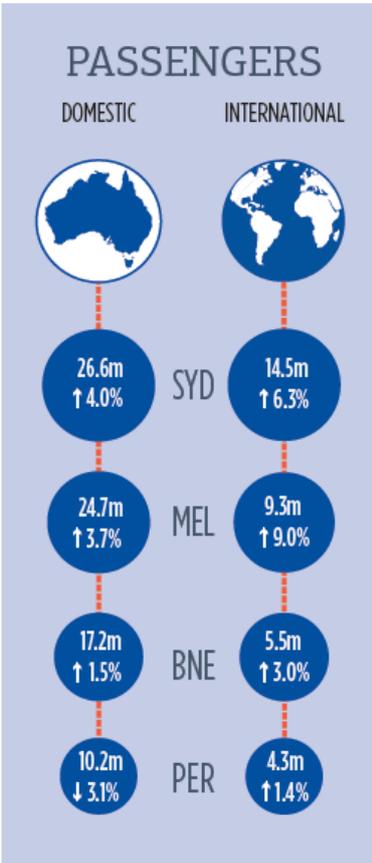
Glossary

ACCC	Australian Competition and Consumer Commission
Aerobridge	Allows passengers to board and disembark aeroplanes directly from / to the terminal gate lounge. Avoids need for passengers to go outside and use the apron.
Aircraft-related services and facilities	Services and facilities provided by airports that are specifically utilised by aircrafts (e.g. runways, aircraft parking bays and taxiways). The full list of aircraft-related services and facilities for monitoring purposes are listed in the <i>Airports Regulations 1997</i> .
Airline surveys	Each year, the ACCC sends domestic and international airlines a survey in which they are asked to rate on a scale of 1 to 5 the availability and standard of services and facilities provided by the monitored airports.
Airports Act	<i>Airports Act 1996</i> .
Airports Regulations	<i>Airports Regulations 1997</i> .
Airside	Refers to areas specifically in the airport that are dedicated to the provision of aircraft-related services and facilities and most passenger-related services and facilities. E.g. terminal buildings, runways and taxiways.
Aeronautical services and facilities	As defined under the <i>Airports Regulations 1997</i> , services and facilities at an airport that are necessary for the operation and maintenance of civil aviation at the airport (including both passenger-related and aircraft-related services and facilities).
Apron	Airport aprons are areas where planes park and are refuelled, passengers embark and disembark and/or where planes are loaded and unloaded.
BARA	Board of Airline Representatives of Australia
BITRE	Bureau of Infrastructure, Transport and Regional Economics
CCA	<i>Competition and Consumer Act 2010</i>
CPI	Consumer Price Index
DTL	Domestic terminal lease
EBITA	Earnings before interest, tax and amortisation
EBITDA	Earnings before interest, tax, depreciation and amortisation
FAC	Federal Airports Corporation
General aviation	Aircraft operations that are not regular public transport, such as private charter and aircraft training flights, and

	Royal Flying Doctor Services.
GST	Goods and Services Tax
Landside	Parts of an airport that are not airside areas, e.g. access roads and walkways within airport precincts.
LIS	Line in the sand approach. A regulatory approach to valuing airport assets under which 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 as at 30 June 2005, plus new investments, less depreciation and disposals.
Monitored airports	Airports which are subject to price and quality of service monitoring and are specified in Parts 7 and 8 of the <i>Airports Regulations 1997</i> ; currently Brisbane, Melbourne, Perth and Sydney airports.
MTOW	Maximum take-off weight
Objective indicators	Airport services and facilities listed in the <i>Airports Regulations 1997</i> to be monitored and evaluated by the ACCC and of which monitored airports are required to keep records. Includes both physical infrastructure (e.g. the number of check-in desks and flight information display screens) and other measurements (e.g. number of passengers during peak hour).
On-carriage passengers	Passengers that arrive on one flight and depart on another flight generally without leaving the airport.
Overall quality of service	A metric derived by aggregating the quality of service monitoring results sourced from objective indicators and surveys of airlines and passengers on the quality of services and facilities provided by the monitored airports.
Passenger-related services and facilities	Services and facilities provided by airports that are specifically utilised by passengers (e.g. check-in desks, aerobridges and gate lounges). The full list of passenger-related services and facilities for monitoring purposes are listed in the <i>Airports Regulations 1997</i> .
Passenger surveys	The monitored airports arrange for annual passenger surveys to be conducted by market research companies in order to provide information to the ACCC as required under the <i>Airports Regulations</i> . These surveys ask passengers to rate on a scale of 1 to 5 the availability and standard of services and facilities.
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.
Profit	Earnings before interest, tax and amortisation (EBITA).

Profit margin	Ratio of EBITA relative to revenue.
Real terms	A value expressed in the money of a particular base time period (eg. 2015-16 dollars) in order to remove the impact of inflation.
SLA	Service level agreement
Taxiway	A road for aircraft that connects runways with airport facilities including ramps, hangers and terminals

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Key findings

Overall quality of service at all four airports rated as 'good'

All four airports received an overall weighted rating of 'good' for their quality of service in 2015-16.¹ Ratings are based on airline surveys, passenger surveys and objective indicators.

Brisbane and Perth airports were rated equal highest of the monitored airports within the 'good' category. Brisbane Airport has been rated either highest or equal highest of the four airports over the past decade. 2015-16 was the second straight year of notable improvement from Perth Airport.

Both Melbourne and Sydney airports increased their overall weighted ratings enough to move from 'satisfactory' in 2014-15 to 'good' in 2015-16. Both airports still have room for improvement within the 'good' category.

Profit margins generally fell for both car parking and aeronautical services in 2015-16, but remain high

Profit margins—earnings before interest, tax and amortisation (EBITA) as a percentage of revenue—generally fell across the four airports.

Sydney Airport once again had the highest profit margin for aeronautical services with 46.7 per cent, down 3.4 percentage points. Brisbane Airport had a profit margin of 44.9 per cent, followed by Melbourne (38.2 per cent) and Perth (33.5 per cent) airports.

Car parking profit margins remain high. Sydney Airport reported a profit margin of 73.1 per cent, up 1.5 percentage points. Brisbane Airport had a profit margin of 66.1 per cent, followed by Melbourne (59.0 per cent) and Perth (55.6 per cent) airports. Melbourne Airport's figure fell 11.8 percentage points following a change in the methodology for allocating costs.

Airports collecting more revenue for each passenger than ten years ago

A useful proxy measure for average airport prices is the amount of aeronautical revenue each airport collects per passenger. In 2015-16, the monitored airports generally increased the average revenue they received per passenger. Perth Airport had the highest increase with 13.0 per cent in real terms, followed by Melbourne Airport with 9.1 per cent. Sydney Airport (3.9 per cent) had more modest growth in revenue per passenger, while Brisbane Airport saw a slight fall of 1.1 per cent.

Airports are now collecting more aeronautical revenue per passenger than they were a decade ago. Brisbane Airport has increased its revenue per passenger by 65.5 per cent in real terms since 2006-07. Perth (42.9 per cent) and Melbourne (30.9 per cent) airports have also significantly grown this figure. Sydney Airport has had lower growth over this period (16.0 per cent), but continues to collect the most revenue per passenger at \$17.27.

¹ The possible ratings are very poor, poor, satisfactory, good and excellent.

Price increases by the airports over the decade have resulted in sizeable additional payments by the airlines. By the ACCC's estimate, the airports have collected \$1.57 billion (in 2015-16 prices) more from airlines over this time than if they had instead held average prices constant in real terms (for the same passenger volumes). Brisbane Airport has collected the most additional revenues over the period with \$676 million, followed by Sydney (\$475 million), Melbourne (\$276 million) and Perth (\$142 million) airports.

Higher aeronautical charges have been used to both cover increasing costs per passenger and to grow profit margins. For example, costs per passenger have risen by 50.9 per cent at Perth Airport and 48.9 per cent at Melbourne Airport over the last decade. There is no doubt that the airports have had to invest significantly over the decade to keep up with growing passenger numbers. However, passenger growth may also have better enabled airports to share infrastructure facilities between more people, therefore putting downward pressure on the average fixed cost per passenger. The fact that costs have still increased so markedly therefore raises the question as to whether airports have sufficient incentives to keep costs down.

New investment slows after a few years of high capital expansion

Investment in new infrastructure slowed somewhat in 2015-16 after three airports reported record levels in the previous year. Sydney Airport reported the highest additions as a percentage of aeronautical assets with 24.1 per cent. However, a large proportion of this capital expenditure related to the purchase of the Qantas domestic terminal as opposed to investment in new infrastructure. Perth Airport reported the next highest additions at 20.9 per cent, its lowest in four years.

Significant investment projects during the year included the new T1 international and domestic pier at Perth Airport, the new Terminal 4 at Melbourne Airport, and the ongoing construction of a parallel runway at Brisbane Airport.

Revenues from landside activities continue to grow

Revenues from the provision of landside access to stakeholders such as taxis and off-airport car park operators are becoming increasingly important for the airports. A combination of higher access charges and passenger growth has boosted landside revenues by 154 per cent in real terms to \$16.9 million at Melbourne Airport since information was first collected in 2009-10, while these revenues have almost doubled at Sydney Airport to \$19.8 million over this time.

As airports set the terms and prices to landside access, they are in a position to impede competition for alternatives to on-airport car parking by increasing access prices.

Performance of the specific monitored airports in 2015-16

The ACCC's monitoring role for aeronautical services and facilities relates only to those terminals that are owned and operated by the airports.

Brisbane Airport

Brisbane Airport's total passengers grew by 1.8 per cent to 22.7 million. International passengers increased by 3.0 per cent.

Aeronautical revenue increased by 0.7 per cent in real terms to \$277.8 million. This equated to \$12.25 per passenger. Profit from aeronautical activity increased slightly to \$124.7 million, providing the highest profit margin the airport has reported since the ACCC began its monitoring program (44.9 per cent).

In relation to car parking, Brisbane Airport reported a profit of \$58.8 million on \$89.0 million in revenue.

Brisbane Airport's overall weighted quality of service rating was the equal highest of the airports and remained at 'good'. Brisbane became the first airport since monitoring began to be rated as 'excellent' by passengers. In contrast, airline survey results fell to 'satisfactory'.

Melbourne Airport

Melbourne Airport reported the largest growth in passengers in 2015-16, up 5.1 per cent to 34.0 million. International passengers were a key reason for this increase with growth of 9.0 per cent.

Melbourne Airport saw the biggest jump in aeronautical revenue of the monitored airports, up 14.7 per cent in real terms to \$393.3 million. Revenue per passenger increased 9.1 per cent in real terms to \$11.58. Profit from aeronautical operations grew slightly to \$150.4 million.

Car parking revenue fell slightly, but remained the highest of the airports at \$135.3 million. Car parking profit fell 17.7 per cent to \$79.9 million following a change in how costs are allocated.

Melbourne Airport increased its overall weighted quality of service rating enough to move from 'satisfactory' in 2014-15 to 'good' in 2015-16. However, it was the lowest rated of the four airports in overall performance.

Perth Airport

Perth Airport was the only airport to report a drop in total passenger numbers (down 1.8 per cent to 14.5 million). This continues the decline associated with the slowdown in the resources sector and demand from fly-in-fly-out workers.

Despite the fall in passengers, the airport was able to grow its aeronautical revenues by 11 per cent in real terms to \$210.0 million. Revenue per passenger increased from \$12.81 in 2014-15 to \$14.48 in 2015-16. Substantially higher costs resulted in the airport reporting its lowest profit margin in real terms since 2001-02 (33.5 per cent).

Perth Airport earned the least of the airports in relation to revenues and profits from car parking operations. This revenue fell 3.7 per cent in real terms to \$63.6 million, while profit declined 15.9 per cent to \$35.4 million.

Perth Airport continued its improved performance from 2014-15 to be equal highest with Brisbane Airport in terms of overall weighted ratings of quality of

service. It remained within the 'good' category despite this improved performance. Four years of improvements have seen it become the highest rated airport by the airlines, despite receiving only a 'satisfactory' rating.

Sydney Airport

The number of passengers at Sydney Airport grew 4.8 per cent to 41.1 million. Both domestic and international passengers contributed to this increase.

Aeronautical operations produced a profit of \$331.5 million on revenues of \$709.8 million. The latter grew by 8.9 per cent in real terms and is clearly the highest of the airports.

Sydney Airport almost caught Melbourne Airport as the biggest earner from car parking activity, with revenue jumping 3.2 per cent to \$133.8 million. Its profit of \$97.8 million was the largest of the airports.

The airport slightly increased its overall weighted rating of quality service, but it was sufficient to move from 'satisfactory' in 2014-15 to 'good' in 2015-16. Both airlines and passengers each gave it the lowest rating of the four airports.

Chinese tourists driving higher passenger volumes on the East Coast

Chinese tourists are driving strong growth in international passenger volumes. The four airports combined saw international passengers increase by 5.8 per cent in 2015-16 to 33.5 million. Melbourne Airport had 9.0 per cent more international passengers than the previous year, while Sydney Airport reported an increase of 6.3 per cent. More than a third of the recent growth in international visitors is due to passengers from China.

Overall the four airports catered for 112.2 million total passengers in 2015-16, up 3.4 per cent. The number of domestic passengers grew by 2.4 per cent to 78.8 million.

Service level agreements are becoming increasingly important for airlines

Growth in passenger numbers at some airports has meant that capacity may be stretched which can affect the quality of services provided to airlines. This makes it increasingly important for airlines to have service levels clearly specified in their commercial agreements with airports.

Commercial negotiations between airports and airlines in Australia are increasingly involving a performance outcome dimension. However, there is still some way to go before the agreements provide the type of quality assurance that is desired by airlines. The ACCC will be interested to see the nature of service level agreements that emerge from current negotiations between airlines and airports at Melbourne, Brisbane and Perth.

Consumers and airlines would benefit if Sydney Airport and the proposed Western Sydney airport were separately owned and competing for customers

Development of infrastructure for the new international airport in Western Sydney at Badgerys Creek began in 2015. This airport will serve a projected

increase in air travel demand in the coming decades, with a planned opening date in 2026.

When Sydney (Kingsford Smith) Airport was privatised by the Australian Government in 2002, the buyer was also granted the first opportunity to take up the right to develop and operate any second airport in Sydney. On 20 December 2016 the Australian Government presented a 'Notice of Intention' to the Sydney Airport Group in accordance with the right of first refusal. Should Sydney Airport decline the offer, the government has said that it may build Western Sydney Airport itself, or offer the opportunity to other private companies on similar contractual terms. If the government does build the new airport, it could later sell the asset to private investors to operate.

An independent operator of Western Sydney Airport would have a strong incentive to invest, set competitive prices and offer improved service levels to effectively compete with Sydney Airport. On the other hand, a common owner of the two airports would have an incentive to restrict investment and delay any new airport in order to maximise returns from its existing asset.

Key performance indicators 2015-16

Table 1: Key aeronautical indicators for the monitored airports for 2015-16

Airport	Passenger numbers (m)	Aero revenue (\$m)	Aero revenue per passenger (\$)	Aero profit (EBITA) (\$)	Aero profit (EBITA) margin (%)	Overall rating for quality of service
Brisbane	22.7	277.8	12.25	124.7	44.9	Good
Melbourne	34.0	393.3	11.58	150.4	38.2	Good
Perth	14.5	210.0	14.48	70.3	33.5	Good
Sydney	41.1	709.8	17.27	331.5	46.7	Good

Note: The rating categories are: very poor, poor, satisfactory, good and excellent.

Table 2: Changes in key aeronautical indicators from 2014-15 to 2015-16

Airport	Passenger numbers	Aero revenue	Aero revenue per passenger	Aero profit (EBITA)	Aero profit (EBITA) margin	Overall rating for quality of service
Brisbane	▲ 1.8%	▲ 0.7%	▼ 1.2%	▲ 3.7%	▲ 1.3pp	▼ 1.5%
Melbourne	▲ 5.1%	▲ 14.7%	▲ 9.1%	▲ 1.0%	▼ 5.2pp	▲ 3.2%
Perth	▼ 1.8%	▲ 11.0%	▲ 13.0%	▼ 7.5%	▼ 6.7pp	▲ 8.7%
Sydney	▲ 4.8%	▲ 8.9%	▲ 3.9%	▲ 1.5%	▼ 3.4pp	▲ 6.1%

Note: Changes for financial data are presented in real terms (base year = 2015-16)

▲ indicates an improvement; ▼ indicates a decline; — indicates no change. *Rating changed by a category over the period.

Table 3: Key car parking indicators for the monitored airports for 2015-16

Airport	Revenue (\$m)	Profit (EBITA) (\$m)	Profit (EBITA) margin (%)	Car parking spaces	Revenue per car park space (\$)	Profit (EBITA) per car park space (\$)	Revenue share of total airport revenue (%)
Brisbane	89.0	58.8	66.1	14 725	6 042	3 994	13.8
Melbourne	135.3	79.9	59.0	25 900	5 226	3 084	16.1
Perth	63.6	35.4	55.6	22 763	2 792	1 553	13.9
Sydney	133.8	97.8	73.1	15 933	8 395	6 138	10.3

Table 4: Changes in key car parking indicators from 2014-15 to 2015-16

Airport	Revenue	Profit (EBITA)	Profit (EBITA) margin	Car parking spaces	Revenue per car park space	Profit (EBITA) per car park space	Revenue share of total airport revenue
Brisbane	▲ 3.8%	▲ 2.1%	▼ 1.1 pp	▲ 7.7%	▼ 3.6%	▼ 5.1%	-
Melbourne	▼ 1.2%	▼ 17.7%	▼ 11.8 pp	▲ 11.5%	▼ 11.4%	▼ 26.2%	▼ 1.8 pp
Perth	▼ 3.7%	▼ 15.9%	▼ 8.1 pp	▲ 2.5%	▼ 6.1%	▼ 17.9%	▼ 1.2 pp
Sydney	▲ 3.2%	▲ 5.4%	▲ 1.5 pp	▼ 3.4%	▲ 6.9%	▲ 9.1%	▼ 0.4 pp

Note: (1) pp = percentage points; (2) Changes for financial data are presented in real terms (base year = 2015-16)

Introduction

The ACCC's monitoring role

This report presents the results of the ACCC's monitoring of the quality, prices, costs and profits relating to the supply of aeronautical and car parking services at Brisbane, Melbourne (Tullamarine), Perth and Sydney (Kingsford Smith) airports for 2015-16.

The ACCC's monitoring functions originate from directions issued by the Assistant Treasurer pursuant to section 95ZF of the *Competition and Consumer Act 2010* and from Part 8 of the *Airports Act 1996*.

The price monitoring regime was established in 2002 following the 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 some oversight of the exercise of market power by the airports in their dealings with airlines and other customers.

It is generally accepted that Australia's four major airports have market power and control access to monopoly infrastructure. Further, there is evidence that at some airports, airlines do not possess enough bargaining power to ensure appropriate commercial outcomes.

An unconstrained airport would be expected to exercise its market power to earn monopoly profits to the detriment of the broader Australian economy. For example, an airport could seek to charge high prices and/or provide lower quality services and facilities. It could also under-invest in key infrastructure so as to artificially restrict supply and potentially lead to higher prices. An unconstrained airport may also operate inefficiently by allowing its costs to rise or not adopting cost-saving or innovative technologies.

Price monitoring provides some transparency over the airports' performance and allows for some general observations to be made regarding whether they are taking advantage of the lack of competition. This is most relevant for informing the Australian Government which may determine that some form of regulation is required to better protect consumers. The threat of this regulation may provide some minor constraint on the airports. Transparency of performance may also assist airlines in their negotiations with airports regarding prices and service standards.

However, monitoring is limited in its ability to address behaviour that is detrimental to consumers. As it is not regulation, monitoring does not directly restrict the airports from increasing prices and allowing service quality to decline. In particular, it does not provide the ACCC with a general power to intervene in the airports' setting of terms and conditions of access to the airports' infrastructure. Other limitations of monitoring are discussed in Appendix A4.

Terminals within the scope of monitoring program

The ACCC's monitoring role for aeronautical services and facilities relates only to those terminals that are owned and operated by the four monitored airports.

Typically most domestic terminals operate through common-user arrangements where all airlines can access the terminals subject to agreement with the airport operator. However, some of the domestic terminals at the monitored airports are operated on an exclusive basis by a single airline under a domestic terminal leases (DTL). The terminals operating under DTLs are not subject to the ACCC's monitoring.

The ACCC does not collect quality of service ratings for these terminals. Further, while the airport revenues, costs and profits associated with the leased terminals are included in the report's 'total airport' figures, they are not included in figures that specifically represent aeronautical services. Passenger numbers and aircraft movements are reported on a total airport basis and therefore include those associated with DTL terminals.

Table 1 sets out which terminals at the four monitored airports are included in the monitoring program.

Table 1 Terminal operational arrangements for the 4 monitored airports

Airport	Terminal	Type	Subject to ACCC monitoring
Brisbane ¹	Domestic Terminal ¹	Qantas DTL	No
		Virgin DTL	No
		Common-user	Yes
	International Terminal	Common-user	Yes
Melbourne	Terminal 1 Domestic	Qantas DTL	No
	Terminal 2 International	Common-user	Yes
	Terminal 3 Domestic	Common-user	Yes
	Terminal 4 Domestic	Common-user	Yes
Perth	Terminal 1 International & domestic	Common-user	Yes
	Terminal 2 Domestic	Common-user	Yes
	Terminal 3 Domestic	Common-user	Yes
	Terminal 4 Domestic	Qantas DTL	No
Sydney ²	Terminal 1 International	Common-user	Yes
	Terminal 2 Domestic	Common-user	Yes
	Terminal 3 ² Domestic	Qantas	Yes

Note: (1) Qantas and Virgin Australia occupy and operate the majority of the domestic terminal under lease. The remainder of the domestic terminal is a common-user area.
(2) During late 2015 Sydney Airport agreed to buy the Qantas domestic terminal and therefore was subject to the ACCC's monitoring for the 2015-16 year.

The structure of this report

The structure of the report is as follows:

- Chapter 1 details developments and industry trends that have occurred at Brisbane, Melbourne, Perth and Sydney airports.
- Chapter 2 provides an overview of the prices, revenues, costs, profits and quality of service indicators at the four monitored airports.
- Chapters 3 to 6 present detailed results for each monitored airport.
- Appendix A1 presents a history of airport regulations in Australia.

- Appendix A2 provides background on the airport monitoring framework.
- Appendix A3 outlines the services provided by the airports and
- Appendix A4 presents the methodology used in the analysis of airports in this report.

The regulatory accounts for the monitored airports, airport car parking statistics and indicators and statistics used in this report can be found in a separate spreadsheet on the ACCC's website: <http://www.accc.gov.au/regulated-infrastructure/airports-aviation/airports-monitoring>.

1. Industry observations and developments

Key points

International passenger numbers show strong growth

- There has been a strong increase in the number of international passengers at the four monitored airports in the last year, with combined growth of 5.8 per cent.
- More than a third of the recent growth in short-term international visitors is due to passengers from China. These passengers now comprise 14.6 per cent of all short-term international visitors, up from 5.5 per cent in 2006.

Airports are collecting more revenue per passenger than ten years ago

- Airports are collecting more revenue for each passenger on average than they were a decade ago. Brisbane Airport has increased its aeronautical revenue per passenger by 65.5 per cent in real terms since 2006-07. Perth (42.9 per cent) and Melbourne (30.9 per cent) airports have also significantly grown this figure. Over this time, the four airports have collected an extra \$1.57 billion from airlines than if they had instead held revenue per passenger constant in real terms.

The importance of service level agreements in contracts between airports and airlines

- While the Australian aviation industry appears to be moving towards adopting improved service level agreements in airport/airline commercial agreements, there is still some way to go before the agreements provide the type of quality assurance desired by airlines.

Contractual offer provided to Sydney Airport ownership group for the construction of Western Sydney Airport

- On 20 December 2016 the Australian Government issued the terms and conditions governing the construction and operation of Western Sydney Airport (or 'Notice of Intention') should the Sydney Airport Group exercise its first option to build the airport.
- If Sydney Airport Group does not exercise its option to build the new airport, the opportunity can be offered to other interested parties or the government itself could build it. An independent operator of Western Sydney Airport would have the incentive to invest, set competitive prices and offer improved service levels to effectively compete with Sydney Airport.

1.1. Introduction

This chapter details developments and industry trends that have occurred at Brisbane, Melbourne, Perth and Sydney airports.

This chapter is structured as follows:

- Section 1.2 provides background on the strong increase in international passengers travelling to Australia in recent years.
- Section 1.3 reports on the increasing aeronautical revenues per passengers that the four monitored airports are earning.

- Section 1.4 looks at the growing importance of service level agreements (SLAs) between airports and airlines.
- Section 1.5 details the latest developments with the building of the Western Sydney airport including the notice of intent provided to the Sydney Airport ownership group.
- Section 1.6 looks at challenges at some airports in the provision of jet fuel.
- Section 1.7 explores ridesharing services and their status at each of the airports.

1.2. Increasing international passenger volumes on the East Coast

There has been a strong increase in the number of international passengers at the four monitored airports in the last year, with combined growth of 5.8 per cent. Melbourne and Sydney Airports reported a rise of 9.9 and 6.9 per cent respectively in international passenger numbers during 2015-16. Over the past decade the number of international passengers rose by 55.6 per cent, while domestic passenger numbers over the same period rose by 35.0 per cent. This reflects a national trend across all Australian airports, where international passenger arrivals grew by 71.0 per cent over the past decade from 10.7 to 18.2 million.¹

This larger number of international arrivals is driven by several factors, including new airline connections to China and elsewhere in Asia, increases in the frequency of scheduling at the monitored airports, and a rise in the number of passengers on existing flights from Asia.

More than a third of the recent growth in short-term international visitors is due to passengers from China. Passengers from China now comprise 14.6 per cent of all short-term international visitors, up from 5.5 per cent in 2006. In December 2016 the Australian and Chinese governments agreed to remove all capacity restrictions from the Australia-China air services agreement,² which should lead to even stronger growth in the number of Chinese passengers. China will likely overtake New Zealand in the near future as the biggest source of short-term international visitors to Australia.

This demographic change has implications for the monitored airports' business strategies. Melbourne Airport, for example, had reported that the larger number of travellers from Asia has influenced retail products offered by the airport. The airport has introduced luxury brands, which it claims are sought by international passengers and in particular, Chinese passengers.³ Brisbane Airport has implemented a 'China strategy', introducing bilingual terminal signage throughout the international terminal and participating in airline marketing campaigns in Guangzhou, Shanghai and Chengdu.⁴ Sydney Airport has also implemented a range of initiatives for Chinese passengers including Mandarin speaking airport ambassadors, signage and changes to the retail and food offerings.⁵

¹ Australian Bureau of Statistics, Overseas arrivals and departures, accessed 25 September 2016, www://goo.gl/Vq3XhV

² Chester, D, *Australia and China agree open aviation market*, Media release, 2016, viewed 8 February 2017, www.minister.infrastructure.gov.au/chester/releases/2016/December/dc209_2016.aspx

³ Melbourne Airport, *Stakeholder Report Presentation*, 26 September, 2016, www.melbourneairport.com.au/about-melbourne-airport/corporate-information/stakeholder-event-2016.html

⁴ Brisbane Airport, *Annual Report 2015*, 2016, www.bne.com.au/sites/all/files/content/files/BAC%201571%20Annual%20Report%202015%20211015.pdf

⁵ Sydney Airport, 'Sydney Airport welcomes new routes by China Eastern Airlines', 24 November media release, 2016, viewed 8 February 2017, www.sydneyairport.com.au/corporate/media-centre/media-releases/media-release-detail/2016/media-releases/20161124-sydney-airport-welcomes-new-routes-by-china-eastern-airlines?lst=%7bC313C142-0E4E-4269-A2FB-BDEB95B3BC9E%7d

1.3. Airports collecting more revenue for each passenger than ten years ago

A useful proxy measure for average airport prices is the amount of aeronautical revenue each airport collects per passenger. Airports are collecting substantially more revenue for each passenger on average than they were a decade ago. These higher average charges have primarily been used to cover rising costs per passenger, but there is a question as to whether airports have sufficient incentives to keep costs down.

In 2015-16, the monitored airports generally increased the average revenue they received per passenger. Perth Airport's revenue per passenger grew 13.0 per cent in real terms to \$14.48, while Melbourne Airport increased its figure by 9.1 per cent to \$11.58. Sydney Airport had the highest revenue per passenger at \$17.27, but with more modest growth of 3.9 per cent. Brisbane Airport saw its revenue per passenger fall by 1.2 per cent to \$12.25.

Such increases have been common over the past decade. Brisbane Airport (Figure 1.3.1) collected 65.5 per cent more per passenger in real terms in 2015-16 than it did in 2006-07. Perth Airport (Figure 1.3.2) boosted its figure by 42.9 per cent over the period, while Melbourne Airport (Figure 1.3.3) has grown its figure by 30.9 per cent. Revenue per passenger at Sydney Airport (Figure 1.3.4) has grown by 16.0 per cent over the decade.

Price increases by the airports over the decade have resulted in significant additional payments by the airlines. Over this time, the airports have collected an extra \$1.57 billion in real terms from airlines than if they had instead increased prices at the rate of CPI (for the same passenger volumes).⁶ Brisbane Airport collected the most with \$676 million over the period. This is followed by Sydney Airport with \$475 million, Melbourne Airport with \$276 million and Perth Airport with \$142 million.

These price increases have not corresponded with any significant changes in the overall weighted quality of service ratings over the past decade. Furthermore, they have come at a time when most airfares have been falling and therefore airport charges are likely to have become a more significant cost item for airlines. Average 'best discount' airfares have dropped 36 per cent in real terms since July 2006, while 'restricted economy' airfares are 17 per cent lower.⁷

⁶ We note that the major airports were generally subject to a price cap of CPI-X on aeronautical services at the time when they were being privatised. The price cap was discontinued following a review of airport regulation by the Productivity Commission in 2002.

⁷ The Bureau of Infrastructure, Transport and Regional Economics, Domestic Air Fare Indexes, on 20 December, 2016, viewed 8 February, 2017, https://bitre.gov.au/statistics/aviation/air_fares.aspx.

Figure 1.3.1: Brisbane Airport—Aeronautical revenues, costs and margins per passenger: 2006-07 to 2015-16

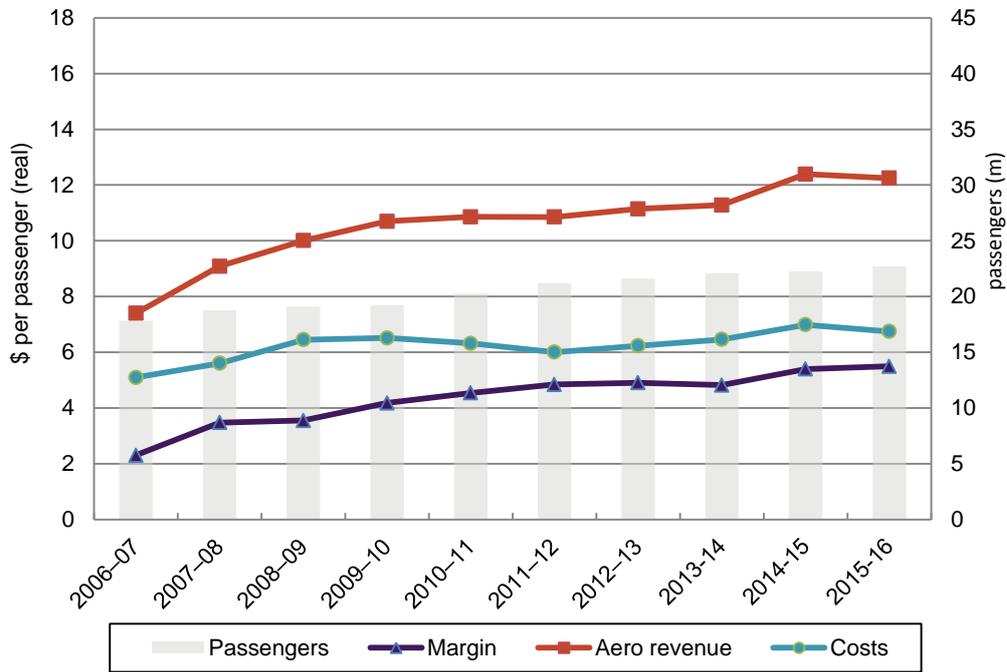


Figure 1.3.2: Perth Airport—Aeronautical revenues, costs and margins per passenger: 2006-07 to 2015-16

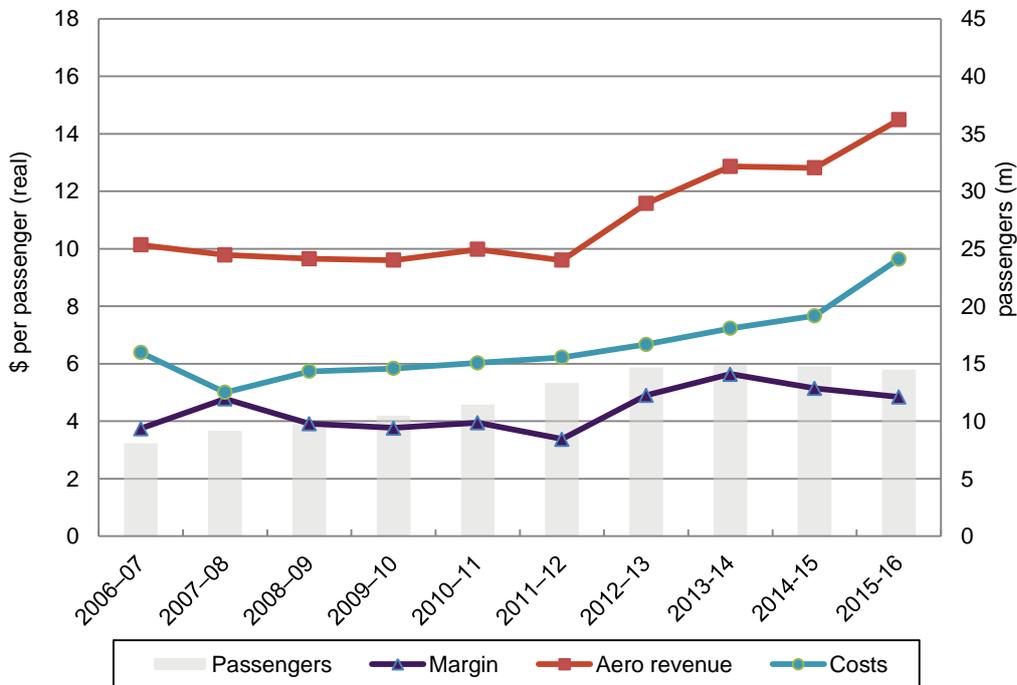


Figure 1.3.3: Melbourne Airport—Aeronautical revenues, costs and margins per passenger: 2006-07 to 2015-16

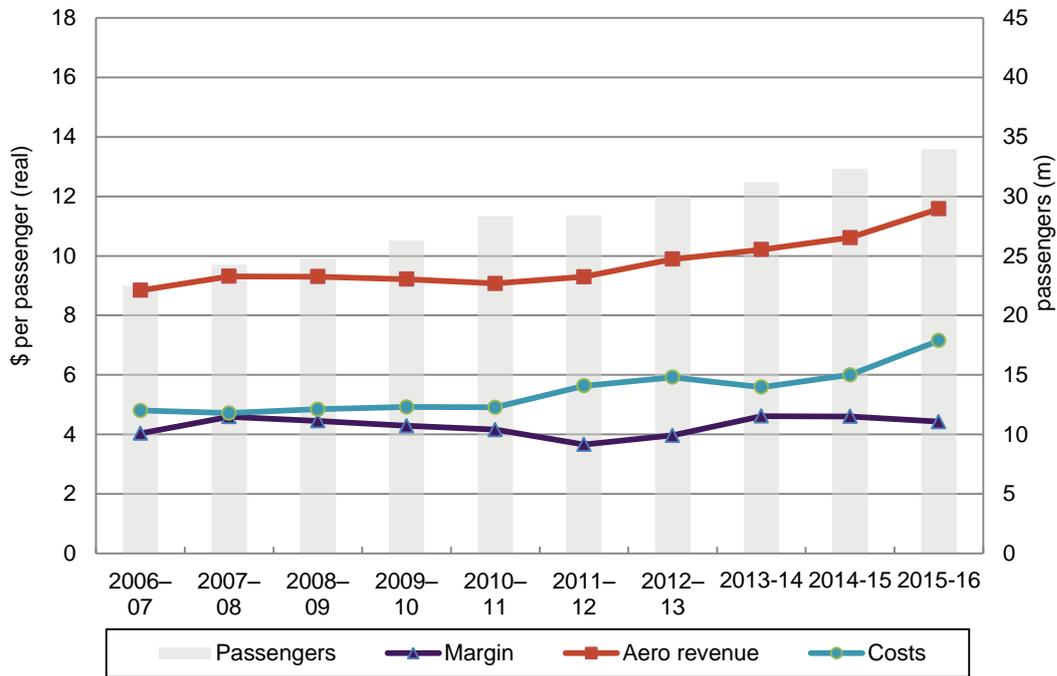
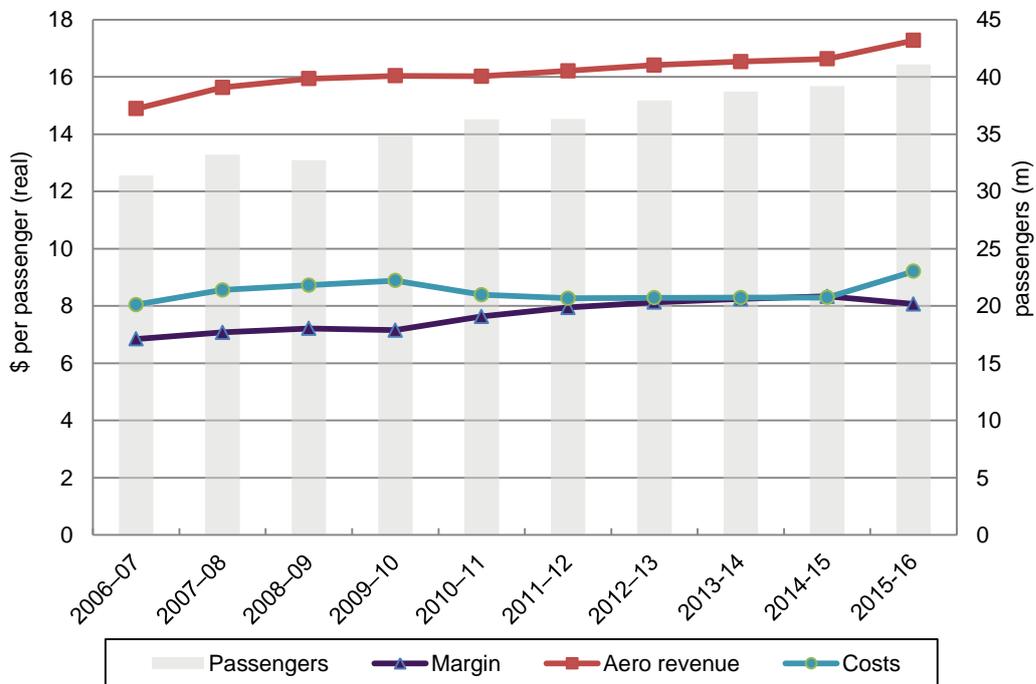


Figure 1.3.4: Sydney Airport—Aeronautical revenues, costs and margins per passenger: 2006-07 to 2015-16



One potential reason for higher average revenues per passenger would be if airports were catering to a much higher proportion of international passengers, as these passengers typically incur higher charges than domestic passengers. However, the percentage of

passengers on international flights at the airports has only increased from 27 per cent to 30 per cent over this time.

There is no doubt that airports have had to invest significantly over this period to keep up with growing passenger numbers, which comes at a high cost. Significant projects have included the new runway under construction at Brisbane Airport, the T1 international and domestic pier at Perth Airport, and the new T4 at Melbourne Airport.

However, at the same time, growing passenger volumes may also have better enabled airports to fund these investments by spreading the cost over more passengers. The four airports are now collecting revenues associated with 32 million more passengers than they were in 2006-07. This means that many aspects of airport infrastructure may have been shared across more passengers than in the past, therefore putting downward pressure on the average cost per passenger.

However, over the past decade, data collected from the airports on costs does not support this. All airports have reported increases in aeronautical costs per passenger in real terms. The biggest increases have been at Perth Airport with 50.9 per cent and Melbourne Airport with 48.9 per cent, followed by Brisbane (32.5 per cent) and Sydney (14.4 per cent) airports. Such large increases in costs—despite some possible downward pressure as a result of economies of scale—raises questions about whether the airports have sufficient incentive to maintain cost control rather than simply passing on costs to airlines.

One airport told the ACCC that very high demand from airlines for the same timeslots during peak periods had resulted in the need for investment in duplicate facilities, which represents higher costs than if flights could be spread more evenly across the day. The airport also said that its increasing costs per passenger were due to factors such as passenger volumes not growing at the level they expected and the higher cost of running an airport in a more security-sensitive environment.

The increase in revenue per passenger has also resulted in higher aeronautical profit margins. On a per-passenger basis, Brisbane's profit has grown 138 per cent in real terms over the decade from \$2.31 to \$5.50. Perth (29 per cent), Sydney (18 per cent) and Melbourne (10 per cent) have also benefited.

The trend of rising aeronautical charges has prompted a number of airlines (Qantas, Virgin Australia and Regional Express) to continue the call for increased regulation. As the Productivity Commission is expected to conduct its next review of airport regulation in 2018, the question of whether large airports should face economic regulation is likely to re-emerge.

1.4. Airport service level agreements becoming increasingly important for airlines

1.4.1. Overview

Service level agreements (SLAs) between airlines and airports are becoming an increasingly important element of the aviation industry. Growth in passenger numbers has meant that capacity may be stretched which can affect the quality of services provided to airlines. This makes it increasingly important for airlines to have service levels clearly specified in their commercial agreements with airports. These agreements can provide airports incentive to deliver the agreed service level and make adequate investment to meet growing demand. Inclusion of service levels can also promote a culture of continuous improvement at airports.

However as international airports are typically monopolies with market power, commercial negotiations about service levels (and other aspects of contracts) may not always produce outcomes similar to those seen in competitive markets.

1.4.2. International perspectives on airport service level agreements

The International Air Transport Association (IATA)⁸ considers that for a SLA to be effective, it typically needs to specify what service outcomes need to be measured and how they should be measured.⁹ These should be jointly agreed by both the airport and airline. A SLA also needs to clearly set out what the consequences will be if the agreed performance targets are not met. The IATA guidance for best practice SLAs includes a number of areas of airport performance including¹⁰:

- queuing standards — this may include queuing time for passengers, staff and vehicles
- passenger experience — this includes departure lounge seat availability, cleanliness, way-finding, flight information, and baggage misconnect rates
- asset and facility availability — this includes availability of both passenger-related assets such as lifts and escalator, and aircraft-related assets such as runways and taxiways
- critical services or operational assets — this may refer to assets that are required to avoid material delays and maintain passenger experience, such as the availability of runway, taxiway, aprons, and aircraft parking and stand, availability of baggage system and IT system. Rebates may be payable when a material event has occurred resulting in significant delays.

1.4.3. Airport service level agreements in Australia

Commercial negotiations between airports and airlines in Australia are increasingly involving a performance outcome dimension. The contracts for the supply of airport services (typically re-negotiated by airports and airlines every five years) have gradually begun to incorporate some elements of SLAs, with Melbourne Airport generally leading the way.

However, this progress was not to the satisfaction of airlines. The Qantas Group stated in its submission to the Productivity Commission's 2011 airport regulation inquiry that 'it has not been able to successfully negotiate a meaningful and comprehensive service level agreement'.¹¹ It noted that 'the majority of airport operators have no real or effective penalties for delays or service failures, while those that do are time consuming and costly to invoke'.¹²

In 2014, the Board of Airline Representatives of Australia (BARA) stated that the inclusion of service quality arrangements in agreements varies across the major international airports, with some including service quality metrics while others offering few commitments over service quality.¹³ BARA has recently told the ACCC that most agreements provide for some

⁸ The IATA is the peak international body representing international airlines.

⁹ IATA, *Airport Service Level (SAL) Agreement – Best Practice*.
<https://www.iata.org/policy/infrastructure/charges/Documents/airport-service-level-agreement.pdf>

¹⁰ Ibid.

¹¹ Qantas Group, *Submission to Productivity Commission's Economic Inquiry of Airport Services no 77*, July, 2011, www.pc.gov.au/inquiries/completed/airport-regulation/submissions/sub077.pdf

¹² Ibid.

¹³ Board of Airline Representatives of Australia, *Timely and reasonably priced airport infrastructure*, April, 2014, p14

modest rebate compensation to international airlines for service failures by the airport operator. However, BARA considers that some rebates are effectively a 'pre-payment' from international airlines as airport operators may seek to include any forecast rebate amounts as additional operating expenditure for pricing purposes.

The 2015 commercial agreement struck by Sydney Airport provides a step forward regarding service assurance at that airport and is an encouraging sign for where SLAs are heading more generally. Sydney Airport renegotiated its airline agreements with BARA (and also separately with the Qantas Group and Virgin Australia) for the provision and pricing of airport services.¹⁴ The new agreements apply for a five year period from 1 July 2015.¹⁵

The new Sydney agreement includes for the first time a SLA developed in consultation with airlines, and as part of the SLA, a set of key performance indicators (KPIs) have been incorporated for the areas of baggage, passenger facilitation, peak planning/resource allocation and bussing. Sydney Airport was developing systems in 2016 for measuring KPIs which would allow formal reporting to commence in 2017.¹⁶

The agreement also provides for a rebate mechanism designed to provide airlines with financial relief where they suffer a significant delay to a flight as a result of a key facility such as an aerobridge or the baggage system being out of service.¹⁷ The agreement also sets out common service standards for cleaning, maintenance and terminal presentation. During 2015-16 an improvement in standards to the contractually agreed 'silver' specification was achieved and all key ratings for Terminal 1 improved. Sydney Airport expects further improvement over the next 12 months to the 'gold' specification.¹⁸

1.4.4. Looking ahead

While the Australian aviation industry appears to be moving towards adopting improved SLAs in airport/airline commercial agreements, there is still some way to go before the SLAs provide the type of quality assurance desired by airlines.

The airports at Melbourne, Brisbane and Perth will shortly be negotiating their next commercial agreements with airlines, if they have not already commenced.

BARA has recently proposed that the SLAs framework adopted at Sydney Airport be applied across all international airports in Australia,¹⁹ and has identified availability, cleanliness, and an ongoing culture of safety and efficiency at airports as important elements of service quality.²⁰ The proposed framework consists of a number of key elements including:

- outcome-focused KPIs which are necessary to identify areas for improvement and resolve emerging issues
- performance improvement projects coordinated by airports to improve outcomes

¹⁴ Sydney Airport, *ASX release – international aeronautical agreements*, 30 June, 2015, viewed 8 February 2017, www.sydneyairport.com.au/investors/~media/files/investors/news%20and%20events/syd%20asx%20releases/2015/240630_international%20aero%20agreement%20final.pdf

¹⁵ Separate to negotiations with BARA and its member airlines, Sydney Airport finalised its commercial negotiations with Qantas and Virgin Australia in August 2015.

¹⁶ Sydney Airport, *Annual report 2015*, 2016, p26

¹⁷ Sydney Airport letter to the ACCC of 28 September 2016

¹⁸ Ibid.

¹⁹ BARA is currently re-negotiating airline contracts with Melbourne Airport. The contracts at Brisbane and Perth Airports will expire in the next couple of years (excluding the runway contract at Brisbane Airport which expires in 2023).

²⁰ Board of Airline Representatives of Australia, *A service quality culture*, December 2015, www.bara.org.au/wp-content/uploads/2015/12/Airline-Views-December-2015.pdf

- commercial consequences for significant delays in flights caused by airport operators and
- effective consultation with airlines.

There are a number of ways that SLAs could develop in the future to provide airlines with greater service assurance. For example, rebates could more closely reflect the cost of non-performance for airlines, or rebates/remedies could specifically relate to individual airlines affected by non-performance rather than only on an airport-wide basis.

The ACCC will be interested to see the form of the new SLAs that will be adopted at Melbourne, Brisbane and Perth airports. These SLAs will be a useful indicator of the bargaining strength of the airports—and therefore their market power—ahead of the Productivity Commission’s review of the need for airport regulation in 2018.

1.5. Progress on Western Sydney Airport

In 2014 the Australian government announced that a new international airport would be built in Western Sydney at Badgerys Creek. This airport will serve a projected increase in air travel demand in the coming decades, and have a planned opening date in 2026. Development of infrastructure around the airport began in 2015, and the NSW government has budgeted \$417 million during 2016-17 for preparatory road works to improve access to the airport site.²¹

When Sydney (Kingsford Smith) Airport was privatised by the Australian Government in 2002, the buyer was also granted the first opportunity to take up the right to develop and operate any second airport in Sydney. On 20 December 2016 the Australian Government presented a ‘Notice of Intention’ to the Sydney Airport Group in accordance with the right of first refusal.²² This notice sets out the formal contractual terms which Sydney Airport must follow to build and administer the new airport, should it choose to do so.

Sydney Airport Group has until May 2017 to respond to the Notice of Intent. Should Sydney Airport decline the offer, the government has said that it may build and operate Western Sydney Airport itself, or offer the opportunity to other private companies on similar contractual terms.

There are indications that Sydney Airport may choose not to build the airport. Sydney Airport has stated that Western Sydney Airport represents a greenfield development and therefore carries more risk and higher return requirements than other opportunities.²³ Sydney Airport has also said that it would require “material support from the Commonwealth” to make developing Western Sydney Airport financially viable.²⁴

A second international airport competing with Sydney Airport could yield significant benefits to both consumers and airlines. An independent operator of Western Sydney Airport would have a strong incentive to invest, set competitive prices and offer improved service levels to effectively compete with Sydney Airport. On the other hand, a common owner of the two

²¹ NSW Government, *2016-17 NSW budget*, 2016, p. ‘10-5’, www.budget.nsw.gov.au/data/assets/pdf_file/0005/128444/10_Transport_Roads_and_Maritime_Cluster.pdf

²² Fletcher, P, ‘*Notice of Intention*’ another key milestone towards delivery of Western Sydney Airport, 20 December 2016, viewed 8 February, www.minister.infrastructure.gov.au/pf/releases/2016/December/pf092_2016.aspx

²³ Bingemann, M, ‘*Sydney Airport waits for western Sydney airport plans*’ in the Australian newspaper, 19 August 2016,

²⁴ Sydney Airport, *Western Sydney Airport Notice of Intention*, Media release: 20 December 2016, viewed 8 February 2017, www.sydneyairport.com.au/investors/news-and-events/asx-releases/details/2016/syd-asx-releases/20161220-western-sydney-airport-notice-of-intention?lst=%7b1A008585-CBC7-46FA-A72E-A96ABF728813%7d

airports would have an incentive to restrict investment and delay the new airport in order to maximise returns from its existing assets.

The inclusion of the right of first refusal in the sale of Sydney Airport is an example of a government focussing on maximising the sale price of an asset at the risk of longer term benefits to consumers through competition. It is encouraging that the government intends not to provide additional subsidies for Sydney Airport to develop the second airport, and is prepared to build the airport itself. This has raised the possibility of increased competition with Sydney Airport to the long-term benefit of consumers and the economy.

1.6. The provision of jet fuel at monitored airports

Jet fuel is a considerable cost item for airlines and represents around a third of global airline costs.²⁵ The key parts of the jet fuel supply chain from a competitive perspective include the transport of jet fuel from the refinery or import terminal to aircraft at the airport. This transportation of jet fuel to onsite storage at the airport is via pipeline and/or tanker. Pipelines are generally owned or leased by those parties supplying the jet fuel rather than the airport. At the airport, the storage and distribution infrastructure is owned by multiple parties (which is generally the joint ventures that supply the jet fuel) and operates under lease by the airport. Some airports such as Sydney Airport also charge a fuel throughput levy for each litre of jet fuel supplied.

The Board of Airline Representatives of Australia (BARA) has advocated for an open access regime for jet fuel infrastructure and the deemed declaration of jet fuel pipelines under Part IIIA of the *Competition and Consumer Act 2010*.²⁶ Further, the government's Competition Policy Review stated in March 2015 that competition in jet fuel supply should be the focus of further reforms.²⁷ The policy review did not provide direction to the government as to how this reform may proceed.

Over the past 12 to 18 months, there have been a number of developments with the delivery and supply of jet fuel at some of the monitored airports.

During late November 2016 Melbourne Airport experienced supply issues with jet fuel and this resulted in temporary fuel rationing measures for aircraft. The National Operating Committee on Jet Fuel Supply Assurance changed the fuel supply status to a 'black traffic light' indicating supply issues and rationing of jet fuel.²⁸ This disruption to jet fuel supply followed two similar jet fuel shortages during 2015 at Melbourne Airport.

The latest disruption to jet fuel supplies to Melbourne Airport was due to a shipment failing quality control tests.²⁹ BARA claimed that the 2016 disruption was more severe than the shortages that occurred in 2015. BARA further claimed that the shortages at Melbourne

²⁵ Board of Airline Representatives Australia, *Submission to the Competition Policy Review*, p. 7, 2016, viewed 8 February 2017, www.treasury.gov.au/~media/Treasury/Consultations%20and%20Reviews/Consultations/2015/Competition%20Policy%20Review%20Final%20Report/Submissions/PDF/Board_of_Airline_Reps_Australia.ashx

²⁶ Ibid.

²⁷ Competition Policy Review, *Final report*, p. 206, 2015, viewed 8 February 2017, www.competitionpolicyreview.gov.au/files/2015/03/Competition-policy-review-report_online.pdf

²⁸ Board of Airline Representatives Australia, *Melbourne Airport Jet Fuel Supply Stalls, Inevitably*, Media Release, 25 November, 2016, viewed 7 February 2017, www.bara.org.au/publication/melbourne-airport-jet-fuel-supply-stalls-inevitably/

²⁹ Calligeros M, Carmondy, B, 'Major fuel shortage at Melbourne Airport forces flight delays, diversions', in Sydney Morning Herald newspaper, 25 November, 2016, viewed 8 February 2017, www.smh.com.au/business/aviation/major-fuel-shortage-at-melbourne-airport-could-force-flight-delays-diversions-20161125-gsxica.html

Airport were the “result of taking no action to deal with known and avoidable supply issues”.³⁰

Melbourne Airport has asked for expressions of interest to manage its fuel storage infrastructure and fuelling facilities at the airport after the present lease expires in April 2017. Although this may alleviate storage issues at the airport, there has also been support to replicate the single pipeline from the Somerton storage site to the airport (which is at or near capacity).

Separately, Mobil Oil Australia announced in February 2016 the construction of a pipeline from the company’s import terminal at Yarraville. This pipeline will connect with one of the refinery pipelines that link to the Somerton jet fuel depot.³¹ The new pipeline will not increase capacity storage for the airport but it will allow for the more efficient fuel transport from the import terminal to the airport. Currently all jet fuel from the import terminal is transported via road tankers.³²

Another development related to jet fuel supply is the opening of a new jet fuel pipeline at Brisbane Airport. Caltex Australia said that this new pipeline will double the existing delivery rate of jet fuel to the airport.³³

1.7. Ridesharing services at monitored airports

Ridesharing services such as UberX and GoCar provide an increasingly popular alternative to taxis. A recent study reports that of the Australians who use taxi services, 54 per cent now make use of ridesharing.³⁴ While ridesharing services obviously compete most directly with taxis, their increasingly popularity may also see more people choose not to drive to the airport. Ridesharing may therefore place slightly more competitive pressure on airports to provide cheaper car parking services.

The legality of ridesharing services and the ability for passengers to use these services to get to and from the airport evolved rapidly during 2015-16. This pace of change creates uncertainty for consumers who may want to use ridesharing for airport travel, and it poses challenges to airports which must support a new form of landside access.

It has always been possible for passengers to use ridesharing services for travel to airports, where they can be delivered to any of the standard drop-off points. Passengers who have sought to use ridesharing services from airports, however, have faced a number of barriers. Ridesharing services have voluntarily geofenced³⁵ the location of some airports, blocking drivers from picking up passengers. Furthermore, there has been no easy way to pre-book ridesharing services days in advance of a journey. As states proceed to legalise ridesharing

³⁰ Board of Airline Representatives Australia, *Melbourne Airport Jet Fuel Supply Stalls, Inevitably*, Media Release, 25 November, 2016, viewed 7 February, 2017, www.bara.org.au/publication/melbourne-airport-jet-fuel-supply-stalls-inevitably/

³¹ ExxonMobil, Mobil to construct pipeline to improve jet fuel supply for Melbourne Airport, Media release, 22 February, 2016, viewed 8 February, 2017 www.corporate.exxonmobil.com.au/en-au/company/news-and-updates/news-releases-and-alerts/mobil-to-construct-pipeline-to-improve-jet-fuel-supply-for-melbourne-airport?parentId=1cebbb9b-beed-4e5f-9cdd-de9af04ce13a

³² Australian Aviation, *Mobil to build a new pipeline in efforts to boost fuel supply at Tullamarine*, in Australian Aviation, 22 February, 2016, viewed 8 February, 2017, www.australianaviation.com.au/2016/02/mobil-to-build-new-pipeline-in-efforts-to-boost-fuel-supply-at-tullamarine/

³³ Caltex Australia, *New fuel pipeline underpins growth of Brisbane Airport*, Media release, 27 July, 2016, viewed 8 February, 2017, www.caltex.com.au/our-company/media-releases/new-fuel-pipeline-underpins-growth-of-brisbane-airport

³⁴ Nielsen, *Nielsen Australia Consumer & Media View, Survey 2*, 2016, viewed 8 February, 2017, www.nielsen.com/au/en/insights/news/2016/sharing-economy-alive-and-well.html

³⁵ Geofencing refers to the definition of a boundary around a location (such as an airport) in a software program by use of global positioning systems or other means.

and ridesharing services move to allow longer term pre-booking, ridesharing is becoming more attractive for airport travel.

At the time of this report's publication all Australian states have legalised ridesharing services or signalled their intention to do so, and therefore consumers are (or will soon be) free to use ridesharing services to travel to and from any of the monitored airports.

The NSW government legalised ridesharing in December 2015, and ridesharing services became legal in Queensland in September 2016. The Victorian and Western Australian governments have indicated that they will seek to pass similar legislation during 2017. These new laws aim to ensure that ridesharing services are held to a similar standard of passenger safety and reliability as taxi services, and provide compensation to taxi owners. Taxis remain the only services that can be hailed from the street or can use a taxi rank. Ridesharing drivers may only be ordered by passengers using dedicated smartphone apps and they are not allowed to promote their services through 'touting' at airports or at other locations.³⁶

The growing use of ridesharing services can cause congestion problems around airports if there is not adequate parking for pre-booked vehicles. In anticipation of more widespread use of ridesharing services, some of the monitored airports have made dedicated waiting areas available where ridesharing drivers can wait for passengers, comparable to existing waiting areas for taxis.

Sydney Airport opened a new 'shared priority pickup zone' near its domestic terminals in July 2016, which is available for ridesharing drivers and other pre-booked services, including taxis.³⁷ The charge for this zone is \$4.00 for 15 minutes, similar to the \$4.10 taxis pay to use the taxi ranks at the same terminal. Brisbane Airport has created dedicated zones for ridesharing drivers at both international and domestic terminals with a \$3 charge,³⁸ comparable to the \$3.60 charge for taxis. Perth Airport has introduced 'remote holding areas' for pre-booked ridesharing drivers,³⁹ and Melbourne Airport has also indicated that it may devote dedicated infrastructure to provide access to ridesharing services.⁴⁰

For consumers who are uncertain about the provision for ridesharing services, Table 1.8.1 shows the status of ridesharing at each monitored airport at the time of this report's publication.

³⁶ NSW Transport website, viewed 19 August 2016, www.rms.nsw.gov.au/documents/business-industry/public-passenger-vehicles/factsheet-1.pdf

³⁷ Sydney Airport, *Sydney Airport to expand passenger pick-up options at T2/T3 Domestic precinct*, media release, 2016, viewed on 19 August 2016, www.sydneyairport.com.au/corporate/media-centre/media-releases/media-release-detail/2016/media-releases/20160516-sydney-airport-to-expand-passenger

³⁸ Brisbane Airport, *To or from the airport*, viewed 9 January 2016, www.bne.com.au/to-from-brisbane-airport/transport-options

³⁹ Perth Airport website, *'Perth Airport launches ridesharing with Uber'*, media release, 2016, viewed 11 January 2017, www.perthairport.com.au/Home/corporate/articles/2016/12/21/08/53/perth-airport-launches-ridesharing-with-uber

⁴⁰ Herald Sun, *'Cabbies angered by Uber airport rank, 2016'*, viewed 10 January 2016, www.heraldsun.com.au/news/victoria/cabbie-strike-threat/news-story/34feb9d913e461aee5cc1a3007adc983a?nk=f53d0b4dd274ef9d93fb35bf3f960d0c-1484026574

Tale 1.8.1: Status of ridesharing services at the monitored airports

Airport Name	Legal in state?	Pick up from airport?	Drop off at airport?	Dedicated facilities?
Brisbane	Yes	Yes	Yes	Yes
Melbourne	No ^(a)	No ^(b)	Yes	No
Perth	No ^(a)	Yes	Yes	Yes
Sydney	Yes	Yes	Yes	Yes (domestic)

^(a) The state government has announced plans to legalise ride sharing services during 2017.

^(b) Rideshare services may geofence Melbourne Airport, preventing passengers from sourcing drivers at the airport.

2. Performance across the four airports

Key points—2015-16

Aeronautical activity

- Total passenger numbers across the four monitored airports increased by 3.4 per cent to 112.2 million. This growth was driven by increases in both domestic (2.4 per cent) and international passengers (5.8 per cent). Passenger growth was strongest at Melbourne and Sydney airports, while Perth Airport reported another fall.

Quality of service

- All monitored airports received an overall weighted quality of service rating of ‘good’ during 2015-16. Brisbane and Perth airports were rated equal highest. While Brisbane Airport’s rating remained unchanged, Perth Airport’s overall weighted rating increased within the ‘good’ category.

Aeronautical services and facilities

- Melbourne (14.7 per cent) and Perth (11.0 per cent) airports reported strong increases in aeronautical revenues. Sydney Airport’s aeronautical income rose by 8.9 per cent in real terms while Brisbane Airport had a modest increase of 0.7 per cent.
- Sydney Airport continued to collect the most aeronautical revenue per passenger at \$17.27. Aeronautical revenue per passenger increased at all airports apart from Brisbane Airport. Perth and Melbourne airports reported the largest increases of 13.0 and 9.1 per cent in real terms respectively.
- Profit margins for aeronautical services ranged from 33.5 per cent for Perth Airport to 46.7 per cent for Sydney Airport. Profit margins generally declined as a result of higher costs associated with new infrastructure.

Car parking services and facilities

- Melbourne Airport continued to collect the most car parking revenue with \$135.3 million, despite a fall of 1.2 per cent. Sydney Airport grew by 3.2 per cent to 133.8 million. Both Melbourne (17.7 per cent) and Perth (15.9 per cent) airports reported substantial decreases in car parking profit.
- Car parking continues to earn high profits for the airports. Profit margins ranged from a high of 73.1 per cent at Sydney Airport to a low of 55.6 per cent at Perth Airport.

2.1. Introduction

This chapter presents an overview of the performance of Brisbane, Melbourne, Perth and Sydney airports in the supply of aeronautical and car parking services.

This chapter is structured as follows:

- Section 2.2 provides the overall quality of service results
- Section 2.3 presents key data on passenger and aircraft movements
- Section 2.4 reports on revenues, prices, costs, profits, assets and investments for aeronautical services

- Section 2.5 compares each airport’s aeronautical pricing relative to quality in both 2005-06 and 2015-16
- Section 2.6 presents pricing and the financial results for airport car parking services
- Section 2.7 presents prices and revenues received from landside activities.

2.2. Quality of service results for aeronautical services

This section summarises the quality of service results for aeronautical services provided by the four monitored airports. These aeronautical services include services and facilities related to aircraft or passengers.

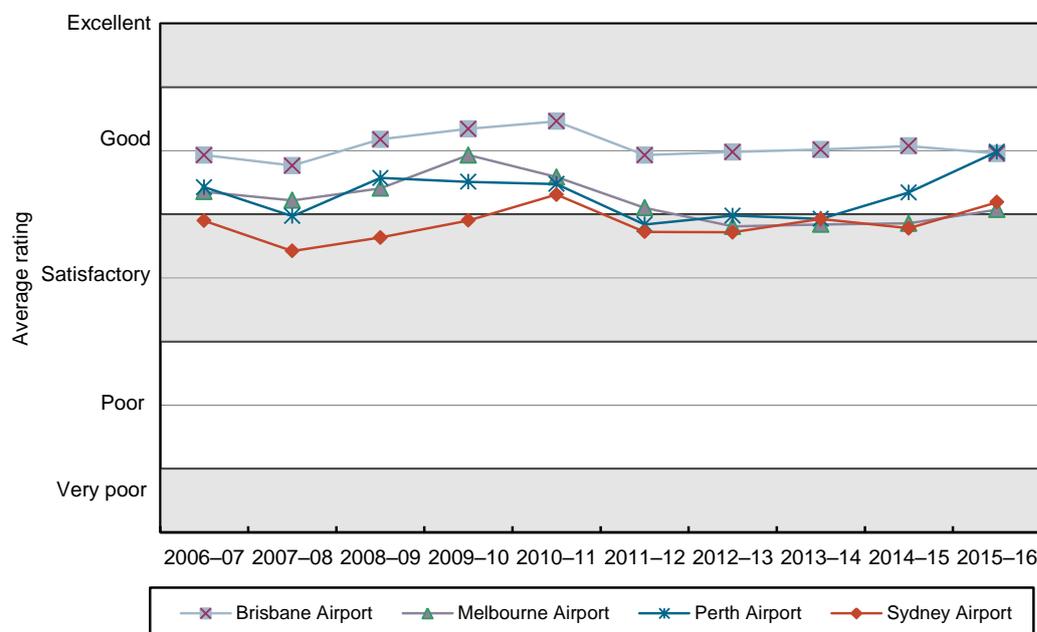
A key source of data for the ACCC’s quality of service assessment is survey data from airport users including passengers and airlines. The surveys ask respondents to rate their level of satisfaction with services and facilities on a scale of 1 to 5.⁴¹

The ACCC also collects objective indicators of quality of service from the airport operators. The ACCC aggregates the data from all sources to provide an overall view of the quality of service provided by each airport operator.

2.2.1. Overall weighted rating of the airports’ quality of service

Figure 2.2.1 presents the overall weighted quality of service ratings for the four monitored reports. All four monitored airports achieved an overall weighted rating of ‘good’ during 2015-16, the first time that this has occurred since 2010-11. Brisbane and Perth Airports were rated equal highest within the ‘good’ category. Brisbane Airport has been rated either highest or equal highest over the past decade.

Figure 2.2.1: Overall weighted average ratings of quality of service: 2006-07 to 2015-16



Source: Airline surveys, passenger surveys, and objective indicators

⁴¹ The ACCC’s airline and passenger survey rating scale is presented as follows: 1 to 1.49 is very poor; 1.50 to 2.49 is poor; 2.50 to 3.49 is satisfactory; 3.50 to 4.49 is good; and 4.5 to 5.0 is excellent.

This is the second straight year of notable improvement by Perth Airport. Both Melbourne and Sydney airports increased their overall weighted ratings just enough to move from 'satisfactory' in 2014-15 to 'good' in 2015-16. Melbourne Airport was rated lowest of the four airports.

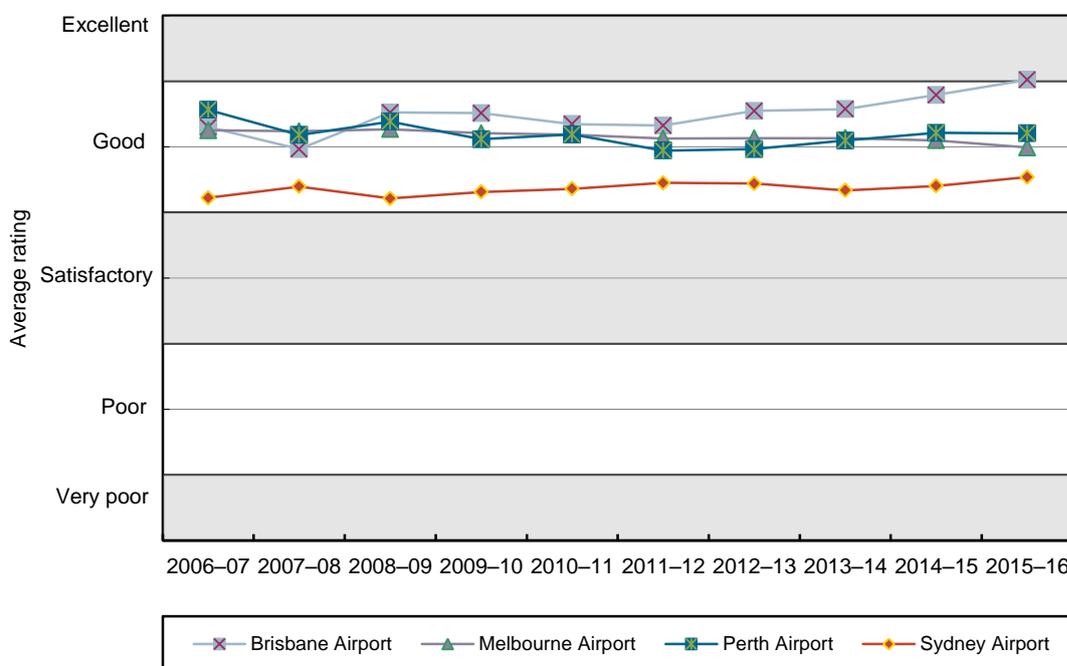
Over the past 10 years, Sydney and Perth airports have shown modest improvements in their average weighted quality of service ratings while Brisbane Airport has remained unchanged. Melbourne Airport has had a small drop over the same period.

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

The ACCC's quality of service assessment includes passenger perceptions of quality at the monitored airports. These surveys are an essential component of the overall quality of service monitoring program. However, the ACCC recognises that passenger perceptions can be affected by other service providers operating at the airport than the actual airport. Examples of these service providers include the airlines on which passengers are flying, ground handling services, some security providers and border force personnel. While there is some potential for bias if passengers mistakenly hold the airport responsible for the delivery of these services, the ACCC still considers that passengers' perceptions provide an essential snapshot of the overall passenger experience and quality of service at the monitored airports.

Figure 2.2.2 presents the ratings from passengers for each monitored airport over the last decade. Passenger ratings for Brisbane Airport increased slightly during 2015-16, but enough to move from 'good' to 'excellent' rating. This is the first time since quality of service monitoring commenced that an airport has been rated as 'excellent' by passengers.

Figure 2.2.2: Average passenger ratings of quality of service: 2006-07 to 2015-16



Source: Passenger surveys

Passenger ratings for all airports have been remarkably consistent since 2006-07 with all airports receiving ratings of 'good' (except for Brisbane this year). Sydney Airport has been the lowest rated airport every year.

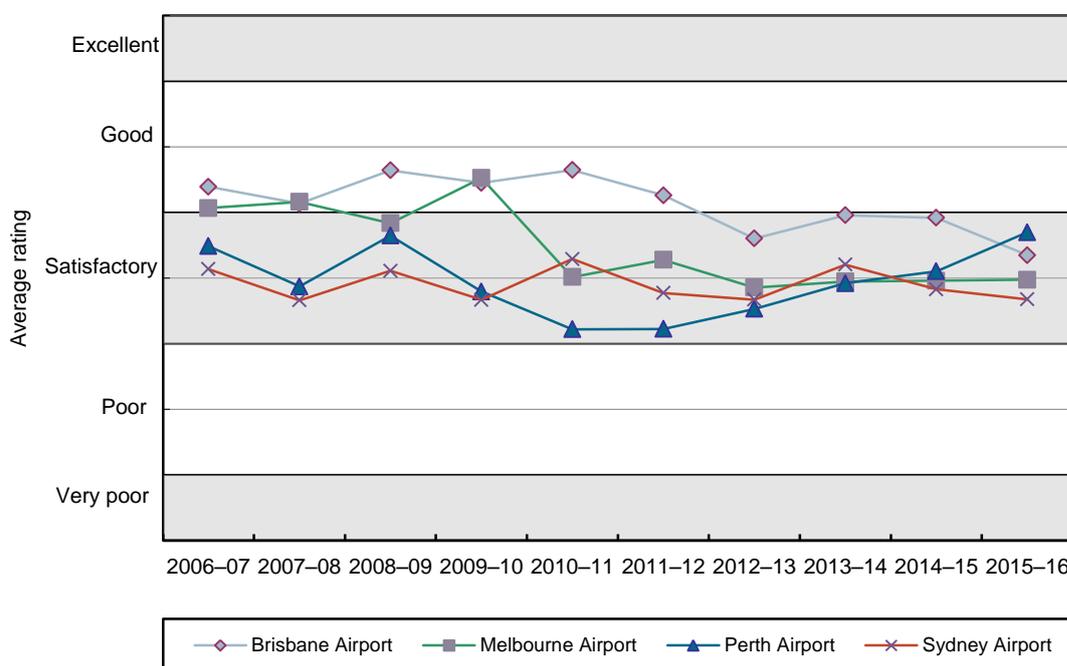
2.2.3. Airlines' ratings of the airports' quality of service

Airlines provide an informed view of the quality of the airports' aeronautical infrastructure such as runways, taxiways and associated terminal infrastructure. Airlines are also more frequent users of airport services than the average passenger and therefore may be in a better position to assess services offered by the monitored airports.

However, the ACCC recognises that customers of airport services such as airlines may have commercial related motives to rate downwards the services and facilities provided by airports. These motives may be higher during contract fee negotiations and/or where a commercial dispute exists with airport operators. In contrast to passenger ratings, airline ratings have been more volatile and lower over the past 10 years.

Figure 2.2.3 presents the average airline ratings for each airport over the last decade. During 2015-16, all monitored airports were rated as 'satisfactory' by airlines. Perth Airport had the largest increase in airline ratings and was rated the highest by airlines. This is the first time over the past decade that Perth Airport has achieved the highest rating by airlines. In contrast, Brisbane Airport dropped from 'good' in 2014-15 to 'satisfactory' in 2015-16. Sydney Airport was rated last of the monitored airports during 2015-16.

Figure 2.2.3: Average airline ratings of quality of service: 2006-07 to 2015-16



Source: Airline surveys

2.3. Key activity results for aeronautical services

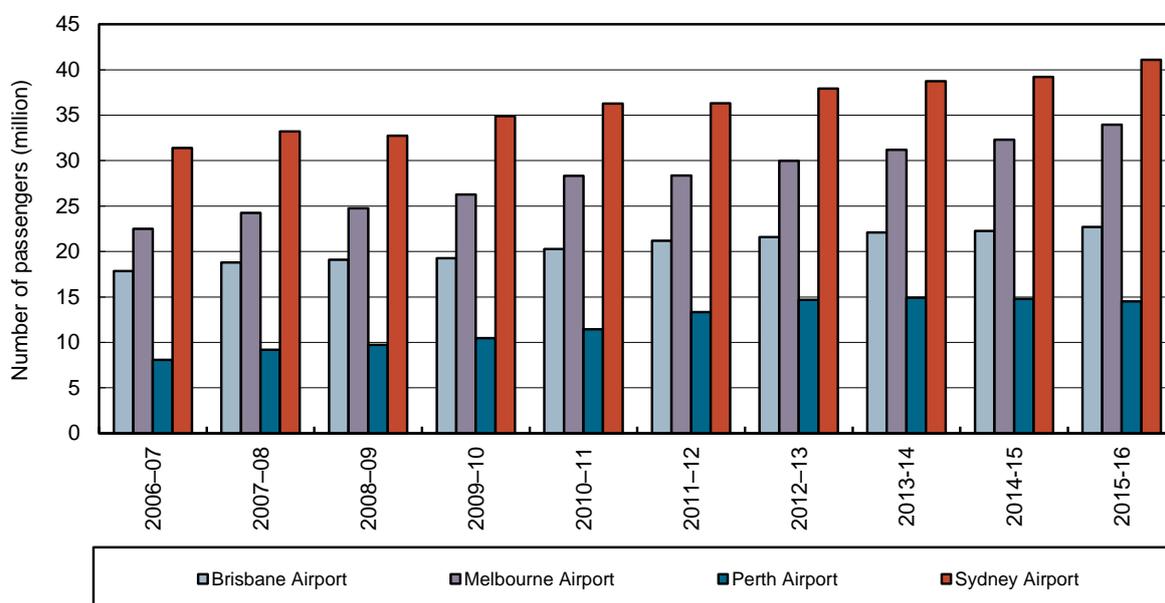
This section presents data on passenger volumes (Section 2.3.1) and aircraft movements (Section 2.3.2).

2.3.1. Passenger volumes

Total passenger numbers for the four monitored airports increased by 3.4 per cent to 112.2 million passengers during 2015-16. This is the largest increase since 2012-13. Domestic passenger growth was the strongest in three years, with growth of 2.4 per cent to 78.8 million passengers. International passenger growth was stronger with an increase of 5.8 per cent to 33.5 million passengers. It was only the third time in the past decade that the aggregate growth in international passenger numbers was larger than the equivalent domestic growth.

Figure 2.3.1 presents total passenger numbers for each monitored airport over the past decade. Melbourne Airport reported the largest percentage increase in passengers during 2015-16 with 5.1 per cent (to 34.0 million). International passenger growth was a key reason for this increase with growth of 9.0 per cent. Domestic passengers grew by 3.7 per cent.

Figure 2.3.1: Volume of passengers: 2006-07 to 2015-16



Sydney Airport remained Australia’s largest airport. It reported overall passenger growth of 4.8 per cent to 41.1 million passengers during 2015-16. Sydney Airport’s overall growth was also boosted by international passengers which increased by 6.3 per cent during 2015-16. Domestic growth at Sydney Airport was the strongest of the airports with growth of 4.0 per cent during 2015-16.

Perth Airport was the only airport to report a drop in total passenger numbers (down 1.8 per cent to 14.5 million). It had the largest decrease in domestic passengers during 2015-16 (down 3.1 per cent) and continues the decline associated with the slowdown in the resources sector and demand from fly-in-fly-out workers.

2.3.2. Aircraft movements

Total aircraft movements for all monitored airports increased by 0.8 per cent to 932,806 during 2015-16. In contrast to 2014-15 when decreases in general aviation flights drove the overall decrease in aircraft movements, in 2015-16 they increased by 5.4 per cent and were the main contributors to the increase in aircraft movements. Total domestic aircraft

movements decreased by 0.2 per cent to 676,604, representing the first decrease since 2007-08. Total international flights increased by 2.6 per cent to 162,249.

For the second consecutive year, both Perth (down 4.3 per cent) and Brisbane (down 2.6 per cent) airports reported a fall in total aircraft movements during 2015-16. While decreases in domestic aircraft movements of 2.2 per cent was the main driver at Brisbane Airport for its overall decrease, at Perth Airport it was decreases in general aviation movements with a drop of 10.6 per cent.

Sydney Airport had the biggest increase in total aircraft movements of 3.9 per cent (to 342,327), while Melbourne Airport grew by 2.9 per cent (to 237,554). Sydney Airport was the only monitored airport to report an increase in domestic flights during 2015-16, with growth of 2.9 per cent to 240,122.

2.4. Aeronautical prices and financial results

This section presents the results of the ACCC's price monitoring and financial reporting results. The structure is as follows:

- Section 2.4.1 presents data on aeronautical revenue
- Section 2.4.2 presents data on expenses
- Section 2.4.3 looks at data on profits
- Section 2.4.4 shows information regarding profit margin
- Section 2.4.5 presents changes in aeronautical assets
- Section 2.4.6 discusses return on assets, and
- Section 2.4.7 looks at aeronautical investments.

2.4.1. Revenue

Aeronautical revenue

Airports earn aeronautical revenue through charges to airlines accessing airport services and facilities. These charges are applied on a per passenger basis and are generally bundled together for facilities such as the use of runways, aircraft parking, aerobridge usage and terminal access.

Total aeronautical income for the monitored airports increased by 9.0 per cent in real terms to \$1.6 billion during 2015-16. This represents an increase of 80.7 per cent in real terms since 2006-07.

All airports reported real increases in aeronautical income during 2015-16. Melbourne Airport reported the largest increase in aeronautical income with a rise of 14.7 per cent in real terms to \$393.3 million. Both Sydney and Perth airports also reported significant increases of 8.9 per cent (\$709.8 million) and 11.0 per cent (\$210.0 million) in real terms respectively.

Brisbane Airport had a relatively modest increase of 0.7 per cent (\$277.8 million) in real terms during 2015-16.

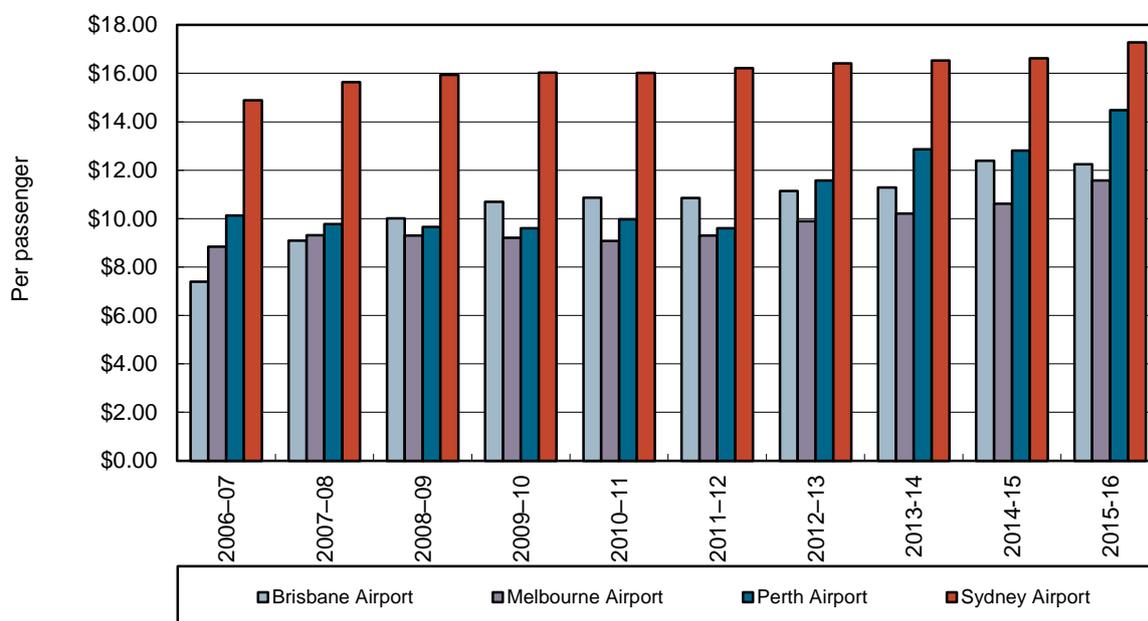
Monitored airports have recorded increases in aeronautical income over the past decade of between a high of 156.1 per cent in real terms for Perth Airport to a low of 51.8 per cent for Sydney Airport.

Aeronautical revenue per passenger

All monitored airports provide similar services and facilities to airlines including runways, aircraft parking and terminal access. A comparison of these charges across airports is difficult due to the way these charges are applied. For example, all airports bundle charges. Further, how they are bundled often differs across airports. Due to these difficulties, the ACCC prefers to use aeronautical revenue per passenger as a proxy for an airport’s average price and changes over time.

Figure 2.4.1 presents aeronautical revenue per passenger since 2006-07. Sydney Airport continues to be the most expensive airport to fly into or out of and has been since privatisation. Revenue per passenger at Sydney Airport was \$17.27. This is 41.1 per cent greater than Brisbane Airport, 49.2 per cent greater than Melbourne Airport and 19.3 per cent greater than Perth Airport.

Figure 2.4.1: Aeronautical revenue per passenger in real terms: 2006-07 to 2015-16



Note: Real values in 2015-16 dollars

Sydney Airport reported an increase in aeronautical revenue per passenger of 3.9 per cent in real terms during 2015-16. This is the largest increase in real terms since 2007-08 for this airport.

Perth Airport collected \$14.48 on average from each passenger in 2015-16, an increase of 13.0 per cent. Melbourne Airport had an increase of 9.1 per cent to \$11.58. Both airports reported increases in aircraft and passenger related charges that resulted in significant growth in aeronautical aggregate revenue. However, Perth Airport’s increase is partly due to a decrease in passenger numbers of 1.8 per cent during 2015-16.

Brisbane Airport reported a decline of 1.2 per cent (to \$12.25) in real terms for aeronautical revenue per passenger during 2015-16 which is associated with its small increase in aeronautical income and a larger rise in passenger numbers.

The substantial growth in revenue per passenger at the monitored airports is discussed in further detail in Section 1.3 of Chapter 1.

Total airport revenue

The monitored airports have multiple revenue sources in addition to aeronautical revenue. This includes revenues from car parking, retail leases and commercial property. Total airport revenue increased in real terms across all airports during 2015-16. Melbourne Airport reported the largest increase in total revenue with a rise of 10 per cent in real terms to \$839.5 million. Brisbane Airport reported the lowest increase of 3.9 per cent in real terms to \$643.0 million.

Table 2.4.1 presents both aeronautical and total revenues for the years 2006-07 and 2015-16. It also provides a ratio of aeronautical revenue to total airport revenue. The reliance on aeronautical revenue has increased across all airports over the past decade.

Table 2.4.1 Aeronautical and total airport revenue in real terms: 2006-07 to 2015-16

	Revenue in 2006-07 (\$million)				
	Brisbane	Melbourne	Perth	Sydney	Total
Aeronautical	132.1	198.9	82.0	467.7	880.6
Total airport	414.5	465.9	299.0	1060.6	2240.0
Aeronautical as a % of total airport	31.9%	42.7%	27.4%	44.1%	39.3%
	Revenue in 2015-16 (\$million)				
	Brisbane	Melbourne	Perth	Sydney	Total
Aeronautical	277.8	393.3	210.0	709.8	1590.9
Total airport	643.0	839.5	456.5	1296.1	3235.1
Aeronautical as a % of total airport	43.2%	46.9%	46.0%	54.8%	49.2%

Note: Real values in 2015-16 dollars

2.4.2. Expenses

Aeronautical expenses

The most significant expense items incurred by monitored airports usually include depreciation, salaries and wages, services and utilities and property/leasing maintenance related expenses.⁴² Total expenses for all monitored airports increased by 16 per cent in real terms to \$914.0 million during 2015-16. This is the most significant increase in aeronautical expenses for the monitored airport over the past 10 years.

Perth, Melbourne and Sydney airports reported significant increases in aeronautical expenses during 2015-16. Melbourne Airport reported the largest increase (25.2 per cent) in real terms to \$242.9 million. Aeronautical expenses rose by 23.4 per cent to \$139.7 million at Perth Airport which is its highest increase since 2004-05. Brisbane Airport had a slight decline of 1.7 per cent in real terms to \$153.1 million.

Melbourne, Perth and Sydney airports reported significant real increases in depreciation of tangible assets with increases of 55.9, 38.7 and 20.6 per cent respectively. These increases are related to the recent significant investments at these airports including the new Terminal 4 at Melbourne Airport, the new Terminal 1 Virgin Pier at Perth Airport and the purchase of Terminal 3 from Qantas at Sydney Airport.

⁴² Airlines are reimbursed the cost of certain security expenses by the government.

Total airport expenses

Total airport expenses had the largest increase over the past decade with a rise of 14.7 per cent in real terms to \$1.4 billion. As was the case with aeronautical expenses, Melbourne, Perth and Sydney airports reported significant increases while Brisbane Airport’s total expenses increased slightly by 2.6 per cent in real terms.

Melbourne Airport’s total expenses increased by 24.4 per cent in real terms to \$376.0 million during 2015-16. This is the largest increase in total airport expenses since privatisation at Melbourne Airport.

2.4.3. Profitability

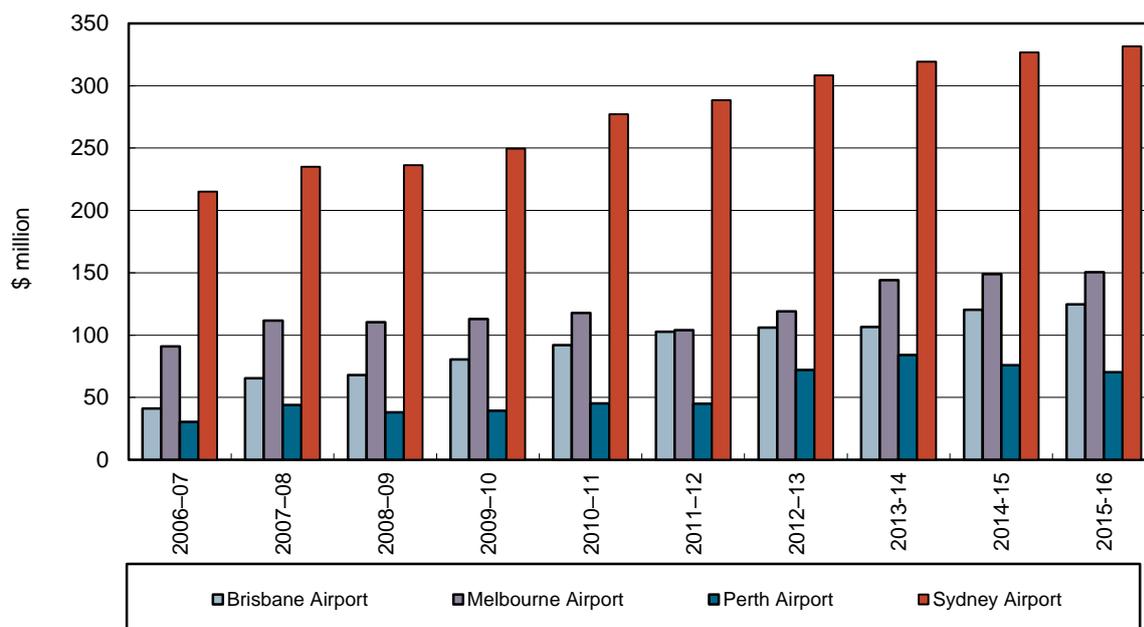
The main indicator that the ACCC uses to assess profitability of airports is earnings before interest, tax and amortisation (EBITA). This is referred to as ‘profit’ in this report. This indicator is used by the ACCC because it is not affected by differing capital structures or tax rates utilised by Australian companies. Further, EBITA is a standard key financial performance indicator that is derived from the airports’ regulatory accounts.

EBITA is a useful accounting measure for monitoring purposes such as the ACCC’s airport monitoring report. However, if the ACCC had a price setting role as it does in some other industries, it would undertake further analysis such as assessing whether the costs reported by the airports are efficient and whether the rate of return is appropriate for the level of risk facing the firm.

Aeronautical profit

The total combined profit for all monitored airports increased by 0.8 per cent in real terms to \$676.9 million during 2015-16. This represents the lowest growth for the four monitored airports since 2008-09. Figure 2.4.1 presents aeronautical profit for each airport in real terms since 2006-07.

Figure 2.4.2: Aeronautical profit in real terms: 2006-07 to 2015-16



Note: Real values in 2015-16 dollars

During 2015-16, Brisbane Airport reported the largest increase in aeronautical profit with a gain of 3.7 per cent in real terms to \$124.7 million. Although Brisbane Airport had relatively modest increase in revenue (0.7 per cent), its ability to reduce expenses by 1.7 per cent drove the profit result.

Sydney and Melbourne airports reported modest real increases in profit of 1.5 per cent (to \$331.5 million) and 1.0 per cent (to \$150.4 million) respectively. Perth Airport was the only airport to report a decline in profit during 2015-16. Its profit decreased by 7.5 per cent in real terms to \$70.3 million. This is the second consecutive year that Perth Airport reported a decline in aeronautical profit.

Over the past decade, real increases in profit have ranged from a high of 203.1 per cent for Brisbane Airport to a low of 54.2 per cent for Sydney Airport. Perth Airport's profit increased by 131.9 per cent in real terms over the same period while Melbourne Airport increased by 65.5 per cent.

Total airport profit

During 2015-16, three out of the four monitored airports increased their total airport profit. The total airport profit for all monitored airports increased by 1.8 per cent in real terms to \$1.8 billion during 2015-16.

Brisbane Airport recorded the largest increase in total airport profit with a gain of 4.8 per cent in real terms to \$373.7 million. Sydney Airport reported an increase of 3.1 per cent in real terms (to \$790.0 million) while Melbourne Airport's total airport profit increased by 0.5 per cent in real terms (to \$463.5 million). Perth Airport was the only airport to report a decrease in total profit with a fall of 4.5 per cent in real terms to \$218.7 million.

2.4.4. Profit margin

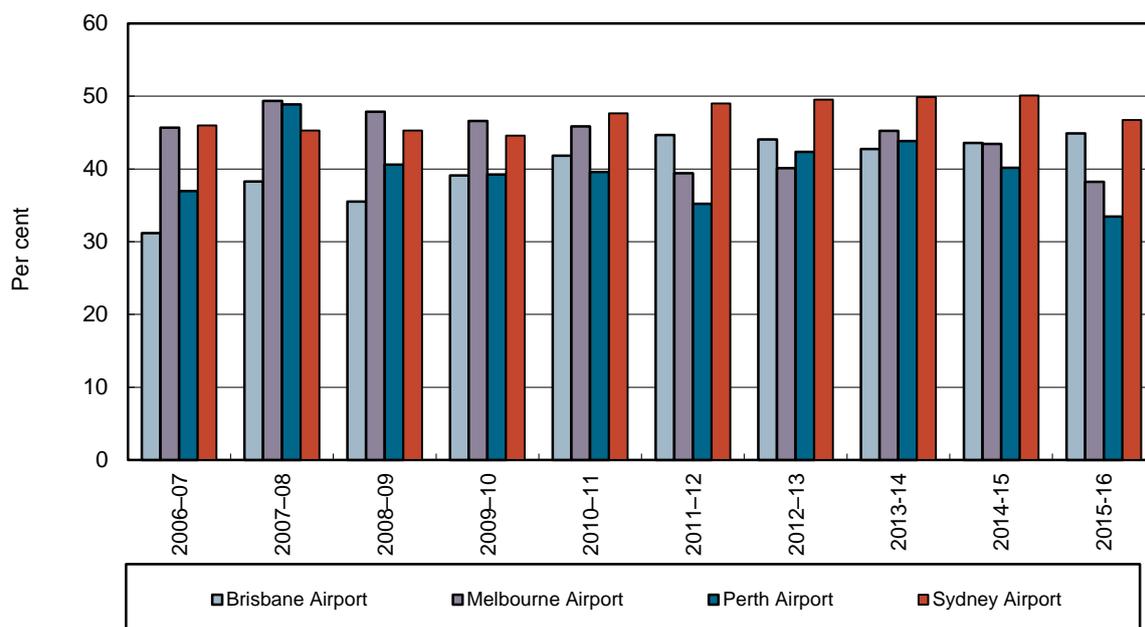
The ACCC also uses the ratio of EBITA relative to revenue earned in assessing airport profitability. This measure calculates the extent to which profit is earned from each dollar of revenue after deducting all relevant costs. The measure is usually referred to as 'profit margin' and is expressed as a percentage.

Aeronautical profit margin

Figure 2.4.4 presents aeronautical profit margin from 2006-07. During 2015-16 Brisbane Airport was the only airport to report an increase in aeronautical profit margin which increased 1.3 percentage points to 44.9 per cent.

Perth Airport's aeronautical profit margin dropped by 6.7 percentage points to 33.5 per cent during 2015-16. This is the airport's largest percentage point drop since 2008-09 and its lowest aeronautical profit margin since 2001-02. Melbourne and Sydney airports reported drops of 5.2 percentage points (to 38.2 per cent) and 3.4 percentage points (to 46.7 per cent) respectively. Sydney Airport continues to report the largest profit margin for 2015-16 of the monitored airports.

Figure 2.4.4: Aeronautical profit margin: 2006-07 to 2015-16



Note: Real values in 2015-16 dollars

Total airport profit margin

Similar to aeronautical profit margin, the total airport profit margin increased at Brisbane Airport during 2015-16 but decreased at the three other monitored airports. Brisbane Airport’s profit margin increased 0.5 percentage points to 58.1 per cent during 2015-16. Melbourne Airport reported the largest fall in their total airport profit margin since 2003-04, dropping 5.2 percentage points to 55.2 per cent.

Perth Airport also reported a significant drop of 4.7 percentage points during 2015-16 to 47.9 per cent. Sydney Airport’s total airport profit margin decreased by 2.5 percentage points to 61.0 per cent.

2.4.5. Aeronautical assets

Aeronautical assets are assets that are directly utilised for the supply of aeronautical services and include runways, taxiways, parking bays, aprons and terminal facilities. Care should be taken when considering the value of aeronautical assets and changes in asset values due to the different approaches that airports have taken in valuing their assets.

During 2015-16 total tangible non-current aeronautical assets for all four airports combined rose by 10.0 per cent in real terms to \$8.1 billion. This is the fifth consecutive year that the airports’ combined aeronautical asset base has grown.

Sydney Airport reported having \$3.1 billion of aeronautical tangible non-current assets at the end of 2015-16, the highest of all the airports. Brisbane Airport was next with \$2.2 billion.

Sydney Airport recorded the largest rise in aeronautical tangible non-current assets during 2015-16, increasing by 19.6 per cent in real terms to \$3.1 billion. A large proportion of this increase was related to Sydney Airport’s purchase of Qantas’ domestic terminal lease. Perth Airport reported an increase of 11.2 per cent while Brisbane and Melbourne airports reported

increases of 5.7 and 0.5 per cent during 2015-16. Over the past decade, Perth Airport has reported the largest change in real terms for the aeronautical tangible non-current assets with an increase of 317.8 per cent. Sydney Airport had the lowest change with 7.7 per cent growth over the same period.

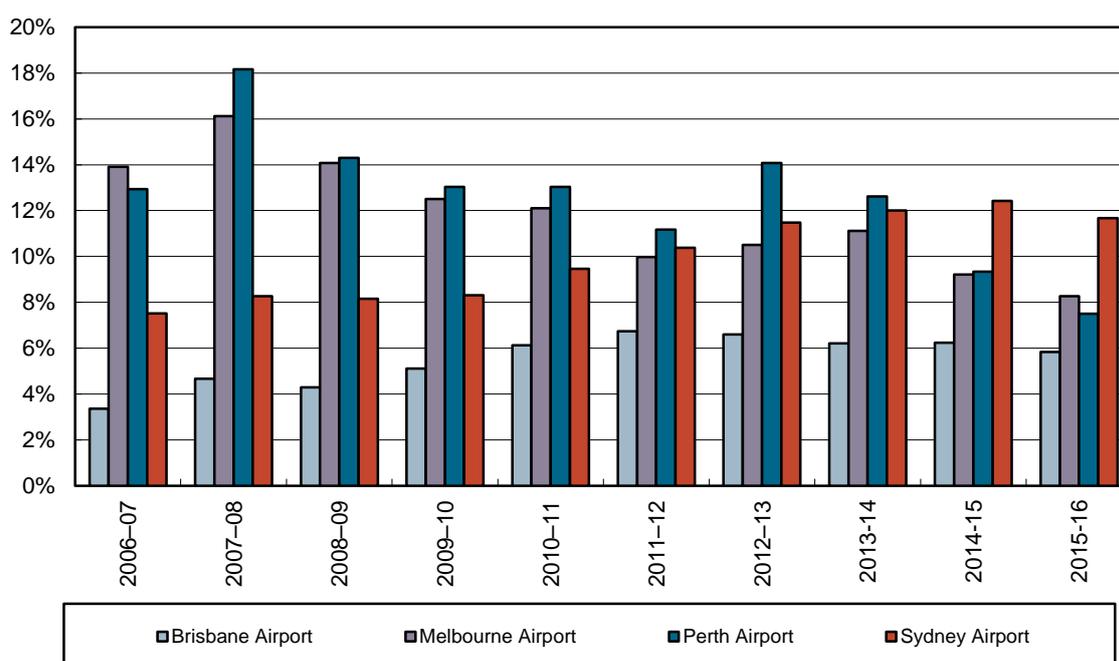
2.4.6. Return on assets

Return on assets is calculated by dividing EBITA by average tangible non-current assets. Care should be taken when interpreting the airports' return on assets. Due to the discretion available to airports under accounting standards, return on assets may be influenced by the differing approaches that airports use to value their assets.⁴³

Return on aeronautical assets

Return on aeronautical assets from 2006-07 is presented in Figure 2.4.5. All monitored airports recorded decreases in return on aeronautical assets during 2015-16. This has not occurred since 2008-09. A combination of relatively moderate increases in aeronautical profit combined with significant increases in aeronautical non-tangible assets at two airports partly drove the decreases in return on aeronautical assets.

Figure 2.4.5: Return on assets for aeronautical services: 2006-07 to 2015-16



Perth Airport reported the largest change in return on aeronautical assets, dropping by 1.8 percentage points to 7.5 per cent. Melbourne Airport's return on aeronautical assets was down 0.9 percentage points to 8.3 per cent while Sydney and Brisbane airports decreased by 0.8 (11.7 per cent) and 0.4 (5.8 per cent) percentage points respectively.

⁴³ In its 2011 inquiry report into the Economic Regulation of Airport Services, the Productivity Commission said that it is difficult to draw conclusions from the rate of return data for both the headline rate in a single period and across time. Rates of return are likely to vary depending on where an airport is in its investment cycle and the values ascribed to assets under accounting standards.

Productivity Commission, *Economic Regulation of Airport Services, Inquiry Report*, No 57, December, 2011
<http://www.pc.gov.au/inquiries/completed/airport-regulation/report>

Return on aeronautical assets using the line in the sand approach

The ACCC has reported a 'line in the sand' (LIS) approach for airports' aeronautical asset valuations since 2007-08. The 2006 Productivity Commission's (PC) inquiry into the price regulation of airports services found that some airports were revaluing assets for a range of non-price reasons. The PC stated that the intent behind these revaluations may be to provide some justification for higher charges in the future.⁴⁴ The PC recommended a LIS approach so that these revaluations would not be a factor in measures such as return on assets. Under the LIS approach, airports were asked to report the value of tangible non-current aeronautical assets as at 30 June 2005, plus new investments, less depreciation and disposals.⁴⁵

Brisbane and Sydney airports are the only two airports that are impacted by the LIS approach as Melbourne and Perth airports have not revalued their aeronautical assets for monitoring purposes since June 2005.

Brisbane Airport's return on aeronautical assets under the LIS approach was 7.0 per cent, 1.2 percentage points higher than their non-LIS figure. Sydney Airport's return on aeronautical assets under the LIS approach was 11.2 per cent, which was 0.5 percentage points lower than the non-LIS figure.⁴⁶

Return on total airport assets

All airports reported decreases in their return on total airport assets during 2015-16. Sydney Airport's return on total airport assets declined by 2.0 percentage points to 16.2 per cent during 2015-16. This is the lowest return for Sydney Airport since 2009-10.

Melbourne Airport's return on total airport assets declined by 1.8 percentage points to 11.2 per cent during 2015-16. This is the lowest return on total airport assets for Melbourne Airport since privatisation. Both Brisbane and Perth airports reported declines of 0.4 and 1.5 percentage points to 8.6 and 8.2 per cent respectively. This is the first time since privatisation that Brisbane Airport has reported a higher return on total airport assets than Perth Airport.

2.4.7. Aeronautical investments

The ACCC considers that an essential determinant of an airport's operational performance is the extent to which it is undertaking efficient investments in aeronautical infrastructure to meet the current and future needs of users of these airports. As an indicator of investment relative to airport size, the ACCC looks at the proportion by which the total aeronautical tangible non-current assets at an airport is increasing (or decreasing).

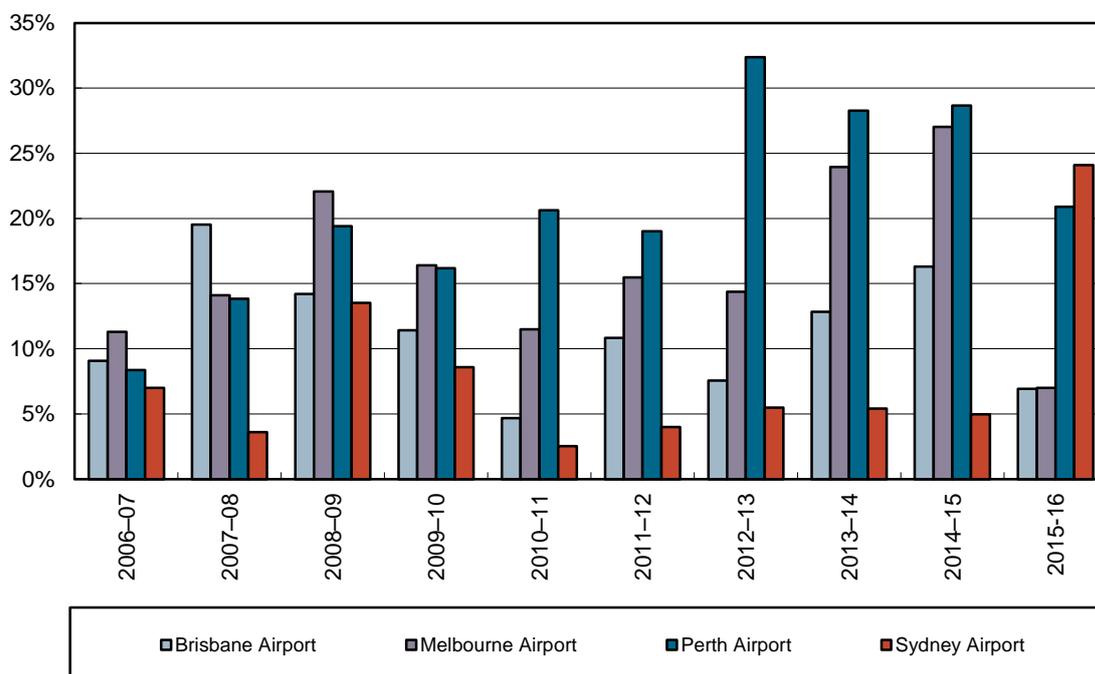
Figure 2.4.6 presents additions as a percentage of aeronautical assets for all monitored airports from 2005-06. All airports apart from Sydney Airport reported reductions in additions as a percentage of aeronautical assets when compared with the previous year.

⁴⁴ Productivity Commission, *Review of Price Regulation of Airport Services*, No 40, 14 December, 2006, <http://www.pc.gov.au/inquiries/completed/airports-2007/report>

⁴⁵ This information was required in addition to the airports' regulatory accounts.

⁴⁶ The LIS return on aeronautical assets for Sydney Airport refers to accounts that exclude the value of landfill in leasehold land. Refer to Section 5.2.6 in Chapter 5 for the LIS return on aeronautical assets that includes landfill.

Figure 2.4.6: Additions as a percentage of tangible non-current assets for aeronautical services: 2006-07 to 2015-16



Sydney Airport reported the highest additions as a percentage of aeronautical assets during 2015-16 with 24.1 per cent (\$746.0 million). This is the largest percentage reported since 1999-2000 and the largest aggregate capital spend since privatisation. However, a large proportion of this increase was related to the purchase of the Qantas domestic terminal, rather than the result of constructing new facilities for passengers or airlines. Other significant completed additions include two additional aprons and security fence upgrades.

Perth Airport reported the second largest additions as a percentage of aeronautical assets with 20.9 per cent (down 7.8 percentage points from 2014-15). Significant additions during 2015-16 included the Terminal 1 international and domestic pier which was completed in November 2015.

Since 2006-07, total airport aeronautical investment has been in excess of \$7.3 billion with Sydney Airport reporting the largest spend with \$2.3 billion. As noted above, included in this total is the purchase of the Qantas Domestic Terminal. Melbourne and Brisbane airports have both spent around \$1.9 billion while Perth Airport was \$1.2 billion. However, while these amounts are considerable, they have not led to any significant changes in the overall weighted quality of service over the same period (see section 2.2.1).

2.5. Comparing aeronautical price with aeronautical quality of service outcomes

An unconstrained (unregulated) monopoly can, if they wish to, earn excess profits by charging higher access fees and providing lower levels of service to users of the infrastructure. The latter can be done by having lower levels of investment and/or maintenance and cleaning.

Figure 2.4.7 provides a graphical representation of the combination of aeronautical quality of service ratings with the average aeronautical prices charged per passenger for each

monitored airport. In this box figure, the most favourable outcomes for airlines would be in the lower right quadrant which represents lower prices and higher quality. The least favourable outcome is the upper left quadrant representing lower quality and higher prices.

Figure 2.4.7: Aeronautical revenue per passenger (in real terms) and aeronautical quality of service ratings: 2006-07 and 2015-16

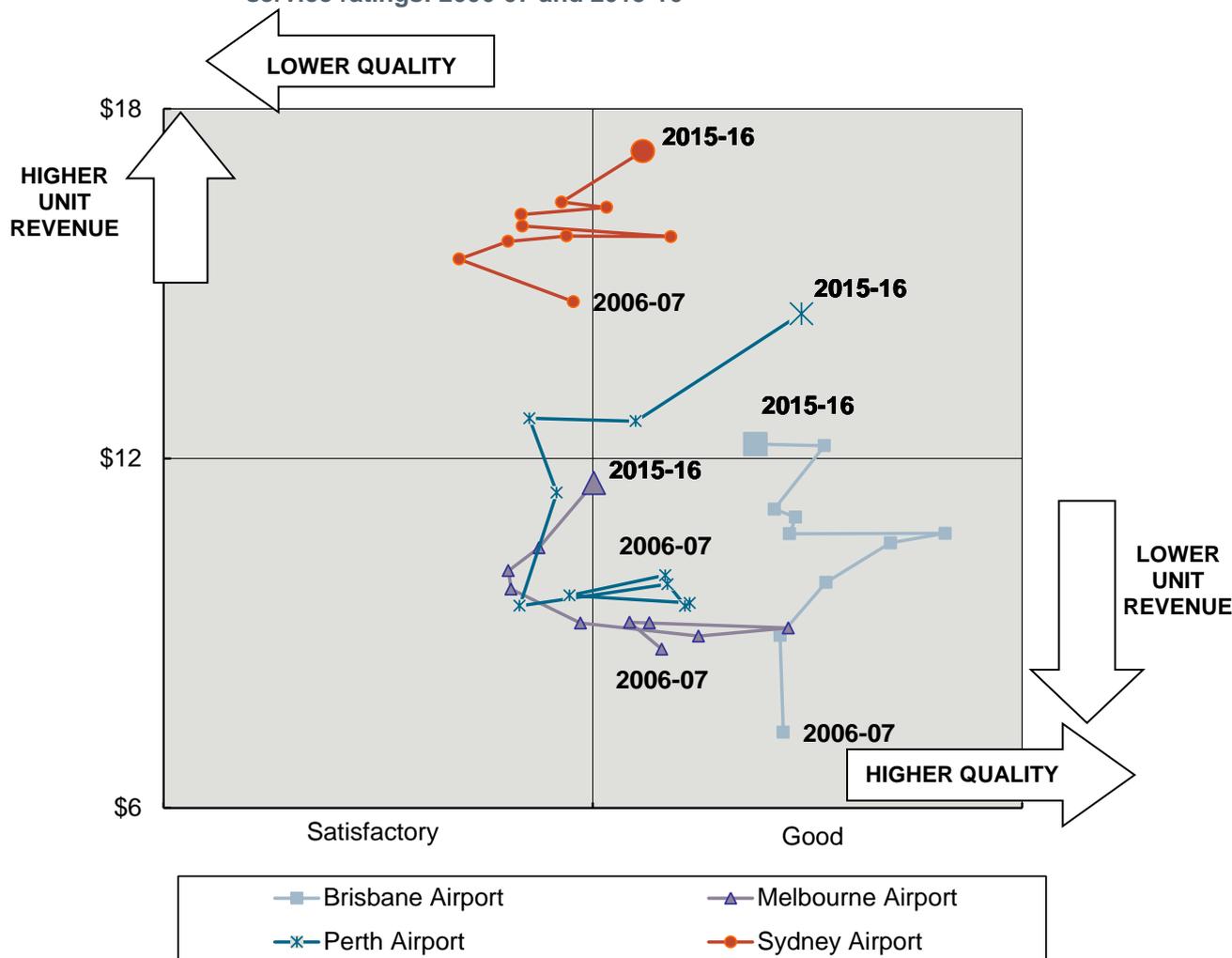


Figure 2.4.7 shows that all airports have increased their aeronautical revenue per passenger in real terms in 2015-16 when compared to 2006-07. However, two of the airports have improved their aeronautical quality of service ratings over the period. In 2006-07, Brisbane, Melbourne and Perth airports were in the lower price and higher quality quadrant. During 2015-16, no airport was located in this quadrant.

2.6. Airport car parking prices, revenues, costs and profits

All monitored airports provide car parking facilities. This essential service complements other forms of landside access to the airport, such as rail links, taxis and buses. Since privatisation, car parking has been an important source of revenue for the airports, comprising 7 to 20 per cent of annual total airport revenue.

This section provides an overview of the ACCC’s monitoring results of the prices, revenues, costs and profits relating to car parking at the airports. More detailed information on the car parking facilities at each airport is provided in Chapters 3 to 6.

2.6.1. Car parking spaces provided

Table 2.6.1 shows the number of car parking spaces at the monitored airports. Brisbane, Melbourne and Perth airports all increased the number of car parking spaces over the last year.

Sydney was the only airport to report a slight reduction (by 3.4 per cent) in the number of spaces. This decrease was caused by construction works for an expansion to the P3 domestic car park, which should result in 399 more car parking spaces in 2016-17. The largest increase was at Melbourne Airport, where a new car park next to Terminal 4 expanded the total number of spaces at the airport by 11.5 per cent.

Table 2.6.1: Total car parking spaces in 2016 and changes from previous years

Airport	Total car parking spaces			Percentage change	
	30 June 2007	30 June 2015	30 June 2016	2006 to 2016	2015 to 2016
Brisbane	8 616	13 677	14 725	▲ 71%	▲ 7.7%
Melbourne	16 904	23 223	25 900	▲ 53%	▲ 11.5%
Perth	5 112	22 206	22 763	▲ 345%	▲ 2.5%
Sydney	10 869	16 492	15 933	▲ 47%	▼ 3.4%

Over the past decade there has been a substantial increase in the number of parking spaces at all the airports. The largest increase was at Perth Airport, where current car parking capacity is more than four times larger than it was in 2006. These increases have helped the airports accommodate the 40.6 per cent increase in passenger numbers since 2006-07. Brisbane and Perth airports have grown their car parking capacity by at least twice the growth in passenger numbers, while parking capacity growth at Melbourne and Sydney airports has been more comparable to passenger growth.

2.6.2. Car parking prices

Car parking prices are primarily determined by the length of stay. Other factors affecting the price include whether a car park is covered or open, and its proximity to the terminals.

All airports now offer online bookings for car parking in addition to the drive-up parking rates. Online booking prices are typically discounted compared to the drive-up charges. This complicates drive-up price comparisons, as for some parking durations more customers may book online than pay drive-up prices. For this reason the ACCC collects revenues from both drive-up prices and online bookings, and calculates an average online booking price per vehicle. The ACCC also calculates the average price per vehicle combining both online and drive-up charges.

Tables 2.6.2 and 2.6.3 list the drive-up price, the online prices and the average price for all online and drive-up charges for selected domestic terminal car parks.

Table 2.6.2 shows prices at short-term domestic car parks. Perth Airport has substantially cheaper drive-up prices than the other three airports, while Melbourne and Sydney airports have the highest drive-up charges. Data from the three airports which provided online prices show that the average online price is cheaper than the equivalent drive-up price. The average discount is 28.7 per cent, with the largest discounts applying to 2-3 hour stays at Sydney and Melbourne Airports.

Table 2.6.2: Selected short-term drive-up, online and average domestic terminal car parking prices in 2015-16

	Short term car parking (domestic terminals)								
	1 hour			2-3 hours			4-24 hours		
	Drive up	Average Online	Combined average	Drive up	Average Online	Combined average	Drive up	Average Online	Combined average
Brisbane	\$15.00	\$14.46	\$14.26 ^(c)	\$24.00	\$18.50	\$23.36	\$55.00	\$45.85	\$49.69
Melbourne	\$15.00	\$10.39	\$14.77	\$39.00	\$15.33	\$27.63	\$59.00	\$41.80	\$53.55
Perth ^(a)	\$9.00	-	-	\$15.00	-	-	\$45.00	-	-
Sydney ^(b)	\$17.00	\$10.00	\$16.29	\$33.00	\$20.01	\$32.06	\$59.50	\$50.98	\$57.50

Note: (a): Perth Airport has not made online car-parking revenues available to the ACCC. All monitored airports except for Perth charged a flat drive-up rate for 4 to 24 hour parking. Perth Airport charged \$19.50 for 4-5 hours, increasing by \$2 for each extra hour up to 8 hours. A single drive-up rate of \$45 dollars applies for 8-24 hour stays.

(b): The P3 car park is also available at Sydney Airport. It is further away from the domestic terminals than the larger multi-level domestic car parks, but still within walking distance. It provides a cheaper daily parking rate of \$48.

(c): Note that this combined average price is lower than the online price. This is because the effective drive-up price (revenue divided by the number of vehicles) can be lower than the listed drive-up price in some instances.

The combined average of online and drive-up prices for 1 and 2-3 hour stays are similar to the drive-up prices. This indicates that most customers are not using online booking for these shorter stays.

For 4 to 24 hour stays, the combined average prices are substantially below the drive-up prices, showing that for these longer car parking periods more customers are booking online. The overall number of online bookings, however, remains a small percentage of the total number of vehicles using short-term parking.

Table 2.6.3 shows prices for long-term parking at domestic terminals. The highest long-term drive-up prices are at Brisbane and Sydney airports.

Online prices for long-term car parking are discounted by 37 per cent on average. This represents an even larger saving than for short-term online prices. With the exception of one day stays at Sydney's Blue Emu car park, all long-term stay durations have substantially discounted average online prices. Brisbane Airport reported the lowest drive up prices for 1 and 3 days duration while Melbourne had the lowest price for 7 days parking. Average online prices were cheapest at Melbourne Airport for 1 and 7 days duration while Brisbane Airport reported the lowest for 3 days parking duration.

Table 2.6.3: Selected long-term drive-up, online and average domestic terminal car parking prices in 2015-16

	Long term car parking (domestic terminals)								
	1 day			3 days			7 days		
	Drive up	Average Online	Combined average	Drive up	Average Online	Combined average	Drive up	Average Online	Combined average
Brisbane	\$23.00	\$21.46	\$23.63	\$63.00	\$32.12	\$34.33	\$123.00	\$70.31	\$73.69
Melbourne	\$25.00	\$15.29	\$22.26	\$69.00	\$40.87	\$53.88	\$99.00	\$65.83	\$75.30
Perth	\$24.50	-	-	\$71.00	-	-	\$115.00	-	-
Sydney	\$31.00	\$30.01	\$30.27	\$74.00	\$65.27	\$70.15	\$137.00	\$98.12	\$108.22

Note: Melbourne Airport's long-term car parking prices are for the long-term uncovered car park.

The majority of the combined average prices (which include both drive-up and online charges) are closer to the online prices than drive-up prices. This shows that more people are using online bookings for long-term car parking compared to short-term car parking.

Table 2.6.4 shows the change in drive-up car parking prices over the last year. The majority of prices rose in real terms across the airports. Following similar prices rises last year, Perth Airport was again the only airport to increase all selected short and long-term car parking charges.

Table 2.6.4: Change in selected drive up short- and long-term car parking prices from 30 June 2015 to 30 June 2016

Airport	Short term car parking			Long term car parking		
	1 hour	3 hours	8 hours	1 day	3 days	7 days
Brisbane ¹	▼ 1.4%	▲ 2.9%	▼ 1.4%	n/a	n/a	n/a
Melbourne	▲ 5.7%	▲ 32.7%	▲ 2.1%	▼ 36.8%	▼ 1.4%	▼ 1.4%
Perth	▲ 4.4%	▲ 2.0%	▲ 8.3%	▲ 5.1%	▲ 4.5%	▲ 2.2%
Sydney	▲ 4.8%	▼ 1.4%	▲ 0.3%	▲ 1.9%	— 0.0%	▲ 0.1%

Note: Changes are calculated using prices in real terms

1. Long term price car parking prices are not comparable at Brisbane Airport as 2015-16 prices refer to the new long term car park Airpark. Previous prices referred to the domestic long term car parking located at the front of the terminal.

The most significant changes were at Melbourne Airport where short-term car parking prices increased in real terms, and long-term parking prices decreased. The largest changes were for 1 day stays at long-term car parking where the price dropped by 36.8 per cent and 2-3 hour duration short-term parking stays, where charges rose by 32.7 per cent.

Trends in the number of passengers booking online

Last year’s monitoring report noted that more customers are taking advantage of the discounted rates available by booking online, particularly for longer duration stays of more than one day. This trend has continued at Melbourne and Sydney Airport in 2015-16. The share of car parking revenue from online bookings has also grown at Melbourne and Sydney airports.⁴⁷ The total percentage of car park revenue sourced from online car park bookings during 2015-16 ranged from a low of 28.0 per cent to 35.7 per cent for the three airports who provided data.

Between 50.5 and 90.7 per cent of revenue from the three designated long-term car parks⁴⁸ at the monitored airports were sourced from online bookings during 2015-16. Many more customers are now booking online for long-term car parking. Almost half of customers book long-term parking online at Sydney and Melbourne, a significant increase over last year.

Online booking is likely less attractive for short-term car parking customers, who may not know the precise timing of their stay due to possible aircraft delays or traffic congestion. The percentage of customers booking online for short-term car parking remains at just a few per cent, but it has increased from last year at both Melbourne and Sydney Airport. During 2015-16, revenue from online bookings at the monitored airports’ short-term car parks ranges from a low of less than 1 per cent to a high of 6.5 per cent.

⁴⁷ Perth Airport did not make available revenue data for online bookings for car parking. The ACCC is therefore unable to comment on the relative importance of online bookings for Perth Airport.

⁴⁸ These types of long-term car parks are usually at a distance from terminals and passengers are usually provided a shuttle bus to the terminals.

Although more consumers are booking online at Melbourne and Sydney airports, more than half of long-term parking customers at these airports still pay drive-up prices. Therefore a large number of consumers could still potentially benefit from significant discounts by booking car parking online.

2.6.3. Car parking revenues, costs and profits

Table 2.6.5 presents car parking revenue, expenses and profits in 2015-16 for the monitored airports. The percentage change from 2014-15 is also shown.

Table 2.6.5: Car parking revenue, expenses and profit in 2015-16

Airport	Revenue (\$million)	Percentage change from 14-15	Expenses (\$million)	Percentage change from 14-15	Profit (\$million)	Percentage change from 14-15
Brisbane	89.0	▲ 3.8%	30.2	▲ 7.2%	58.8	▲ 2.1%
Melbourne	135.3	▼ 1.2%	55.5	▲ 38.8%	79.9	▼ 17.7%
Perth	63.6	▼ 3.7%	28.2	▲ 17.7%	35.4	▼ 15.9%
Sydney	133.8	▲ 3.2%	36.0	▼ 2.2%	97.8	▲ 5.4%

Note: Changes are calculated using prices in real terms

Car parking revenue increased for Sydney and Brisbane by 3.2 and 3.8 per cent and decreased for Perth and Melbourne. The largest fall in revenue occurred at Perth Airport, which decreased by 3.7 per cent in real terms to \$63.6 million. The profit was slightly higher for Brisbane and Sydney, but significantly lower for Melbourne (down 17.7 per cent) and Perth (down 15.9 per cent). These reduced profits are partly due to lower revenue, but are mostly driven by large increases in expenses. Melbourne Airport saw the largest expense rise at nearly 40 per cent. This increase was driven by a new cost allocation methodology.⁴⁹

Melbourne and Sydney airports have consistently had the highest revenues and profits of the four airports over the last decade. Melbourne Airport has had the highest revenue since 2007-08, and the highest profit for seven of the last ten years.

Car parking revenue at all the airports has grown significantly over the last decade. Since 2006-07 Sydney Airport's revenue has grown by 36.9 per cent in real terms, Melbourne Airport's by 58.1 per cent, and Brisbane Airport's by 79.3 per cent. Over the past decade Perth Airport almost tripled its car parking revenue in real terms to \$63.6 million in 2015-16. The rise at Perth Airport took place even with a drop in car parking revenue over the last two years which was in part due to lower domestic passenger numbers.

Car parking continues to earn significant profit margins for the four monitored airports. Sydney airport reported the highest profit margin for 2015-16 with 73.1 per cent, up 1.5 percentage points from 2014-15. Brisbane Airport reported the second highest car parking profit margin with 66.1 per cent, down 1.1 percentage points. While Melbourne Airport has generally exceeded 70 per cent profit margins over the past decade, its revised expense allocation for car parking activities resulted in the profit margin falling by 11.8 percentage points to 59.0 per cent in 2015-16. Perth Airport's profit margin fell 8.1 percentage points to 55.6 per cent.

⁴⁹ Melbourne Airport stated that previous cost allocations to car park operations understated the real total expenses related to these activities.

2.6.4. Revenues, costs and profits per car parking space

Table 2.6.7 shows car parking revenue, expenses and profit per car parking space for each airport in 2015-16.

Sydney airport has the highest car parking revenue per parking space at \$8395, followed by Brisbane (\$6042), Melbourne (\$5226) and then Perth (\$2792). The revenue per space fell in 2015-16 for every airport except Sydney Airport, where it rose by 6.9 per cent. Sydney Airport’s car parking revenue per space was 39.0 per cent higher than the next highest airport. Melbourne and Perth both saw an increase in expenses per car parking space (by 24.5 and 14.8 per cent in real terms).

Table 2.6.7: Car parking revenue, costs and profit per car parking space in 2015-16

Airport	Revenue (\$)	Percentage change from 14-15	Expenses (\$)	Percentage change from 14-15	Profit (\$)	Percentage change from 14-15
Brisbane	6042	▼ 3.6%	2048	▼ 0.4%	3994	▼ 5.1%
Melbourne	5226	▼ 11.4%	2142	▲ 24.5%	3084	▼ 26.2%
Perth	2792	▼ 6.1%	1238	▲ 14.8%	1553	▼ 17.9%
Sydney	8395	▲ 6.9%	2257	▲ 1.3%	6138	▲ 9.1%

Note: Changes are calculated using prices in real terms

The fall in revenue and higher expenses led to a drop in the car parking profit per space for Melbourne and Perth airports. The growth in revenue at Sydney Airport, combined with a modest fall in expenses, led to the only increase in profit of the four airports, with a rise of 9.1 per cent over last year.

Sydney Airport has reported the highest profit per car parking space for the past decade. During 2015-16, Sydney Airport’s profit per car park space was 53.7 per cent higher than the next highest airport.

2.7. Landside access prices, revenues, throughput, and investment

Access to airport landside areas (e.g. forecourt and transport hubs) is required by alternative transport modes for picking up and dropping off passengers. These modes include off-airport car parking, terminal pick-up and drop-off, taxis, hire cars, limousines, public and private buses, and trains. These transport modes compete with airports’ own car parks to varying degrees, but also rely on airports to provide adequate access to the landside bottleneck areas.⁵⁰

Because airports earn a significant proportion of revenue from their own car parks, they are unlikely to have a strong incentive to provide favourable terms and conditions for the alternative transport modes to access the landside areas controlled by airports. However, it is important that airports provide adequate access to alternative transport modes to landside infrastructure to facilitate competition, which in turn can lead to better outcomes for consumers through improved service level and lower prices.

⁵⁰ A bottleneck area refers to a scenario such as a road or manufacturing process where congestion occurs and typically demand exceeds supply. The term refers to the shape of a bottle where the neck is the narrowest point. In the case of airports, the bottleneck limits the throughput of those seeking landside access.

To facilitate such outcomes, the ACCC first began to collect landside data⁵¹ from 2009-10 and commenced monitoring of airport landside quality of service in its 2013-14 airport monitoring report. As part of its annual monitoring program, the ACCC surveys a range of landside operators about their perception of services provided by airports in relation to landside access.⁵²

Section 1.7.1 discusses quality of service ratings from landside operators' survey. Section 1.7.2 examines changes in access charges levied by the airports. Section 1.7.3 examines the trends in landside revenue and throughput while Section 1.7.4 discusses airports investment in landside facilities.

2.7.1. Quality of landside services

The ACCC monitors the quality of service provided to companies seeking access to airport landside areas. The quality of service rating is based on responses from landside operators received by the ACCC to its annual survey. While the operators' responses have been limited, the rating provides some indication of the quality of landside services. Table 2.7.1 presents the landside ratings for each airport for 2015-16.

Table 2.7.1 Landside operator's average ratings of airports' landside areas for 2015-16

Airport	Rating category 2015-16	1-year change
Brisbane Airport	Poor	▼*
Melbourne Airport	Satisfactory	▲
Perth Airport	Satisfactory	— ¹
Sydney Airport	Satisfactory	▼*

Source: ACCC survey of landside business operators

Note: The rating categories are: very poor, poor, satisfactory, good and excellent.

▲ indicates an improvement; ▼ indicates a decline; — indicates no change. **/*** Rating changed by one/two categories over the period.

1. Perth Airport's landside rating for 2014-15 has been revised from 'poor' to 'satisfactory'.

In 2015-16, Sydney Airport's rating dropped from 'good' to 'satisfactory' while Brisbane Airport rating dropped from 'satisfactory' to 'poor'. Both Melbourne and Perth airports remained unchanged at 'satisfactory'.

The response from off-airport car park operators has been particularly interesting given that they compete directly with airports' own car parking. Consistent with the previous year, concerns have been raised about the uneven playing field between on-airport car parks and themselves. In particular, it was noted that in addition to increasing access charges, landside access is restricted in the sense that:

- the location and distance of the pick-up/drop-off points for their customers is disadvantageous when compared to the airport's own car parks
- there are only limited drop-off points (sometimes only one drop-off point for all the terminals in the airport) for off-airport car parking operators, compared to drop-off points at each terminal for the airport's own car parks

⁵¹ Unlike aeronautical activities, landside data is provided by airports on a voluntary basis in response to request from the ACCC. As a result the data received by the ACCC is not fully consistent in terms of its coverage of services across the airports.

⁵² As noted in the 2014-15 monitoring report, the ACCC is assessing the feasibility of continuing with the landside survey of due to poor response rates from businesses and representative associations.

- off-airport car parks are sometimes charged more than once for accessing more than one drop-off point
- the amenity of facilities for off-airport car park customers are poor, e.g. lack of shelter and signage.

The constraints on off-airport car parks imposed by airports may limit the ability of off-airport car parks to provide a similar level of customer experience to that provided by airports' own car parks, making off-airport car parks less appealing to their customers.

2.7.2. Landside access prices

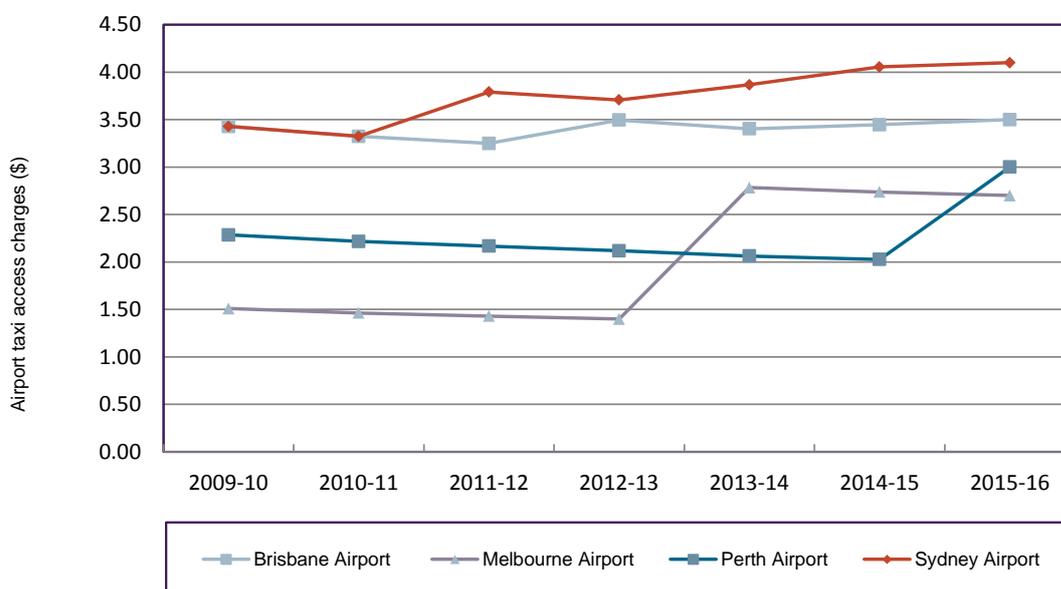
In general, airports levy charges for operators of alternative transport modes to access landside areas at airports. The level of these charges can potentially affect landside operators' ability to compete with airports' own car parking businesses. In some cases this may even impact on the viability of landside operators. Below we discuss the recent trends in access charges for a number of alternative transport modes (i.e. taxis, private buses, and off-airport car parks).

Taxi operators are generally levied an access charge for each pick-up at airports. The charge cover costs of taxi facilities provided by airports such as taxi ranks and the holding yard, cab ranks and other facilities (toilet, prayer room etc.)

Since 2009-10, most airports have significantly increased their access charges in real terms (Figure 2.7.2). Melbourne Airport's taxi charge has grown the fastest, despite commencing and finishing the period as the lowest of the four airports. In 2013-14, the access charge for taxis at Melbourne Airport increased by around 80 per cent. Although not shown on the chart as it occurred after the 2015-16 financial year, Melbourne Airport further increased the charge to \$3.58 (in nominal terms) on 1 November 2016. According to the airport, the increased fee was needed to recover costs associated with a range of taxi facilities it provides and reflects its budgeted expenses in 2017 which exceed \$4.1 million.⁵³ However, the ACCC notes that the higher access charge will result in revenues of over \$7 million each year even if volumes of taxi pick-ups remain constant.

⁵³ Melbourne Airport, Submission to the Essential Services Commission Taxi Fare Review 2016, May 2016, p. 4.

Figure 2.7.2: Taxi access charge (per pick-up) at the monitored airports (in 2015-16 prices): 2009-10 to 2015-16



Increases in taxi access charges at other airports have been moderate over the 7-year period. Perth and Sydney airports' access charges grew at 31.3 and 23.3 per cent in real terms respectively, while Brisbane Airport charges remained relatively constant (2 per cent).

Access charges for private car operators (e.g. limousines) have also gone up since 2009-10. Perth Airport increased its charge⁵⁴ by 79 per cent in real terms, while Sydney (29 per cent⁵⁵) and Melbourne (17 per cent⁵⁶) also reported increases. A stakeholder has raised concerns that excessive increases in charges could potentially result in the industry becoming unviable.

The access charges levied on private bus operators and off-airport car parking operators have also increased. Brisbane Airport increased its prices by one third (since 2010-11)⁵⁷ while Sydney Airport's charges increased by one fifth⁵⁸ (since 2011-12) in real terms. In relation to Melbourne Airport, an off-airport car parking operator argued that the access charge has gone up by around 70 per cent (in nominal terms) since September 2014 and it is not possible to pass all of this increase onto customers.

2.7.3. Revenue and throughput

Airports generally receive much less revenue through access charges levied on landside operators than from their own car parking businesses (see Section 1.6, airport car parking prices, revenues, costs and profits). Figure 1.7.2 shows total revenues collected by airports from their landside access charges for various transport modes since 2009-10.

⁵⁴ This is based on the charge per entry.

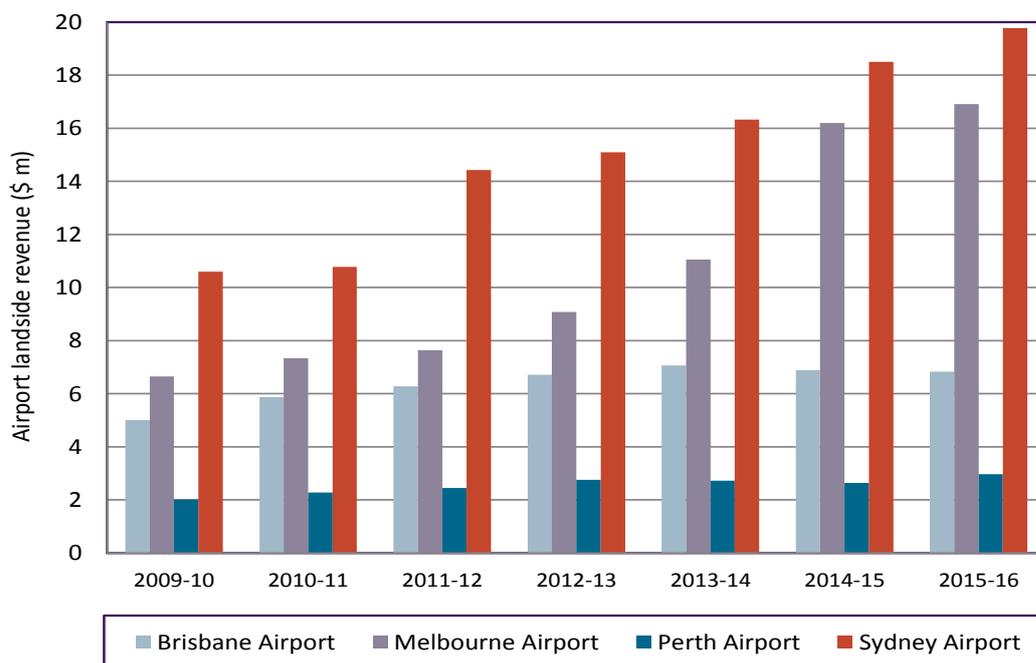
⁵⁵ This is based on the charge for the first 20 minutes at the domestic terminals.

⁵⁶ This is based on the charge per 30 minutes.

⁵⁷ Price change is based on charges for buses of 12 to 28 passengers per vehicle up to 30 minutes at domestic terminals and 60 minutes at the international terminal.

⁵⁸ Price change is based on charges for buses of 15 to 29 passengers per vehicle for 20 to 40 minutes at domestic terminals.

Figure 2.7.2: Landside revenue (2015-16 prices): 2009-10 to 2015-16⁵⁹



Sydney Airport collected the most revenue from landside operations in 2015-16 with \$20 million. This figure grew by 7 per cent in 2015-16. Melbourne Airport is now not far behind at \$17 million, up 4 per cent. These two airports have also had the highest growth over the longer term. Since 2009-10, Melbourne Airport’s landside revenue has increased by 154 per cent (in real terms) to \$16.9 million, while Sydney Airport’s revenue has almost doubled to \$19.8 million. Perth and Brisbane airports have had relatively moderate growth over this period with their respective landside revenue reaching \$3.0 million (up by 48 per cent) and \$6.8 million (up by 37 per cent) in real terms.

The make-up of the landside revenue from various modes varies across the airports and the growth rate for each mode also varies (Table 2.7.2). In 2015-16, the biggest mover in terms of revenue was from taxi fees at Perth Airport (up by 12.6 per cent). Revenue from private cars at Sydney Airport grew by 12.1 per cent. A number of modes experienced declines in revenue.

⁵⁹ Due to data limitations, the total landside revenue reported at each airport may include revenues from different transport modes. Car rental income is excluded from total landside revenue as we do not have consistent data across the airports.

Table 2.7.2: Landside access revenues as at 30 June 2015 and 30 June 2016, and percentage change in real terms

Type of fee	Year	Airport (\$thousand—real values in 2015-16 dollars)			
		Brisbane	Melbourne	Perth	Sydney
Taxi	2014-15	4 159	5 328	2 334	11 814
	2015-16	3 964	5 441	2 628	12 094
	% change	▼ 4.7	▲ 2.1	▲ 12.6	▲ 2.4
Public bus	2014-15	289	0	0	0
	2015-16	345	0	0	0
	% change	▲ 19.4	NA	NA	NA
Private bus	2014-15	2 277 ^(a)	8 488 ^(b)	0	2 645 ^(c)
	2015-16	2 365 ^(a)	9 088 ^(b)	0	2 613 ^(c)
	% change	▲ 3.9	▲ 7.1	NA	▼ 1.2
Train	2014-15	164	NA	NA	NA
	2015-16	162	NA	NA	NA
	% change	▼ 1.4	NA	NA	NA
Private car operators	2014-15	NA	2 383	311	2 552
	2015-16	NA	2 384	342	2 861
	% change	NA	▲ 0.0	▲ 9.9	▲ 12.1

Notes: Real values in 2015-16 dollars

(a) Includes revenue from off-airport car parking and private car operators

(b) Includes revenue from off-airport car parking and Skybus service

(c) Includes revenue from off-airport car parking

Since 2009-10 the major contributors of the growth in landside revenue have varied across the airports. At Melbourne Airport, private buses (including SkyBus and off-airport car parking buses) have contributed the most (\$9.1 million) to its landside revenue. Since 2009-10, this landside revenue source has increased by \$5.5 million. The biggest contributor to the growth in landside revenues at Sydney Airport was private cars (up by \$3.8 million),⁶⁰ closely followed by taxis (up by \$3.3 million).

⁶⁰ This includes private cars and other landside revenue (excluding car rental operators).

3. Brisbane Airport

Key Points—2015-16

- Brisbane Airport's passenger numbers grew by 1.8 per cent to 22.7 million. This increase was partly due to the growth of international passengers, which rose by 3.0 per cent and domestic passengers, which grew by 1.5 per cent.
- Total aeronautical revenue increased by 0.7 per cent in real terms to \$277.8 million. There was a 3.7 per cent increase in aeronautical profit to \$124.7 million. This equated to a profit of 44.9 cents for each dollar of aeronautical revenue. This is the airport's highest reported figure since the ACCC began its monitoring program.
- Total aeronautical capital expenditure was \$152.1 million, reflecting the airport's completion of phase one of the new parallel runway and other works in progress. The return on aeronautical assets fell to 5.8 per cent. Brisbane Airport has consistently reported the lowest rate of return on aeronautical assets of the monitored airports.
- Overall weighted quality of service ratings remained within the 'good' category. Once again Brisbane Airport was the highest rated of the four monitored airports, equal with Perth Airport.
- Car parking revenue increased by 3.8 per cent in real terms to \$89 million. This occurred despite total car parking throughput decreasing by 2.9 per cent during the year. Car parking profit increased by 2.1 per cent in real terms to \$58.8 million. This equated to a profit of 66.1 cents for each dollar in car parking revenue.

3.1. Airport overview and major investments

This section provides an overview of Brisbane Airport and its activity and investment during 2015-16. It covers the volume of passengers, tonnes landed and aircraft movements (Section 3.1.1), terminal configurations and car parking facilities (Section 3.1.2) and major airport investments (Section 3.1.3).

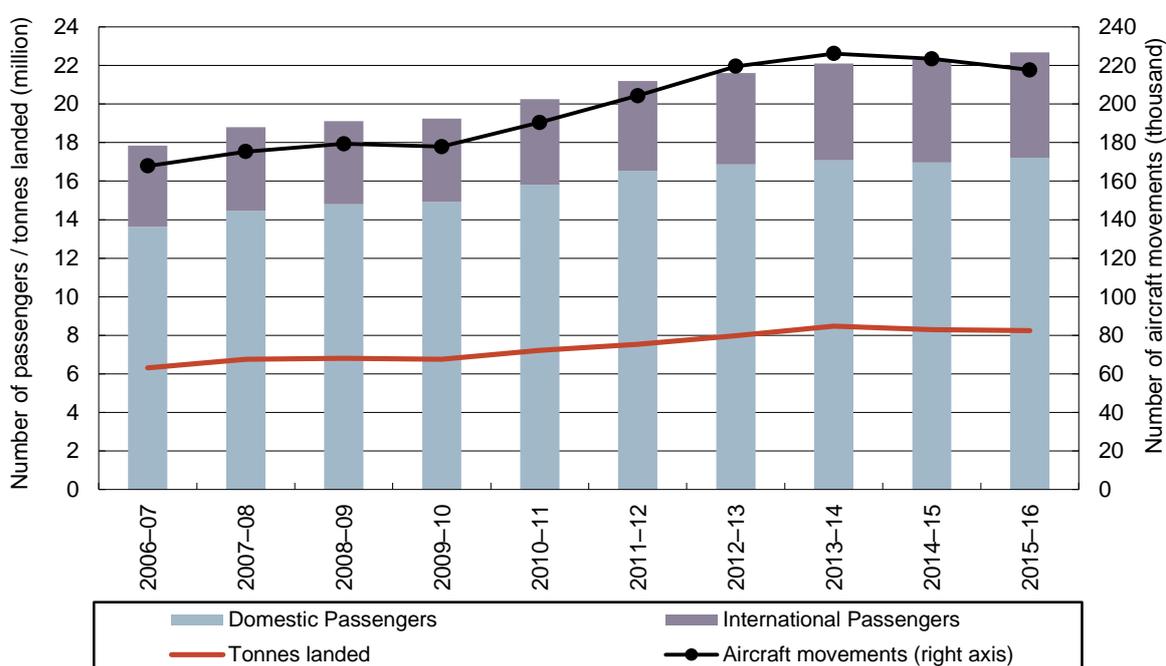
3.1.1. Aeronautical activity levels

Figure 3.1.1 shows the number of passengers, aircraft movements and tonnes landed at Brisbane Airport since 2006-07. Brisbane Airport's passenger traffic grew by 1.8 per cent to 22.7 million in 2015-16. This increase was partly due to international passengers (including transit passengers) increasing by 3.0 per cent. Along with the increase in international passengers, the number of direct international connections increased from 27 to 28 by the end of the year.

Domestic passenger movements (including on carriage) grew more slowly, increasing by 1.5 per cent. Domestic destinations on offer at Brisbane Airport also increased from 41 to 44 during 2015-16.

In contrast, aircraft movements and tonnes landed dropped by 2.6 per cent (to 218 thousand) and 0.7 per cent (to 8.3 million) respectively. These falls may be due to optimised aircraft utilisation.

Figure 3.1.1: Brisbane Airport—volume of passengers, tonnes landed and aircraft movements



3.1.2. Terminal configurations and car parking facilities

Terminal Configurations

Brisbane Airport has a single, common-user international terminal used by all international airlines flying to and from the airport. There is also a single domestic terminal, predominantly operated and occupied by Qantas and Virgin Australia under lease. The airline-operated areas of the domestic terminal are not subject to monitoring and therefore are not included in the ACCC monitoring results. The remainder of the domestic terminal is comprised of common-user areas mainly used by Jetstar, Tiger and regional operators.

Car parking facilities

Brisbane Airport offers three separate public car parking precincts. Two are situated within walking distance to the international and domestic terminals and one remote car park located centrally.

Near the front of the international terminal there is a combined short-term, long-term and valet car parking precinct that provides undercover and open air parking.

The second car parking precinct is located near the front of the domestic terminal and provides both undercover and open air parking. It comprises of a short-term, long-term and premium car parking (at car park P1) and long-term car parking (at car park P2).

The third car park precinct is an open air, remote car park located off Moreton Drive called 'Airpark'. Airpark provides long-term public car parking with regular shuttle bus services (every 20 minutes) to both domestic and international terminals.

Brisbane Airport also provides dedicated pick-up zones for rideshare services such as Uber. The zones are located at both the international and domestic terminal areas marked 'Pre-booked express & Ride Booking'.

3.1.3. Major airport investments

Table 3.1.1 lists selected aeronautical investments that were completed, initiated or planned during 2015-16. Brisbane Airport's latest Master Plan was approved by the Australian Government on 3 February 2015.

Table 3.1.1: Brisbane Airport—selected investments in aeronautical services and facilities

Description of investment	Value (\$m)	Started	Completed
Apron lighting upgrade – stage 4	7	Q4 2014	Q3 2015
New Parallel Runway	1 400	2012	2020
Northern Domestic apron expansion	175	Q3 2015	2033
International terminal building- Northern concourse expansion	86	Q3 2015	2018
International terminal building- baggage handling system redevelopment	40	Q1 2017	2024
International terminal building- aerobridge upgrade (on-going refurbishment)	21	Q4 2016	TBC

The most significant ongoing aeronautical project is Brisbane Airport's \$1.4 billion runway, which will exist parallel to its existing runway. The first phase of the runway's construction, including civil works and reclamation, is now complete. Due to existing poor soil quality on the site, the base of the runway will not settle until 2018. Once settled the next phase will involve the construction of taxiways, runways, and supporting road infrastructure on Dryandra road. The new parallel runway is scheduled to be fully operational in 2020 and will double Brisbane Airport's current runway capacity.

Table 3.1.2 lists the largest car parking and landside access investments completed or planned during 2015-16. Brisbane Airport's largest completed car parking investment was the staged opening of its new public car park 'Airpark'. Airpark is an open air, car park serviced by shuttle buses to both terminals. The first stage of Airpark provided 1,100 open air car park spaces. An additional 1,100 spaces were created during 2015-16.⁶¹

Table 3.1.2: Brisbane Airport—selected investments in car parking and landside access services

Description of investment	Value (\$m)	Started	Completed
New long-term, remote, public car park (Airpark)	31	Q2 2013	Q2 2016
Upgrade of landside sheltered facilities	2.9	Q3 2014	Q2 2016
Stage 2 staff car park	2.5	Q3 2015	Q4 2015
Domestic car parks upgrade	1.9	Q2 2016	Q4 2016

3.2. Aeronautical price monitoring and financial performance results

This section describes Brisbane Airport's aeronautical price monitoring and financial reporting results. The results are separated into prices (Section 3.2.1), revenues, costs and

⁶¹ On 30 June 2015 Airpark expanded its capacity to a total of 2,500 car parks. As the expansion occurred one day prior to 2015-16, it has not been counted as part of this year's report.

profits per passenger (Section 3.2.2) and in total (Section 3.2.3), assets (Section 3.2.4), percentage change in the asset base (Section 3.2.5) and the rate of return on tangible non-current assets (Section 3.2.6).

3.2.1. Prices

Brisbane Airport's pricing agreements with domestic and international airlines have been in operation since 1 September 2012. The agreement covering the runway system lasts 25 years, while the 'terminals, aprons and related infrastructure' agreement lasts five years. A building block method was used to set charges for these agreements.

Table 3.2.1 shows Brisbane Airport's average aeronautical charges for 2015-16, as well as the indexed average list prices in real terms between 2011-12 and 2015-16. Commercial agreements mean that airlines may pay less than these list prices.

All aircraft parking charges increased in real terms during 2015-16. The most significant aircraft charges applied to aircraft with maximum take-off weights of 5,000kg and 20,000kg, increasing in real terms by 42.5 per cent and 22.5 per cent respectively. These increased charges have a greater effect on airlines that use lighter weight aircraft.

All landing charges remained unchanged in nominal terms or decreased slightly in real terms during 2015-16. This is in contrast to the previous five year trend of annual fee increases. In comparison to 2011-12, landing charges increased by more than 40 per cent in real terms in each category.

The majority of other charges associated with runway and terminal fees, and mandated government security charges increased between two and 10 per cent in real terms during 2015-16. The exception was the international passenger service and mandated international passenger security charge, which decreased in real terms.

Table 3.2.1: Brisbane Airport— schedule of average aeronautical charges and indexed average list prices (including GST) in real terms

	Average charge per unit (\$)	Indexed average list prices (2015-16 base year = 100)				
		2011-12	2012-13	2013-14	2014-15	2015-16
Landing fees						
Freight landing fees (per MTOW)	19.38	67.5	70.8	87.6	100.6	100.0
General aviation landing fees (per MTOW)	19.38	67.5	70.8	87.6	100.6	100.0
Rotary wing landing fees (per MTOW)	11.65	69.7	70.7	87.5	100.5	100.0
International private charter and non-scheduled air service landing fee (per MTOW)	19.38	67.5	70.8	87.6	100.6	100.0
Noise surcharge (applies to all aviation charges)	50%	50.0	91.5	100.0	101.4	100.0
Aircraft parking fees						
0 to 5 000kg (per MTOW)	64.02	55.8	60.0	58.5	57.5	100.0
5 001 to 20 000kg (per MTOW)	79.15	75.3	80.9	78.8	77.5	100.0
20 001 to 40 000kg	98.01	91.2	98.0	95.5	93.9	100.0
40 001 to 100 000kg	151.25	94.5	101.6	99.4	97.7	100.0
100 001 to 250 000kg	345.4	94.9	102.0	99.3	97.7	100.0
250 001 to 400 000kg	502.32	94.9	102.0	99.4	97.7	100.0
400 001kg+	665.56	94.9	102.0	99.4	97.7	100.0
Runway and terminal fees (RPT services)						
International runway charge (per passenger)	6.34	NA	50.5	73.0	96.6	100.0
International passenger service charge (per passenger)	22.44	126.0	117.1	110.8	103.7	100.0
Domestic runway charge (per passenger)	3.61	NA	50.3	74.6	98.0	100.0
Domestic leased terminal charge (per passenger)	4.96	NA	78.4	85.4	94.4	100.0
Domestic passenger service charge common-user terminal—including aerobridge (per passenger) ^(b)	8.67	59.1	52.3	49.1	99.5	100.0
Domestic passenger service charge common-user terminal—excluding aerobridge (per passenger) ^(b)	8.05	56.2	47.0	43.9	99.1	100.0
Peak period minimum movement charge ^(a)	220.00	NA	105.9	103.1	101.4	100.0
Government-mandated security charges						
International charge (per passenger)	3.52	114.5	111.8	115.4	122.7	100.0
Domestic common-user terminal charge (per passenger)	2.48	75.1	78.8	79.0	93.6	100.0
Domestic Qantas/Virgin terminal charge (per passenger)	0.19	68.4	75.3	65.1	96.0	100.0

Notes: Real indexed prices are in 2015-16 dollars.

Where a list price changed during the financial year, Table 2.2.1 presents the average price.

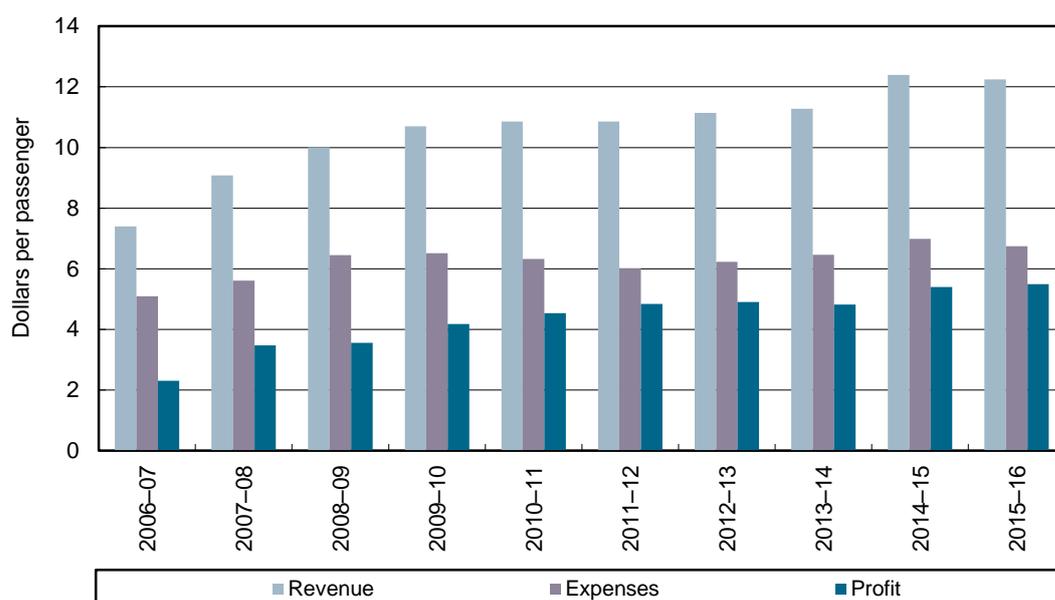
(a) Peak period minimum charges apply to both arrival and departure movements. Peak periods are defined as the periods 0700 to 1000 and 1600 to 1900 on Monday to Friday.

(b) This charge also includes the domestic leased terminal charge (per passenger)

3.2.2. Revenues, costs and profits per passenger for aeronautical services

Figure 3.2.1 shows aeronautical revenues, expenses and profit per passenger since 2006-07. Brisbane Airport collected \$12.25 per passenger in 2015-16. This was the first time that aeronautical revenue per passenger has fallen in real terms in nine years.

Figure 3.2.1: Brisbane Airport— Aeronautical revenue, expenses, and profit per passenger



Expenses per passenger also decreased by 3.4 per cent to \$6.75. The decrease is contributed by reductions in depreciation and amortisation (4.1 per cent nominal decrease) and general administration fees (10.3 per cent nominal decrease). The decrease in revenue per passenger was offset by a decrease in expenses, leading to an overall aeronautical profit per passenger increase of 1.8 per cent.

Since 2006-07, aeronautical revenues per passenger increased by 65.5 per cent in real terms. The rise in revenue per passenger over the decade helped to drive an increasing profit rather than reflecting rising expenses.

3.2.3. Total revenues, costs and profits

Table 3.2.2 presents the revenues, expenses and profits for aeronautical services and the total airport in real terms over the last decade.

In 2015-16 total aeronautical revenue increased by 0.7 per cent in real terms to \$277.8 million. This is the lowest increase in aeronautical revenue since 2001-02, the last year of price regulation. This year's minimal increase is likely due to a small growth in passengers and minor adjustments to aeronautical charges (as described in section 2.2.1 above). The previous year saw significantly large increases in multiple aeronautical charges, resulting in

a steep 10.7 per cent real increase to aeronautical revenue. This year's minimal revenue increase may reflect a balancing out of the prior year's large increases.

Brisbane Airport also reported a slight decrease in aeronautical expenses during 2015-16, decreasing by 1.7 per cent in real terms.

Given minimal aeronautical revenue growth in 2015-16 and a mild decrease in aeronautical expenses, there has been an overall small increase in aeronautical profit (EBITA) of 3.7 per cent in real terms to \$124.7 million. The aeronautical profit has tripled in real terms since 2006-07.

Brisbane Airport earned a total airport profit of 44.9 cents for each dollar in aeronautical revenue in 2015-16. This is the airport's highest reported figure since the ACCC began its monitoring program.

Table 3.2.2: Brisbane Airport— revenues, expenses and profits for aeronautical and total airport services in real terms

		2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue (\$million)	Total aeronautical	132.1	170.7	191.2	205.9	220.0	230.1	240.7	249.3	275.9	277.8
	Total airport	414.5	474.3	446.5	484.2	505.9	526.5	558.1	581.7	619.1	643.0
	Aeronautical % of total airport	31.9	36.0	42.8	42.5	43.5	43.7	43.1	42.9	44.6	43.2
Expenses (\$million)	Total aeronautical	90.9	105.4	123.3	125.4	128.0	127.4	134.7	142.8	155.7	153.1
	Total airport	145.4	166.9	197.4	200.9	209.8	214.5	232.8	244.2	262.6	269.3
EBITA profit (\$million)	Total aeronautical	41.1	65.3	67.9	80.5	92.0	102.7	106.0	106.5	120.2	124.7
	Total airport	269.1	307.4	249.1	283.3	296.1	312.0	325.3	337.5	356.5	373.7
EBITA profit % of total revenue	Aeronautical	31.2	38.3	35.5	39.1	41.8	44.6	44.0	42.7	43.6	44.9
	Total airport	64.9	64.8	55.8	58.5	58.5	59.3	58.3	58.0	57.6	58.1
Revenue per passenger (\$)	Total aeronautical	7.40	9.09	10.01	10.70	10.86	10.85	11.14	11.28	12.39	12.25
Expenses per passenger (\$)	Total aeronautical	5.09	5.61	6.45	6.52	6.32	6.01	6.24	6.46	6.99	6.75
EBITA profit per passenger (\$)	Total aeronautical	2.31	3.48	3.56	4.18	4.54	4.85	4.91	4.82	5.40	5.50

Note: Real values in 2015-16 dollars

Line in the sand- aeronautical revenue, expenses and profits

From 2007-08, the ACCC has required airport operators to provide additional information relating to the aeronautical asset base under the ‘line in the sand’ (LIS) approach. This approach sets the value of an airport’s aeronautical asset base for monitoring purposes as the value of tangible non-current aeronautical assets reported to the ACCC at 30 June 2005, plus new investments, less depreciation and disposals. Where applicable, this chapter separately reports LIS measures for Brisbane Airport. Brisbane Airport’s LIS asset base is lower than its non-LIS value, resulting in a higher return on assets under the LIS approach.

Table 3.2.3 lists revenues, expenses and profit for aeronautical services from 2007-08 to 2015-16 under the LIS approach. With the LIS approach, aeronautical expenses were around \$151.7 million in 2015-16, or around 0.9 per cent lower than the non-LIS figure (given in Table 3.2.2). This difference is a result of lower depreciation expenses under the LIS approach.

Table 3.2.3: Brisbane Airport— revenues, expenses and profit for aeronautical services under the LIS approach in real terms

	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16
Revenue (\$million)	170.7	191.2	205.9	220.0	230.1	240.7	249.3	275.9	277.8
Expenses (\$million)	99.3	119.1	121.3	122.6	122.3	131.8	140.6	150.8	151.7
EBITA profit (\$million)	71.4	72.1	84.6	97.4	107.8	108.9	108.7	125.1	126.1
EBITA profit as a % of revenue	41.8	37.7	41.1	44.3	46.9	45.2	43.6	45.3	45.4

Note: Real values in 2015-16 dollars

Since aeronautical expenses are lower using the LIS approach, aeronautical profit was slightly higher (1.1 per cent) at \$126.1 million in 2015-16.

3.2.4. Assets for aeronautical and total airport services

Table 3.2.4 lists Brisbane Airport’s tangible non-current assets for aeronautical and total airport services over the past decade. Brisbane Airport’s tangible non-current assets for aeronautical services under the LIS approach are shown in Table 3.2.5.

Total aeronautical tangible non-current assets increased to approximately \$2.2 billion in real terms during the year. This increase was chiefly driven by an increase in the value of property, plant, and equipment.

Line in the sand values asset values

Under the LIS approach, the value of aeronautical tangible non-current assets was \$1.9 billion in 2015-16, or around 14.7 per cent lower than the non-LIS figure. This is primarily due to the difference in property, plant and equipment.

Table 3.2.4: Brisbane Airport— non-current assets for aeronautical and total airport services in real terms

		2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Investment property (\$million)	Aeronautical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Total airport	592.4	692.0	779.5	806.2	879.3	966.8	1062.1	1100.2	1152.9	1245.9
Land (\$million)	Aeronautical	22.7	21.7	21.3	20.5	19.6	19.8	50.6	48.3	48.4	53.1
	Total airport	73.3	70.1	67.2	64.9	62.2	59.8	91.7	88.9	86.3	89.3
Property, plant and equipment (\$million)	Aeronautical	1201.3	1432.4	1569.4	1485.4	1457.9	1537.0	1580.1	1714.0	1951.7	2038.0
	Total airport	1532.8	1889.5	2015.5	2037.2	2092.8	2203.8	2223.1	2432.1	2723.0	2801.2
Intangibles (\$million)	Aeronautical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Total airport	1025.7	992.3	962.3	940.5	912.1	891.5	871.7	848.7	834.4	823.0
Other tangible non-current assets (\$million)	Aeronautical	45.6	75.1	47.9	4.4	18.0	0.0	23.5	16.6	77.3	105.1
	Total airport	120.6	189.8	119.1	10.6	47.2	0.0	86.9	109.6	247.0	334.8
Total tangible non-current assets (\$million)	Aeronautical	1269.6	1529.1	1638.7	1510.3	1495.5	1556.8	1654.1	1778.8	2077.4	2196.2
	Total airport	2319.0	2841.5	2981.3	2919.0	3081.4	3230.3	3463.9	3730.7	4209.3	4471.1
Total non-current assets (\$million)	Aeronautical	1269.6	1529.1	1638.7	1510.3	1495.5	1556.8	1654.1	1778.8	2077.4	2196.2
	Total airport	3344.6	3833.8	3943.6	3859.5	3993.5	4121.9	4335.6	4579.4	5043.6	5294.1

Note: Real values in 2015-16 dollars.

Table 3.2.5: Brisbane Airport— non-current assets for aeronautical services under the LIS approach in real terms

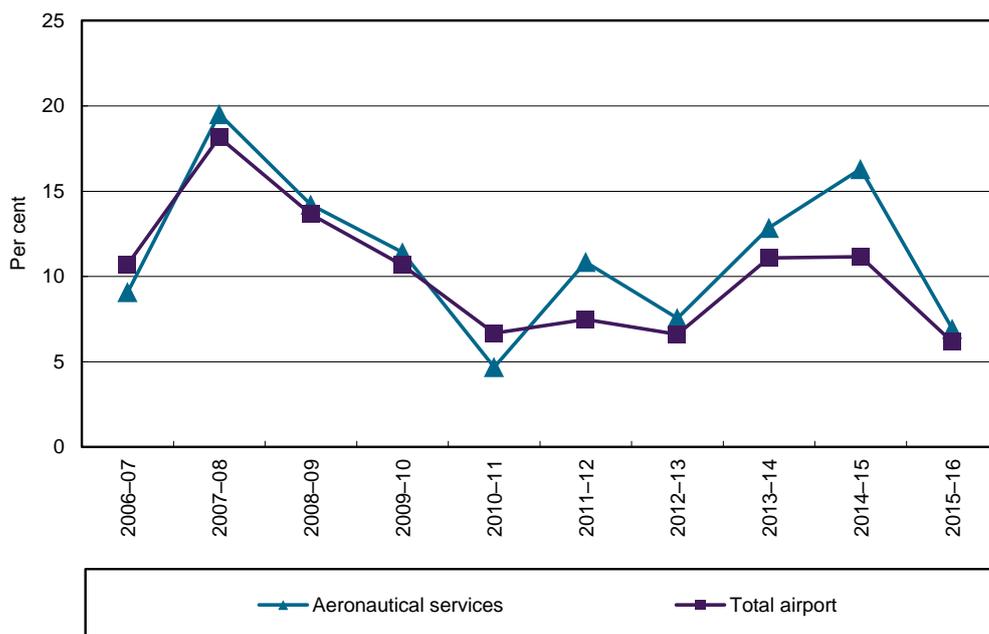
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Investment property (\$million)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Land (\$million)	30.7	30.3	29.1	28.0	28.2	63.4	60.7	61.0	65.9
Property, plant and equipment (\$million)	995.7	1149.4	1079.3	1070.7	1163.9	1217.7	1366.1	1612.0	1701.4
Intangibles (\$million)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other tangible non-current assets (\$million)	0.0	47.9	4.4	18.0	0.0	23.5	16.6	77.3	105.1
Total tangible non-current assets (\$million)	1026.3	1227.6	1112.8	1116.8	1192.1	1304.6	1443.4	1750.2	1872.4

Note: Real values in 2015-16 dollars

3.2.5. Additions as a percentage of tangible non-current assets

Figure 3.2.2 presents asset additions as a percentage of tangible non-current assets since 2006-07. During 2015-16, Brisbane Airport’s \$122.1 million in additions to aeronautical assets represented about 6.9 per cent of total aeronautical tangible non-current assets. This is the smallest yearly aeronautical capital expenditure since 2012-13. The majority of additions to aeronautical assets were work in progress with a value of \$83.1 million.

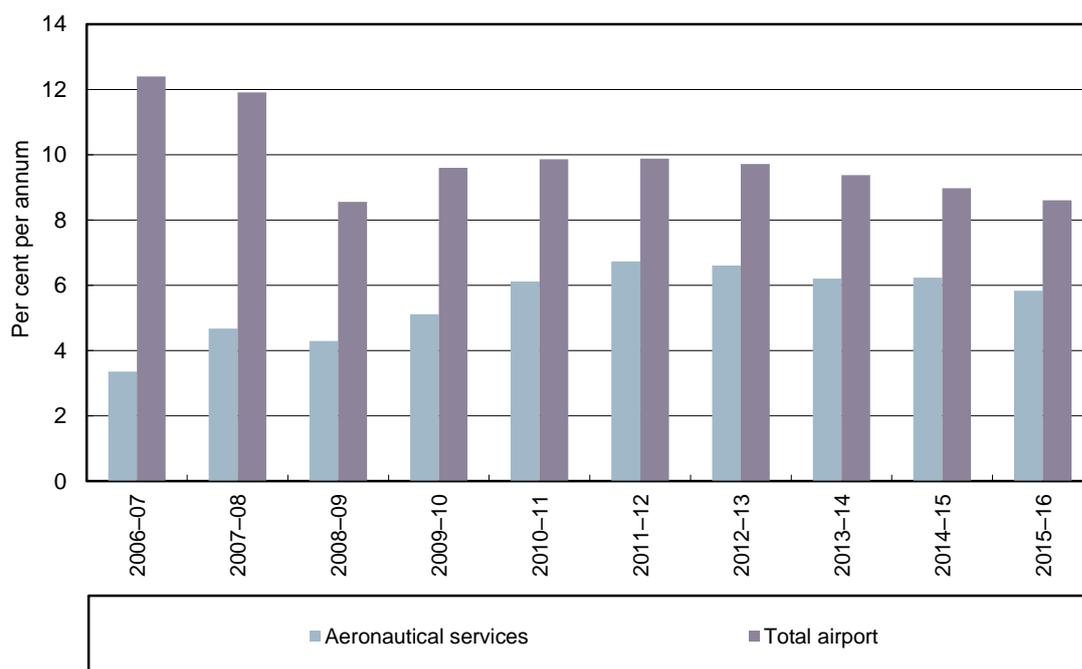
Figure 3.2.2: Brisbane Airport— additions as a percentage of tangible non-current assets for aeronautical and total airport services



3.2.6. Rates of return on tangible non-current assets

The ACCC calculates the rate of return on tangible non-current assets using earnings before interest, tax and amortisation (EBITA) on average assets. For aeronautical services, this figure was slightly down to 5.8 per cent in 2015-16 and has not increased since 2011-12 (Figure 3.2.3). Brisbane Airport has consistently reported the lowest rate of return on aeronautical tangible non-current assets since the ACCC began the airports monitoring program.

Figure 3.2.3: Brisbane Airport— rate of return (EBITA) on tangible non-current assets for aeronautical and total airport services in real terms



Line in the sand – Rates of return on tangible non-current assets

Since 2007-08 (when the line in the sand approach began) the broad trends in the rate of return on aeronautical and total airport tangible non-current assets have been comparable between the non-LIS approach and the LIS approach. The rate of return on aeronautical tangible non-current assets was 7.0 per cent in 2015-16, around 1.2 percentage points higher than the non-LIS figure. This stems from higher earnings and a lower asset base under the LIS approach.

3.3. Aeronautical services quality of service monitoring results

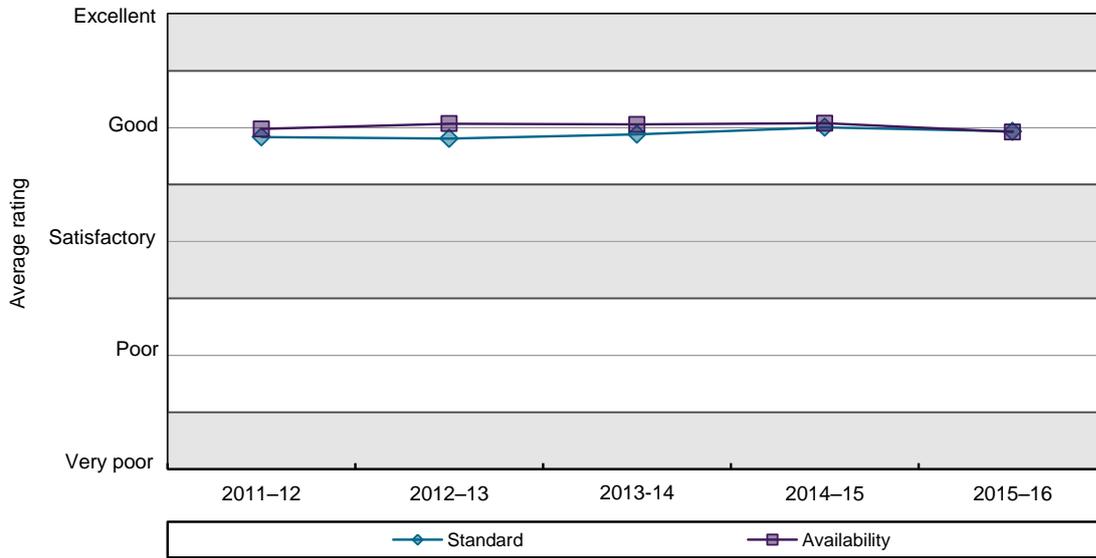
Both passengers and airlines are surveyed to gauge the quality of service provided by each airport. This section presents Brisbane Airport’s overall average ratings (Section 3.3.1), followed by ratings for aircraft-related services and facilities (Section 3.3.2), and ratings for passenger-related services and facilities for each terminal (Section 3.3.3).

3.3.1. Overall quality of service

Brisbane Airport has consistently been the highest rated airport of all monitored airports over the history of the ACCC’s monitoring program. As noted in section 2.2.1, Brisbane Airport’s

overall weighted quality of service rating was 'good'. Figure 3.3.1 shows Brisbane Airport's average quality of service ratings for standard and availability. In 2015-16 both standard and availability remained stable within the 'good' range. These ratings have remained within the 'good' range in each year over the time series.

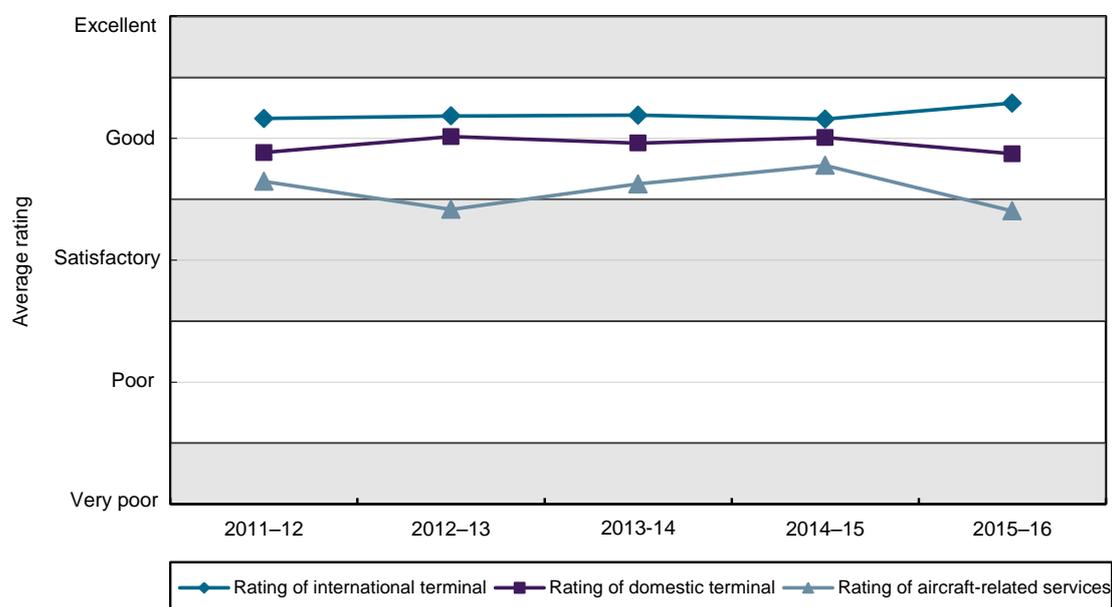
Figure 3.3.1: Brisbane Airport— ratings for standard and availability of total airport services and facilities



Source: Airline surveys, passenger surveys and objective indicators obtained from Brisbane Airport

Figure 3.3.2 shows quality of service ratings for domestic terminal services, international terminal services and aircraft-related services at Brisbane Airport. In 2015-16 ratings for aircraft-related services and facilities fell to the 'satisfactory' range following two consecutive years within the 'good' range. In comparison, passenger ratings for international and domestic terminals remained in the 'good' range in each year over the time series. The difference in passenger and airline ratings may be due to differing levels of airside and passenger-side investments.

Figure 3.3.2: Brisbane Airport— ratings for international and domestic terminal services, and aircraft-related services and facilities



Source: Airline surveys, passenger surveys and objective indicators obtained from Brisbane Airport

3.3.2. Aircraft-related services and facilities

This section explores the changes in airline survey results on aircraft-related services and facilities in more detail. Table 3.3.1 shows that the majority of aircraft-related services and facilities declined in ratings during 2015-16 and also since 2011-12. Airlines stated that the main reason for the decline was because of increased air traffic demand in peak periods.

Table 3.3.1: Brisbane Airport—airline ratings of quality of individual aircraft related services and facilities

	Indicator	Rating category 2015-16	1-year change	Change since 2011-12
Runway	Availability	Satisfactory	▼	▲
	Standard	Satisfactory	▼*	▼*
Taxiways	Availability	Satisfactory	▼*	▼*
	Standard	Good	▲	—
Aprons	Availability	Good	▼	▼
	Standard	Good	▼	▼
Aircraft parking	Availability of facilities and bays	Satisfactory	▼	▼
	Standard of facilities and bays	Satisfactory	▼*	▼*
Ground handling	Availability of services and facilities	Good	▲	▼
	Standard of services and facilities	Good	—	▼
Management responsiveness	Availability	Good	▼	▼
	Standard	Good	—	▲

Note: The rating categories are: very poor, poor, satisfactory, good and excellent.
 ▲ indicates an improvement; ▼ indicates a decline; — indicates no change
 *Rating changed by a category over the period.

Availability and standard of runways ratings declined this year, particularly for standard which decreased from 'good' to 'satisfactory'. Some airlines said that runway availability is tight during peak periods, leading to congestion and longer holding patterns for flights. Airlines stated that although the runway will remain constrained until the second runway is operational in 2020, runway demand is being actively managed and disruptions are sought to be minimised. The fall in ratings for runway standards is also linked to runway congestion and maintenance issues.

Availability of aircraft facilities and bays also decreased in ratings this year, with many airlines commenting on the insufficient number of aircraft parking bays in peak and maintenance periods. Standard ratings also decreased from 'good' to 'satisfactory' during 2015-16 and also since 2011-12. Although many airlines considered that standard was acceptable, they also said that no improvements had been made since last year.

Taxiways standard and ground handling availability were the only indicators that improved this year, both enhancing within their categories of 'good'.

3.3.3. Passenger-related services and facilities

International terminal

Table 3.3.2 shows the quality of service ratings for passenger-related services and facilities for the international terminal at Brisbane Airport. The table shows that passengers and airlines reported markedly different levels of quality in 2015-16

Passengers rated the quality of the international terminal's services and facilities favourably in 2015-16. Five categories saw an increase in passenger ratings from 'good' to 'excellent': check-in, inbound waiting time, information, gate lounge and immigration. This made the international terminal the highest rated of all of the monitored airports this year. Brisbane Airport attributes these achievements to a number of investments, including:

- upgrades to 38 self-service check-in kiosks
- the addition of four information points and dynamic digital signage
- the \$15 million refurbishment of the international terminal, and
- the upgrade of the terminal's entry and installation of 12 automatic Smart Gates.

In contrast airlines' ratings of the international terminal's passenger related services and facilities generally declined within their 'good' or 'satisfactory' categories, or dropped by a category to 'satisfactory'. The exception was the airlines' ratings of check-in services and facilities, which increased within the 'good' category. Some airlines commented that the airport's introduction of self-check-in kiosks was a progressive step forward in this regard.

Continuing from last year, aerobridge standard ratings declined within the 'satisfactory' range to be just above a 'poor rating'. Many airlines identified that aerobridges are showing signs of wear and tear, and that the response rate in case of malfunction is average. Aerobridge availability also weakened from 'good' to 'satisfactory', with one airline stating that there is an insufficient number of aerobridges compatible with A380 aircraft. Some airlines suggested that single aerobridges provided at most gates are not suitable for wide bodied aircraft and this leads to a poor passenger experience.

Table 3.3.2: Brisbane Airport—indicators of quality of passenger related services and facilities—international terminal

Category	Indicator	Data source	Indicator result 2015-16	1-year change	Change since 2011-12
Check-in	Check-in availability	Airline survey	Good	▲	—
	Check-in standard	Airline survey	Good	▲	▼
	Check-in waiting time	Passenger survey	Excellent	▲	▲*
	Number of departing passengers per check-in desk, kiosk and bag drop facility (peak hour)	Objective indicator	7.4 passengers	▲	▲
Immigration	Waiting time in outbound Immigration area	Passenger survey	Excellent	▲	▲*
	Number of departing passengers per outbound Immigration desk (peak hour)	Objective indicator	56.4	▲	▲
	Waiting time in inbound Immigration area	Passenger survey	Excellent	▲	▼
	Number of arriving passengers per inbound Immigration desk (peak hour)	Objective indicator	94.11	▼	▼
	Waiting time in inbound baggage inspection area	Passenger survey	Excellent	▲*	▲
	Number of arriving passengers per baggage inspection desk (peak hour)	Objective indicator	44.6	▼	▼
Information	Flight information display screens	Passenger survey	Excellent	▲*	▲*
	Number of passengers per flight information display screen (peak hour)	Objective indicator	5.4	▼	▲
	Number of passengers per information point (peak hour)	Objective indicator	542	▲	▼
	Signage and wayfinding	Passenger survey	Excellent	▲*	▲*

Notes: The rating categories are; very poor, poor, satisfactory, good, and excellent.
 ▲ indicates an improvement; ▼ indicates a decline; — indicates no change.
 * Rating changed by a category over the period.

Table 3.3.2: Brisbane Airport—indicators of quality of passenger related services and facilities—international terminal (cont.)

Category	Indicator	Data source	Indicator result 2015-16	1-year change	Change since 2011-12
Baggage	Baggage processing facilities availability	Airline survey	Satisfactory	▼	▼*
	Baggage processing facilities standard	Airline survey	Satisfactory	▼*	▼*
	Average throughput of outbound baggage system (per hour)	Objective indicator	425 items	▲	▲
	Circulation space for inbound baggage reclaim	Passenger survey	Excellent	▲	▲*
	Information display for inbound baggage reclaim	Passenger survey	Excellent	▲*	▲*
	Number of arriving passengers per m ² of inbound baggage reclaim area (peak hour)	Objective indicator	0.4 passengers	▼	N/A
	Findability of baggage trolleys	Passenger survey	Excellent	▲	▲
	Number of passengers per baggage trolley (peak hour)	Objective indicator	1.4 passengers	▼	▼
Gate lounges	Seating in lounge area (quality and availability)	Passenger survey	Excellent	▲*	▲*
	Number of departing passengers per seat in gate lounges (peak hour)	Objective indicator	0.5 passengers	▲	—
	Crowding in lounge area	Passenger survey	Excellent	▲	▲
	Number of departing passengers per m ² of lounge area (peak hour)	Objective indicator	0.06 passengers	—	—
Amenities	Standard of washrooms	Passenger survey	Excellent	▲*	▲*
	Number of departing passengers per washroom (peak hour)	Objective indicator	46.2 passengers	▲	N/A
Aerobridges	Aerobridges availability	Airline survey	Satisfactory	▼*	▼*
	Aerobridges standard	Airline survey	Satisfactory	▼	▼
	Percentage of international passengers arriving using an aerobridge	Objective indicator	95.5%	▲	▲
	Percentage of international passengers departing using an aerobridge	Objective indicator	96.8%	▼	▼
Security	Quality of security search process	Passenger survey	Excellent	▲	▲
	Number of departing passengers per security clearance system (peak hour)	Objective indicator	19.2 passengers	▲	▲

Notes: The rating categories are; very poor, poor, satisfactory, good and excellent.
 ▲ indicates an improvement; ▼ indicates a decline; — indicates no change
 * Rating changed by a category over the period

Table 3.3.3: Brisbane Airport—indicators of quality of passenger related services and facilities—domestic terminal

Category	Indicator	Data source	Indicator result 2015-16	1-year change	Change since 2011-12
Check-in	Check-in availability	Airline survey	Satisfactory	▲	▼*
	Check-in standard	Airline survey	Satisfactory	—	—
	Check-in waiting time	Passenger survey	Excellent	—	▼
	Number of departing passengers per check-in desk, kiosk and bag drop facility (peak hour)	Objective indicator	19.3 passengers	▼	▼
Baggage	Baggage processing facilities availability	Airline survey	Poor	▼*	▼**
	Baggage processing facilities standard	Airline survey	Satisfactory	—	▼*
	Circulation space for inbound baggage reclaim	Passenger survey	Excellent	▲	▲
	Information display for inbound baggage reclaim	Passenger survey	Good	▲	▲
	Number of arriving passengers per m ² of inbound baggage reclaim area (peak hour)	Objective indicator	2.9 passengers	▼	N/A
	Findability of baggage trolleys	Passenger survey	Good	▲	▲
	Number of passengers per baggage trolley (peak hour)	Objective indicator	4.0 passengers	▼	▲
Information	Flight information display screens	Passenger survey	Good	▼	▲
	Number of passengers per flight information display screen (peak hour)	Objective indicator	7.2 passengers	▼	▲
	Number of passengers per information point (peak hour)	Objective indicator	1295 passengers	▼	▼
	Signage and wayfinding	Passenger survey	Good	—	▲
Gate lounges	Seating in lounge area (quality and availability)	Passenger survey	Good	▼	▼
	Number of departing passengers per seat in gate lounges (peak hour)	Objective indicator	0.8 passengers	▼	—
	Crowding in lounge area	Passenger survey	Good	▼	▼
	Number of departing passengers per m ² of lounge area (peak hour)	Objective indicator	0.1 passengers	—	—
Amenities	Standard of washrooms	Passenger survey	Good	▼	▲
	Number of departing passengers per washroom (peak hour)	Objective indicator	163 passengers	▼	N/A
Aerobridges	Aerobridges availability	Airline survey	Poor	▼*	▼*
	Aerobridges standard	Airline survey	Satisfactory	—	—
	Number of arriving domestic passengers per aerobridge (peak hour)	Objective indicator	320 passengers	▲	▲
	Number of departing domestic passengers per aerobridge (peak hour)	Objective indicator	327.5 passengers	▲	▼
Security	Quality of security search process	Passenger survey	Excellent	—	—
	Number of departing passengers per security clearance system (peak hour)	Objective indicator	50.4	▼	▲

Notes: The rating categories are; very poor, poor, satisfactory, good and excellent.

▲ indicates an improvement; ▼ indicates a decline; — indicates no change, *Rating changed by a category over the period

Domestic Terminal

As shown in Table 3.3.3 both passengers and airlines did not rate Brisbane's domestic terminal as favourably as Brisbane's international terminal in 2015-16. In addition, passenger and airline ratings differed in their perspective of the quality of service ratings for the domestic terminal.

In 2015-16 passenger ratings of the domestic terminal's quality of service did not drastically change from the previous year, with all indicators changing marginally within their category of 'good' or 'excellent'. The majority of passenger indicators were rated as 'good'. Passengers rating of circulation space for inbound baggage reclaim and check-in waiting time continued to receive the highest rating of 'excellent'.

Airlines' ratings of the domestic terminals' availability of baggage processing facilities and aerobridges were markedly lower in 2015-16, dropping to the 'poor' range. Many airlines stated that aerobridges and baggage handling systems were reaching capacity during peak periods. One airline observed that there was only one baggage carousel for airlines using Common Use Self Service (CUSS) baggage facilities. Baggage room was therefore constrained and unable to cope with demand during peak periods. However another airline said that baggage services were easily accessible with limited failures. In relation to aerobridges, one airline said that gate availability was extremely constrained with no improvement on prior years despite it being an ongoing and known issue.

3.4. Car parking and landside services

This section describes Brisbane Airport's car parking and landside services and facilities. The section assesses activity (Section 3.4.1), car park pricing (Section 3.4.2), revenues and profits (Section 3.4.3) and quality of service outcomes (Section 3.4.4).

3.4.1. Car parking activity

Table 3.4.1 outlines the number of car parking spaces available and throughput of car parking facilities at Brisbane Airport over the last ten years. The average daily throughput of car parking facilities is calculated by the number of vehicles using each car park divided by the number of days the car park was open.

The opening of Airpark increased the number of long-term parking car spaces by 2,200 in 2015-16. These extra spaces increased the total number of car parking bays at the airport by 14.6 per cent to 15,825.

Average daily throughput decreased at the domestic car park precinct during 2015-16. The fall ranged from 5.2 per cent for short-term parking to 7.0 per cent for long-term parking.

In contrast, average daily throughput at the international car park precinct (combined short-term and long-term) increased by 3.4 per cent during the year. This growth has trended closely with the growth in international passengers (excluding transit passengers) increasing by 3.9 per cent.

Table 3.4.1: Brisbane Airport—number of car park spaces and average daily throughput

		2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Number of car park spaces	International combined short-term and long-term	951	1 740	1 740	1 740	1 740	1 740	2 202	2 202	2 137	2,123
	Domestic short-term	842	858	810	976	1 133	1 690	1 119	1 119	1 074	1,366
	Domestic long-term	4 100	4 148	4 635	4 410	4 410	6 948	7 616	7 616	7 428	6,971
	Remote Long-term (Airpark)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A ⁶²	2,200 ⁶³
	Staff	2 723	3 575	2 730	2 484	2 484	2 484	3 038	3 038	3 165	3,165
	Total airport	8 616	10 321	9 915	9 610	9 767	12 862	13 975	13 975	13 804	15,825
Annual throughput of car park facilities (thousand)⁶⁴	International combined short-term and long-term	707	607	705	673	662	663	751	751	735	762
	Domestic short-term	1 156	1 031	960	912	839	758	1 381	1 327	1 162	1105
	Domestic long-term	378	356	362	511	533	533	652	725	657	613
	Remote long-term (Airpark)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	26
	Total airport	2 242	1 994	2 028	2 096	2 035	1 954	2 784	2 804	2 555	2507
Average daily throughput of car park facilities	International combined short-term and long-term	1 937	1 659	1 932	1 845	1 815	1 811	2 058	2 057	2 014	2082
	Domestic short-term	3 168	2 817	2 631	2 498	2 298	2 070	3 784	3 637	3 185	3020
	Domestic long-term	1 036	972	993	1 399	1 462	1 457	1 785	1 987	1 801	1675
	Remote Long-term (Airpark)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	70
	Total airport	6 141	5 448	5 557	5 742	5 574	5 338	7 627	7 681	7 000	6848

⁶² As Airpark opened to the public for one day prior to 2014-15 (30 June 2015) data has not been counted for this year.

⁶³ Airpark expanded in capacity (to 2,500 car park spaces) on 27 June 2016. As this expansion occurred for four days prior to 2015-16, it has not been counted as part of the 2015-16 figures.

⁶⁴ Annual throughput data for staff car parking was unavailable.

3.4.2. Car parking prices

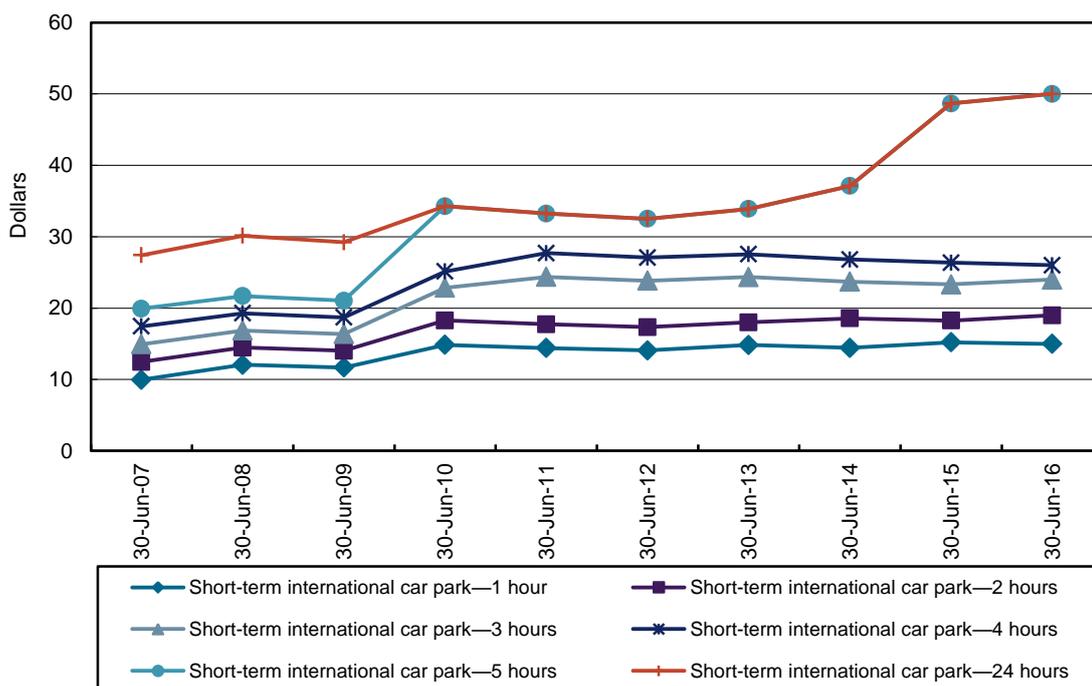
This section assesses the trends in Brisbane Airport’s drive-up car parking charges at the international and domestic terminals for the previous decade. Brisbane Airport offers customers the ability to pre-purchase car parking at a discounted rate when booked online. As such, the ACCC has also compared drive-up rates with online rates and average charges for each of the terminal’s car parking facilities for the year.

As this was the first year for which data was available for Airpark, this year’s report will compare selected Airpark prices with international and domestic car parking prices. Comparisons over time will commence in the 2016-17 airport monitoring report.

International terminal car parking precinct—short-term and long-term

The international terminal car park is a multi-level car park comprising of both short and long-term car parking. Figure 3.4.1 shows that selected short-term parking prices at the car park fluctuated between a 1.4 per cent decrease to a 4.1 per cent increase (in real terms) during 2015-16. The biggest increase in price was for a two hour stay, increasing from \$18.25 to \$19.00 in real terms.

Figure 3.4.1: Brisbane international car park— selected short-term parking prices (drive-up) in real terms

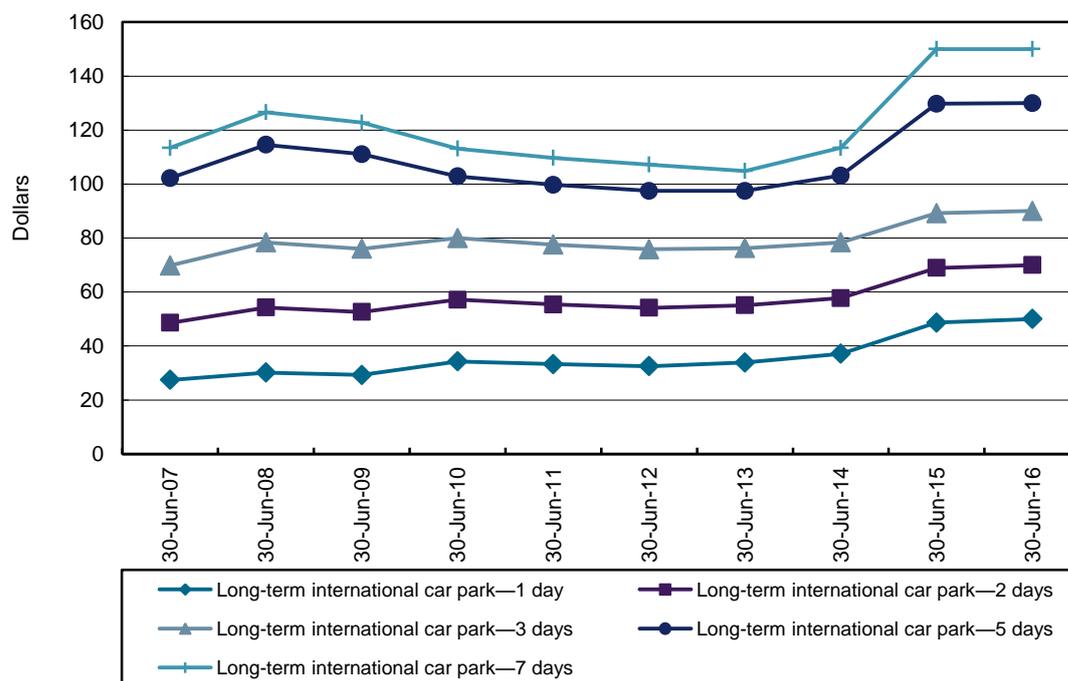


Note: Real values in 2015-16 dollars

Similarly, Figure 3.4.2 shows that selected long-term prices at the international terminal remained relatively stable during 2015-16. The selected prices show that the largest increase was for the seven day charge which grew by 2.8 per cent in real terms.

The previous year saw significant price jumps across all long-term parking durations, with each parking stay ranging from an increase of 13.8 per cent for three day stays, to 32.3 per cent for one day stays (in real terms). This suggests that a premium is paid on the price for long-term parking at facilities located immediately in front of the international terminal.

Figure 3.4.2: Brisbane international car park— selected long-term parking prices (drive-up) in real terms



Note: Real values in 2015-16 dollars

Table 3.4.2 below compares drive-up charges with average online car parking charges at the international terminal. The table also displays the average price paid by customers. The biggest discount occurs for parking booked online for a period of six to seven days, receiving a discount of one third when compared to drive-up rates.

Table 3.4.2: Brisbane Airport— drive-up, online and average parking charges at the International terminal car park

Length of stay	Drive-up (\$)	Average online (\$)	Weighted average of drive-up and online (\$)
4-24 hours	50.00	55.04	49.17
1-2 days	70.00	62.05	68.23
2-3 days	90.00	79.54	86.58
3-4 days	110.00	101.35	106.61
4-5 days	130.00	100.34	115.55
5-6 days	140.00	100.73	118.42
6-7 days	150.00	100.93	118.44

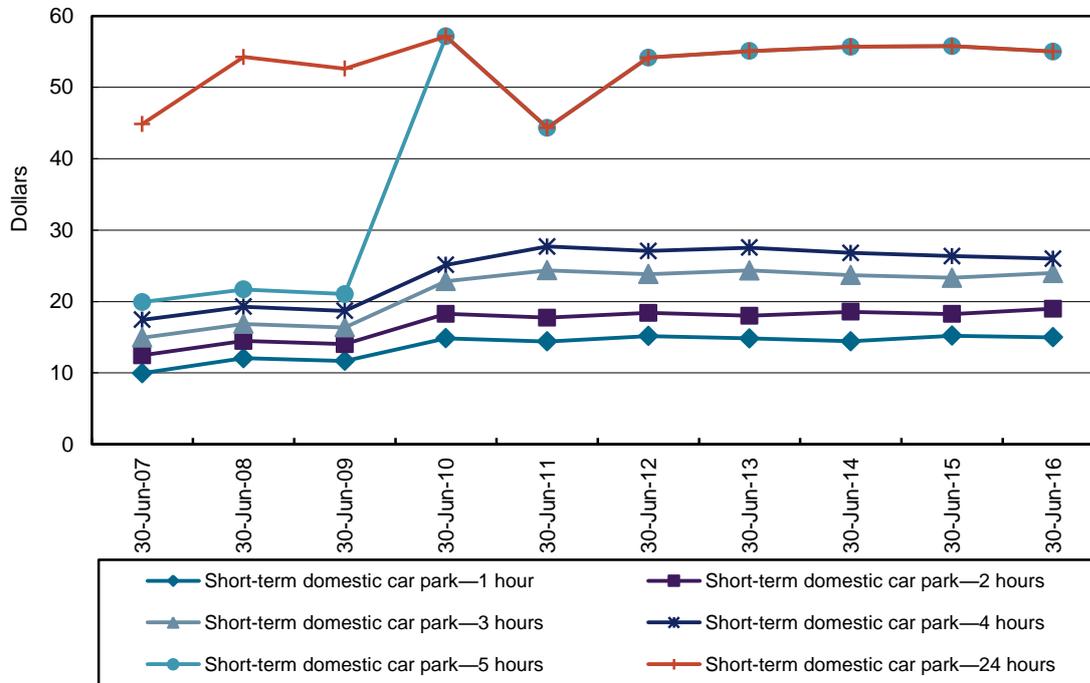
Note: Average car parking charges are calculated as the weighted average of drive-up and online charges

Domestic terminal car park— short-term (P1) and long-term (P2)

The domestic terminal car park precinct comprises of two multi-level car park buildings, P1 and P2. Car park P1 is intended for short-term car parking (up to four hours), premium valet parking, five levels of long-term parking and car rentals on level one. Car park P2 is intended for long-term car parking.

Figure 3.4.3 shows that prices at the domestic car park fluctuated between a 1.4 per cent decrease, to a 4.1 per cent increase (in real terms). The biggest increase in price was for a two hour stay, increasing from \$18.25 to \$19.00 in real terms.

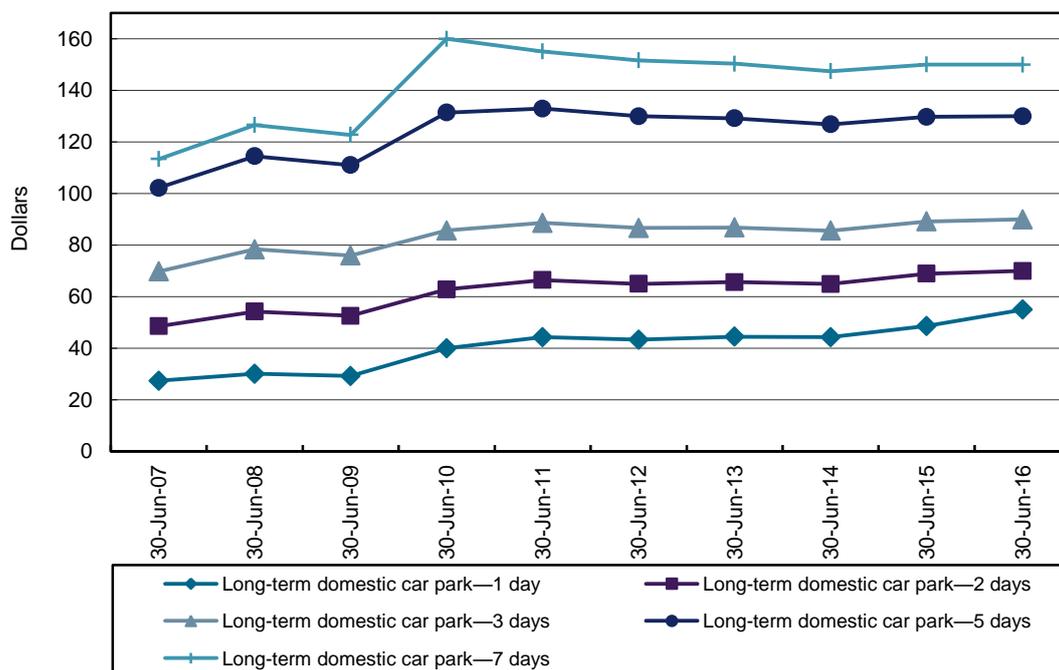
Figure 3.4.3: Brisbane domestic car park P1— selected short-term parking prices (drive-up) in real terms



Note: Real values in 2015-16 dollars

Figure 3.4.4 shows selected long-term car parking prices at the domestic terminal (car park P2) over the last decade. The figure shows that the biggest price increase in 2015-16 was for one day parking stays, increasing by 13 per cent to \$55.0 in real terms. All other parking durations increased by less than 1.5 per cent in real terms, with the exception of seven day parking which did not change at all in 2015-16.

Figure 3.4.4: Brisbane domestic car park P2— selected long-term parking prices (drive-up) in real terms



Note: Real values in 2015-16 dollars

Table 3.4.3 below displays the drive-up charges, average online charges and the weighted average of drive-up and online charges in 2015-16. It shows that discounts are available for booking online, with larger discounts provided for longer durations.

Table 3.4.3: Brisbane Airport— drive-up, online and average parking charges at the domestic terminal car park

Length of stay	Drive-up (\$)	Average online (\$)	Weighted average of drive-up and online (\$)
4-24 hours	50.00	45.85	49.69
1-2 days	70.00	61.85	69.30
2-3 days	90.00	76.61	85.39
3-4 days	110.00	103.58	107.20
4-5 days	130.00	104.38	117.77
5-6 days	140.00	104.96	119.91
6-7 days	150.00	104.51	118.97

Note: Average car parking charges are calculated as the weighted average of drive-up and online charges

3.4.3. Revenues, costs and profits

Table 3.4.4 outlines Brisbane Airport's revenues, expenses and profits (EBITA) for car parking and total airport services over the last decade. In 2015-16, the airport's total car parking revenue increased by 3.8 per cent in real terms to \$89.0 million. This occurred despite total car parking throughput decreasing by 2.9 per cent during the year.

In 2015-16 car parking expenses increased by 7.2 per cent in real terms and profit increased by 2.1 per cent in real terms to \$58.8 million. Since 2006-07, car parking profit has increased

by an average of 5.9 per cent per year in real terms. The airport made a profit of 66.1 cents for each dollar in car parking revenue. This is consistent with the last few years.

On a per car park space basis, revenue decreased by 3.6 per cent in real terms in 2015-16. This decrease in revenue is due to the increase in car parking capacity from Airpark. Expenses per car park space decreased by 0.4 percent in real terms. Accordingly, profit per car park space decreased by 5.1 per cent in real terms to \$3,994 per car park space.

Table 3.4.4: Brisbane Airport—revenues, expenses and profits for car parking and total airport services in real terms

		2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue (\$million)	Car parking	49.6	53.0	61.1	66.4	66.6	66.0	76.1	81.9	85.7	89.0
	Total airport	414.5	474.3	446.5	484.2	505.9	526.5	558.1	581.7	619.1	643.0
	Car parking % of total	12.0	11.2	13.7	13.7	13.2	12.5	13.6	14.1	13.8	13.8
Expenses (\$million)	Car parking	11.1	14.2	14.7	15.4	19.0	25.0	26.3	29.3	28.1	30.2
	Total airport	145.4	166.9	197.4	200.9	209.8	214.5	232.8	244.2	262.6	269.3
EBITA profit (\$million)	Car parking	38.5	38.7	46.5	51.0	47.6	41.0	49.8	52.6	57.6	58.8
	Total airport	269.1	307.4	249.1	283.3	296.1	312.0	325.3	337.5	356.5	373.7
EBITA profit % of revenue	Car parking	77.6	73.1	76.0	76.8	71.5	62.1	65.4	64.3	67.2	66.1
	Total airport	64.9	64.8	55.8	58.5	58.5	59.3	58.3	58.0	57.6	58.1
Revenue per space (\$)		5760	5133	6166	6914	6817	5133	5445	5860	6266	6042
Expenses per space (\$)		1289	1379	1478	1603	1944	1944	1884	2093	2056	2048
EBITA profit per space (\$)		4471	3754	4688	5311	4873	3189	3561	3767	4210	3994

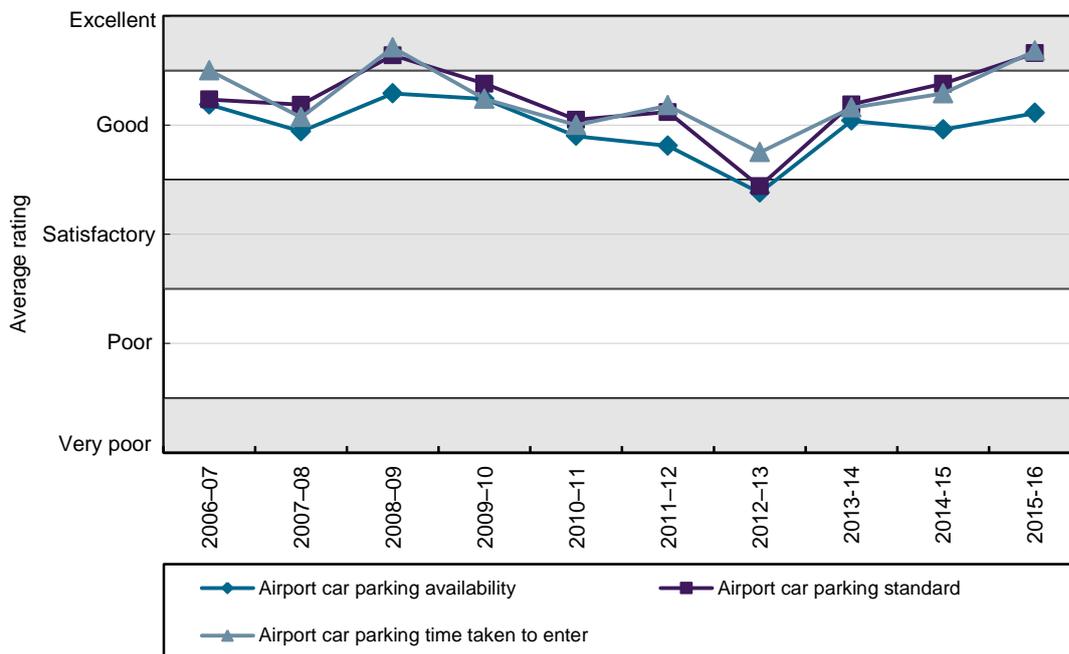
Note: Real values in 2015-16 dollars

3.4.4. Quality of car parking facilities

Passengers gave very favourable ratings for car parking facilities at Brisbane Airport.

Figure 3.4.5 shows international passengers' ratings of the time taken to enter, availability and standard of Brisbane Airport's car parking facilities. For the first time since 2008-09, passengers' ratings increased to the 'excellent' category for standard and the time taken to enter the car park. The rating for availability increased marginally within the 'good' range. Brisbane Airport reasoned that these achievements are attributable to an improved focus on ground transport areas to clear congestion and the first stage of Airpark opening.

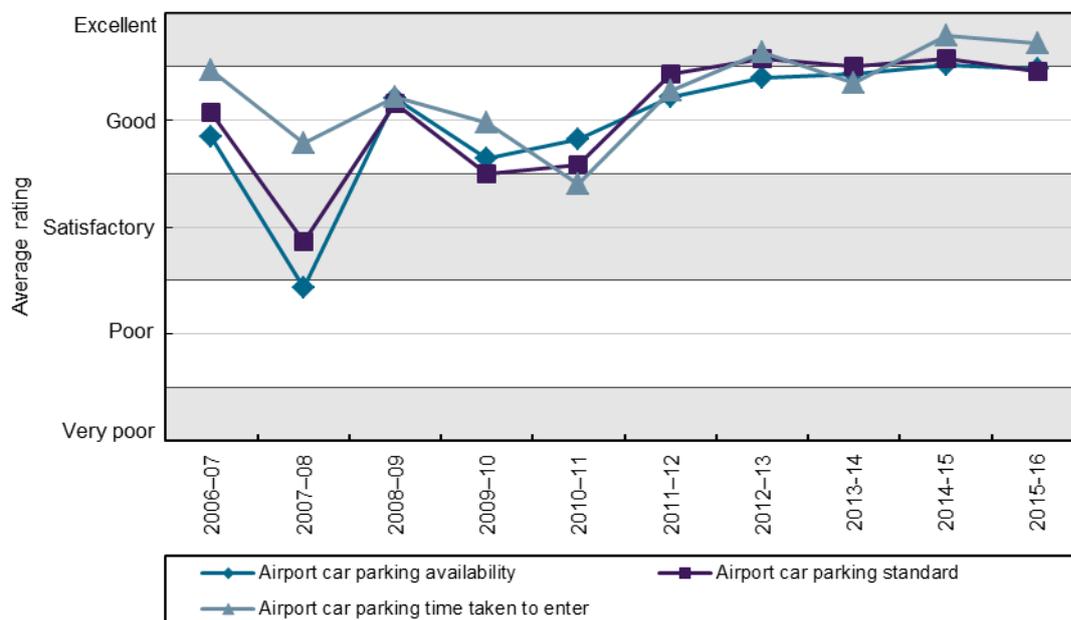
Figure 3.4.5: Brisbane Airport—international passenger survey ratings of the quality of car parking facilities



Source: Passenger surveys obtained from Brisbane Airport

Passengers' rating of the time taken to enter the domestic car park remained in the 'excellent' range, declining only marginally in 2015-16 (as shown in Figure 2.4.6). In comparison, domestic passengers' ratings of standard dipped just below 'excellent' to 'good'.

Figure 3.4.6: Brisbane Airport—domestic passenger survey ratings of the quality of car parking facilities



Source: Passenger surveys obtained from Brisbane Airport.

3.4.5. Other transport options

Passengers have a number of alternatives to car parking at Brisbane Airport. Trains, taxis, off airport car parking operators, ride sharing and private cars also provide access to the airport. These alternative transport options require access to the airport’s landside facilities for the pick-up and drop-off of passengers. Brisbane Airport imposes a landside access charge on some of these alternative transport options.

Brisbane Airport provides a 200 metre free passenger drop-off zone and four designated pick-up bays at the international terminal. At the domestic terminal, there is a 230 metre zone for pick-up and drop-off with four disabled bays. Brisbane Airport also provides 225 parking spaces that are free for the first 30 minutes. The airport also operates a free inter-terminal bus service between the domestic and international terminal.

Table 3.4.5 outlines the landside access charges for 2015-16, as well as the indexed average list prices between 2011-12 and 2015-16 in real terms.

Table 3.4.5: Brisbane Airport—landside access charges and indexed average access charges in real terms

Transport option	Average list prices (\$) 2015-16	Indexed average list prices (2015-16 base year = 100)				
		2011-12	2012-13	2013-14	2014-15	2015-16
Public bus	Monthly fee	NA	NA	NA	NA	NA
Off-airport car parking	4.37 ¹	NA	NA	NA	NA	100.0
Taxis (per pick-up)	3.40	92.9	99.9	97.2	98.5	100.0
Train (corridor lease)	162 000	99.6	81.7	98.0	101.4	100.0
Private bus and private car operators	Various	NA	NA	NA	NA	NA

Note: Real prices in 2015-16 dollars

¹ Brisbane Airport has a number of charges for off-airport car parking operators, based on bus size and length of landside stay. The \$4.37 charge applies to buses parked for less than 15 minutes at the domestic terminal and for buses parked for less than 30 minutes at the international terminal.

Private and public buses

There are no public bus services to the passenger terminals at Brisbane Airport.

One commercial bus operator ‘Con-x-on’ services Brisbane Airport’s international and domestic terminals. Con-x-ion offers door-to-door transfers to or from the Brisbane CBD, Gold Coast or Sunshine Coast areas. Brisbane Airport operates a free shuttle bus to and from the Skygate shopping precinct and between the terminals.

Off-airport car parking operators

A number of off-airport car parking operators service Brisbane Airport. The airport charged an access fee to the off-airport car parking operator for passenger pick-ups. The access fee varies depending on the time taken to pick up passengers.

Online prices sampled by the ACCC for daily standard off-airport car parking ranged from \$15 to \$45 for open air and from \$20 to \$50 for under cover.⁶⁵ Further discounts are generally offered for longer term parking.

Taxis

Brisbane Airport charged a \$3.50 airport access fee for each taxi pick-up, and does not charge for drop-offs. Brisbane Airport received a total of \$3.96 million in revenue from taxi access fees in 2015-16, a decrease of 4.7 per cent in real terms.

Ridesharing

Brisbane airport provides pick-up zones for ride-sharing passengers at its international and domestic terminals. The airport charged an airport access fee of \$3.00 for passenger pick-ups, and did not charge for drop-offs.

⁶⁵ Off airport car park operators assessed include (all sites viewed on 8 February 2017):
 Andrews Airport Parking, parking rates <http://www.andrewsairportpark.com.au/Andrews/Brisbane/Rates>
 Gateway Airport Parking, parking rates <http://gatewayairportparking.com.au/parking-rates/rates.aspx>
 Budget Airport Parking, parking rates <http://bap.com.au/index.php/rates/>
 Portside Cruise & Airport Parking, parking rates <http://www.portsideparking.com.au/parking/brisbane-airport-parking/>

Train

Brisbane Airport is serviced by a privately owned and operated train service that is integrated into the suburban train network (Translink). An adult train fare is \$17.50 one way between the airport and Brisbane CBD or \$33.00 return. Brisbane Airport earns revenue from the train service through a corridor lease (\$162,000 in 2015-16).

Quality of landside access services and facilities provided by Brisbane Airport

This section contains the quality of service results for Brisbane Airport's landside areas gathered from both passengers and businesses seeking access. Since 2013-14, the ACCC has been collecting ratings on landside areas and facilities from companies requiring access, including taxis, buses, and off-airport parking operators.

Passenger ratings

Passengers provided favourable ratings for the quality of landside facilities at Brisbane Airport.

Table 3.4.6 shows the majority of passengers' ratings of international terminal landside services and facilities remained in the 'good' range in 2015-16. Similarly, passengers' rating of taxi facilities waiting time remained within the 'excellent' range.

Similarly, the majority of passenger ratings of domestic terminal landside access and services increased within their ranges of 'excellent' or 'good' in 2015-16.

Table 3.4.6: Brisbane Airport—passenger ratings of quality of landside access services and facilities

Terminal	Indicator	Rating category 2015-16	1-year change	Change since 2011-12
International	Kerbside pick-up and drop-off facilities	Good	▲	▲
	Taxi facilities waiting time	Excellent	▼	—
	Kerbside space congestion	Good	▲	▲
Domestic	Kerbside pick-up and drop-off facilities	Good	▲	▲
	Taxi facilities waiting time	Excellent	▲	▲*
	Kerbside space congestion	Excellent	▲	▲*

Note: The rating categories are: very poor, poor, satisfactory, good and excellent.
 ▲ indicates an improvement; ▼ indicates a decline; — indicates no change.
 *Rating changed by a category over the period.

Landside operator ratings

In 2015-16, Brisbane Airport provided 60 designated spaces for passenger pick up and drop off for landside operators at the international terminal, and 172 spaces at the domestic terminal. Landside operators include taxis, buses and off airport car parking operators.

One landside operator commented that kerbside space for pick up standard was poor. In particular, it said that there was inadequate signage to direct customers to the off-airport car parking pick up areas. It also said that despite repeated requests to erect signage (not branded signage), airport management have not taken any further action on the issue. It also said that the off-airport car parking pick-up areas were located a fair walking distance from the terminals entrance and no weather protection was provided. Brisbane airport advised

that it had invested \$60 million in constructing a covered elevated walkway between the terminals and the ground transport roads and car parks.

In relation to kerbside space pick up availability, one landside operator has stated that Brisbane Airport has reduced the drop-off areas to one lane, with only a few parking spaces. This has caused significant delays (sometimes up to 20 minutes) when dropping off passengers and frustrating access. This was disputed by Brisbane Airport who reported that there had been no reduction in drop-off areas and the most recent change occurred in 2012.

In relation to management performance, one landside operator stated that nothing had materially changed from the previous year. It alleges that management continued to be unresponsive to access seekers needs and had poor communication. Off-airport car parking operators continue to vent frustration at the lack of stakeholder meetings with airport management. There was also a concern that access fees will continue to increase more than CPI and were rising to a point which cannot be reasonably passed on to customers. Brisbane Airport advised that meetings are coordinated annually with the off-airport car park operators with additional meetings scheduled as required.

4. Melbourne Airport

Key Points—2015-16

- Melbourne Airport's passenger numbers grew by 5.1 per cent to 34.0 million, the second highest after Sydney. Significant growth in international passengers (9 per cent) was a key driver of this increase, while the number of domestic passengers also saw an increase (3.7 per cent).
- Total aeronautical revenue increased by 14.7 per cent in real terms to \$393.3 million, driven by increased demand and higher aeronautical charges. This was largely offset by a 25.2 per cent increase in expenses associated predominantly with the opening of the new Terminal 4 and as a result aeronautical profit increased by only 1.0 per cent in real terms to \$150.4 million. Melbourne Airport's profit for each dollar of aeronautical revenue fell to 38.2 cents, the lowest over the last decade.
- Total aeronautical capital expenditure was \$127.6 million, down significantly from the record spend in the previous year. The rate of return on tangible aeronautical non-current assets dropped 0.9 percentage points to 8.3 per cent, its lowest level in the last decade.
- Melbourne Airport's overall weighted quality of service rating improved from 'satisfactory' to 'good'.
- Car parking revenue fell by 1.2 per cent in real terms to \$135.3 million. Expenses rose by almost 40 per cent in real terms to \$55.5 million, partly reflecting increased depreciation expenses associated with the new T4 car park. As a result car parking margin fell 17.7 per cent to \$79.9 million, which is also the lowest level in the last decade.

4.1. Airport overview and major investments

This section provides a brief overview of Melbourne Airport and its activity and investment during 2015-16. It includes aeronautical activity (Section 4.1.1), terminal configurations and car parking facilities (Section 4.1.2) and airport investments (Section 4.1.3).

4.1.1. Aeronautical activity levels

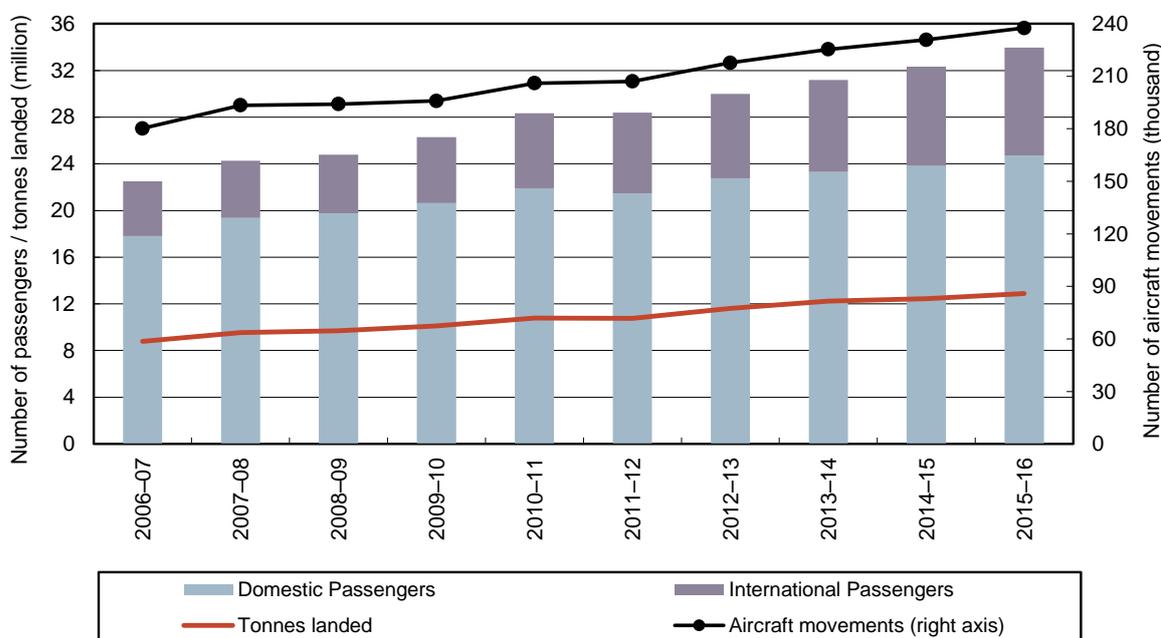
Figure 4.1.1 shows that total passenger volumes increased by 5.1 per cent at Melbourne Airport during 2015-16 to reach 34.0 million. This is the highest annual growth reported by the airport over the past three years. Melbourne Airport is behind only Sydney Airport in terms of total passengers.

Passenger growth in 2015-16 was in part driven by a 9.0 per cent increase in international passengers (including transit) during the year. The significant growth is due to new airlines adding routes and more services from existing airlines. In particular the China and US markets performed strongly.⁶⁶ Domestic passenger numbers (including on carriage) also grew in the same period, up 3.7 per cent.

⁶⁶ Melbourne Airport, *Victoria celebrates 9.5% growth in international travellers for FY16*, News release: 20 July 2016, viewed 8 February 2017, www.melbourneairport.com.au/about-melbourne-airport/media/media-releases/media-release-archive/2016/melbourne-airports-2015-16-passenger-traffic-results-2030.html

Total aircraft movements were up by 2.9 per cent to 237,554 during 2015-16. Domestic aircraft movements fell by 1.0 per cent (to 186,070), while international aircraft movements rose by 4.0 per cent (to 43,180).

Figure 4.1.1: Melbourne Airport—volume of passengers, tonnes landed and aircraft movements



4.1.2. Terminal configurations and car parking facilities

Terminal Configurations

Melbourne Airport has one international terminal and three domestic terminals:

- Terminal 1 (T1) is occupied and operated by Qantas under a domestic terminal lease. As a result T1 is not subject to monitoring and is excluded from the ACCC’s monitoring results.
- The international terminal (T2) is a common user terminal used by all international airlines flying to and from Melbourne Airport.
- Terminal 3 (T3) is a common user domestic terminal that is currently used by Virgin Australia.
- The new Terminal 4 (T4) is a common user domestic terminal that was opened in August 2015 and is currently used by Tigerair, Jetstar, Regional Express Airlines, and Air North.⁶⁷

Car parking facilities

Melbourne Airport provides multiple car parking facilities for both domestic and international passengers. There is undercover parking opposite the terminals ‘At Terminal’ as well as a long-term car park with shuttle bus services. An additional overflow car park operates at peak times (Value Long Stay car park). There is also a business car park within walking

⁶⁷ The original Terminal 4 had previously only been used by Tigerair since November 2007.

distance of the terminals, which was incorporated into the 'At Terminal' car park. In addition, as part of the new Terminal 4 development, a new seven-level transport hub and car park was opened in 2015. The new facility provides an additional 2800 parking bays⁶⁸ and is located across a pedestrian-only forecourt.

4.1.3. Major airport investments

Table 4.1.1 lists the selected aeronautical investments that have been completed, commenced or planned during 2015-16. In August 2015 Melbourne Airport opened the new Terminal 4, one of its major projects. Melbourne Airport is currently planning its development of a parallel east-west runway system, which would eventually see the existing east-west runway expanded and provide a new east-west third runway. The project is currently in concept design phase and requires Commonwealth Government approval.

Table 4.1.1: Melbourne Airport—selected investments in aeronautical services and facilities

Description of investment	Value (\$m) ^(a)	Started	Completed
New Terminal 4	N/A	Q1 2014	Q1 2016
Southern Apron Expansion	N/A	Q2 2014	Q1 2016
T2 departures Smart Gates	N/A	Q2 2015	Q4 2016
Development of parallel east-west runway system	N/A	FY 2016	FY 2023
Taxiway Victor South	N/A	Q1 2015	Q1 2017
Foxtrot Pier extension	N/A	FY 2016	FY 2018
T2 Check-in optimisation	N/A	FY 2017	FY 2017

Notes: (a) The dollar amount of each project has not been disclosed by Melbourne Airport

Table 4.1.2 provides details of the largest car parking and landside related investments that have been completed, commenced or planned during 2015-16. In conjunction with the opening of the new Terminal 4, Melbourne Airport developed a new multi-level ground transport hub and carpark (with more than 2800 car parking spaces provided) to serve the new terminal. The related works included a new elevated ramp above Melrose Drive and Centre Road for access to and exit from the multi-level structure.

Table 4.1.2: Melbourne Airport—selected investments in car parking and landside access services

Description of investment	Value (\$m) ^(a)	Started	Completed
Multi-level structure at T4	N/A	Q1 2014	Q1 2016
Car Park Technology Enhancement –Bayfinding	N/A	Q1 2014	Q1 2016
Skidata Version upgrades	N/A	Q2 2016	Q4 2016
Parking and Forecourt Optimisation Project	N/A	Q1 2017	Q4 2017

Notes: (a) The dollar amount of each project has not been disclosed by Melbourne Airport

⁶⁸ Melbourne Airport, *Melbourne Airport welcomes Jetstar to its new Terminal 4*, media release, November 10, 2015, Viewed 8 February 2017 www.melbourneairport.com.au/news-events/listing/overview/melbourne-airport-welcomes-jetstar-to-its-new-terminal-4.html

4.2. Aeronautical price monitoring and financial performance results

This section describes Melbourne Airport's aeronautical price monitoring and financial reporting results. The results are categorised into prices (Section 4.2.1), revenues, costs and profits by passenger (Section 4.2.2) and in total (Section 4.2.3), assets (Section 4.2.4), additions as a percentage of tangible assets (Section 4.2.5) and rate of return on tangible non-current assets (Section 4.2.6).

4.2.1. Prices

Melbourne Airport's current pricing agreements with airlines have applied since 1 July 2012 and expire on 30 June 2017. Prices are primarily adjusted by fixed annual increases with some charges adjusted by CPI during the term of the agreement. Table 4.2.1 presents Melbourne Airport's average aeronautical charges in 2015-16, as well as the indexed average list prices in real terms between 2011-12 and 2015-16. Commercial agreements mean that airlines may pay less than the list prices.

Passenger landing charges at the international terminal and multi-user terminal (Terminal 3 and 4) increased by 7.1 per cent and 2.2 per cent in real terms respectively during 2015-16. Revenue from these two charges likely made the greatest contribution to Melbourne Airport's total aeronautical revenue. Over the past five years, there have been significant increases in all landing fees and minimum charges.

Table 4.2.1: Melbourne Airport—schedule of average aeronautical charges in 2015-16 and indexed average list prices (including GST) in real terms

	Average charge per unit (\$)	Indexed average list prices (2015-16 base year = 100)				
		2011-12	2012-13	2013-14	2014-15	2015-16
Landing fees						
International terminal (per passenger)	21.5	78.7	85.6	88.8	93.3	100.0
Other (for aircraft not utilising international terminal) (per passenger)	4.6	88.9	95.4	96.7	97.9	100.0
Common-user domestic terminals (per passenger)	3.7	N/A	N/A	N/A	N/A	100.0
International freight (per MTOW) ^(a)	10.7	86.1	99.8	99.5	100.6	100.0
Domestic freight (per MTOW) ^(a)	10.7	86.1	99.8	99.5	100.6	100.0
General aviation (per MTOW) ^(a)	20.0	86.0	99.7	99.5	100.6	100.0
Aircraft parking (per 15 minutes)	45.7	86.0	99.7	99.5	100.6	100.0
Check-in desks (per hour) ^(b)	35.2	81.8	99.4	99.2	100.3	100.0
Minimum charges						
International and domestic freight (per landing)	297.33	62.0	71.2	69.4	100.0	100.0
General aviation (per landing)	297.33	84.7	99.7	94.2	97.9	100.0
Government-mandated security charges						
International terminal passenger screening (includes check baggage screening) (per passenger)	4.2	107.0	104.7	108.3	102.8	100.0
Common-user domestic terminals passenger screening (includes check baggage screening) (per passenger) ^(c)	3.7	78.7	80.0	73.0	78.6	100.0
Airport security charge – passengers (per passenger)	0.2	124.6	121.8	118.6	106.4	100.0
Airport security charge – freighters and general aviation (per MTOW)	0.2	124.6	121.8	118.6	106.4	100.0

Notes: Real indexed prices are in 2015-16 dollars. N/A = Not applicable

(a) Minimum charge applies.

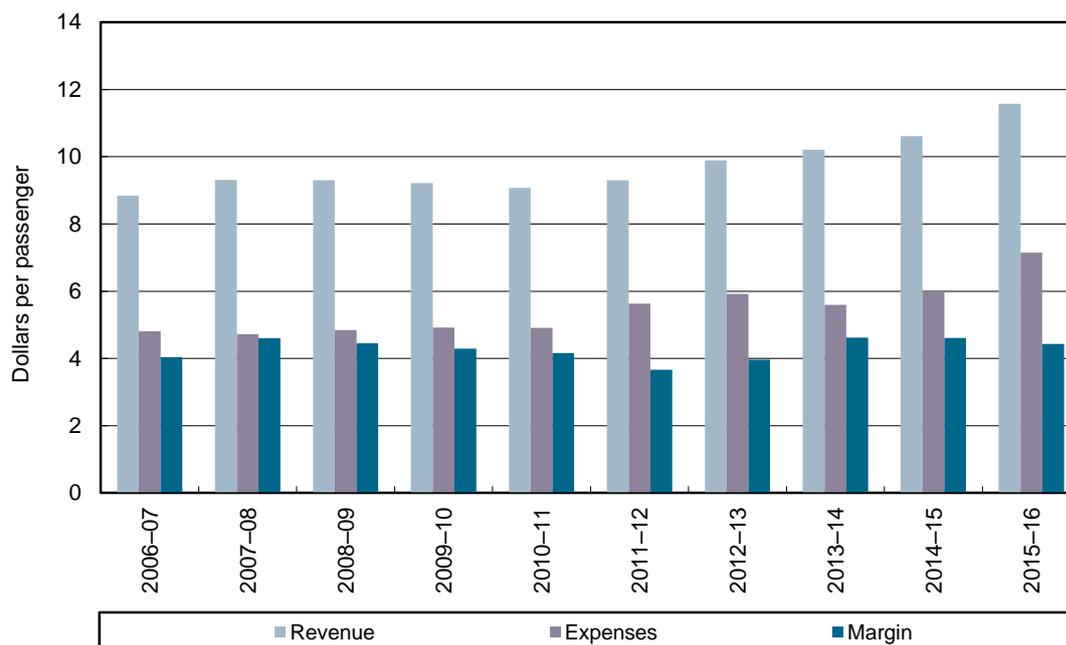
(b) Melbourne Airport also offers a 'premium rate' for check in desks of \$52.7 per hour.

(c) This refers to T3 and T4 weighted average charge.

4.2.2. Revenue, costs and profit per passenger for aeronautical services

Figure 4.2.1 shows Melbourne Airport's aeronautical revenue, expenses and profits on a per passenger basis. It shows that revenue per passenger continued its upward trend in 2015-16, growing by 9.1 per cent in real terms to \$11.58. This is the biggest increase over the last decade. This measure is 30.9 per cent higher in real terms than a decade ago.

Figure 4.2.1: Melbourne Airport—revenue, expenses and margin per passenger for aeronautical services



Note: Real indexed prices are in 2015-16 dollars

The chart shows that the increase in revenue per passenger has primarily been in response to rising costs per passenger over the ten years, rather than to grow profit (EBITA) per passenger. Expenses per passenger grew 19.1 per cent in 2015-16. In contrast, profit per passenger fell 3.9 per cent during the year.

4.2.3. Revenues, costs and profits for aeronautical and total airport services

Table 4.2.2 presents the revenues, expenses and profits for aeronautical services and the total airport in real terms over the past decade.

In 2015-16, Melbourne Airport’s aeronautical revenue rose by 14.7 per cent in real terms to \$393.3 million, driven by a combined effect of increased aeronautical charges and higher passenger numbers. Over the last decade aeronautical revenue has increased by an average of 7.9 per cent per year in real terms.

Aeronautical expenses also grew significantly during 2015-16, up 25.2 per cent in real terms. The increase reflects increased depreciation, security, property and leasing maintenance, and services and utilities costs. The jump in depreciation is likely associated with the significant amount of investment including the new T4.

Melbourne Airport’s aeronautical profit only grew by 1.0 per cent in real terms in 2015-16. The airport generated a profit margin of 38.2 per cent, compared to 43.4 cents in the previous year. This is the lowest profit margin has been in a decade.

Table 4.2.2: Melbourne Airport—revenues, expenses and profits for aeronautical and total airport services in real terms

		2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue (\$million)	Total aeronautical	198.8	226.0	230.5	242.2	257.0	263.9	296.6	318.5	342.9	393.3
	Total airport	465.9	527.5	540.9	574.8	604.4	621.0	662.5	715.9	763.5	839.5
	Aeronautical % of total airport	42.7	42.8	42.6	42.1	42.5	42.5	44.8	44.5	44.9	46.9
Expenses (\$million)	Total aeronautical	108.1	114.5	120.1	129.4	139.2	159.9	177.6	174.4	194.0	242.9
	Total airport	181.2	179.9	187.8	200.5	215.5	237.6	261.6	268.5	302.1	376.0
EBITA profit (\$million)	Total aeronautical	90.9	111.5	110.3	112.8	117.8	104.0	119.0	144.0	148.9	150.4
	Total airport	284.7	347.5	353.1	374.2	388.9	383.4	400.9	447.4	461.4	463.5
EBITA profit % of total revenue	Aeronautical	45.7	49.3	47.9	46.6	45.8	39.4	40.1	45.2	43.4	38.2
	Total airport	61.1	65.9	65.3	65.1	64.3	61.7	60.5	62.5	60.4	55.2
Revenue per passenger (\$)	Total aeronautical	8.84	9.32	9.30	9.22	9.07	9.30	9.89	10.21	10.61	11.58
Expenses per passenger (\$)	Total aeronautical	4.80	4.72	4.85	4.92	4.91	5.63	5.92	5.59	6.00	7.15
EBITA profit per passenger (\$)	Total aeronautical	4.04	4.60	4.45	4.29	4.16	3.67	3.97	4.62	4.61	4.43

Note: Real values in 2015-16 dollars

Table 4.2.3: Melbourne Airport—non-current assets for aeronautical services and total airport services in real terms

		2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Investment property (\$million)	Aeronautical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Total airport	1067.8	1060.7	1003.3	995.4	1046.5	1076.1	1132.7	1093.0	1223.3	1351.8
Land (\$million)	Aeronautical	58.3	55.7	53.4	53.8	51.5	49.8	48.5	46.6	45.2	56.7
	Total airport	73.6	70.4	67.5	67.4	64.5	62.2	78.1	75.2	109.8	109.7
Property, plant and equipment (\$million)	Aeronautical	610.0	659.2	799.3	898.0	944.2	1041.2	1124.7	1370.0	1769.5	1766.6
	Total airport	906.3	999.6	1157.9	1252.5	1311.7	1396.1	1516.3	1846.9	2421.2	2424.5
Intangibles (\$million)	Aeronautical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Total airport	832.1	805.0	780.7	763.0	740.0	723.3	707.2	690.4	678.3	668.6
Other tangible non-current assets (\$million)	Aeronautical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Total airport	1.5	17.3	0.0	0.0	0.0	8.0	47.9	109.5	263.3	400.6
Total tangible non-current assets (\$million)	Aeronautical	668.3	714.9	852.8	951.8	995.7	1090.9	1173.2	1416.6	1814.8	1823.3
	Total airport	2049.2	2148.0	2228.6	2315.3	2422.7	2542.5	2775.0	3124.7	4017.6	4286.6
Total non-current assets (\$million)	Aeronautical	668.3	714.9	852.8	951.8	995.7	1090.9	1173.2	1416.6	1814.8	1823.3
	Total airport	2881.4	2953.1	3009.3	3078.3	3162.7	3265.8	3482.2	3815.1	4695.9	4955.2

Note: Real values in 2015-16 dollars

4.2.4. Assets for aeronautical and total airport services

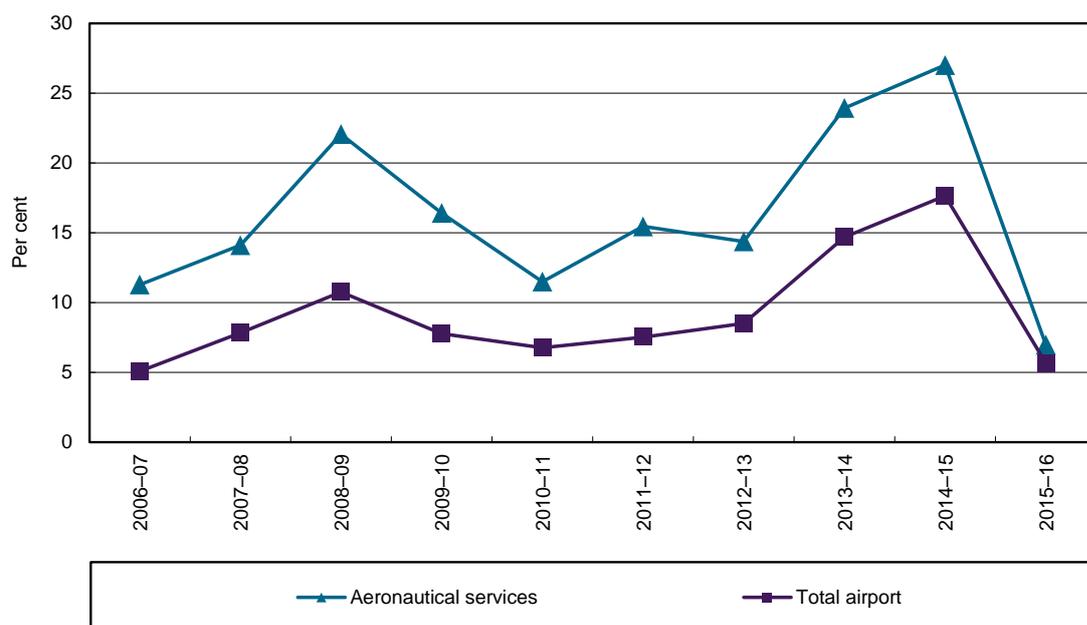
Table 4.2.3 outlines Melbourne Airport’s tangible non-current assets for aeronautical and total airport services over the past decade.

In 2015-16 the value of aeronautical tangible non-current assets at Melbourne Airport increased by 0.5 per cent in real terms to \$1.8 billion. The asset base has nearly doubled in real terms over the past decade.

4.2.5. Additions as a percentage of tangible non-current assets

Figure 4.2.2 presents additions as a percentage of tangible non-current assets for both aeronautical and total airport services. During 2015-16, Melbourne Airport’s \$127.6 million in additions to aeronautical assets represented 7.0 per cent of total aeronautical tangible non-current assets. These additions were mainly comprised of ‘work in progress’. This rate of increase was much lower than that recorded in 2014-15 following Melbourne’s record investment in that year. In fact the rate of growth in aeronautical asset value in 2015-16 stood at the lowest level recorded over the last decade. However this would need to be viewed in the context that Melbourne Airport’s asset base has grown significant over recent years.

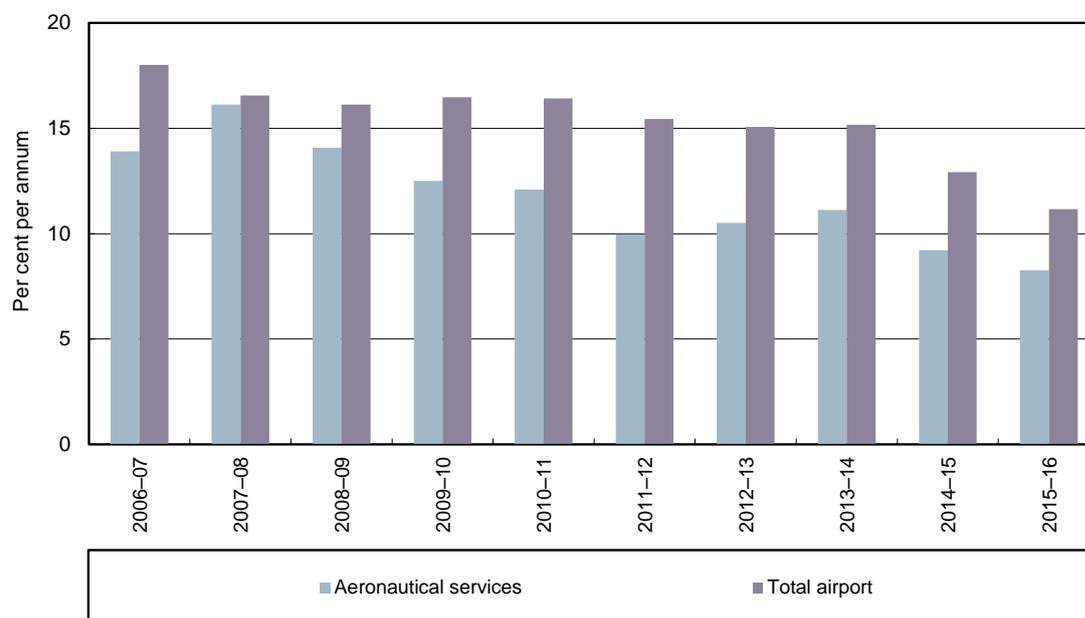
Figure 4.2.2: Melbourne Airport—additions as a percentage of tangible non-current assets for aeronautical and total airport services



4.2.6. Rates of return on tangible non-current assets

The rate of return on tangible non-current assets is calculated using earnings before interest, tax and amortisation (EBITA) on average assets. For aeronautical services, this measure fell by 0.9 percentage points to 8.3 per cent in 2015-16, which is at the lowest level in the last decade following a trend of fairly consistent decline (Figure 4.2.3).

Figure 4.2.3: Melbourne Airport—rate of return (EBITA) on tangible non-current assets for aeronautical and total airport services in real terms



Note: Real values in 2015-16 dollars

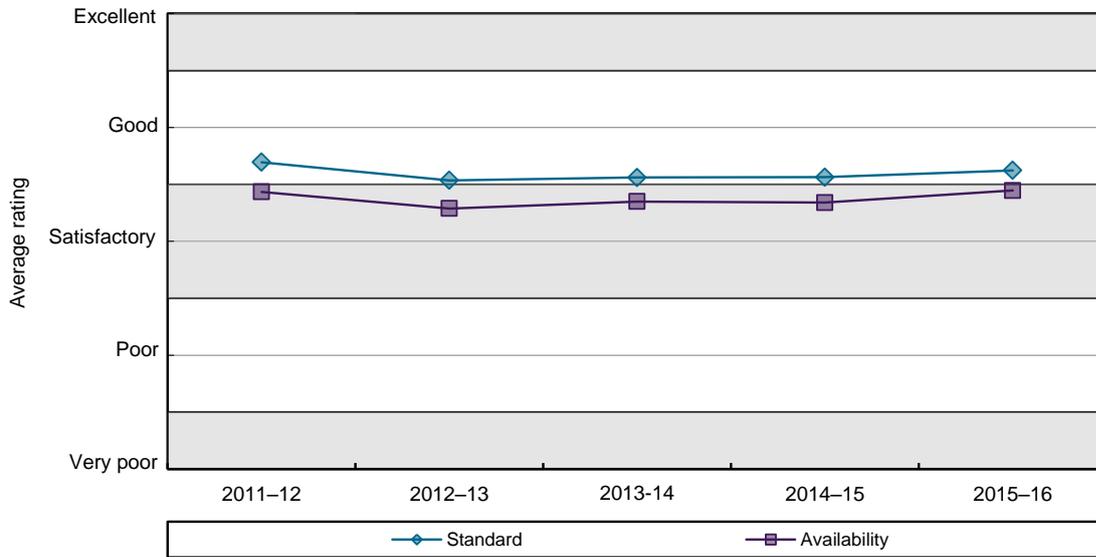
4.3. Aeronautical services quality of service monitoring results

Both passengers and airlines are surveyed to gauge the quality of service offered by each airport. This section presents Melbourne Airport's overall ratings (Section 4.3.1), aircraft-related services and facilities (Section 4.3.2), and ratings for passenger-related services and facilities for Melbourne Airport's terminals (Section 4.3.3).

4.3.1. Overall quality of service

As noted in section 2.2.1, Melbourne Airport's overall weighted quality of service improved from 'satisfactory' to 'good'. Figure 4.3.1 shows that Melbourne Airport's rating for the standard of total airport services and facilities has remained within the 'good' range since 2011-12. Availability improved slightly but remained at 'satisfactory'. Both indicators' rating improved slightly in 2015-16.

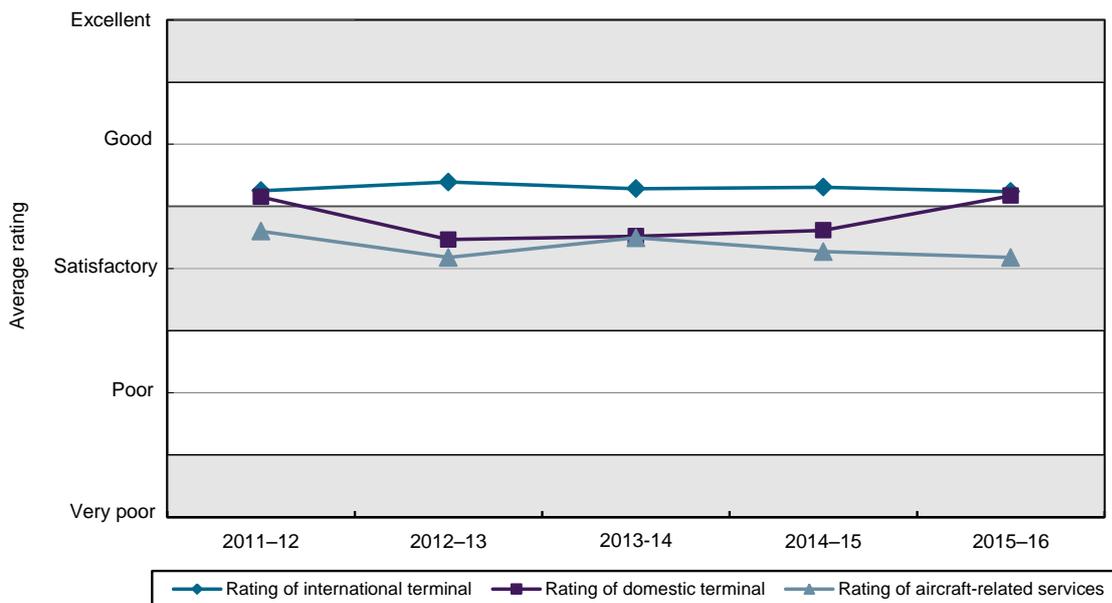
Figure 4.3.1: Melbourne Airport—ratings for standard and availability of total airport services and facilities



Source: Airline surveys, passenger surveys and objective indicators obtained from Melbourne Airport

Figure 4.3.2 shows quality of service ratings for domestic terminal services, international terminal services and aircraft related services. Melbourne Airport’s rating for international terminal services remained steady within the ‘good’ range during 2015-16. The average rating for domestic terminal services however improved significantly, being rated ‘good’ for this first time in the past four years. The improved rate for domestic terminal services likely reflects improved services at the new Terminal 4.

Figure 4.3.2: Melbourne Airport—ratings for international and domestic terminal services, and aircraft related services and facilities



Source: Airline surveys, passenger surveys, and objective indicators obtained from Melbourne Airport

4.3.2. Aircraft related services and facilities

As shown above, airlines' ratings of aircraft-related services and facilities remained steady within the 'satisfactory' range during 2015-16. Table 4.3.1 provides a breakdown of its underlying indicators.

Table 4.3.1: Melbourne Airport—airline ratings of quality of individual aircraft related services and facilities

	Indicator	Rating category 2015-16	1-year change	Change since 2011-12
Runway	Availability	Satisfactory	▼*	▼
	Standard	Good	▼	—
Taxiways	Availability	Good	▲*	▲*
	Standard	Good	▲	▲
Aprons	Availability	Satisfactory	▲	▲
	Standard	Satisfactory	▲	▼*
Aircraft parking	Availability of facilities and bays	Satisfactory	▲*	▲*
	Standard of facilities and bays	Satisfactory	—	▲
Ground handling	Availability of services and facilities	Satisfactory	▼	▼
	Standard of services and facilities	Satisfactory	—	▼
Management responsiveness	Availability	Satisfactory	—	▼
	Standard	Satisfactory	—	▼

Note: The rating categories are: very poor, poor, satisfactory, good and excellent. ▲ indicates an improvement; ▼ indicates a decline; — indicates no change. *Rating changed by a category over the period.

Airlines' ratings of the availability and standard of runways both declined during 2015-16. In particular, the rating for availability dropped from 'good' to 'satisfactory'. While a couple of airlines raised issues regarding works impacting runway availability and poor standard of runway access configurations, most airlines did not raise any significant concerns.

The availability and standard of taxiways were both rated 'good' in 2015-16, with the availability rating uplifting from 'satisfactory'. Majority of the airlines did not appear to have significant concerns except suggestions that there could be congestion issues during peak hours.

Airlines' ratings of the availability and standard of aprons improved within the 'satisfactory' range during 2015-16. However a number of airlines have reported congestion issues in peak hours.

The availability rating of aircraft parking facilities and bays improved from 'poor' to 'satisfactory' in 2015-16. Despite this improvement, a number of airlines again raised concerns about the limited space and number of bays. Some airlines also raised issues such as cleanliness, safety and congestion.

Airlines' ratings of the availability of ground handling declined slightly within the 'satisfactory' range during 2015-16, reflecting some airlines' concerns that there was insufficient storage space.

4.3.3. Passenger-related services and facilities

International terminal

Table 4.3.2 shows various qualities of service indicators for Melbourne Airport's international terminal.

Passengers continued to rate all subjective indicators as 'good' in 2015-16. Airlines' rating of each subjective indicator remained within the 'satisfactory' category except one indicator which was rated 'good'. However the airlines' rating for the majority of the indicators declined. The ratings of more than half of the objective indicators showed improvement in 2015-16.

Airline ratings of both the standard of check-in and the availability for baggage processing facilities dropped from 'good' to 'satisfactory'. Some airlines stated that some of the ageing check-in facilities are of poor standard in contrast to the newer check-in counters and self-check in facilities. One airline noted however that self check-in facilities are not a product for all airlines. In relation to the baggage processing facility, some airlines raised concerns about congestion in baggage room and insufficient carousel capacity in peak hours. Melbourne Airport reported significant drops in the number and length of interruptions to inbound and outbound baggage systems occurred in 2015-16, which suggests that service levels improved in those areas.

Melbourne Airport also added nine additional immigration desks and two additional security clearance systems in 2015-16. However these did not appear to have influenced passengers ratings of the relevant subjective indicators significantly.

Table 4.3.2: Melbourne Airport—indicators of quality of passenger related services and facilities—international terminal

Category	Indicator	Data source	Indicator result 2015-16	1-year change	Change since 2011-12
Check-in	Check-in availability	Airline survey	Satisfactory	▼	▼
	Check-in standard	Airline survey	Satisfactory	▼ *	▲
	Check-in waiting time	Passenger survey	Good	—	▼
	Number of departing passengers per check-in desk, kiosk and bag drop facility (peak hour)	Objective indicator	6.2 passengers	▲	▲
Immigration	Waiting time in outbound Immigration area	Passenger survey	Good	▲	▼
	Number of departing passengers per outbound Immigration desk (peak hour)	Objective indicator	36.6 passengers	▲	▲
	Waiting time in inbound Immigration area	Passenger survey	Good	▼	▼
	Number of arriving passengers per inbound Immigration desk (peak hour)	Objective indicator	23.5 passengers	▲	▲
	Waiting time in inbound baggage inspection area	Passenger survey	Good	▼	▼
	Number of arriving passengers per baggage inspection desk (peak hour)	Objective indicator	29.9 passengers	▼	▲
Information	Flight information display screens	Passenger survey	Good	—	▲
	Number of passengers per flight information display screen (peak hour)	Objective indicator	18.3 passengers	▲	▲
	Number of passengers per information point (peak hour)	Objective indicator	2 321 passengers	▲	▲
	Signage and wayfinding	Passenger survey	Good	▼	▲

Notes: The rating categories are; very poor, poor, satisfactory, good and excellent. ▲ indicates an improvement; ▼ indicates a decline; — indicates no change.

* Rating changed by a category over the period.

Table 4.3.2: Melbourne Airport—indicators of quality of passenger related services and facilities—international terminal (cont.)

Category	Indicator	Data source	Indicator result 2015-16	1-year change	Change since 2011-12
Baggage	Baggage processing facilities availability	Airline survey	Satisfactory	▼*	▲
	Baggage processing facilities standard	Airline survey	Good	—	▼
	Average throughput of outbound baggage system (per hour)	Objective indicator	572 items	▲	▲
	Circulation space for inbound baggage reclaim	Passenger survey	Good	▼	▲
	Information display for inbound baggage reclaim	Passenger survey	Good	—	▲
	Number of arriving passengers per m ² of inbound baggage reclaim area (peak hour)	Objective indicator	1.6 passengers	▼	N/A
	Findability of baggage trolleys	Passenger survey	Good	—	▼*
	Number of passengers per baggage trolley (peak hour)	Objective indicator	1.1 passengers	—	—
Gate lounges	Seating in lounge area (quality and availability)	Passenger survey	Good	—	▲
	Number of departing passengers per seat in gate lounges (peak hour)	Objective indicator	0.3 passengers	—	—
	Crowding in lounge area	Passenger survey	Good	▼	—
	Number of departing passengers per m ² of lounge area (peak hour)	Objective indicator	0.1 passengers	▼	▼
Amenities	Standard of washrooms	Passenger survey	Good	—	—
	Number of departing passengers per washroom (peak hour)	Objective indicator	68.6 passengers	▲	N/A
Aerobridges	Aerobridges availability	Airline survey	Satisfactory	▼	▼
	Aerobridges standard	Airline survey	Satisfactory	▼	▼
	Percentage of international passengers arriving using an aerobridge	Objective indicator	NA	N/A	N/A
	Percentage of international passengers departing using an aerobridge	Objective indicator	98.9%	▼	▼
Security	Quality of security search process	Passenger survey	Good	—	—
	Number of departing passengers per security clearance system (peak hour)	Objective indicator	99.7 passengers	▲	▼

Notes: The rating categories are; very poor, poor, satisfactory, good and excellent.
 ▲ indicates an improvement; ▼ indicates a decline; — indicates no change.
 * Rating changed by a category over the period

Domestic Terminal (T3)

As shown in Table 4.3.3, airlines rated Melbourne Airport as 'satisfactory' against all of their subjective indicators in 2015-16. Only two subjective indicators rated by either airlines or passengers showed improvement. Passengers rated all subjective indicators as 'good', but more than half of those indicators experienced modest decline in rating. The results were a little mixed in relation to objective indicators with half of them declining.

Melbourne Airport increased the number of check-in kiosk facilities from 13 to 18 during 2015-16. The increased capacity likely contributed to improved airlines rating of 'check-in' availability (from 'poor' to 'satisfactory').

As in the case of T2, Melbourne significantly reduced the number and length of interruptions to both inbound and outbound baggage systems in T3 during 2015-16. However this improvement did not appear to have influenced the airlines' rating of the availability and standard of baggage processing facilities. Both indicators continued to be rated 'satisfactory' only. Some airlines commented that the baggage processing systems were old and out-dated, and needed to be updated to cope with passenger growth.

Domestic Terminal (T4)

Melbourne Airport opened its new common user domestic Terminal 4 in August 2015. The new T4 replaced the original Terminal 4.

As shown in Table 4.3.4, both airlines' ratings and passengers' ratings on their subjective indicators at Terminal 4 improved overall during 2015-16. All of the indicators rated by passengers received the 'good' rating. Six of those showed improvement and only one declined.

Airlines rated the indicators on baggage processing facilities as 'good', uplifting from 'satisfactory' in the previous year. The availability and standard of check in remained unchanged within the 'satisfactory' and 'poor' ranges respectively. In the airlines' commentary a concern was raised regarding poor passenger wayfinding signage at the check-in hall in the new T4.

All of Melbourne Airport's objective indicators improved in 2015-16. Some indicators moved up by a significant amount. For example, the number of departing passengers per check-in desk, kiosk and bag dropped facility in peak hour lowered from 20.9 to 7.8, while the number of passengers per information display dropped from 96.8 to 16.4.

The increased capacity in a number of monitored areas (aircraft parking facilities, check-in and security inspection facilities, baggage handling facilities etc.) as a result of completion of the new T4 has likely contributed to the improved ratings from airlines and passengers.

Table 4.3.3: Melbourne Airport—indicators of quality of passenger related services and facilities—domestic terminal (T3)

Category	Indicator	Data source	Indicator result 2015-16	1-year change	Change since 2011-12
Check-in	Check-in availability	Airline survey	Satisfactory	▲*	▼
	Check-in standard	Airline survey	Satisfactory	▼	▼*
	Check-in waiting time	Passenger survey	Good	▼	▼
	Number of departing passengers per check-in desk, kiosk and bag drop facility (peak hour)	Objective indicator	18.3 passengers	▲	▲
Baggage	Baggage processing facilities availability	Airline survey	Satisfactory	—	—
	Baggage processing facilities standard	Airline survey	Satisfactory	—	—
	Circulation space for inbound baggage reclaim	Passenger survey	Good	—	▲
	Information display for inbound baggage reclaim	Passenger survey	Good	—	—
	Number of arriving passengers per m ² of inbound baggage reclaim area (peak hour)	Objective indicator	7.8 passengers	▼	N/A
	Findability of baggage trolleys	Passenger survey	Good	▲	—
	Number of passengers per baggage trolley (peak hour)	Objective indicator	4.1 passengers	▼	▲
Information	Flight information display screens	Passenger survey	Good	▼	—
	Signage and wayfinding	Passenger survey	Good	▼	▼
	Number of passengers per flight information display screen (peak hour) ^(a)	Objective indicator	40.8 passengers	▼	▼
Gate lounges	Seating in lounge area (quality and availability)	Passenger survey	Good	▼	▲
	Number of departing passengers per seat in gate lounges (peak hour)	Objective indicator	0.6 passengers	—	▲
	Crowding in lounge area	Passenger survey	Good	▼	—
	Number of departing passengers per m ² of lounge area (peak hour)	Objective indicator	0.2 passengers	—	▲
Amenities	Standard of washrooms	Passenger survey	Good	—	—
	Number of departing passengers per washroom (peak hour)	Objective indicator	150.0 passengers	▼	N/A
Aerobridges^(b)	Number of arriving domestic passengers per aerobridge (peak hour)	Objective indicator	83.8 passengers	▲	▲
	Number of departing domestic passengers per aerobridge (peak hour)	Objective indicator	68.1 passengers	▲	▼
Security	Quality of security search process	Passenger survey	Good	▼	—
	Number of departing passengers per security clearance system (peak hour)	Objective indicator	107.0 passengers	▼	▲

Notes: The rating categories are; very poor, poor, satisfactory, good and excellent.

▲ indicates an improvement; ▼ indicates a decline; — indicates no change. * Rating changed by a category over the period.

(a) Melbourne Airport does not have any information points in Terminal 3

(b) Airlines' rating for aerobridges have not been included for confidentiality reasons, although these ratings have been included in average airline survey ratings elsewhere in this chapter.

Table 4.3.4: Melbourne Airport—indicators of quality of passenger related services and facilities—domestic terminal (T4)

Category	Indicator	Data source	Indicator result 2015-16	1-year change	Change since 2011-12
Check-in	Check-in availability	Airline survey	Satisfactory	—	N/A
	Check-in standard	Airline survey	Poor	—	N/A
	Check-in waiting time	Passenger survey	Good	—	—
	Number of departing passengers per check-in desk, kiosk and bag drop facility (peak hour)	Objective indicator	7.8 passengers	▲	▲
Baggage	Baggage processing facilities availability	Airline survey	Good	▲*	N/A
	Baggage processing facilities standard	Airline survey	Good	▲*	N/A
	Circulation space for inbound baggage reclaim	Passenger survey	Good	▲	▲
	Information display for inbound baggage reclaim	Passenger survey	Good	▼	▼
	Number of arriving passengers per m ² of inbound baggage reclaim area (peak hour)	Objective indicator	0.3 passengers	▲	N/A
	Findability of baggage trolleys	Passenger survey	Good	▲	▲
	Number of passengers per baggage trolley (peak hour)	Objective indicator	5.2 passengers	▲	▲
Information	Flight information display screens	Passenger survey	Good	▲	▼
	Signage and wayfinding	Passenger survey	Good	—	▼
	Number of passengers per flight information display screen (peak hour)	Objective indicator	16.4 passengers	▲	▲
Gate lounges	Seating in lounge area (quality and availability)	Passenger survey	Good	▲	▲
	Number of departing passengers per seat in gate lounges (peak hour)	Objective indicator	0.6 passengers	▲	▲
	Crowding in lounge area	Passenger survey	Good	▲	—
	Number of departing passengers per m ² of lounge area (peak hour)	Objective indicator	0.2 passengers	▲	▲
Amenities	Standard of washrooms	Passenger survey	Good	▲	▲
	Number of departing passengers per washroom (peak hour)	Objective indicator	114.8 passengers	▲	N/A
Security	Quality of security search process	Passenger survey	Good	—	▲
	Number of departing passengers per security clearance system (peak hour)	Objective indicator	98.4 passengers	▲	▲

Notes: The rating categories are; very poor, poor, satisfactory, good and excellent.
▲ indicates an improvement; ▼ indicates a decline; — indicates no change. * Rating changed by a category over the period.
Terminal 4 has no aerobridges or information points and as a result, no indicators are included for these measure.

4.4. Car parking services monitoring results

This section presents an overview of Melbourne Airport's car parking and landside services and facilities. It describes the car parking facilities available and new investments (Section 4.4.1), car park pricing (Section 4.4.2), revenues and margins (Section 4.4.3), quality of service outcomes (Section 4.4.4), and landside operator service ratings (Section 4.4.5).

4.4.1. Activity

Table 4.4.1 shows the number of car parking spaces available at the airport, and throughput of car parking facilities over the last decade.

A new car park with 2800 spaces opened next to T4 in November 2015, increasing the total number of spaces at Melbourne Airport by 12 per cent to 25 900. Car parking facilities at the airport comprise 9501 short-term (At Terminal) parking spaces (37 per cent of the total number of spaces), 13 830 long-term parking spaces (53 per cent) and 2569 staff parking spaces (10 per cent).

The average daily throughput of car parking facilities is derived from the number of vehicles using each car park divided by the number of days the car park was open. The throughput for short-term car parks fell by 1.8 per cent to 6841 vehicles per day, and throughput for long-term car parks rose by 9.4 per cent to 1852 vehicles per day. The resulting total throughput was 8683 vehicles per day, 0.4 per cent higher than 2014-15.

Over the last decade the number of car parking spaces grew by more than 50 per cent, with most of this growth taking place over the last four years. The throughput across all car parking facilities has remained reasonably steady across the last decade. However, this has varied greatly between long-term car parking (grown by about 25 per cent) and short-term parking (fallen by 3.5 per cent).

Table 4.4.1: Melbourne Airport—number of car park spaces and average daily throughput

		2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Number of car park spaces	Short term	3,315	3,244	7,698	7,529	7,529	7,441	7,441	7,279	6,824	9,501
	Long term	11,913	14,592	12,500	12,500	12,500	12,100	12,250	14,500	13,830	13,830
	Staff	1,676	2,059	2,059	2,383	2,383	2,383	2,627	2,627	2,569	2,569
	Total airport	16,904	19,895	22,257	22,412	22,412	21,924	22,318	24,406	23,223	25,900
Annual throughput of car park facilities (thousand) ⁶⁹	Short term	2594	2644	2664	2725	2723	2804	2701	2594	2543	2504
	Long term	539	703	527	521	540	530	579	586	618	678
	Total airport	3133	3347	3191	3246	3263	3334	3279	3180	3161	3182
Average daily throughput of car park facilities	Short term	7107	7224	7298	7466	7460	7662	7400	7106	6967	6841
	Long term	1478	1921	1443	1427	1480	1447	1585	1606	1694	1852
	Total airport	8585	9144	8742	8893	8940	9110	8985	8711	8661	8693

⁶⁹ Annual throughput data for staff car parking was unavailable.

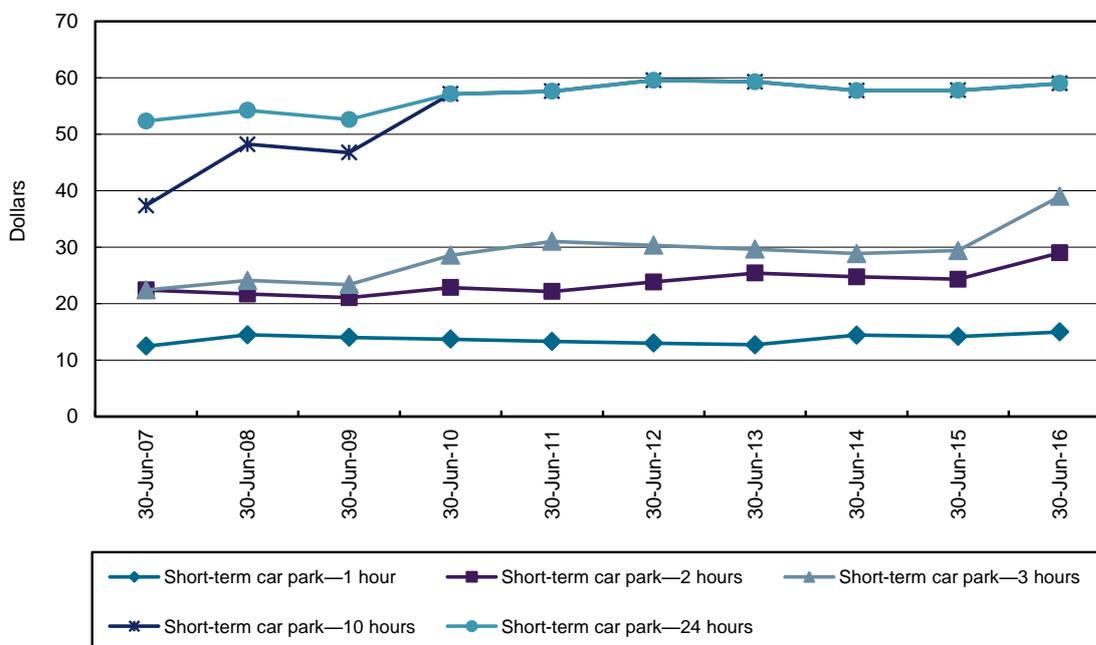
4.4.2. Car parking prices

This section examines Melbourne Airport’s drive-up car parking charges. The airport also provides an online booking system for car parking. Online charges are typically discounted in comparison to drive-up prices. Melbourne Airport has provided the ACCC with aggregated revenue received from online car parking, and where possible this section assesses the relative importance of drive-up versus online charges for airport customers.

At Terminal short-term car parking

Figure 4.4.1 shows prices for Melbourne Airport’s short-term At terminal car park. This year prices for 2 and 3-hour parking rose 19.2 per cent and 32.7 per cent respectively in real terms. Prior to this increase prices have been quite stable in real terms since 2009-10. There was very little change in prices for duration of one hour.

Figure 4.4.1: Melbourne Airport—selected short-term parking prices (drive-up) at the international terminal car park in real terms



Note: Real values in 2015-16 dollars

Table 4.4.2 compares the effective drive-up charges (found by dividing the revenue by the throughput) with the average of drive-up and online charges, weighted by the throughput for each revenue source. For durations of 3-4 hours, the average price is substantially lower than the drive-up price, showing that customers are taking advantage of online discounts. For other stay durations, however, the average price and the drive-up price are similar. This demonstrates that a limited number of consumers are obtaining significant savings by booking online at this short-term car park.

Table 4.4.2: Melbourne Airport—drive-up, online and average parking charges At Terminal short-term car park

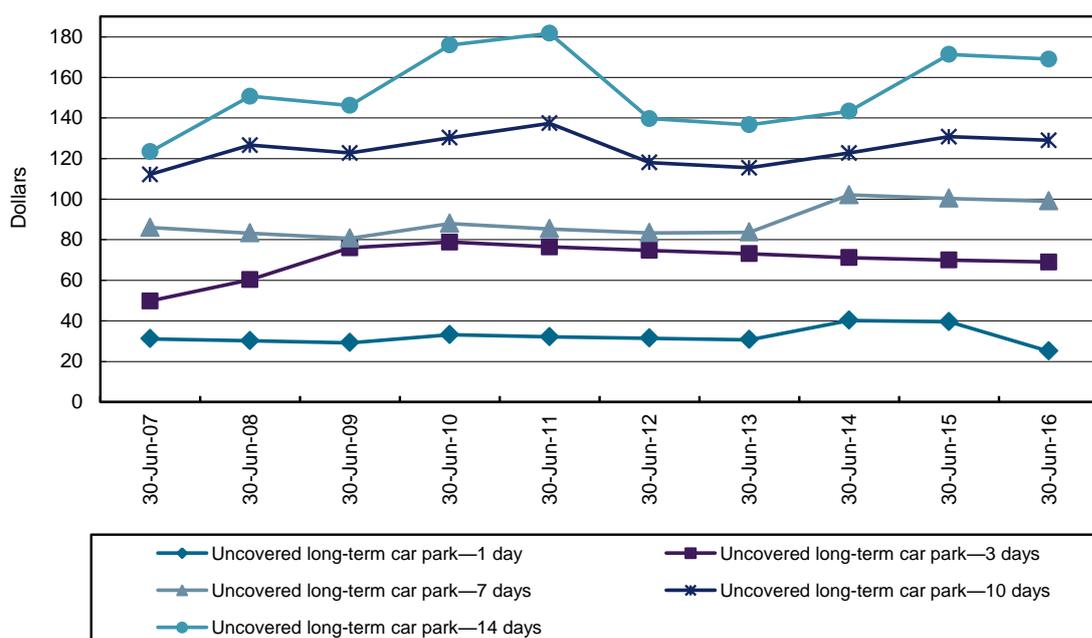
Length of stay	Drive-up (\$)	Average online (\$)	Weighted average of drive-up and online (\$)
31-60 minutes	15.00	10.39	14.77
1-2 hours	29.00	15.22	26.78
2-3 hours	39.00	15.33	27.63
3-4 hours	49.00	15.10	29.74
4-24 hours	59.00	41.80	53.55

Note: Average car parking charges are calculated as the weighted average of drive-up and online charges

Long-term car parking

Figure 4.4.2 shows pricing for the uncovered long-term car park. The prices for a single day stay dropped by almost 40 per cent. The single day price has dropped almost 20 per cent compared to 2007, but prices for longer durations have increased by 5 to 35 per cent from the charge ten years ago. Prices for durations of between 3 and 14-days remained steady this year.

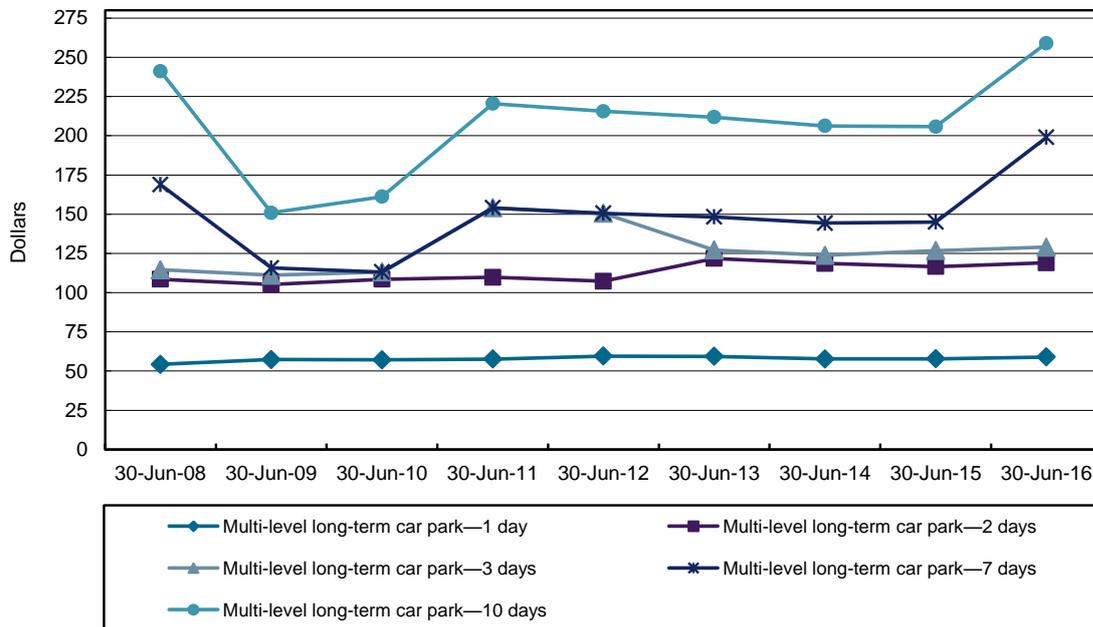
Figure 4.4.2: Melbourne Airport— selected prices (drive-up) at uncovered long-term car park in real terms



Note: Real values in 2015-16 dollars

Charges for Melbourne Airport’s multi-level long-term car park are shown in Figure 3.4.3. These prices are higher than those in the uncovered long-term car park because the multi-level car park is closer to the terminals. Prices for durations of between 7 and 10-days rose by more than 20 per cent in 2015-16. Charges for durations of between one and three days are at similar levels to last year. Compared to 2007, this year’s prices have increased slightly in real terms, typically by 7 to 20 per cent. The largest increase is for a 5-6 day duration, which rose 24 per cent in comparison to 2007.

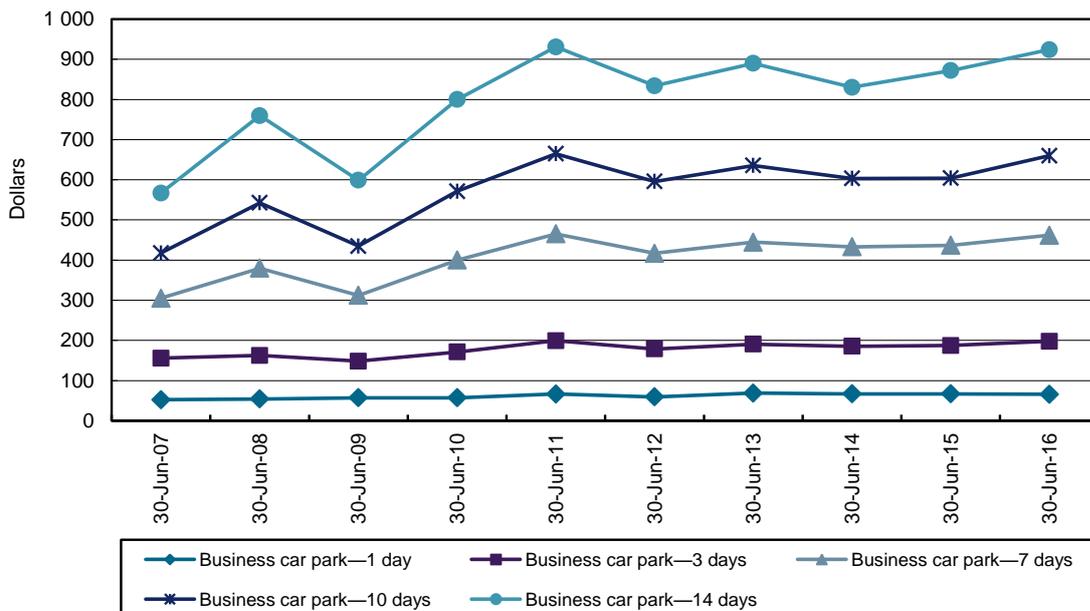
Figure 4.4.3: Melbourne Airport—selected prices (drive-up) At Terminal long-term car park in real terms: 30 June 2008 to 30 June 2016



Note: Real values in 2015-16 dollars

The business car park provides a premium parking service that has the highest prices of all the car parking options, shown by Figure 3.4.4. In 2015-16 prices for durations of less than ten days were increased by about 5 per cent. Prices for durations of 10 to 13-days increased by more than 10 per cent.

Figure 4.4.4: Melbourne Airport—selected prices (drive-up) at business car park in real terms



Note: Real values in 2015-16 dollars

Business prices have increased over the last decade in real terms, from 25 to 60 per cent for different lengths of stay. They have increased more modestly since 2011.

As noted above, Melbourne Airport also provides online pre-booking of car parking spaces, which provides customers with discounted charges. Table 4.4.3 below displays the drive-up charges, and the weighted average of drive-up and online charges for 2015-16. While Melbourne Airport has not provided average online rates⁷⁰, the lower weighted average of drive-up and online rates suggest that some discounts from booking online were available. Where the weighted average is below the drive-up rates, it is clear that discounts are being used but it is unclear whether the difference reflects a few customers taking advantage of big discounts or many customers taking advantage of small discounts. It is likely however that a larger proportion of long-term car park customers are taking advantage of online discounts, compared to short-term car park customers.

⁷⁰ Melbourne Airport considers the average online rates are commercial-in-confidence information.

Table 4.4.3: Melbourne Airport—drive-up, online and average parking charges at the long-term car parking facilities

At Terminal long term car park (includes 'business' car park)			
Length of stay	Drive-up (\$)	Average online (\$)	Weighted average of drive-up and online (\$)
1-2 days	119.00	63.29	97.33
2-3 days	129.00	68.21	97.35
3-4 days	139.00	81.17	105.23
4-5 days	159.00	103.25	123.12
5-6 days	179.00	108.80	127.38
6-7 days	199.00	111.90	128.65
Uncovered long term car park			
Length of stay	Drive-up (\$)	Average online (\$)	Weighted average of drive-up and online (\$)
0-24 hours	25.00	15.29	22.26
1-2 days	49.00	29.97	39.84
2-3 days	69.00	40.87	53.88
3-4 days	75.00	46.14	57.36
4-5 days	79.00	56.10	64.55
5-6 days	89.00	61.85	70.66
6-7 days	99.00	65.83	75.30
7-8 days	109.00	68.71	78.19
Value long term car park			
Length of stay	Drive-up (\$)	Average online (\$)	Weighted average of drive-up and online (\$)
0-24 hours	25.00	17.78	30.88
1-2 days	49.00	28.95	41.93
2-3 days	69.00	36.72	53.49
3-4 days	75.00	47.18	57.38
4-5 days	79.00	55.50	62.77
5-6 days	89.00	61.76	70.56
6-7 days	99.00	67.55	74.24
7-8 days	109.00	71.93	83.43
At Terminal 4 car park			
Length of stay	Drive-up (\$)	Average online (\$)	Weighted average of drive-up and online (\$)
1-2 days	109.00	61.82	75.86
2-3 days	119.00	62.18	68.65
3-4 days	129.00	86.51	89.72
4-5 days	149.00	111.56	113.95
5-6 days	169.00	122.75	124.86
6-7 days	189.00	128.36	129.91

Note: Average car parking charges are calculated as the average of drive-up and online charges weighted by throughput

4.4.3. Revenues, costs and profits

Table 4.4.4 outlines Melbourne Airport’s revenues, expenses and profits for car parking and total airport services from 2006-07 to 2015-16.

This year Melbourne Airport's car parking revenue fell by 9.2 per cent to \$135.3 million. Although lower than last year's value, this car parking revenue is higher than any year prior to 2015-16. Since 2006-07 car parking revenue has increased by an average of 4.7 per cent per year in real terms.

Car parking expenses rose by almost 40 per cent in real terms during 2015-16 to \$55.5 million. Melbourne Airport advised the ACCC that it had changed its cost allocation methodology in 2015-16, as the airport believes that costs allocated to car parking have been underestimated in the past.⁷¹ There have also been increased depreciation and expenses due to the new T4 car park. The higher expenses contributed to a 26.8 per cent fall in car parking margin, which was \$79.9million this year. This is the lowest car parking margin recorded since 2006-07.

Melbourne Airport made a profit of 59.0 cents per dollar of car parking revenue, down from 73.2 cents last year. This is the lowest profit per dollar of car parking revenue over the last decade, when typical profits were 75 cents per dollar of revenue. The increased depreciation costs and Melbourne Airport's change in its cost allocation methodology likely contributed to this significant drop in its reported car parking margin,

Per car park space, revenue fell and expenses rose in 2015-16, mirroring the trends this year in the total car parking figures. Over the past ten years the revenue per car parking space has remained relatively steady, hovering around \$5000. The revenue per space is 3.2 per cent higher than 10 years ago, and the costs per space are 50.8 per cent higher.

The margin per car parking space was \$3084 this year, down more than 30 per cent from last year. This drop was in part a result of the larger number of spaces with the opening of the T4 car park, along with the drop in revenue and rise in expenses described above. The margin per space is 15 per cent lower than the value ten years ago.

⁷¹ Melbourne Airport advised that the updated methodology employed allocating costs using activity based drivers of the actual consumption which proportionally increased the allocation of costs to airport car parking.

Table 4.4.4: Melbourne Airport—revenues, expenses and profits for car parking and total airport services in real terms

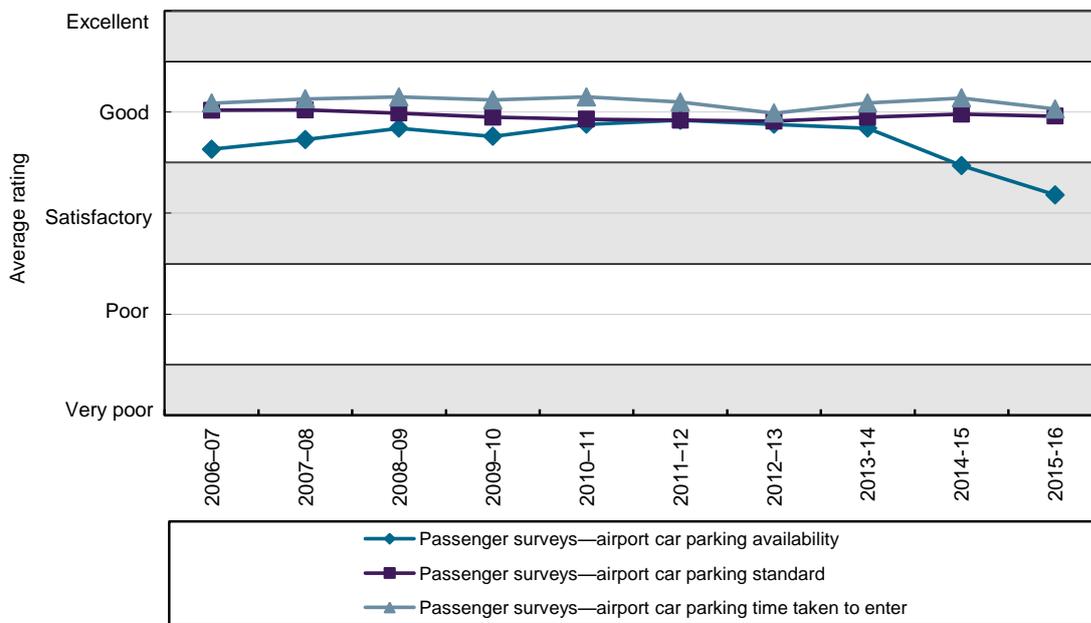
		2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue (\$million)	Car parking	85.6	109.8	110.8	118.7	127.0	124.2	127.1	129.8	137.0	135.3
	Total airport	465.9	527.5	540.9	574.8	604.4	621.0	662.5	715.9	763.5	839.5
	Car parking % of total	18.4	20.8	20.5	20.6	21.0	20.0	19.2	18.1	17.9	16.1
Expenses (\$million)	Car parking	24.0	25.4	23.7	26.3	30.7	30.6	36.1	40.1	40.0	55.5
	Total airport	181.2	179.9	187.8	200.5	215.5	237.6	261.6	268.5	302.1	376.0
Profit (\$million)	Car parking	61.6	84.4	87.1	92.4	96.3	93.6	91.0	89.7	97.1	79.9
	Total airport	284.7	347.5	353.1	374.2	388.9	383.4	400.9	447.4	461.4	463.5
Profit % of revenue	Car parking	72.0	76.8	78.6	77.8	75.8	75.3	71.6	69.1	70.8	59.0
	Total airport	61.1	65.9	65.3	65.1	64.3	61.7	60.5	62.5	60.4	55.2
Revenue per space (\$)		5063	5519	4978	5296	5668	5667	5695	5319	5900	5226
Expenses per space (\$)		1420	1279	1065	1174	1371	1397	1617	1643	1721	2142
Profit per space (\$)		3643	4240	3914	4122	4297	4270	4078	3676	4179	3084

Note: Real values in 2015-16 dollars

4.4.4. Quality of car parking facilities

Figure 4.4.5 shows how passengers rated the quality of Melbourne Airport’s car parking facilities. Passengers’ ratings of the standard of facilities, and the time taken to enter the car parking facilities were largely unchanged this year and remained rated as ‘good’.

Figure 4.4.5: Melbourne Airport—passenger survey ratings of the quality of car parking facilities



Source: Passenger surveys

However, passengers’ rating of the availability of car parking declined from ‘good’ to ‘satisfactory’. This follows a similar drop in this rating during 2014-15. Melbourne Airport informed the ACCC that the decline in passenger ratings for availability was due to “discounted pricing throughout all car parks resulted in increased demand, limiting spaces within all car parks.”

4.4.5. Other transport options

In addition to car parking options, there are a number of alternative transport options to and from Melbourne Airport, including buses, taxis and private cars. Melbourne Airport imposes a landside access charge on businesses operating those alternative transport options. Table 4.4.5 outlines the landside access charges for 2015-16, as well as the indexed average list prices between 2011-12 and 2015-16 in real terms.

Table 4.4.5: Melbourne Airport—landside access charges and indexed average access charges in real terms

Transport option	Average list prices (\$) 2015-16	Indexed average list prices (2015-16 base year = 100)				
		2011-12	2012-13	2013-14	2014-15	2015-16
Public bus	Not available	NA	NA	NA	NA	NA
Private bus	Various	NA	NA	NA	NA	NA
Off-airport car parking	Various	NA	NA	NA	NA	NA
Taxis (per pick-up)	2.70	53.0	51.8	103.1	101.4	100.0
Private car operators (per entry)	4.00	81.2	105.9	103.1	101.4	100.0

Note: Real prices in 2015-16 dollars
Melbourne Airport charges for public buses. No income was earned in 2014-15 or earlier years as the threshold to be charged has never been met.

Melbourne Airport provides 127 designated spaces for passenger pick-up and drop-off (at no costs) at its main terminal forecourt area (which services the Qantas domestic terminal (Terminal 1), the international terminal (Terminal 2) and Terminal 3) and 20 spaces at Terminal 4.

Private buses and off-airport car parking operators

Melbourne Airport imposes a range of charges to private buses and off airport car parking operators, which are applied on the basis of different combinations of trip type, passenger numbers and for staff.

There are a number of private buses that operate to and from Melbourne Airport to areas throughout metropolitan Melbourne and across Victoria.⁷² The SkyBus service also regularly operates between the CBD and Melbourne Airport for \$19.00 per trip for adults.⁷³

Melbourne Airport is serviced by a number of off-airport car park operators which provide alternative car parking services to the Melbourne Airport's own car parks. Prices sampled by the ACCC ranged from \$15.00 to \$34.00 for one day parking and \$30.00 to \$61.00 for three days parking.⁷⁴

In 2015-16, Melbourne Airport's total revenue from private buses and off airport car parking operators increased slightly from the previous year. About three quarters of that was contributed by revenue from private buses. Revenue from off-airport car parking operators increased significantly, up around 21 per cent. This increase was likely driven primarily by an increase in demand for off-airport car parking, which saw volume increasing by around 16 per cent.

Taxis

Melbourne Airport charged taxis \$2.70 for each pick-up in 2015-16. Following its substantial increase in taxi access charges in 2014 (from \$1.32 to \$2.70 per pick-up), the airport further lifted the charge to \$3.58 on 1 November 2016. According to Melbourne Airport, the increase in taxi charges was necessary to recover its costs associated with a range of services and

⁷² Melbourne Airport, *Bus companies authorised by Public Transport Victoria and Melbourne Airport to provide regular passenger services*, viewed 8 February 2017, www.melbourneairport.com.au/to-from-the-airport/other-bus-services/other-buses.html

⁷³ SkyBus, *Trip fares*, viewed 8 February 2017, www.skybus.com.au/fares/

⁷⁴ This is based on data collected for 10 off-airport car parking operators as at 23 November 2016.

facilities provided to taxis. These include taxi holding areas, facilities within the airport for taxi drivers such as café, prayer rooms, restrooms and car washing facilities (and associated cleaning services) as well as security systems (for holding areas and taxi ranks) and the traffic management system. Melbourne Airport noted it is budgeted to incur expenses in excess of \$4.1m in its 2017 financial year to deliver taxi services.⁷⁵

Melbourne Airport reported slightly increased revenue (up by 2.1 per cent to reach \$5.4 million) from taxi access charges in 2015-16 which was before the impact of price increase in November has been felt (discussed in 2.7.2). This increase in revenue was likely driven by taxi volume increases.

Quality of landside access services and facilities provided by Melbourne Airport

This section contains the quality of service results for Melbourne Airport's landside areas gathered from both passengers and businesses seeking access. The ACCC has collected landside service ratings from passengers for a number of years. Since 2013-14, the ACCC has been collecting ratings on landside areas and facilities from companies requiring access, including taxis, buses, and off-airport parking operators.

As operators of their own car parks, airports do not have strong incentives to provide favourable facilities or pricing for competing alternative forms of transport to the airport.

Passenger ratings

Table 3.4.6 shows that passengers rated Melbourne Airport's landside services and facilities 'good' during 2015-16, although their ratings declined in that category when compared to the previous year.

Table 4.4.6: Melbourne Airport—passenger ratings of quality of landside access services and facilities

Terminal	Indicator	Rating category 2015-16	1-year change	Change since 2013-14
International and Domestic	Kerbside pick-up and drop-off facilities	Good	▼	—
	Taxi facilities waiting time	Good	▼	—
	Kerbside space congestion	Good	▼	—

Note: The rating categories are: very poor, poor, satisfactory, good and excellent. ▲ indicates an improvement; ▼ indicates a decline; — indicates no change. *Rating changed by a category over the period.

Landside operator ratings

In 2015-16, the number of designated spaces for passenger (at no charge) and for landside operators pick-up and drop-off provided by Melbourne Airport remained unchanged at 147 and 345 respectively. These spaces are located at the main terminal forecourt, which services the Qantas domestic terminal (T1), the international terminal (T2) and Terminal 3.

However with the opening of the new T4, Melbourne provided additional 34 and 21 designated spaces for passenger and landside operators pick-up and drop-off respectively at T4 forecourt areas.

⁷⁵ Melbourne Airport, *Submission to the Essential Services Commission Taxi Fare Review 2016*, May pp. 4.

The overall rating from landside operator responses of Melbourne Airport's landside services and facilities was rated as 'satisfactory' in 2015-16. This is an improvement from the previous year. It should be noted that this result is based on very limited response received by the ACCC.

However off-airport parking operators raised similar issues to previous years, including:

- significantly longer distance for their customers to travel between terminals and pick up/drop off points compared to the airport's own car parks
- fewer drop-off points compared to the airport's own car parks
- lack of shelter provided by the airport compared to the airport's own car parks and
- sufficient signage for their customers.

A more detailed discussion of landside access issues is in Section 2.7 of Chapter 2.

5. Perth Airport

Key Points—2015-16

- Overall passenger numbers at Perth Airport fell by 1.8 per cent. This drop was driven by domestic passenger numbers, which fell 3.1 per cent. International passenger numbers grew by 1.4 per cent.
- Total aeronautical revenue grew by 11 per cent in real terms to \$210 million, despite a drop passenger numbers and aircraft movements. Expenses grew at more than twice the rate of revenue, resulting in a 7.5 per cent fall in the aeronautical profit to \$70.3 million. Perth Airport made a profit of 33.5 cents for each dollar of aeronautical revenue, down from 40.2 cents last year.
- Total aeronautical capital expenditure was \$205.9 million, reflecting the airport's completion of the new T1 domestic terminal, ongoing construction of a new runway, and other projects in progress. The return on aeronautical assets (7.5 per cent) is the lowest since 2001-02.
- Perth Airport maintained the 'good' overall weighted quality of service rating the airport achieved last year, despite improvement within this category. Both airline and passenger ratings improved, with an overall airline rating of 'satisfactory' and an overall passenger rating of 'good'.
- Car parking revenue fell by 4 per cent in real terms to \$63.6 million. Following a significant rise in expenses, the airport made a profit of 55.6 cents for each dollar of car parking revenue, the lowest recorded at Perth Airport. Car parking prices generally increased in real terms, and charges for taxis and hire cars rose by more than 45 per cent.

5.1. Airport overview and major investments

This section provides an overview of Perth Airport and its activity and investment during 2015-16. It covers the volume of passengers, tonnes landed and aircraft movements (Section 5.1.1), terminal configurations and car parking facilities (Section 5.1.2) and major investments (Section 5.1.3).

5.1.1. Aeronautical activity levels

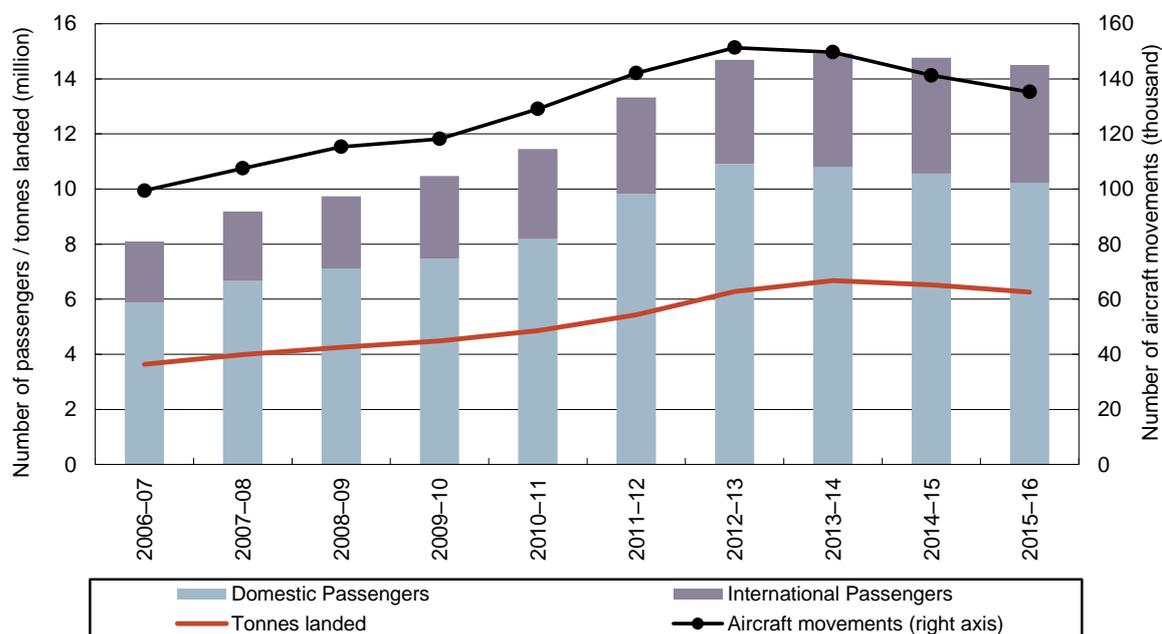
Figure 5.1.1 shows the number of passengers, aircraft movements and tonnes landed at Perth Airport since 2006-07. Each of these activity indicators continued to fall in 2015-16.

Total passenger volume fell by 1.8 per cent to 14.5 million, echoing a similar decrease seen in 2014-15. This drop was driven by a 3.1 per cent decrease in domestic passengers (including transits), likely stemming from a continuing slowdown in the resources sector.

The number of international passengers (again including transits) rose by 1.4 per cent, similar to the 1.9 per cent growth seen in last year's report. These increases are substantially below the 8.2 per cent average annual growth in international passengers over the period 2010-11 to 2013-14.

Total tonnes landed and aircraft movements decreased by 4.1 and 4.3 per cent respectively. Over the past ten years both the total tonnes landed and aircraft movements have broadly tracked the trend in total passenger numbers. Since 2012-13, however, aircraft movements have dropped at a faster rate than passenger numbers.

Figure 5.1.1: Perth Airport—volume of passengers, tonnes landed and aircraft movements



5.1.2. Terminal configurations and car parking facilities

Terminal Configurations

Perth Airport has one international terminal and four domestic terminals located in two separate precincts.

- Terminal 1 International (T1 International) is a common-user international terminal used by all international airlines. It is located in the Airport Central Precinct. Terminal 1 Domestic (T1 Domestic), also in the Airport Central Precinct, opened in November 2015. It is used exclusively by Virgin Australia.
- Terminal 2 (T2) is a common-user domestic terminal located in the Airport Central Precinct. Airlines flying from T2 currently include Alliance Airlines, Tigerair and other regional operators. T2 opened in 2013 primarily to meet the travel demands of intrastate passengers and the resource sector.
- Terminal 3 (T3) is in the Airport West Precinct and is a common-user terminal currently used by Jetstar. It was also used by Virgin Australia until November 2015.
- Terminal 4 (T4) is next to T3 in the Airport West Precinct. It is occupied and operated by Qantas under lease and therefore not included in the ACCC's monitoring results.

Car parking facilities

T1 and the adjacent T2 terminal are both serviced by the same short and long-term car parks. Similarly T3 and T4 in the Airport West Precinct are serviced by common car parks.

In the T1/T2 precinct there is a large short-term car park in front of T1, and T2 has a smaller short-term parking area nearby. A further car park is located adjacent to the general aviation area.

A single short-term parking area serves both T3 and T4. There is also a premium, undercover 'Fast track' short-term car park in front of these terminals aimed at business travellers.

Both precincts have long-term parking areas serviced by shuttle buses. Each precinct also has a park-and-wait area adjacent to the long-term parking. Perth Airport plans to introduce 'remote holding areas' at its domestic and international terminals for use by ridesharing drivers.⁷⁶

5.1.3. Aeronautical investments

Table 5.1.1 summarises the largest aeronautical investments that were completed, ongoing or planned during 2015-16. Perth Airport's Master Plan, which outlines future airport requirements and development objectives, is due to be updated in 2019.

Table 5.1.1: Perth Airport—selected investments in aeronautical services and facilities

Description of investment	Value (\$m)	Started	Completed
T1 international and domestic pier	330.0	Aug 2011	Nov 2015
International arrivals expansion (T1)	80.0	Feb 2010	July 2015
International departures upgrade (T1)	52.5	June 2012	Oct 2015
New runway ⁷⁷	465.0	Aug 2015	2020
Low visibility infrastructure upgrade	36.1	Oct 2015	2017
T1 international check-in expansion & new retail precinct	14.0	Jan 2015	2018
Significant T1 Terminal expansion project	875.0	2017	2022
T4 Domestic Main Powerhouse Replacement	2.8	Aug 2016	2017
IAST Wastewater Pump Station Relocation	2.3	2017	2018

The largest project completed in 2015-16 was the T1 international and domestic pier. Virgin Australia, originally at the T3/T4 precinct, relocated to the new terminal after its completion in November 2015. The airport also expanded and upgraded international arrival and departure areas at T1 replacing baggage carousels and check-in desks, and improving security screening and customs processing areas.

Work on a second runway parallel to the existing runway began in August 2015. Once complete it will enable increased aircraft traffic, which currently approaches the capacity of a single runway in peak periods. Perth Airport also anticipates a further large expansion to the T1 international terminal in the next decade. This \$875 million project consists of a new satellite terminal, connected to the existing T1 terminal via a linking bridge. It is tentatively scheduled for 2017 but depends on future international passenger growth.

Table 5.1.2 lists the largest investments relating to car parking or landside access. Stage 1 of a T1 car expansion was completed in June 2016, adding 1200 parking bays and improving carpark access and walkways. Perth Airport contributed \$10 million and 39.4 hectares of land to the Gateway WA roads project, which oversaw the construction of a new

⁷⁶ Kakulas, V. 'Perth airport to introduce remote holding areas for Uber', in the Perth Now newspaper, 14 July 2016, viewed 8 February 2017, www.perthnow.com.au/news/western-australia/perth-airport-to-introduce-remote-holding-areas-for-uber/news-story/dd2f4656705a030165219e0048595217?nk=03d1b13399c0247b8eb7e56709ed49a0-1477369525

⁷⁷ Perth Airport advised that the construction of a new runway is subject to further design, demand and airline agreement.

interchange to improve vehicle access to T3 and T4. The airport also finalised the expansion of a new long-term car park at T1/T2.⁷⁸

Table 5.1.2: Perth Airport—selected investments in car parking and landside access services

Description of investment	Value (\$m)	Started	Completed
T1 Car park expansion – stage 1	12.3	Feb 2014	June 2016
Gateway WA roads contribution	10.0	Aug 2014	Jan 2016
T1/T2 Long-term Car Park H Expansion	4.2	Oct 2014	Sep 2015
T1 Forecourt and Roads	31.8	Feb 2011	Sep 2016
Airport West access road upgrade	10.6	Oct 2015	Nov 2016
Central Avenue Construction ⁷⁹	5.0	Oct 2015	Nov 2016
T1/T2 Long-term car park expansion	6.9	2017	2018
FY17 Road Network Resurfacing Program	1.5	Oct 2016	2017

The largest investment in progress is the construction of a new forecourt for T1. This \$31.8 million upgrade will alter road alignment to improve access for vehicles dropping off or picking up passengers at the terminal, and for taxis leaving the domestic rank.

5.2. Aeronautical price monitoring and financial performance results

This section presents Perth Airport's aeronautical price monitoring and financial reporting results. These results are separated into prices (Section 5.2.1), revenues, costs and profits per passenger (Section 5.2.2), total revenues, costs and profits (Section 5.2.3) assets (Section 5.2.4), additions as a percentage of assets (Section 5.2.5) and the rate of return on tangible non-current assets (Section 5.2.6).

5.2.1. Prices

Table 5.2.1 shows average aeronautical charges at Perth Airport during 2015-16. It also gives an indexed average of the list price for each charge in real terms between 2011-12 and 2015-16. Commercial agreements mean that airlines may pay less than these list prices.

Most charges increased in real terms during 2015-16. The domestic terminal passenger charge climbed 7.0 per cent to \$16.79 per passenger. The largest rise in aircraft landing charges was an increase of 5.1 per cent in per-passenger domestic and international charges.

All aircraft related charges have fallen in real terms compared to 2011-12. Over the same period passenger charges have risen, with the exception of CUTE charges, which contribute less than 5 per cent to the total international passenger charge. The domestic terminal passenger charge has risen in real terms every year over the last five years, and has more than doubled since 2011-12.

Since 2011-12 the T3 terminal checked bag screening charge has increased 22.3 per cent, but other government mandated security costs have fallen.

⁷⁸ The 1449 extra parking bays from this expansion were reported by the 2014-15 monitoring report.

⁷⁹ Perth Airport advised that this project was completed and recovered on behalf of Perth Transport Authority.

Table 5.2.1: Perth Airport—schedule of average aeronautical charges in 2015-16 and indexed average list prices (including GST) in real terms

	Average charge per unit (\$)	Indexed average list prices (2015-16 base year = 100)				
		2011-12	2012-13	2013-14	2014-15	2015-16
Aircraft-related services and facilities						
Basic landing charge						
International RPT (per passenger)	4.34	100.2	91.5	94.3	95.1	100.0
Domestic and regional RPT (per passenger)	4.34	100.2	91.5	94.3	95.1	100.0
Fixed wing (GA, freight and other) (per tonne MTOW)	8.53	116.1	98.8	98.2	99.4	100.0
Rotary wing (per tonne MTOW)	4.27	116.1	98.8	98.2	99.4	100.0
Minimum landing charge						
Fixed wing	39.71	113.9	98.8	98.3	99.4	100.0
Rotary wing	19.86	113.8	98.8	98.2	99.4	100.0
Basic aircraft parking charge (GA) (per aircraft per day)	35.51	110.6	98.8	98.2	99.4	100.0
Aircraft storage charge	9.65	102.7	98.8	98.2	99.4	100.0
Peak period minimum movement charge ^(a)	220.65	N/A	98.8	98.2	99.4	100.0
Passenger-related services and facilities						
International terminal charge (per passenger)	11.14	97.1	105.1	108.9	99.1	100.0
CUTE usage charge (per departing international passenger)	0.45	161.5	143.6	139.8	137.4	100.0
Domestic terminal charge (per passenger)	16.79	48.4	92.5	94.7	93.5	100.0
Government mandated security costs						
Counter terrorism first response						
RPT services (per passenger)	1.112	119.5	104.8	84.5	89.6	100.0
Freight and other (aircraft > 20 tonne) (per tonne MTOW)	1.041	117.8	104.8	84.5	89.6	100.0
International passenger and checked bag screening (per passenger)	4.06	152.1	139.4	133.6	142.6	100.0
T3 common-user domestic terminal passenger and checked bag screening (per passenger)	3.66	81.7	81.6	77.0	149.6	100.0

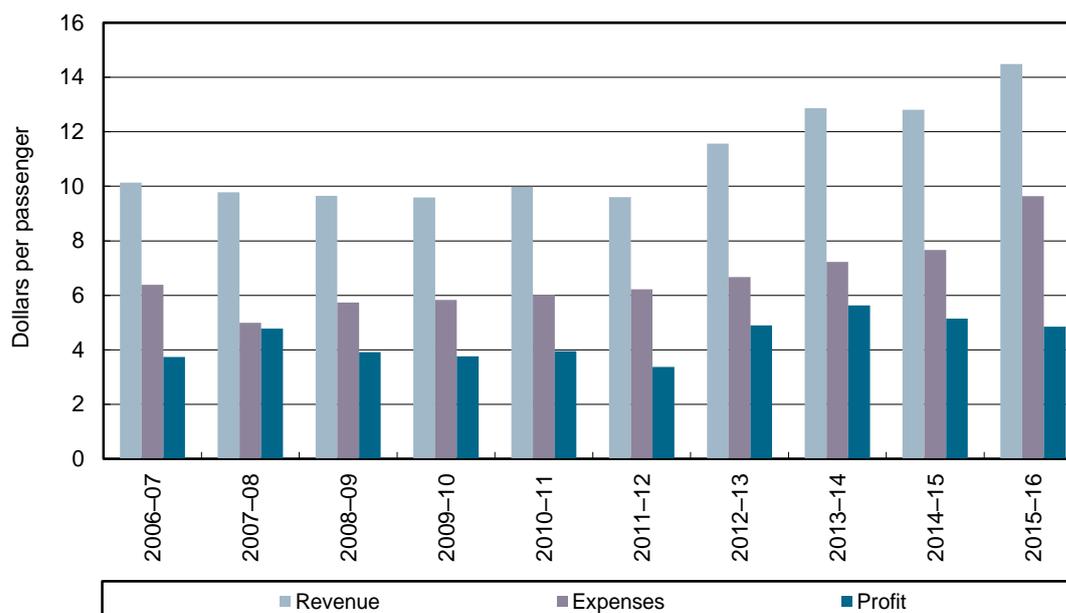
Note: Where a list price changed during the financial year, the average of that charge has been reported in the table. From 2011-12, the domestic terminal charge has also incorporated a domestic aerobridge charge (which was previously charged separately).

(a) Peak period minimum charges apply to both arrival and departure movements.

5.2.2. Revenues, costs and profits per passenger

Figure 5.2.1 shows the aeronautical revenue, costs and profit (EBITA) per passenger. This year the revenue per passenger rose by 13.0 per cent to \$14.48. This growth is likely due to the increase in aircraft- and passenger-related charges described in Section 4.2.1.

Figure 5.2.1: Perth Airport—Aeronautical revenue, expenses, and profit per passenger



Note: Real values in 2015-16 dollars.

Expenses increased even more strongly by 25.7 per cent to \$9.64. Most of this rise was a result of increased depreciation expenses associated with the newly-constructed T1 domestic terminal. A rise in security costs and salary and wages also made substantial contributions. These climbing expenses drove a 5.8 per cent fall in the profit per passenger, from \$5.15 to \$4.85.

Revenue per passenger has grown by 42.9 per cent in real terms compared to ten years ago, and expenses per passenger have grown by 50.9 per cent. Most of this growth took place during the past five years. The profit per passenger is 29.4 per cent higher now than in 2006-07, but has fluctuated over the period.

5.2.3. Total revenues, costs and profits

Table 5.2.2 presents revenues, expenses and profits (EBITA) from 2006-07 to 2015-16. Total aeronautical revenue grew by 11.0 per cent in real terms to \$210 million, despite a drop in aircraft movements and passengers this year. The revenue rise follows a 1.4 per cent drop in aeronautical revenue during 2014-15.

Aeronautical expenses rose by 23.4 per cent to \$139.7 million, the highest increase at Perth Airport since 2004-05. As a result, aeronautical profit fell by 7.5 per cent in 2015-16 to \$70.3 million. This is the lowest profit since 2011-12.

Perth Airport earned an aeronautical profit of 33.5 cents for each dollar of aeronautical revenue in 2015-16, down from 40.2 cents in the previous year. This year is its lowest profit margin in the last ten years.

Table 5.2.2: Perth Airport—revenues, expenses and profit for aeronautical and total airport services in real terms

		2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue (\$million)	Total aeronautical	82.0	89.8	94.0	100.5	114.3	127.9	169.9	191.9	189.2	210.0
	Total airport	299.0	248.4	198.7	283.0	328.2	782.0	697.3	393.6	435.3	456.5
	Aeronautical % of total airport	27.4	36.2	47.3	35.5	34.8	16.4	24.4	48.7	43.5	46.0
Expenses (\$million)	Total aeronautical	51.7	45.9	55.8	61.1	69.0	82.9	98.0	107.8	113.2	139.7
	Total airport	103.5	82.1	109.3	120.3	136.8	157.9	184.4	196.8	206.4	237.9
EBITA profit (\$million)	Total aeronautical	30.3	43.9	38.1	39.4	45.2	45.0	72.0	84.1	76.0	70.3
	Total airport	195.5	166.3	89.4	162.7	191.4	624.1	512.8	196.8	228.9	218.7
EBITA profit % of total revenue	Aeronautical	37.0	48.9	40.6	39.2	39.6	35.2	42.3	43.8	40.2	33.5
	Total airport	65.4	67.0	45.0	57.5	58.3	79.8	73.5	50.0	52.6	47.9
Revenue per passenger (\$)	Total aeronautical	10.13	9.78	9.65	9.60	9.98	9.60	11.57	12.86	12.81	14.48
Expenses per passenger (\$)	Total aeronautical	6.39	5.00	5.73	5.83	6.03	6.22	6.67	7.23	7.67	9.64
EBITA profit per passenger (\$)	Total aeronautical	3.74	4.78	3.92	3.77	3.95	3.38	4.90	5.64	5.15	4.85

Note: Real values in 2015-16 dollars

5.2.4. Assets for aeronautical and total airport services

Table 5.2.3 lists Perth Airport’s tangible non-current assets for aeronautical services and the total airport from 2006-07 to 2015-16. The airport spent \$205.9 million investing in aeronautical assets in 2015-16, leading to a \$99 million net increase in the asset base to \$985.6 million.

This year the airport spent less on aeronautical investments than the previous three years, when the aeronautical asset base more than doubled with net additions of \$161.0 million, \$148.3 million and \$146.4 million in 2015-16 dollars. These investments followed a rapid rise in passenger numbers from 2010-11 to 2012-13. The fall in investment this year coincides with the completion of the T1 domestic terminal. Overall investment remains high compared to investment levels from 2006-07 to 2011-12, reflecting the ongoing projects described in Section 5.1.3.

5.2.5. Additions as a percentage of tangible non-current assets

Figure 5.2.2 shows additions as a percentage of tangible non-current assets. This year’s aeronautical additions were 20.8 per cent of all aeronautical assets, down from an average of 30 per cent over the past three years. Even when expressed as a percentage of assets, the aeronautical investment level this year remains high compared to the period from 2006-07 to 2010-11.

Figure 5.2.2: Perth Airport—additions as a percentage of tangible non-current assets for aeronautical and total airport services

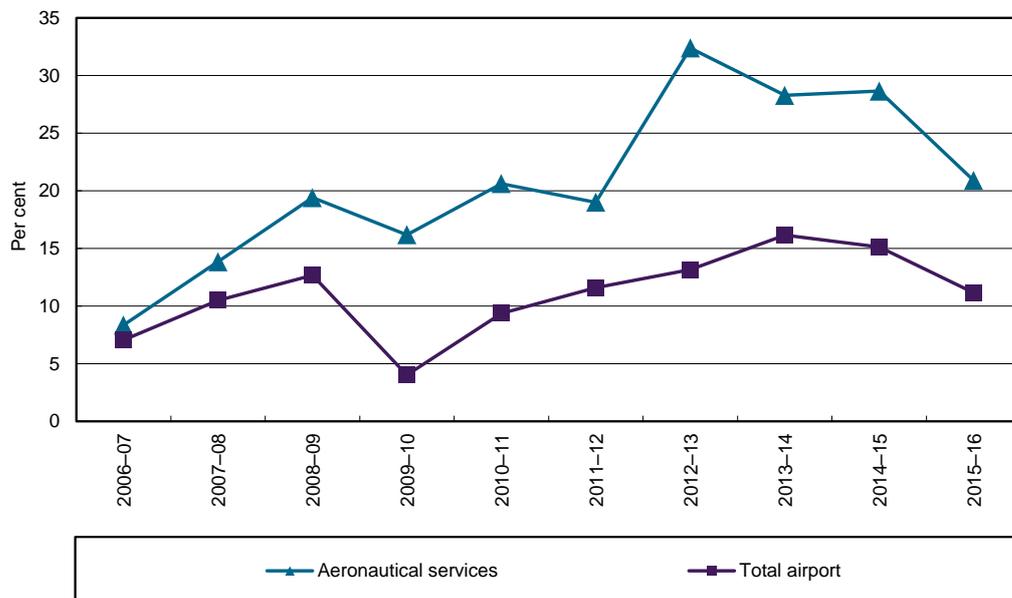


Table 5.2.3: Perth Airport—non-current assets for aeronautical and total airport services in real terms

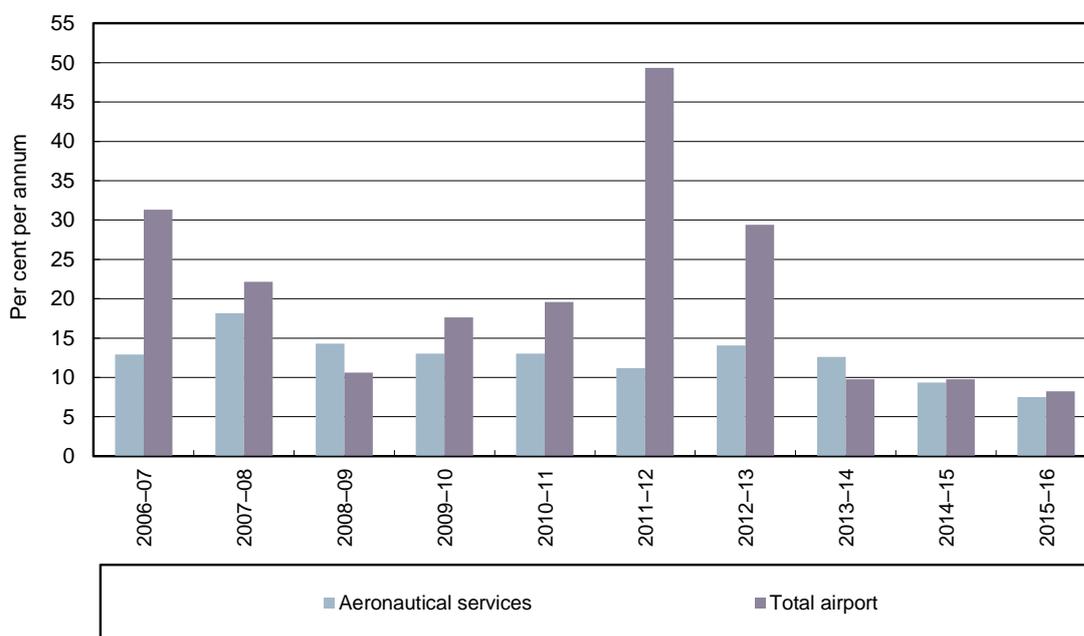
		2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Investment property (\$million)	Aeronautical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Total airport	300.0	349.7	368.5	436.3	415.6	818.2	398.1	396.5	444.6	678.4
Land (\$million)	Aeronautical	21.9	21.0	20.1	19.4	18.6	18.0	17.4	16.7	0.0	0.0
	Total airport	37.6	37.7	36.2	35.0	37.1	36.0	699.1	622.7	721.0	499.4
Property, plant and equipment (\$million)	Aeronautical	209.2	226.6	265.6	300.2	355.9	412.9	574.5	723.5	870.4	969.8
	Total airport	327.1	385.2	469.2	477.7	529.7	659.4	851.2	1056.3	1254.2	1404.3
Intangibles (\$million)	Aeronautical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Total airport	566.9	547.2	532.1	518.9	502.5	489.0	476.6	463.5	456.1	582.5
Other tangible non-current assets (\$million)	Aeronautical	4.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	16.2	15.8
	Total airport	35.0	29.5	9.4	13.1	10.8	22.3	6.2	0.0	186.3^(a)	123.8
Total tangible non-current assets (\$million)	Aeronautical	235.9	247.6	285.7	319.6	374.5	430.9	591.9	740.2	886.6	985.6
	Total airport	699.8	802.2	883.2	962.0	993.2	1535.9	1954.6	2075.5	2606.1	2705.9
Total non-current assets (\$million)	Aeronautical	235.9	247.6	285.7	319.6	374.5	430.9	591.9	740.2	886.6	985.6
	Total airport	1266.7	1349.4	1415.3	1480.9	1495.7	2024.9	2431.1	2538.9	3062.2	3288.4

Note: Real values in 2015-16 dollars. ^(a): The jump in total airport tangible non-current assets in 2014-15 is due to a new accounting methodology, which changes how prepayments of the 99 year lease with the Commonwealth are classified.

5.2.6. Rates of return on tangible non-current assets

The ACCC calculates the rate of return on tangible non-current assets using earnings before interest, tax and amortisation (EBITA) on average assets. Figure 5.2.3 shows that the return on aeronautical assets fell in real terms by 1.8 percentage points to 7.5 per cent, the lowest recorded since 2001-02. The drop in return on assets this year was driven by a fall in aeronautical profit and a rise in the value of aeronautical non-current assets. This is the third year in a row that Perth Airport’s return on aeronautical assets has decreased. These falls in return on assets coincide with various capital expansion works completed by Perth Airport and a drop in overall passenger numbers.

Figure 5.2.3: Perth Airport—rate of return (EBITA) on tangible non-current assets for aeronautical and total airport services in real terms



The rate of return on total airport tangible non-current assets fell by 1.5 percentage points to 8.2 per cent.

5.3. Aeronautical services quality of service monitoring results

Both passengers and airlines are surveyed to gauge the quality of service provided by each airport. This section contains ratings derived from these surveys for Perth Airport, together with other objective indicators of service quality. It presents overall average ratings (Section 5.3.1), followed by ratings for aircraft related services and facilities (Section 5.3.2), and passenger related services and facilities for each terminal (Section 5.3.3).

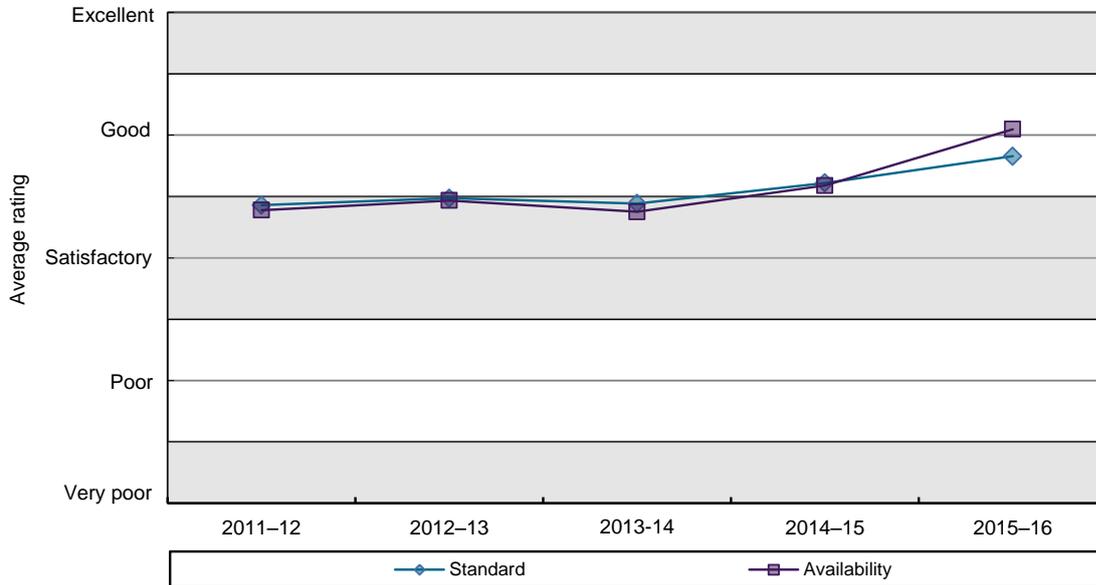
5.3.1. Overall quality of service

Overall average ratings combine quality of service indicators from passengers, airlines and objective indicators into a single value. Sections 5.3.2 and 5.3.3 examine passenger and airline ratings for each terminal in more detail.

As noted in section 2.2.1, Perth Airport’s overall weighted quality of service rating was ‘good’. Perth Airport was rated equal highest with Brisbane Airport. Figure 5.3.1 shows Perth Airport’s quality of service ratings for both the availability and standard of total airport

services and facilities. Both measures increased during 2015-16, remaining in the 'good' category.

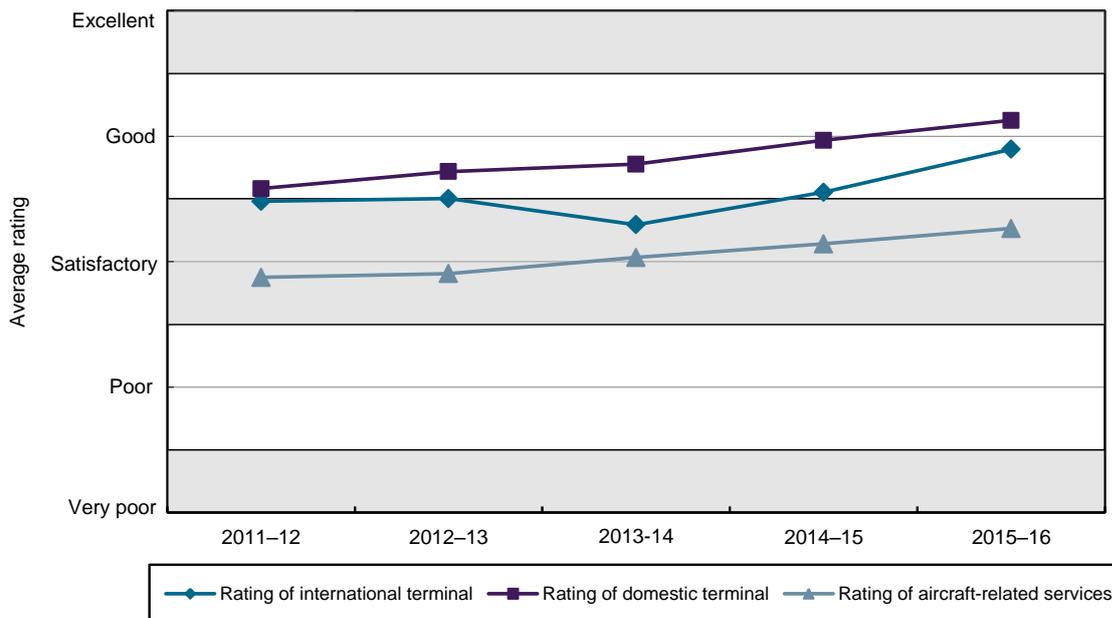
Figure 5.3.1: Perth Airport—ratings for standard and availability of total airport services and facilities



Source: Airline surveys, passenger surveys and objective indicators obtained from Perth Airport

Figure 5.3.2 shows that Perth Airport’s average quality of service rating for the T1 international terminal increased within the ‘good’ category during 2015-16. Ratings for the domestic terminals were also ‘good’, increasing within the category from last year. The rating for aircraft related activities increased but remained at ‘satisfactory’.

Figure 5.3.2: Perth Airport—average ratings for international and domestic terminal services, and aircraft related services and facilities



Source: Airline surveys, passenger surveys and objective indicators obtained from Perth Airport

5.3.2. Aircraft related services and facilities

Airline ratings for aircraft related services and facilities are given in Table 5.3.1. Most indicators were rated 'satisfactory' in 2015-16, with taxiway standard and aircraft parking availability both rated 'good'.

Table 5.3.1: Perth Airport—airline ratings of quality of individual aircraft related services and facilities

	Indicator	Rating category 2015-16	1-year change	Change since 2011-12
Runway	Availability	Satisfactory	▼*	▲
	Standard	Satisfactory	▼	▲
Taxiways	Availability	Satisfactory	▲	▲
	Standard	Good	—	▲*
Aprons	Availability	Satisfactory	▼*	▲
	Standard	Satisfactory	—	▲
Aircraft parking	Availability of facilities and bays	Good	▲*	▲**
	Standard of facilities and bays	Satisfactory	—	▲*
Ground handling	Availability of services and facilities	Satisfactory	▲	▲
	Standard of services and facilities	Satisfactory	▲	▲
Management responsiveness	Availability	Satisfactory	▼	▼*
	Standard	Satisfactory	▲	▼

Note: The rating categories are: very poor, poor, satisfactory, good and excellent.

▲ indicates an improvement; ▼ indicates a decline; — indicates no change. *Rating changed by a category over the period.

Airlines reported that runway standard and availability dropped slightly during 2015-16. Runway works linked to a lighting infrastructure upgrade have at times had a detrimental impact on runway availability. One airline noted that Perth Airport management has improved consultation with the airlines over any runway disruptions associated with the upgrades.

Aircraft parking and ground handling indicators generally improved within the 'satisfactory' category, and the availability of aircraft parking bays improved from 'satisfactory' to 'good'. Airlines commented that there have been some technical issues associated with two newly commissioned parking bays. One airline also said that due to uneven ground in some of the bays, they are unable to dual board, which impacts time performance.

Apron standard remained unchanged from 2014-15. Apron availability dropped slightly during 2015-16 moving it from the 'good' to 'satisfactory' category.

Ratings for the standard and availability of management responsiveness for aircraft related issues remained 'satisfactory'. Airlines generally commented that the airport management is helpful and responsive to issues they have raised.

Table 5.3.2: Perth Airport—indicators of quality of passenger related services and facilities—international terminal

Category	Indicator	Data source	Indicator result 2015-16	1-year change	Change since 2011-12
Check-in	Check-in availability	Airline survey	Good	▲*	▲*
	Check-in standard	Airline survey	Satisfactory	▲*	▲
	Check-in waiting time	Passenger survey	Good	▼	▲
	Number of departing passengers per check-in desk, kiosk and bag drop facility (peak hour)	Objective indicator	8.8 passengers	▲	▲
Immigration	Waiting time in outbound Immigration area	Passenger survey	Good	▼	▲
	Number of departing passengers per outbound Immigration desk (peak hour)	Objective indicator	33.5 passengers	▲	▲
	Waiting time in inbound Immigration area	Passenger survey	Good	—	▲
	Number of arriving passengers per inbound Immigration desk (peak hour)	Objective indicator	24.7 passengers	▲	▲
	Waiting time in inbound baggage inspection area	Passenger survey	Good	—	—
	Number of arriving passengers per baggage inspection desk (peak hour)	Objective indicator	37.8 passengers	▲	▼
Information	Flight information display screens	Passenger survey	Good	—	▲
	Number of passengers per flight information display screen (peak hour)	Objective indicator	10.2 passengers	▲	▲
	Number of passengers per information point (peak hour)	Objective indicator	1145 passengers	▼	▼
	Signage and wayfinding	Passenger survey	Good	—	▼

Notes: The rating categories are; very poor, poor, satisfactory, good, and excellent.
 For each indicator for the period specified: ▲ indicates an improvement; ▼ indicates a decline; — indicates no change.
 * Rating changed by a category over the period.

Table 5.3.2: Perth Airport—indicators of quality of passenger related services and facilities—international terminal (continued)

Category	Indicator	Data source	Indicator result 2015-16	1-year change	Change since 2011-12
Baggage	Baggage processing facilities availability	Airline survey	Satisfactory	▲	▲
	Baggage processing facilities standard	Airline survey	Good	▲*	▲*
	Average throughput of outbound baggage system (per hour)	Objective indicator	238 items	▼	▲
	Circulation space for inbound baggage reclaim	Passenger survey	Good	▲	▲
	Information display for inbound baggage reclaim	Passenger survey	Good	—	▲
	Number of arriving passengers per m ² of inbound baggage reclaim area (peak hour)	Objective indicator	0.16 passengers ^a	N/A	N/A
	Findability of baggage trolleys	Passenger survey	Good	▼	▼
	Number of passengers per baggage trolley (peak hour)	Objective indicator	1.0 passengers	—	▼
Gate lounges	Seating in lounge area (quality and availability)	Passenger survey	Good	▲	▲
	Number of departing passengers per seat in gate lounges (peak hour)	Objective indicator	0.37 passengers	▲	▲
	Crowding in lounge area	Passenger survey	Good	▲	▲
	Number of departing passengers per m ² of lounge area (peak hour)	Objective indicator	0.09 passengers	▲	▲
Amenities	Standard of washrooms	Passenger survey	Good	▲	▲
	Number of departing passengers per washroom (peak hour)	Objective indicator	41.9 passengers	▲	N/A
Aerobridges	Aerobridges availability	Airline survey	Satisfactory	▲*	▲*
	Aerobridges standard	Airline survey	Poor	▼	▲
	Percentage of arriving domestic passengers per aerobridge (peak hour)	Objective indicator	N/A	N/A	N/A
	Percentage of departing domestic passengers per aerobridge (peak hour)	Objective indicator	98.3 per cent	▲	▼
Security	Quality of security search process	Passenger survey	Good	▼	▲
	Number of departing passengers per security clearance system (peak hour)	Objective indicator	100.6 passengers	▲	▲

Notes: The rating categories are; very poor, poor, satisfactory, good and excellent. ^a: The method used to measure baggage reclaim area changed in 2015-16.

▲ indicates an improvement; ▼ indicates a decline; — indicates no change.

* Rating changed by a category over the period.

5.3.3. Aircraft related services and facilities

International terminal

Ratings for the quality of passenger-related services and facilities for the T1 international terminal are shown in Table 5.3.2. All of the quality indicators from passenger surveys were similar to last year's ratings, each falling inside the 'good' category. Ratings of quality from airline surveys were generally 'satisfactory' or 'good'. Most airline ratings improved in 2015-16.

Airline ratings of check-in facilities improved significantly in 2015-16. The rating for check-in desk availability moved from 'satisfactory' to 'good', and the check-in standard improved to 'satisfactory' from 'poor'. One airline noted that the new check-in counters had improved availability.

Airline ratings of baggage processing facilities and standard were rated 'satisfactory' and 'good' in 2015-16. This was in improvement over last year's ratings, especially for baggage processing which improved from 'satisfactory' last year. One airline said that the number of baggage belts for arrivals is still insufficient, but also commented that the reliability of baggage processing facilities had improved during 2015-16. Passengers' ratings of circulation space improved in comparison to last year, remaining at 'good'.

In the past five monitoring reports airlines have raised concerns about the standard and availability of aerobridges at T1 international. In 2015-16 the rating for availability of aerobridges improved substantially, from 'poor' to 'satisfactory'. Airlines commented that new bays introduced by Perth Airport have improved availability.

Domestic terminal (T1)

Table 5.3.3 shows quality of service measures for T1 domestic. As described in Section 5.2, this is a new domestic terminal completed in 2015 that is used exclusively by Virgin Australia. All of the passenger survey indicators are rated 'good' or 'excellent'.

Since Virgin Australia is currently the only airline to use the terminal, Table 5.3.3 does not show airline survey results to maintain airline anonymity. Overall, however, stakeholder comments about the new terminal are positive.

Domestic terminal (T2)

Quality of service passenger related services and facilities for the T2 domestic terminal are shown in Table 5.3.4. Perth Airport's T2 has been operating since March 2013 and 2013-14 was the first full year of data collected for this terminal.

During 2015-16, passenger ratings for T2 indicators generally remained the same or dropped, but all remained in the 'good' category.

The majority of airline ratings rose during 2015-16 and all were either 'good' or 'excellent'. Ratings for check-in availability remained 'good', and check-in standard ratings fell from 'excellent' to 'good'. Airline ratings of baggage processing facilities availability and standard remained at 'excellent' in 2015-16.

Table 5.3.3: Perth Airport—indicators of passenger service and facility quality—domestic terminal (T1)

Category	Indicator	Data source	Indicator result 2015-16
Check-in	Check-in waiting time	Passenger survey	Good
	Number of departing passengers per check-in desk, kiosk and bag drop facility (peak hour)	Objective indicator	6.2 passengers
Baggage	Circulation space for inbound baggage reclaim	Passenger survey	Good
	Information display for inbound baggage reclaim	Passenger survey	Good
	Number of arriving passengers per m ² of inbound baggage reclaim area (peak hour)	Objective indicator	0.13
	Findability of baggage trolleys	Passenger survey	Good
	Number of passengers per baggage trolley (peak hour)	Objective indicator	N/A
Information	Flight information display screens	Passenger survey	Good
	Number of passengers per flight information display screen (peak hour)	Objective indicator	5.3 passengers
	Number of passengers per information point (peak hour)	Objective indicator	N/A
	Signage and wayfinding	Passenger survey	Good
Gate lounges	Seating in lounge area (quality and availability)	Passenger survey	Good
	Number of departing passengers per seat in gate lounges (peak hour)	Objective indicator	0.16 passengers
	Crowding in lounge area	Passenger survey	Excellent
	Number of departing passengers per m ² of lounge area (peak hour)	Objective indicator	0.04 passengers
Amenities	Standard of washrooms	Passenger survey	Good
	Number of departing passengers per washroom (peak hour)	Objective indicator	55.5 passengers
Aerobridges	Number of arriving domestic passengers per aerobridge (peak hour)	Objective indicator	26.9 passengers
	Number of departing domestic passengers per aerobridge (peak hour)	Objective indicator	20.2 passengers
Security	Quality of security search process	Passenger survey	Good
	Number of departing passengers per security clearance system (peak hour)	Objective indicator	55.5 passengers

Notes: The rating categories are; very poor, poor, satisfactory, good and excellent.

Table 5.3.4: Perth Airport—indicators of passenger service and facility quality—domestic terminal (T2)

Category	Indicator	Data source	Indicator result 2015-16	1-year change
Check-in	Check-in availability	Airline survey	Good	▲
	Check-in standard	Airline survey	Good	▼*
	Check-in waiting time	Passenger survey	Good	▼
	Number of departing passengers per check-in desk, kiosk and bag drop facility (peak hour)	Objective indicator	30 passengers	—
Baggage	Baggage processing facilities availability	Airline survey	Excellent	—
	Baggage processing facilities standard	Airline survey	Excellent	▼
	Circulation space for inbound baggage reclaim	Passenger survey	Good	—
	Information display for inbound baggage reclaim	Passenger survey	Good	▼
	Number of arriving passengers per m ² of inbound baggage reclaim area (peak hour)	Objective indicator	N/A	N/A
	Findability of baggage trolleys	Passenger survey	Good	▼
	Number of passengers per baggage trolley (peak hour)	Objective indicator	7.7 passengers	▲
Information	Flight information display screens	Passenger survey	Good	—
	Number of passengers per flight information display screen (peak hour)	Objective indicator	10.9 passengers	▲
	Number of passengers per information point (peak hour)	Objective indicator	479 passengers	▲
	Signage and wayfinding	Passenger survey	Good	—
Gate lounges	Seating in lounge area (quality and availability)	Passenger survey	Good	▼
	Number of departing passengers per seat in gate lounges (peak hour)	Objective indicator	0.8 passengers	—
	Crowding in lounge area	Passenger survey	Good	—
	Number of departing passengers per m ² of lounge area (peak hour)	Objective indicator	0.1 passengers	—
Amenities	Standard of washrooms	Passenger survey	Good	▼
	Number of departing passengers per washroom (peak hour)	Objective indicator	120 passengers	▼
Security	Quality of security search process	Passenger survey	Good	—
	Number of departing passengers per security clearance system (peak hour)	Objective indicator	160 passengers	▼

Notes: The rating categories are; very poor, poor, satisfactory, good and excellent.

▲ indicates an improvement; ▼ indicates a decline; — indicates no change. * Rating changed by a category over the period.

Table 5.3.5: Perth Airport—indicators of passenger service and facility quality—domestic terminal (T3)

Category	Indicator	Data source	Indicator result 2015-16	1-year change	Change since 2011-12
Check-in	Check-in waiting time	Passenger survey	Good	▼	—
	Number of departing passengers per check-in desk, kiosk and bag drop facility (peak hour)	Objective indicator	7.0 passengers	▲	▲
Baggage	Circulation space for inbound baggage reclaim	Passenger survey	Good	—	▲
	Information display for inbound baggage reclaim	Passenger survey	Good	—	▲
	Number of arriving passengers per m ² of inbound baggage reclaim area (peak hour)	Objective indicator	0.2 passengers ^a	N/A	N/A
	Findability of baggage trolleys	Passenger survey	Good	—	▲
	Number of passengers per baggage trolley (peak hour)	Objective indicator	4.9 passengers	▲	▲
Information	Flight information display screens	Passenger survey	Good	▲	▲
	Number of passengers per flight information display screen (peak hour)	Objective indicator	7.6 passengers	▲	▲
	Number of passengers per information point (peak hour)	Objective indicator	471 passengers	▲	▲
	Signage and wayfinding	Passenger survey	Good	▲	▲
Gate lounges	Seating in lounge area (quality and availability)	Passenger survey	Good	▲	▲
	Number of departing passengers per seat in gate lounges (peak hour)	Objective indicator	0.28 passengers	▲	▲
	Crowding in lounge area	Passenger survey	Good	▲	▲
	Number of departing passengers per m ² of lounge area (peak hour)	Objective indicator	0.06 passengers	▲	▲
Amenities	Standard of washrooms	Passenger survey	Good	▲	▲
	Number of departing passengers per washroom (peak hour)	Objective indicator	119 passengers	▲	N/A
Aerobridges	Number of arriving domestic passengers per aerobridge (peak hour)	Objective indicator	46.6 passengers	▼	▼
	Number of departing domestic passengers per aerobridge (peak hour)	Objective indicator	47.6 passengers	▼	▼
Security	Quality of security search process	Passenger survey	Good	▼	—
	Number of departing passengers per security clearance system (peak hour)	Objective indicator	59.5 passengers	▲	▲

Notes: The rating categories are; very poor, poor, satisfactory, good and excellent. ^a: The method used to measure baggage reclaim area changed in 2015-16. ▲ indicates an improvement; ▼ indicates a decline; — indicates no change. */**: Rating changed by one (*) or two (**) categories over the period.

Domestic terminal (T3)

Table 5.3.5 shows quality of service measures for terminal T3. With Virgin Australia moving to T1 domestic in November 2015, there were fewer passengers passing through T3 for much of the year. This is reflected in improved passenger survey and objective ratings for most quality indicators. As Jetstar is the only airline to use the terminal after November 2015, airline survey results are not shown to maintain airline anonymity.

Every quality of service indicator improved or remained steady in comparison to 2011-12 apart from aerobridge usage. Perth Airport has completed several investment projects affecting T3 since 2011, including the \$23 million T3 phase 2 works, completed in June 2015. This investment has likely contributed to the rating improvement over the past five years.

5.4. Car parking and landside services

This section presents an overview of Perth Airport's car parking and landside services and facilities. It describes the car parking facilities available and new investments (Section 5.4.1), car park pricing (Section 5.4.2), revenues and profits (Section 5.4.3), quality of service outcomes (Section 5.4.4), and landside operator service ratings (Section 5.4.5).

5.4.1. Activity

Table 5.4.1 shows the number of car parking spaces available and the throughput of car parking facilities at Perth Airport over the last ten years.

More than 550 parking spaces were added to the short-term car park near Terminal 1 in 2015-16, bringing the number of parking bays there to 1914. These extra spaces increased the total number of parking bays at the airport by 2.5 per cent to 22 763.

The average daily throughput of car parking facilities is derived from the number of vehicles using each car park divided by the number of days the car park was open. This average throughput dropped slightly during 2015-16. During the last ten years this throughput has generally tracked the trend in total passenger numbers.

Table 5.4.1: Perth Airport—number of car park spaces and average daily throughput

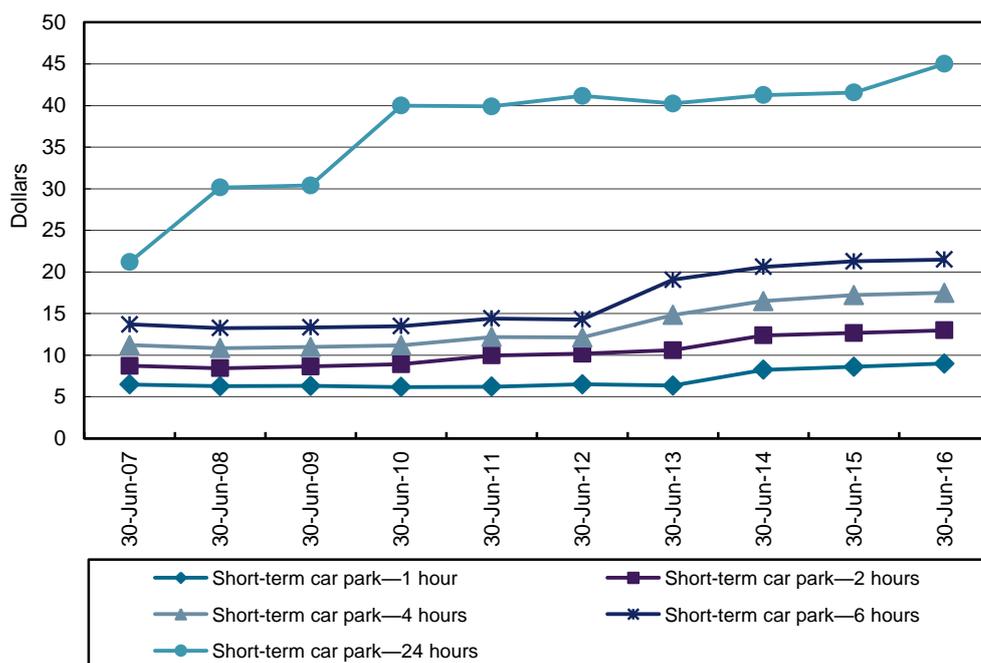
		2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Number of car park spaces	T3/T4 short-term	1,207	1,377	1,377	1,719	1,719	1,769	1,714	1,714	1,714	1,714
	T3/T4 long-term	1,907	3,997	5,670	6,055	7,082	8,485	8,796	8,796	8,796	8,796
	T1/T2 short-term	1,007	663	663	663	663	663	961	1,145	1,357	1,914
	T1/T2 long-term	NA	1,778	1,778	1,778	3,792	3,792	4,600	6,374	9,367	9,367
	Staff	991	991	1,311	1,311	1,295	917	972	972	972	972
	Total airport	5,112	8,806	10,799	11,526	14,551	15,626	17,043	19,001	22,206	22,763
Annual throughput of car park facilities (thousand)^a	T3/T4 short-term	997	961	1019	990	1054	1054	1030	902	857	701
	T3/T4 long-term	87	84	121	173	230	343	387	363	345	237
	T1/T2 short-term	666	647	685	715	733	720	747	847	874	1132
	T1/T2 long-term	0	29	32	48	66	67	93	138	137	144
	Total airport	1750	1721	1858	1926	2083	2185	2257	2249	2212	2214
	Average daily throughput of car park facilities	T3/T4 short-term	2731	2626	2792	2712	2888	2879	2822	2472	2347
T3/T4 long-term		237	230	333	475	630	938	1060	994	945	648
T1/T2 short-term		1825	1766	1876	1959	2007	1968	2047	2320	2394	3094
T1/T2 long-term		0	80	89	130	181	184	254	377	375	393
Total airport		4793	4702	5089	5276	5706	5970	6182	6162	6061	6049

^a : Annual throughput data for staff car parking was unavailable.

5.4.2. Car parking prices

Perth Airport’s drive-up car parking charges continued to grow in real terms during 2015-16. Figure 5.4.1 shows that all short-term car parking charges at the T1/T2 and T3/T4 precincts increased compared to 2014-15. The largest rise was for the 24-hour duration, which increased by 8 per cent in real terms to \$45. Price increases for shorter stays were smaller, ranging from 0.6 to 4.4 per cent. The free parking period for very short stays was reduced from 15 minutes in 2014-15 to 10 minutes in 2015-16.

Figure 5.4.1: Perth Airport—selected short-term parking prices (drive-up) in real terms



Note: Real values in 2015-16 dollars

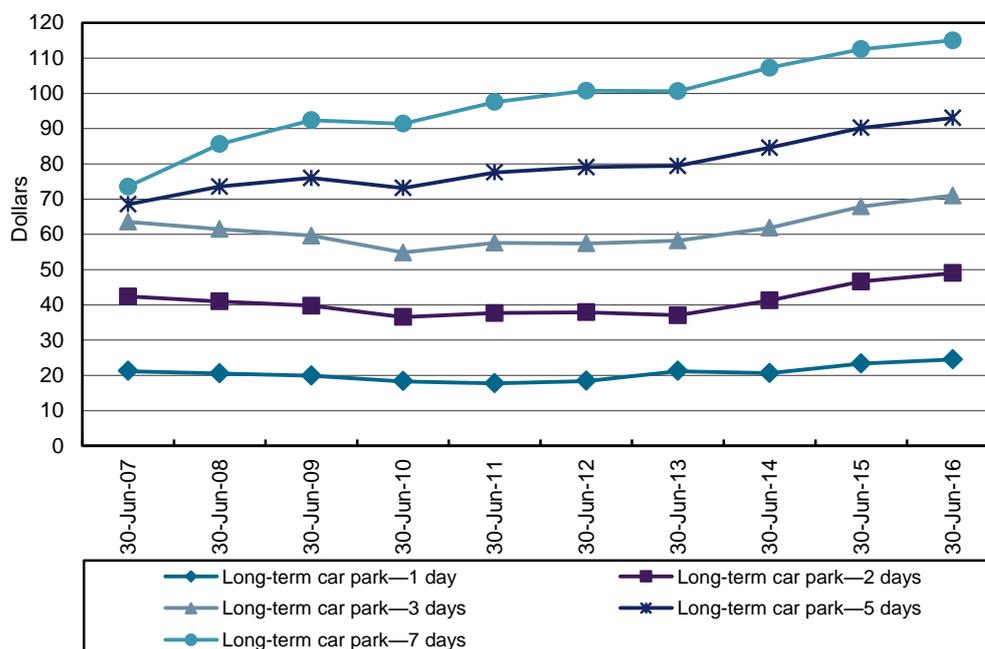
Perth Airport continued to raise long-term car parking price charges during 2015-16, as shown by Figure 5.4.2. Prices rose in real terms from 2.2 to 5.1 per cent, with the largest percentage increase applying to long-term parking for a single day.

Similarly to short-term parking prices, long-term parking prices have increased in real terms since 2007. The largest price increase is for 7 day parking, which rose by more than 50 per cent to \$115 in 2016. Increases in other long-term prices ranged from 11.7 per cent to 35.7 per cent.

Perth Airport provides parking offers that can be booked online. Unlike the other monitored airports, Perth Airport has declined to provide data on online prices to the ACCC. The ACCC is therefore unable to compare drive-up, online, and average long-term car parking charges during 2015-16. The airport advised the ACCC that online offers are typically discounted by 10 to 25 per cent in comparison to drive-up prices.⁸⁰ These discounted prices may apply for overnight and long-term parking, corresponding to the prices shown in Figure 5.4.2.

⁸⁰ The ACCC confirmed in November 2016 that consumers can purchase 7-day car parking online at a 20 per cent discount by booking at least one week ahead.

Figure 5.4.2: Perth Airport—selected long-term parking prices (drive-up) in real terms



Note: Real values in 2015-16 dollars

5.4.3. Revenues, costs and profits

Table 5.4.2 lists Perth Airport’s revenues, expenses and profit (EBITA) for car parking and total airport services from 2006-07 to 2015-16.

Revenue from car parking fell by 3.7 per cent to \$63.6 million in 2015-16. Car parks near the T1/T2 terminals delivered higher revenue, but these gains were more than offset by lower revenues from the T3/T4 car parks, particularly from the T3/T4 long-term car park. This drop follows a 1.2 per cent fall in 2014-15.

Car parking expenses rose 17.7 per cent to \$28.2 million. Perth Airport advised that this rise in expenses was partly due to an increase in total car parking capacity over the last two years. The relocation of Virgin Australia to the Airport Central precinct has also required additional buses servicing car parks, also resulting in higher costs. The rise in expenses and fall in revenue reduced the car parking profit, which dropped by 15.9 per cent to \$35.4 million. This is the lowest profit since 2010-11, but still more than twice the car parking profit in 2006-07.

Perth Airport made a profit of 55.6 cents for each dollar in car parking revenue in 2015-16, down from 63.7 cents from last year. This is the lowest profit margin over the last ten years.

Car parking revenue per parking space fell by 6.1 per cent in real terms to \$2792 during 2015-16, and expenses per space rose by 14.8 per cent to \$1238. The car parking profit per space dropped by 17.9 per cent to \$1553, following a similar drop in 2014-15. The car parking profit per space has also fallen substantially since 2006-07. This decrease is due to the number of car parking spaces increasing by more than five times.

Table 5.4.2: Perth Airport—revenues, expenses and profit for car parking and total airport services in real terms

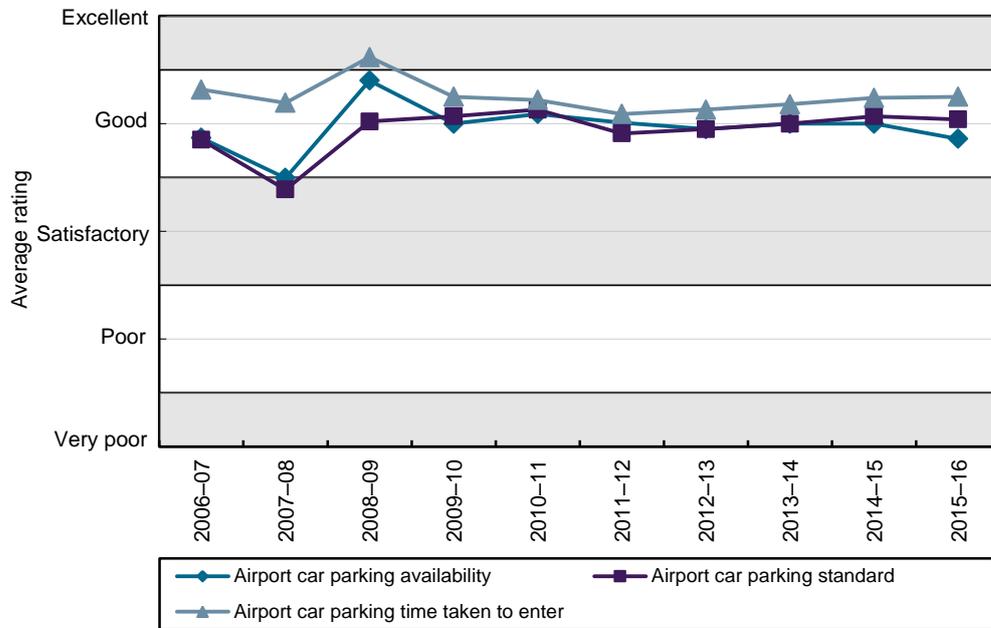
		2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue (\$million)	Car parking	22.7	29.0	34.1	38.0	45.5	54.8	62.0	66.8	66.0	63.6
	Total airport	299.0	248.4	198.7	283.0	328.2	782.0	697.3	393.6	435.3	456.5
	Car parking % of total	7.6	11.7	17.2	13.4	13.9	7.0	8.9	17.0	15.2	13.9
Expenses (\$million)	Car parking	9.4	8.1	12.3	12.3	15.1	17.8	19.9	20.8	24.0	28.2
	Total airport	103.5	82.1	109.3	120.3	136.8	157.9	184.4	196.8	206.4	237.9
EBITA profit (\$million)	Car parking	13.3	20.9	21.8	25.8	30.5	37.0	42.0	45.9	42.0	35.4
	Total airport	195.5	166.3	89.4	162.7	191.4	624.1	512.8	196.8	228.9	218.7
EBITA profit % of revenue	Car parking	58.5	72.0	63.9	67.8	66.9	67.5	67.9	68.8	63.7	55.6
	Total airport	65.4	67.0	45.0	57.5	58.3	79.8	73.5	50.0	52.6	47.9
Revenue per space (\$)		4444	3298	3157	3299	3129	3508	3635	3515	2972	2792
Expenses per space (\$)		1845	923	1140	1063	1036	1139	1169	1097	1079	1238
EBITA profit per space (\$)		2599	2376	2016	2236	2093	2369	2467	2418	1896	1553

Note: Real values in 2015-16 dollars

5.4.4. Quality of car parking facilities

Figure 5.4.3 shows that T1/T2 passenger ratings of parking availability, standard and time taken to enter remained at 'good' during 2014-15. There was a slight drop within the 'good' category for parking availability.

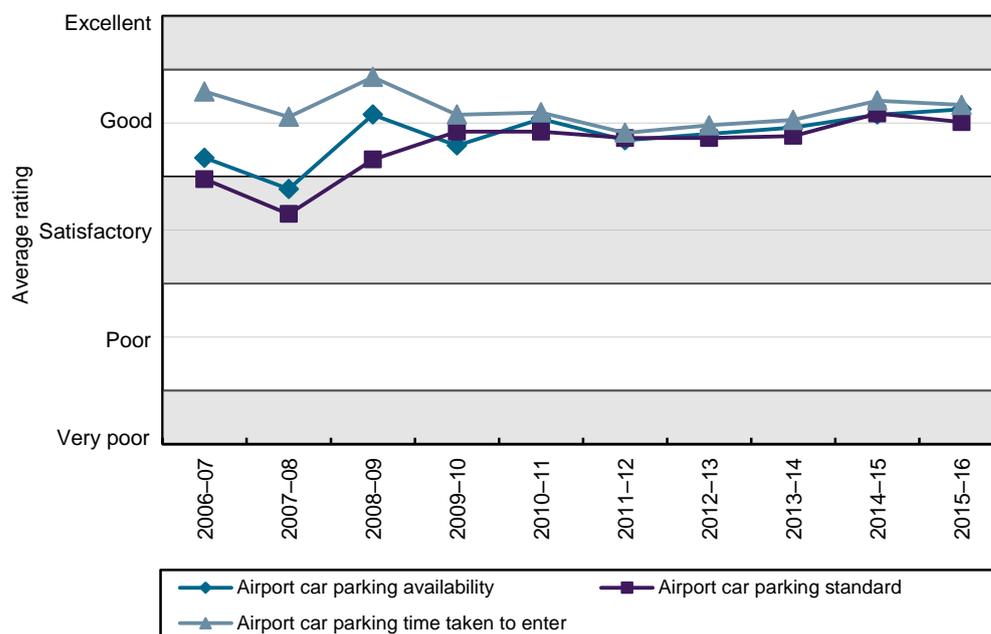
Figure 5.4.3: Perth Airport—T1/T2 precinct passenger survey ratings of car parking facility quality



Source: Passenger surveys

Figure 5.4.4 shows the T3/T4 passenger ratings of car park availability, standard, and time taken to enter car parks. All remained in the 'good' category. Ratings were reasonably stable compared to last year.

Figure 5.4.4: Perth Airport—T3/T4 precinct passenger survey ratings of the quality of car parking facilities



Source: Passenger surveys

5.4.5. Other transport options

Airport passengers have a number of alternatives to car parking. Public and private buses, taxis and private hire cars also provide access to the airport. Perth Airport imposes a landside access charge on some of these alternatives.

The following sections examine the charges Perth Airport applies to landside access, and where relevant, compares these to the prices of alternative access options. They also present quality of service ratings for landside access.

Table 5.4.3 shows the 2015-16 landside access charges and indexed average list prices for the last five years.

Table 5.4.3: Perth Airport—landside access charges and indexed average access charges in real terms

Transport option	Average list prices (\$) 2015-16	Indexed average list prices (2015-16 base year = 100)				
		2011-12	2012-13	2013-14	2014-15	2015-16
Public bus	No charge	NA	NA	NA	NA	NA
Private bus	No charge	NA	NA	NA	NA	NA
Off-airport car parking	No charge	NA	NA	NA	NA	NA
Taxis (per pick-up)	3.00	72.2	70.6	68.7	67.6	100.0
Private car (per entry)	4.50	72.2	70.6	68.7	67.6	100.0

Terminal drop-off and pick-up

Perth Airport provides public drop off and pick up areas at all terminals, with 55 designated spaces in the T1/T2 precinct and 50 designated spaces in the T3/T4 precinct. Perth Airport also has two 'Park and Wait' areas near the long-term car parks, where occupied vehicles can wait up to 90 minutes for a gold coin donation.

Private and public buses

A new limited-stop public bus service linking the T1/T2 precinct to Perth city centre (bus route 380) began operating in November 2015.⁸¹ The existing bus route 40 services the T3 and T4 terminals. Both buses depart the city centre and in 2015-16 single trip tickets cost \$4.50 corresponding to a two zone trip on the Transperth bus network.⁸² There are also several private bus operators connecting the airport to Perth CBD. For example, the Perth Airport Connect Shuttle bus charges \$15.00 one way to five locations around the city.⁸³

Off-airport car parking operators

There are a number of off-airport car parking operators that provide alternatives to the airport's car parks. Off-airport parking prices sampled by the ACCC ranged from \$15.00 to \$24.00 for one day parking and \$45.00 to \$72.00 for three day parking.⁸⁴

Taxis

Perth Airport charges a \$3.00 fee on taxis departing the airport, a significant increase over the \$2.00 charge that has applied since 2012-13. No charge applies for dropping off passengers.

Private cars

Perth Airport also substantially increased its charge for private car operators (such as limousines) from \$3.00 to \$4.50. This is the first private car charge increase since 2012-13.

Quality of landside access services and facilities provided by Perth Airport

This section outlines the passenger and landside operator quality of service ratings for landside services and facilities.

The ACCC has collected passenger ratings of the landside access quality of service for a number of years. In 2013-14, the ACCC also began collecting ratings of landside facilities by companies requiring access, include taxis, buses, and off-airport parking operators.

Passenger ratings

Table 5.4.4 shows that ratings for all landside access for services and facilities remained 'good' in 2015-16. While some indicators rose and others fell during 2015-16, all indicators have improved in comparison to 2013-14.

⁸¹ Transperth, viewed 16 November 2016, www.transperth.wa.gov.au/timetables/details?Bus=380

⁸² Transperth, viewed 16 November 2016, www.transperth.wa.gov.au/Portals/0/Asset/Documents/Tickets%20&%20Fares/Transperth_zone_map.pdf
www.transperth.wa.gov.au/tickets-fares/fares

⁸³ Perth Airport Shuttle, viewed 16 November 2016 www.perthairport.com.au/to-and-from-the-airport/transport-options/connect-shuttle

⁸⁴ Hamer Airport Parking, viewed 16 November 2016 www.airport.com.au
Gateway Airport Parking, viewed 16 November 2016 www.gatewayairportparking.com.au/parking-rates/rates.aspx
Skypark Valet Parking, viewed 16 November 2016 www.skypark.com.au/

Table 5.4.4: Perth Airport—passenger ratings of quality of landside access services and facilities

Terminal	Indicator	Rating category 2015-16	1-year change	Change since 2013-14
International, Domestic & General Aviation (T1/T2)	Kerbside pick-up and drop-off facilities	Good	▼	▲
	Waiting time for taxis	Good	▲	▲
	Kerbside space congestion	Good	▼	▲
Domestic (T3/T4)	Kerbside pick-up and drop-off facilities	Good	▲	▲
	Taxi facilities waiting time	Good	▼	▲
	Kerbside space congestion	Good	▼	▲

Note: The rating categories are: very poor, poor, satisfactory, good, and excellent. ▲ indicates an improvement; ▼ indicates a decline; — indicates no change.

Landside operator ratings

Perth Airport provides 138 designated spaces for passenger pick up and drop off for landside operators at the T1/T2 precinct and 34 spaces at the T3/T4 precinct. The T1 domestic terminal upgrade increased the number of spaces at T1/T2 by 12 per cent in 2015-16.

The ACCC collects responses from landside operators rating the standard and availability kerbside pickup and drop-off areas, and on the standard and availability of negotiations with Perth Airport management. Due to the small number of landside operators, the ACCC combines ratings for all types of landside access including taxis, buses and off-airport car parking.

Landside operators rated the airport management availability and standard 'satisfactory' on average, a similar rating to 2014-15.⁸⁵ Survey results for kerbside pickup and drop off also remained similar to last year, rating 'satisfactory' on average for both standard and availability. Most operators returned a 'satisfactory' rating for both T1/T2 and T3/T4 precincts, while a minority rated the availability of kerbside areas in both terminals as 'poor'. One operator noted that the ongoing construction at T1/T2 made access difficult at times. Two operators also remarked that congestion at T3/T4 sometimes created problems accessing the terminal.

⁸⁵ The landside operator ratings for Perth Airport from the 2014-15 monitoring report were revised from 'poor' to 'satisfactory'.

6. Sydney Airport

Key Points—2015-16

- Sydney Airport is the largest airport in Australia, providing services to 41.1 million passengers in 2015-16, up 4.8 per cent from 2014-15. International passengers grew by 6.3 per cent while domestic passenger growth was 4.0 per cent, the latter being the largest of the monitored airports.
- This passenger growth resulted in aeronautical revenue growing by 8.9 per cent in real terms to \$709.8 million. However, total aeronautical expenses growth was nearly double that of aeronautical income and this led to aeronautical profit increasing only marginally by 1.5 per cent in real terms to \$331.5 million. The airport's profit margin fell 3.4 percentage points to 46.7 per cent.
- Car parking revenue at Sydney Airport increased by 3.2 per cent in real terms to \$133.8 million. Car parking profit increased by 5.4 per cent in real terms to \$97.8 million, the airport's largest since privatisation. The profit margin for car parking operations went up slightly to 73.1 per cent.
- Sydney Airport's overall weighted quality of service rating increased from 'satisfactory' to 'good'. Passenger ratings increased slightly within the 'good' category, while average airline ratings decreased slightly but remained at 'satisfactory'.
- Sydney Airport added \$746 million in aeronautical assets in 2015-16. A large proportion of this increase was related to the purchase of the Qantas domestic terminal. As a result of this purchase, Sydney Airport reported the largest percentage of aeronautical additions as a percentage of aeronautical assets of the monitored airports with 24.1 per cent.

6.1. Airport overview and major investments

This section covers Sydney Airport's aeronautical activities including volume of passengers, tonnes landed and aircraft movements (Section 6.1.1). Terminal configurations and car parking facilities (Section 6.1.2) and major investments (Section 6.1.3) are also assessed.

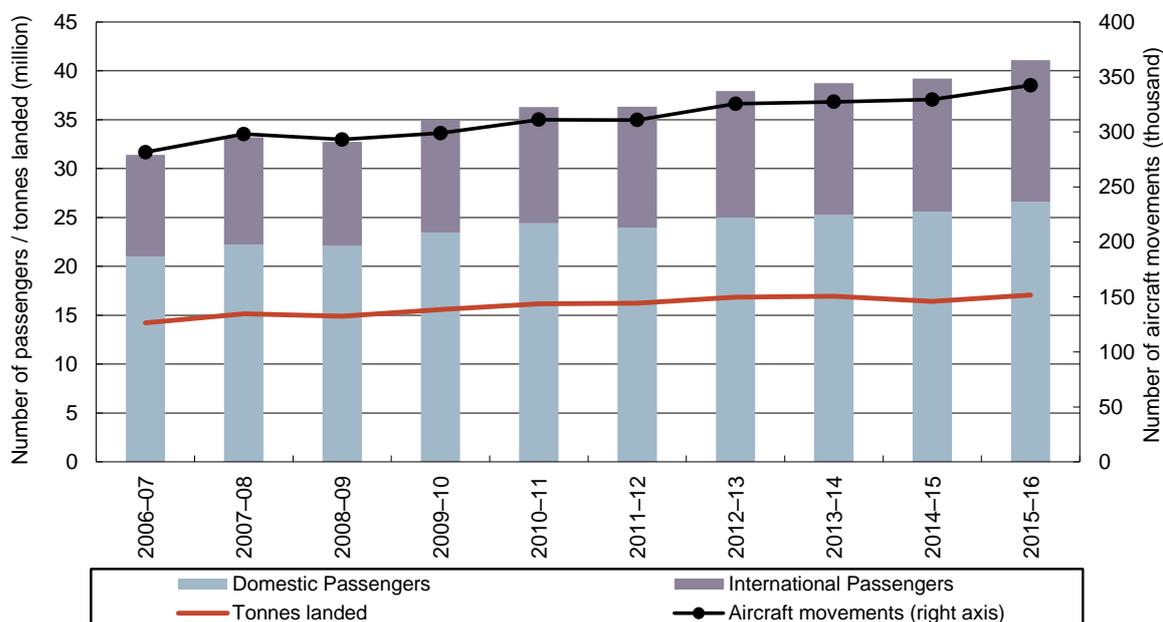
6.1.1. Aeronautical activity levels

Figure 6.1.1 shows that total passenger volumes increased by 4.8 per cent at Sydney Airport during 2015-16 to 41.1 million. This is the largest total passenger growth since 2009-10.

Domestic passenger numbers (including on carriage) grew by 4.0 per cent to 26.6 million while international passenger (including transit) growth was 6.3 per cent to 14.5 million passengers. The percentage growth in international passengers was the largest since 2010-11. Sydney Airport attributes this growth to lower fuel prices and passenger growth from Asia (particularly from China) and the United States of America.

Total tonnes landed increased by 4.1 per cent (to 17,076 thousand) which is the largest increase since privatisation. Total aircraft movements grew by 3.9 per cent to 342 thousand.

Figure 6.1.1: Sydney Airport—volume of passengers, tonnes landed and aircraft movements: 2006-07 to 2015-16



6.1.2. Terminal configurations and car parking facilities

Terminal Configurations

Sydney Airport has one international terminal and two domestic terminals that are located within two separate precincts:

- The international terminal (T1) is a common user terminal that is used by all airlines flying internationally to and from Sydney Airport. It is located within the international precinct.
- Terminal 2 (T2) and Terminal 3 (T3) are both domestic terminals located in the domestic precinct. T2 is a common user terminal currently used by a number of domestic and regional airlines, including Virgin Australia, Jetstar, Regional Express and Tigerair.
- The Qantas domestic terminal (T3) was leased and operated by Qantas under a domestic terminal lease. However in August 2015, Sydney Airport agreed to buy the terminal for \$535 million.⁸⁶ Qantas will remain the priority user of T3 until 2025. As Sydney Airport is now the operator of the terminal, it is subject to monitoring and the results included in this airport monitoring report.

Car parking facilities

Sydney Airport has three major car parking facilities:

- The international precinct has one public multi-level car park and an on-grade area that provides both short-term and long-term car parking and is located opposite the international terminal.

⁸⁶ Qantas, *Qantas and Sydney Airport reach commercial agreement on domestic terminal*, Media release, 18 August, 2015, viewed 8 February 2017, www.asx.com.au/asxpdf/20150818/pdf/430kyq3qs69b5c.pdf

- The domestic precinct has two multi-level car parks that provide both short-term and long-term car parking.
- Sydney Airport has a separate long-term car park located at a distance from the airport and is off Ross Smith Avenue on the Eastern side of the airport. Passengers are serviced by a complimentary shuttle bus to the domestic precinct.

6.1.3. Airport investments

Table 6.1.1 provides a summary of the largest aeronautical investments that have been completed, commenced or planned during 2015-16. The master plan for Sydney Airport was approved on 17 February 2014.

Table 6.1.1: Sydney Airport—largest investments in aeronautical services and facilities

Description of investment	Value (\$m)	Started	Completed
Qantas domestic terminal purchase	C-I-C	Q3 2015	Q3 2015
Two additional aprons in SE sector	20-50	Q1 2015	Q1 2016
Security fence upgrades	15-20	Q3 2015	Q2 2016
Departures redesign in Pier B and Pier C at T1	20-50	Q4 2014	Q4 2016
Emigration and security redevelopment at T1	20-50	Q4 2015	Q1 2018
Gate lounge redevelopment at T1	20-50	Q1 2016	Q2 2018
Immigration hall automation and redevelopment at T1	20-50	Q1 2017	Q4 2017
Bag drop facilities at T2 and T3	20-50	Q3 2017	Q4 2025
Taxiways	20-50	Q3 2016	Q2 2018

Notes: ^(a) Sydney Airport has chosen not to disclose the aeronautical allocation of the \$535m terminal purchase price

The largest aeronautical investment during 2015-16 was Sydney Airport’s purchase of the Qantas T3 domestic lease in August 2015. Significant aeronautical projects completed during 2015-16 included two additional aprons in the airport’s south east corner that provide capacity for two code E aircraft or four code C aircraft.

Table 6.1.2 provides a summary of the largest car parking and landside investments, which have been completed, commenced or planned during 2015-16. Investments completed during 2015-16 included the opening of a new five lane road exiting the domestic precinct that provides additional capacity for vehicles. This is one of several investments that are components of Sydney Airport’s ground access major development plan.⁸⁷

⁸⁷ Further information on Sydney Airport’s T2/T3 ground access hotel major development plan refer to the following link Sydney Airport, T2/T3 Ground Access Solutions and Hotel, April 2015, viewed 8 February 2017, www.sydneyairport.com.au/corporate/community-environment-and-planning/planning/major-development-plans/t2-t3-ground-access-solutions-and-hotel

Table 6.1.2: Sydney Airport—largest investments in car parking and landside access services

Description of investment	Value (\$m)	Started	Completed
T2/T3 ground access development plan (road component)	20-50	Q1 2015	Q4 2015
Parking customer service improvements	1-5	Q2 2014	Q4 2015
T2/T3 parking improvements	10-25	Q3 2015	Q4 2017
T1 ground access improvements	10-20	Q4 2015	Q1 2017
T2/T3 ground access improvements	100+	Q3 2016	Q4 2020
T1 parking improvements	20-50	Q3 2016	Q4 2017
T1 Ground access improvements	20-50	Q3 2016	Q4 2019

6.2. Aeronautical price monitoring and financial performance results

This section describes Sydney Airport's aeronautical price monitoring and financial reporting results. The results are categorised into prices (Section 6.2.1), revenues, costs and profits per passenger (Section 6.2.2), total revenues, costs and profits (Section 6.2.3), assets (Section 6.2.4), changes in the asset base (Section 6.2.5) and rate of return on tangible non-current assets (Section 6.2.6).

6.2.1. Prices

During 2015-16, Sydney Airport commenced implementation of its new five-year international aeronautical services agreement with airlines. This agreement includes an initial reduction in the international per passenger charge for the first year of the agreement and then increases of around 3.8 per cent per annum over the following four years. As detailed in Section 1.4 of Chapter 1, the new aeronautical services agreement contains a service level agreement with a set of key performance indicators covering the areas of baggage, passenger facilitation and satisfaction, peak planning/resource allocation and bussing. Other components include a rebate mechanism and common service standards for cleaning, maintenance and terminal presentation.

Table 6.2.1 presents the average aeronautical charges at Sydney Airport during 2015-16 and provides an indexed average list price for each charge in real terms between 2011-12 and 2015-16.

Table 6.2.1: Sydney Airport—schedule of average aeronautical charges in 2015-16 and indexed average list prices (including GST) in real terms from 2011-12 to 2015-16

	Average charge per unit \$	Indexed average list prices (2015-16 base year = 100)				
		2011-12	2012-13	2013-14	2014-15	2015-16
Aeronautical services - aircraft movement facilities and activities						
International passenger service charge (per passenger) ^{(a)*}	28.70	88.8	88.9	89.2	92.6	100.0
Domestic passenger service charge (per passenger) ^{(b)*}	4.62	91.8	92.6	93.1	96.3	100.0
Runway charge—non-passenger	5.75	91.8	92.6	93.3	96.6	100.0

	Average charge per unit \$	Indexed average list prices (2015-16 base year = 100)				
		2011-12	2012-13	2013-14	2014-15	2015-16
movements and GA (per MTOW)*						
Runway charge—regional services (per MTOW)**	3.78	108.4	106.0	103.2	101.5	100.0
Landing charge—rotary-wing (per movement)	33.00	108.3	105.9	103.1	101.4	100.0
Apron charge—major aprons (per 15 minutes)	38.50	108.3	105.9	103.1	101.4	100.0
Apron charge—GA aprons—regional services (per day)	66.00	108.3	105.9	103.1	101.4	100.0
Apron charge—GA aprons—0 to 20 tonnes (per day)	154.00	77.4	83.2	88.4	94.1	100.0
Apron charge—GA aprons—20 to 40 tonnes (per day)	209.00	85.5	89.2	92.3	96.0	100.0
Apron charge—GA aprons—greater than 40 tonnes (per day)	308.00	92.9	94.6	95.8	97.8	100.0
Domestic terminal infrastructure charge	Commercial agreement	NA	NA	NA	NA	NA
Aircraft refuelling services	Commercial agreement	NA	NA	NA	NA	NA
T3 domestic terminal infrastructure	Commercial agreement	NA	NA	NA	NA	NA
Light and emergency aircraft maintenance	Commercial agreement	NA	NA	NA	NA	NA
Aeronautical services – passenger processing facilities and activities						
International security charges—including passenger screening, checked bag screening and additional security measures (per passenger) ^(c)	4.67	106.4	106.3	105.4	100.3	100.0
T2 domestic passenger facilitation charge (per passenger) ^(d)	9.44	93.5	98.7	103.1	101.4	100.0
T2 regional passenger facilitation charge (per passenger) ^(d)	4.95	108.3	105.9	103.1	101.4	100.0
T2 domestic security charges—including passenger screening, checked bag screening and additional security measures (per passenger) ^(e)	1.77	110.4	107.9	114.0	112.7	100.0
T2 regional security charges—including passenger screening and checked bag screening (per passenger) ^(f)	0.96	108.0	105.6	102.8	101.1	100.0
T2 new investment charge (per passenger) ^(g)	0.44	108.3	105.9	103.1	101.4	100.0
International check-in counters (per hour)	25.40	99.2	98.6	98.7	100.6	100.0
Terminal access roads (per vehicle) ^(h)	4.10	92.4	96.9	94.3	99.0	100.0

	Average charge per unit \$	Indexed average list prices (2015-16 base year = 100)				
		2011-12	2012-13	2013-14	2014-15	2015-16
Minimum charges						
Minimum charge for runway use (per movement)	66.00	108.3	105.9	103.1	101.4	100.0
Minimum charge for regional services (0-5 tonnes)	22.00	108.3	105.9	103.1	101.4	100.0
Minimum charge for regional services (5-10 tonnes)	45.38	108.3	105.9	103.1	101.4	100.0
Minimum charge for regional services (over 10 tonnes)	55.00	108.3	105.9	103.1	101.4	100.0

Notes: Real indexed prices in 2015-16 dollars

NA Not applicable.

* Minimum charge for runway use is applicable.

** Minimum charge for regional air services is applicable.

(a) Charged per arriving and departing international passenger, excluding transfer and transit passengers, and infants and positioning crew. Applies to runway use and terminal facilities.

(b) Charged per arriving and departing domestic passenger, excluding infants and positioning crew. Applies to runway use, however, commercially agreed charges also applied.

(c) Charged as a component of the international PSC, and recovers the cost of passenger screening, checked bag screening and additional security measures. This charge includes an element that relates to security charges.

(d) Levied per arriving and departing passenger, excluding infants and positioning crew. This is a scheduled charge—specific arrangements apply under commercial agreements with major users.

(e) Applies to domestic users of T2 to recover the cost of passenger, checked bag screening and additional security measures. This charge includes an element that relates to security charges—note comments in (d) above.

(f) Applies to regional users of T2 to partly recover the cost of passenger and checked bag screening.

(g) Levied per arriving and departing domestic passenger in T2.

(h) Levied on vehicle pick-ups to recover costs associated with the provision of ground access facilities.

The majority of aeronautical charges decreased in real terms during 2015-16. For the most, these decreases were due to nominal prices mostly remaining unchanged. The international passenger service charges had the largest increase during 2015-16 with a rise of 8.0 per cent in real terms. The domestic passenger service charge increased by 3.8 per cent in real terms.

Apron charges for aircraft from 0 to 20 tonnes increased by 6.2 per cent in real terms during 2015-16. Apron charges for aircraft from 20 to 40 tonnes increased by 4.1 per cent while charges for aircraft greater than 40 tonnes increased by 2.3 per cent in real terms.

Aeronautical services to regional air services

The provision of aeronautical services by Sydney Airport to regional air services are declared services for the purpose of the price notification regime under Part VIIA of the *Competition and Consumer Act 2010*. As such, Sydney Airport must notify the ACCC if it intends to increase the price of such services. The ACCC must then decide whether to object to the proposal.

In assessing notifications from Sydney Airport for an increase in charges, the ACCC must give special consideration to the Australian Government's policy. This policy includes that the total revenue weighted percentage increase in prices over the three years from 1 July 2013 should not exceed the total percentage increase in the Consumer Price Index (CPI) over that same period.

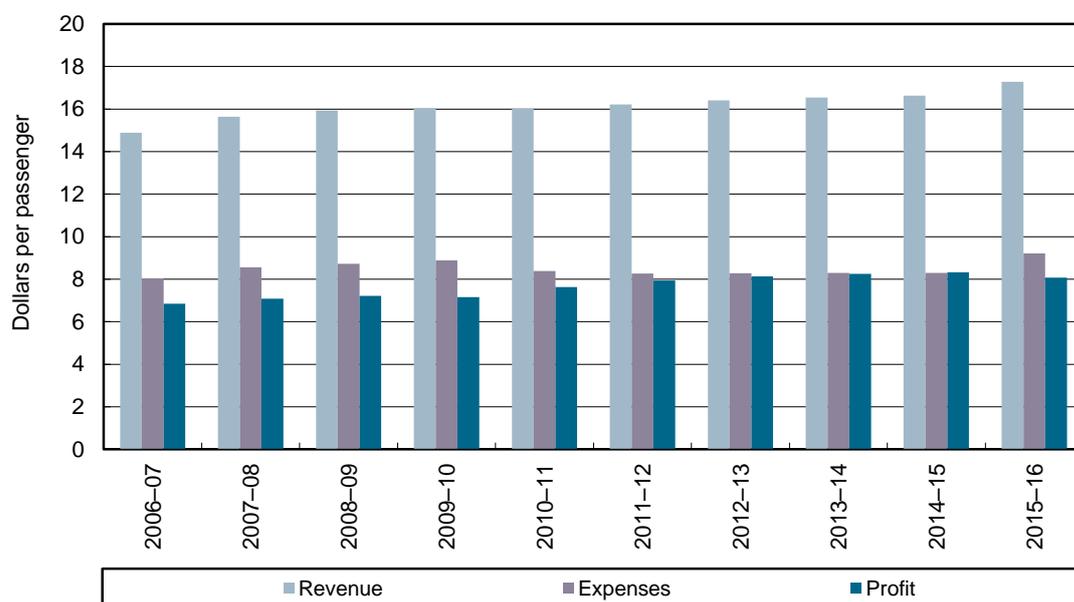
The ACCC did not receive any price increase proposals for regional services at Sydney Airport during 2015-16. However, during May 2016 the Minister for Infrastructure and

Transport, the Hon. Darren Chester MP announced the continuation of the regional air services declaration at Sydney Airport until 30 June 2019.⁸⁸

6.2.2. Revenue, costs and profit per passenger for aeronautical services

Figure 6.2.1 shows the aeronautical revenue, costs and profit per passenger for Sydney Airport. On a per passenger basis, Sydney Airport’s aeronautical revenue and expenses increased in real terms by 3.9 and 11.0 per cent respectively during the year to \$17.27 and \$7.13 respectively. Consequently aeronautical profit per passenger decreased during the year by 3.2 per cent to \$8.07.

Figure 6.2.1: Sydney Airport—Aeronautical revenue, expenses, and profit per passenger



Notes: Real indexed prices in 2015-16 dollars

Over the past decade, aeronautical profit per passenger increased by 17.8 per cent in real terms. Sydney Airport’s revenue and profit per passenger are the largest of the monitored airports. The profit per passenger was 46.8 per cent larger than the Brisbane Airport which reported the second largest profit per passenger.

6.2.3. Revenues, costs and profits for aeronautical and total airport services

Table 6.2.2 outlines the revenues, expenses and profits for aeronautical services and the total airport in real terms over the last decade.

Total aeronautical revenue was \$709.8 million in 2015-16, increasing by 8.9 per cent in real terms since 2014-15. This is the largest increase in aeronautical revenue since 2007-08. The annual average increase in aeronautical revenue since 2006-07 was 4.7 per cent, the lowest of the monitored airports.

⁸⁸ Chester, D, *Regional Access Arrangements at Kingsford Smith Airport*, Press Release, 6 May, 2016, viewed 8 February 2017, www.minister.infrastructure.gov.au/chester/releases/2016/May/dc070_2016.aspx

Total aeronautical expenses increased by 16.3 per cent in real terms to \$378.3 million. A component of this overall growth was due to the inclusion of expenses related to the Qantas domestic terminal which was purchased by Sydney Airport in August 2015. A number of aeronautical expenses had substantial increases including depreciation which grew by 20.6 per cent. Other expenses items such as services and utilities increased by 38.7 per cent while property maintenance increased by 41.1 per cent. These two expense item increases are related to the new international airline agreement which included commitments to deliver improved standards throughout the airport.

Sydney Airport's aeronautical profit increased by 1.5 per cent in real terms to \$331.5 million during 2015-16. This is the lowest increase in real terms for the profit since 2008-09 and is considerable lower than the average annual increase over the last decade (4.9 per cent).

Sydney Airport made a profit of 46.7 cents for each dollar in aeronautical revenue in 2015-16, down 3.4 percentage points from 2014-15. However, this remained the highest return on aeronautical sales figure reported by a monitored airport during 2015-16.

Table 6.2.2: Sydney Airport—revenues, expenses and profits for aeronautical and total airport services

		2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue (\$million)	Total aeronautical	467.7	519.2	521.9	559.8	581.6	588.7	622.6	640.4	651.9	709.8
	Total airport	1060.6	1241.0	1318.4	1030.1	1067.0	1087.6	1137.5	1181.2	1206.4	1296.1
	Aeronautical % of total airport	44.1	41.8	39.6	54.3	54.5	54.1	54.7	54.2	54.0	54.8
Expenses (\$million)	Total aeronautical	252.6	284.1	285.7	310.2	304.5	300.3	314.2	321.0	325.2	378.3
	Total airport	354.7	392.6	394.9	424.8	420.0	417.0	427.1	428.0	440.3	506.1
EBITA profit (\$million)	Total aeronautical	215.0	235.0	236.2	249.6	277.0	288.4	308.4	319.4	326.7	331.5
	Total airport	705.9	848.3	923.5	605.4	647.0	670.6	710.4	753.2	766.0	790.0
EBITA profit % of total revenue	Aeronautical	46.0	45.3	45.3	44.6	47.6	49.0	49.5	49.9	50.1	46.7
	Total airport	66.6	68.4	70.0	58.8	60.6	61.7	62.5	63.8	63.5	61.0
Revenue per passenger (\$)	Total aeronautical	14.89	15.63	15.94	16.04	16.02	16.21	16.41	16.53	16.63	17.27
Expenses per passenger (\$)	Total aeronautical	8.05	8.56	8.73	8.89	8.39	8.27	8.28	8.29	8.29	9.21
EBITA profit per passenger (\$)	Total aeronautical	6.85	7.08	7.21	7.15	7.63	7.94	8.13	8.25	8.33	8.07

Note: Real values in 2015-16 dollars

Line in the sand— aeronautical revenue, expenses and profit values

From 2007-08, the ACCC has required airport operators to provide additional information relating to the aeronautical asset base under the 'line in the sand' (LIS) approach. 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 as at 30 June 2005, plus new investments, less depreciation and disposals. Table 6.2.3 presents Sydney Airport's starting line in the sand (LIS) asset base aggregates.

Table 6.2.3: Sydney Airport—starting line in the sand asset base as at 30 June 2005 (\$thousand) in real terms

	Land	Property, plant and equipment	Total line in the sand asset base
Sydney Airport	563 692	1 538 618	2 102 310

Note: Real values in 2015-16 dollars

The value of leasehold land for LIS aeronautical assets includes the value of landfill (that is, the land under the runway). The value for this landfill as at 30 June 2015 was \$153.0 million. As noted in previous airport monitoring reports, this value was not included in the asset base provided by Sydney Airport as at 1 July 2005. The ACCC therefore presents the LIS approach for Sydney Airport with and also without the value of landfill.

Table 6.2.4 present the revenues, expenses and profits for aeronautical services under the LIS approach. LIS aeronautical total expenses were 0.1 per cent higher than the non-LIS expense aggregate. With the inclusion of the value of landfill in leasehold land, expenses were 0.6 per cent higher than the non-LIS expense figure.

Table 6.2.4: Sydney Airport—revenues, expenses and profit for aeronautical services under the LIS approach, in real terms: 2008-09 to 2015-16

		08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16
Revenue (\$million)	Excluding landfill	521.9	559.8	581.6	588.7	622.6	640.4	651.9	709.8
	Including landfill	521.9	559.8	581.6	588.7	622.6	640.4	651.9	709.8
Expenses (\$million)	Excluding landfill	277.4	309.6	300.6	291.9	293.4	307.7	323.5	378.6
	Including landfill	279.8	311.8	302.1	294.0	295.4	309.6	325.4	380.4
EBITA profit (\$million)	Excluding landfill	244.5	250.2	281.0	296.8	329.2	332.7	328.4	331.2
	Including landfill	242.2	247.9	279.5	294.8	327.2	330.8	326.5	329.3
EBITA profit as a % of revenue	Excluding landfill	46.8	44.7	48.3	50.4	52.9	52.0	50.4	46.7
	Including landfill	46.4	44.3	48.1	50.1	52.6	51.7	50.1	46.4

Note: Real values in 2015-16 dollars

Table 6.2.5: Sydney Airport—non-current assets for aeronautical services and total airport services in real terms: 2006-07 to 2015-16

		2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Investment property (\$million)	Aeronautical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Total airport	3 087.1	4 977.2	5 510.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Land (\$million)	Aeronautical	961.8	920.1	882.8	853.6	818.8	791.6	765.3	830.6	807.0	786.5
	Total airport	1 384.6	1 325.0	1 270.7	1 226.7	1 176.0	1 136.2	1 097.9	1 056.1	1 025.8	999.5
Property, plant and equipment (\$million)	Aeronautical	1879.3	1849.2	2060.5	2114.0	1970.9	1889.3	1850.1	1805.5	1750.8	2288.5
	Total airport	2 549.3	2 608.3	2 803.3	2 790.5	2 662.1	2 640.4	2 596.4	2 583.4	2 612.9	3 270.9
Intangibles (\$million)	Aeronautical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Total airport	1 772.3	1 695.6	1 625.8	1 570.9	1 506.0	1 455.0	1 405.9	1 352.4	1 313.6	1 279.9
Other tangible non-current assets (\$million)	Aeronautical	33.1	40.9	42.2	50.2	47.8	40.5	36.3	34.9	28.6	19.1
	Total airport	2 472.0	4 096.1	4 426.8	4 312.7	5 247.1	6 016.4	6 695.5	10 345.0	10 570.1	10 687.7
Total tangible non-current assets (\$million)	Aeronautical	2874.2	2810.2	2985.4	3017.9	2837.5	2721.4	2651.7	2671.0	2586.4	3094.2
	Total airport	9 493.1	13 006.6	14 011.2	8 329.9	9 085.3	9 792.9	10 389.7	13 984.5	14 208.8	14 958.1
Total non-current assets (\$million)	Aeronautical	2874.2	2810.2	2985.4	3017.9	2837.5	2721.4	2651.7	2671.0	2586.4	3094.2
	Total airport	11 265.4	14 702.1	15 637.1	9 900.8	10 591.2	11 247.9	11 795.6	15 336.9	15 522.4	16 238.0

Note: Real values in 2015-16 dollars

6.2.4. Assets for aeronautical and total airport services

Table 6.2.5 presents Sydney Airport's tangible non-current assets for aeronautical services and the total airport from 2006-07 to 2015-16. Results for the under the LIS approach are presented in Table 6.2.6.

Sydney Airport's total aeronautical tangible non-current assets increased by 19.6 per cent in real terms to \$3.1 billion during 2015-16. This increase was due to property, plant and equipment increasing 30.7 per cent to \$2.3 billion. This increase is mostly due to the previously mentioned purchase of the Qantas domestic terminal in August 2015. The value of these assets increased by 7.7 per cent in real terms over the last decade.

Line in the sand asset values

Table 6.2.6 presents Sydney Airport's non-current assets for aeronautical services under the line in the sand (LIS) approach. Under the LIS methodology and excluding the value of landfill in leasehold land, the value of aeronautical tangible non-current assets was \$3.2 billion in 2015-16. This amount is 3.7 per cent higher than the non-LIS value (as shown in Table 6.2.5). The value of land was 46.9 per cent higher under the LIS methodology (and excluding landfill). The value of property, plant and equipment assets was 11.1 per cent lower.

Table 6.2.6: Sydney Airport—non-current assets for aeronautical services under the LIS approach, both excluding and including the value of landfill in leasehold land in real terms: 2008-09 to 2015-16

		08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16
Investment property (\$million)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Land (\$million)	Excluding landfill	1269.1	1421.3	1182.2	1142.8	1104.9	1220.4	1185.6	1155.4
	Including landfill	1462.9	1619.0	1362.3	1316.7	1273.0	1382.0	1342.6	1308.4
Property, plant and equipment (\$million)		1674.5	1741.9	1619.1	1557.8	1550.5	1532.0	1488.2	2033.8
Intangibles (\$million)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other tangible non-current assets (\$million)		42.2	50.2	47.8	40.5	36.3	34.9	28.6	19.1
Total tangible non-current assets (\$million)	Excluding landfill	2985.8	3213.5	2849.1	2741.1	2691.7	2787.2	2702.4	3208.3
	Including landfill	3179.6	3411.1	3029.2	2915.1	2859.8	2948.9	2859.5	3361.3

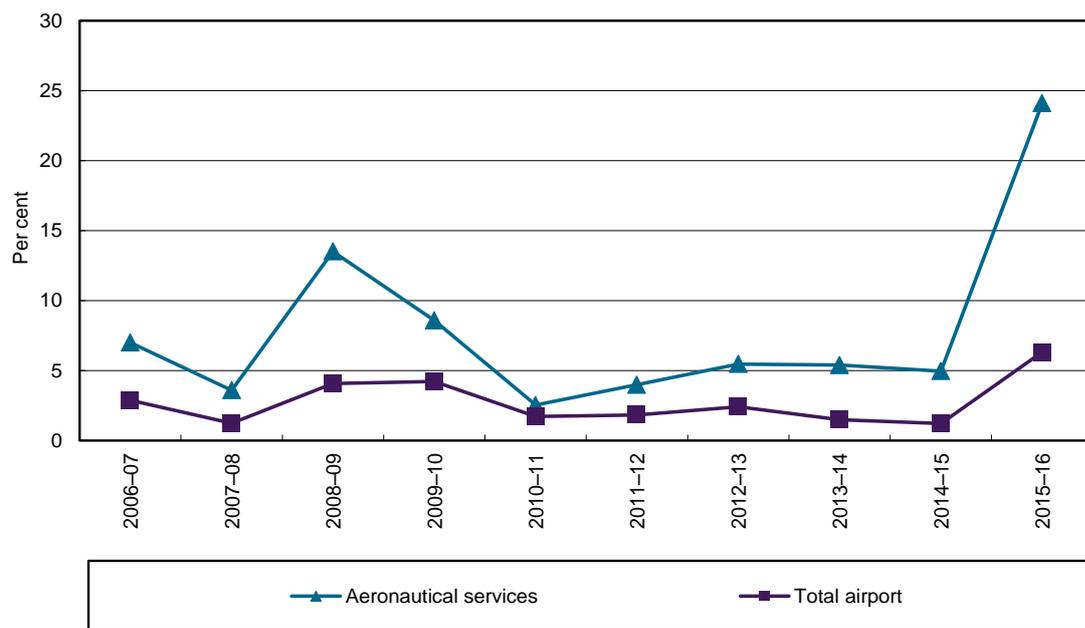
Note: Real values in 2015-16 dollars

Under the LIS methodology and including the value of landfill in leasehold land, the value of aeronautical tangible non-current assets was around \$3.4 billion in 2015-16. This amount is 8.6 per cent higher than the non-LIS value. Land value when landfill was included was 66.3 per cent higher than non-LIS land values.

6.2.5. Additions as a percentage of tangible non-current assets

Figure 6.2.1 presents additions as a percentage of tangible non-current assets for both aeronautical and total airport services. During 2015-16, Sydney Airport’s \$746 million in additions to aeronautical assets represented 24.1 per cent of total aeronautical tangible non-current assets. A large proportion of this increase in additions was related to the purchase of the Qantas domestic terminal. Other significant additions include land improvement (\$124.9 million) and plant and machinery (\$152.8 million).

Figure 6.2.1: Sydney Airport—additions as a percentage of tangible non-current assets for aeronautical and total airport services: 2006-07 to 2015-16



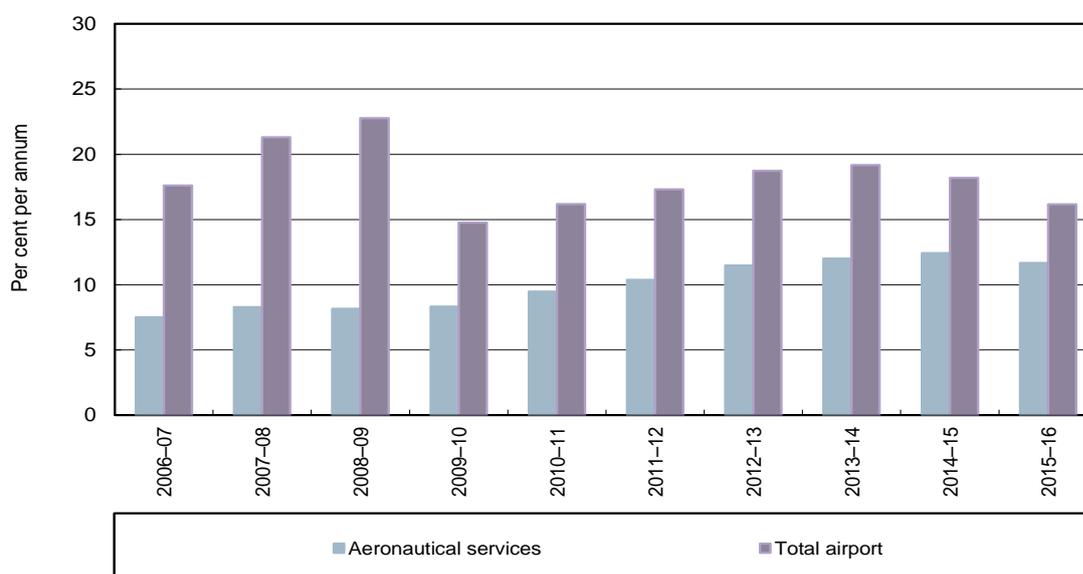
6.2.6. Rates of return on tangible non-current assets

Figure 6.2.2 presents the rate of return on tangible non-current assets for both aeronautical services and total airport operations. This is defined as earnings before interest, tax and amortisation (EBITA) on average tangible non-current assets.

This rate of return on tangible non-current aeronautical assets decreased marginally in real terms by 0.8 percentage points to 11.7 per cent in 2015-16. The measure had previously been increasing every year since 2008-09.

Total airport rate of return on tangible non-current assets was 16.2 per cent. This represents a decrease of 2.0 percentage points from 2014-15.

Figure 6.2.2: Sydney Airport—rate of return (EBITA) on tangible non-current assets for aeronautical and total airport services in real terms: 2006-07 to 2015-16



Line in the sand — Rates of return on tangible non-current assets

The rate of return on average aeronautical tangible non-current assets under the LIS approach (and excluding landfill) was 11.2 per cent during 2015-16. This is 0.5 percentage points lower than the non-LIS value. Rate of return when landfill is included in the asset base was 10.6 per cent during 2015-16.

The rate of return on average tangible non-current assets for total airport services under the LIS approach and excluding landfill was 16.6 per cent, which is around 0.4 percentage points lower than the non-LIS value. When landfill is included, the rate of return on average total airport tangible non-current assets falls to 14.8 per cent.

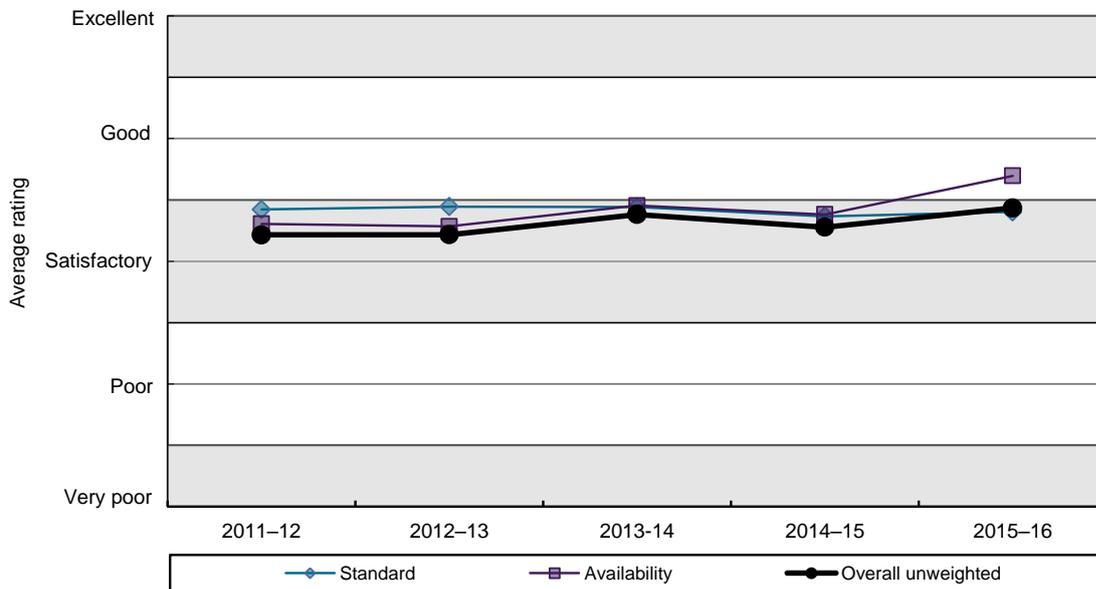
6.3. Aeronautical services quality of service monitoring results

Both passengers and airlines are surveyed to gauge the quality of service offered by each airport. Quality of service ratings are then derived from these survey results and data collected from the monitored airports. This section presents Sydney Airport's overall average ratings (Section 6.3.1), followed by ratings for aircraft related services and facilities (Section 6.3.2), and passenger related services and facilities for international and domestic terminals (Section 6.3.3).

6.3.1. Overall quality of service

As noted in section 2.2.1, Sydney Airport's overall weighted quality of service rating improved from 'satisfactory' to 'good'. Figure 6.3.1 presents Sydney Airport's ratings for both the availability and standard of total airport services and facilities. The rating for the standard of total airport services and facilities remained unchanged at 'satisfactory' while availability increased from 'satisfactory' to 'good' during 2015-16.

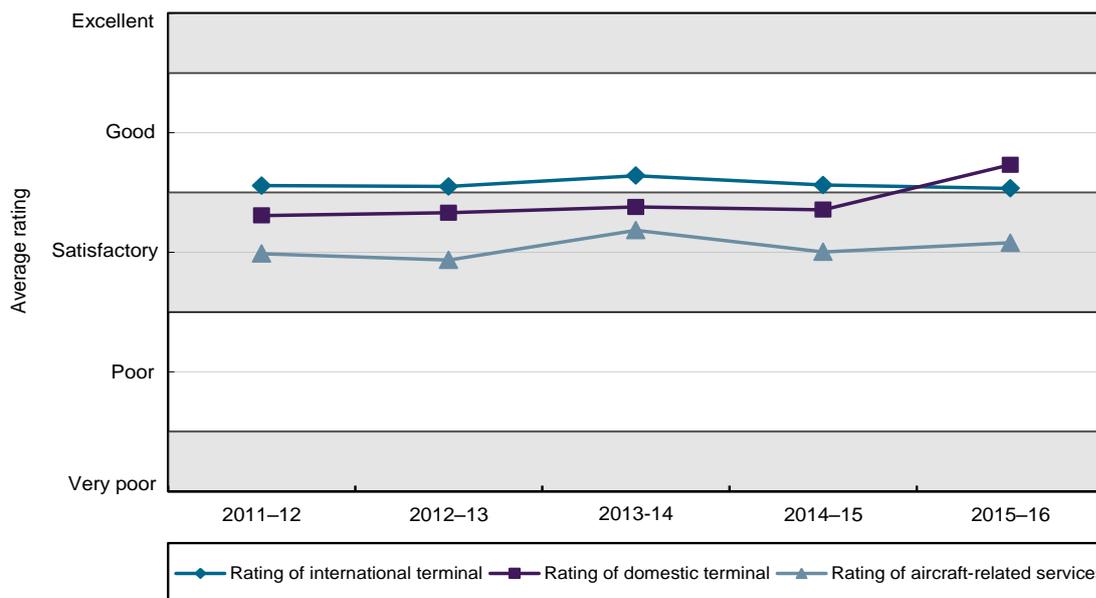
Figure 6.3.1: Sydney Airport— ratings for standard and availability of total airport services and facilities: 2011-12 to 2015-16



Source: Airline surveys, passenger surveys and objective indicators obtained from Sydney Airport

Figure 6.3.2 shows that Sydney Airport’s quality of service rating for the T1 international terminal remained at ‘good’. The domestic terminals’ rating increased from ‘satisfactory’ to ‘good’⁸⁹. The rating for aircraft-related services and facilities remained at ‘satisfactory’ during 2015-16.

Figure 6.3.2: Sydney Airport—average ratings for international and domestic terminal services, and aircraft related services and facilities: 2011-12 to 2015-16



⁸⁹ As the Qantas domestic terminal (T3) was purchased by Sydney Airport during 2015-16, it is now included in the quality of service monitoring. A combined rating for both domestic terminals is now included in the monitoring program.

Source: Airline surveys, passenger surveys and objective indicators obtained from Sydney Airport

6.3.2. Aircraft related services and facilities

Table 6.3.1 presents airline ratings for aircraft related services and facilities at Sydney Airport. While the majority of ratings for aircraft-related services and facilities improved during 2015-16, there were no changes of rating categories for any indicator.

Table 6.3.1: Sydney Airport—airline ratings of quality of individual aircraft-related services and facilities: 2015-16, 1-year change, and change since 2011-12

	Indicator	Rating category 2015-16	1-year change	Change since 2011-12
Runway	Availability	Satisfactory	▲	▲
	Standard	Good	▲	▲*
Taxiways	Availability	Satisfactory	▲	▲
	Standard	Satisfactory	—	▲
Aprons	Availability	Satisfactory	▲	▲
	Standard	Satisfactory	▲	—
Aircraft parking	Availability of facilities and bays	Satisfactory	▲	▲*
	Standard of facilities and bays	Satisfactory	▲	—
Ground handling	Availability of services and facilities	Satisfactory	—	▼
	Standard of services and facilities	Satisfactory	▼	▼
Management responsiveness	Availability	Good	▼	▲*
	Standard	Satisfactory	▼	▼

Source: Airline surveys

Note: The rating categories are: very poor, poor, satisfactory, good and excellent.

▲ indicates an improvement; ▼ indicates a decline; — indicates no change. ***/Rating changed by one/two categories over the period.

Ratings for taxiway availability and standard both experienced the largest increase within a category of all aircraft related indicators. Both continued to be rated as 'satisfactory' during 2015-16. While improving, a number of airlines commented that taxiway access needs improvement due to congestion.

The ratings for aircraft parking availability and standard increased slightly. Airlines commented that aircraft parking is at capacity during peak periods and this results in frequent delays.

6.3.3. Passenger-related services and facilities

International terminal

Table 6.3.2 presents quality of service outcomes for passenger-related services and facilities for the international terminal. Airline ratings were mixed with most either increasing or remaining the same. Passenger ratings were generally more positive with all ratings apart from one either increasing or having no change.

Airline ratings for baggage processing facilities remained at 'poor' for both availability and standard during 2015-16 despite some improvement. Many airlines commented that the baggage processing facilities were inadequate during peak hour which ultimately caused

delays. A number of airlines commented that the transfer of bags from the domestic precinct to the international terminal was problematic, as was the numbers of missing bags.

Table 6.3.2: Sydney Airport—indicators of quality of passenger related services and facilities—international terminal: 2015-16, 1-year change and change since 2011-12

Category	Indicator	Data source	Indicator result 2015-16	1-year change	Change since 2011-12
Check-in	Check-in availability	Airline survey	Satisfactory	▼	▼
	Check-in standard	Airline survey	Satisfactory	▼	▼
	Check-in waiting time	Passenger survey	Good	▲	▲
	Number of departing passengers per check-in desk, kiosk and bag drop facility (peak hour)	Objective indicator	9.5 passengers	▼	▲
Immigration	Waiting time in outbound Immigration area	Passenger survey	Good	▲	▼
	Number of departing passengers per outbound Immigration desk (peak hour)	Objective indicator	66.9 passengers	▼	▼
	Waiting time in inbound Immigration area	Passenger survey	Good	—	▼
	Number of arriving passengers per inbound Immigration desk (peak hour)	Objective indicator	27.2 passengers	▼	▲
	Waiting time in inbound baggage inspection area	Passenger survey	Good	—	▲
	Number of arriving passengers per baggage inspection desk (peak hour)	Objective indicator	23.6 passengers	▼	▲
Information	Flight information display screens	Passenger survey	Good	—	—
	Number of passengers per flight information display screen (peak hour)	Objective indicator	5.0 passengers	▲	▲
	Number of passengers per information point (peak hour)	Objective indicator	519 passengers	▲	▲
	Signage and wayfinding	Passenger survey	Good	▼	▼

Table 6.3.2: Sydney Airport—indicators of quality of passenger related services and facilities—international terminal: 2015-16, 1-year change and change since 2011-12 (cont.)

Category	Indicator	Data source	Indicator result 2015-16	1-year change	Change since 2011-12
Baggage	Baggage processing facilities availability	Airline survey	Poor	—	▼*
	Baggage processing facilities standard	Airline survey	Poor	▲	▼*
	Average throughput of outbound baggage system (per hour)	Objective indicator	1255 items	▲	▲
	Circulation space for inbound baggage reclaim	Passenger survey	Good	▲	—
	Information display for inbound baggage reclaim	Passenger survey	Good	▲	—
	Number of arriving passengers per m ² of inbound baggage reclaim area (peak hour)	Objective indicator	0.1 passengers	—	n/a
	Findability of baggage trolleys	Passenger survey	Good	▲	▲
	Number of passengers per baggage trolley (peak hour)	Objective indicator	1.1 passengers	▼	▼
Gate lounges	Seating in lounge area (quality and availability)	Passenger survey	Good	▲	—
	Number of departing passengers per seat in gate lounges (peak hour)	Objective indicator	0.5 passengers	—	▼
	Crowding in lounge area	Passenger survey	Good	▲	▲
	Number of departing passengers per m ² of lounge area (peak hour)	Objective indicator	0.3 passengers	—	▼
Amenities	Standard of washrooms	Passenger survey	Good	▲	▲
	Number of departing passengers per washroom (peak hour)	Objective indicator	106.5 passengers	▼	n/a
Aerobridges	Aerobridges availability	Airline survey	Satisfactory	▲*	—
	Aerobridges standard	Airline survey	Poor	▼	▼*
	Percentage of international passengers arriving using an aerobridge	Objective indicator	96.4%	▼	▼
	Percentage of international passengers departing using an aerobridge	Objective indicator	96.2%	▼	▼
Security	Quality of security search process	Passenger survey	Good	▲	—
	Number of departing passengers per security clearance system (peak hour)	Objective indicator	119.8 passengers	▲	▼

Notes: The rating categories are; very poor, poor, satisfactory, good and excellent.
 ▲ indicates an improvement; ▼ indicates a decline; — indicates no change. *Rating changed by a category over the period; **Rating changes by two categories over the period.

Domestic precinct

Table 6.3.3 presents quality of service outcomes for passenger-related services and facilities for the domestic precinct (which covers terminals 2 and 3). As outlined in Section 5.1.1, Qantas' domestic terminal was purchased by Sydney Airport in August 2015. As Sydney Airport is now the operator of the terminal, it is subject to monitoring and the results have been included with the other domestic terminal.

As this is the first year for which data was available for the combined domestic precinct, Table 6.3.3 is included for information and comparisons over time will commence in the 2016-17 airport monitoring report.

In 2015-16, airlines rated all quality of service indicators as 'satisfactory', while passengers rated all indicators as 'good' at the domestic precinct.

Table 6.3.3: Sydney Airport—indicators of quality of passenger related services and facilities—domestic precinct

Category	Indicator	Data source	Indicator result 2014-15
Check-in	Check-in availability	Airline survey	Good
	Check-in standard	Airline survey	Satisfactory
	Check-in waiting time	Passenger survey	Good
	<i>Number of departing passengers per check-in desk, kiosk, and bad drop facility (peak hour)¹</i>	<i>Objective indicator</i>	<i>17.4 passengers</i>
Baggage	Baggage processing facilities availability	Airline survey	Satisfactory
	Baggage processing facilities standard	Airline survey	Satisfactory
	<i>Number of arriving passengers per m² of inbound baggage reclaim area (peak hour)¹</i>	<i>Objective indicator</i>	<i>0.5 passengers</i>
	Circulation space for inbound baggage reclaim	Passenger survey	Good
	Information display for inbound baggage reclaim	Passenger survey	Good
	Findability of baggage trolleys	Passenger survey	Good
	<i>Number of passengers per baggage trolley (peak hour)¹</i>	<i>Objective indicator</i>	<i>12.2 passengers</i>
Information	Flight information display screens	Passenger survey	Good
	Signage and wayfinding	Passenger survey	Good
	<i>Number of passengers per flight information display screen (peak hour)¹</i>	<i>Objective indicator</i>	<i>11.4 passengers</i>
	<i>Number of passengers per information point (peak hour)¹</i>	<i>Objective indicator</i>	<i>1144 passengers</i>
Gate lounges	Seating in lounge area (quality and availability)	Passenger survey	Good
	Crowding in lounge area	Passenger survey	Good
	<i>Number of departing passengers per seat in gate lounges (peak hour)¹</i>	<i>Objective indicator</i>	<i>0.6 passengers</i>
	<i>Number of departing passengers per m² of lounge area (peak hour)¹</i>	<i>Objective indicator</i>	<i>0.3 passengers</i>
Amenities	Standard of washrooms	Passenger survey	Good
	<i>Number of departing passengers per washroom (peak hour)¹</i>	<i>Objective indicator</i>	<i>152 passengers</i>
Aerobridges	Aerobridges availability	Airline survey	Satisfactory
	Aerobridges standard	Airline survey	Satisfactory
	<i>Number of arriving domestic passengers per aerobridge¹</i>	<i>Objective indicator</i>	<i>80.4 passengers</i>

Notes: The rating categories are; very poor, poor, satisfactory, good and excellent.

1. Outputs refer to Terminal 2 only. Passenger data was unavailable for Terminal 3 during 2015-16.

6.4. Car parking and landside services

This section assesses Sydney Airport's car parking and landside services and facilities. Areas covered include activity (Section 6.4.1), car park pricing (Section 6.4.2), revenues and profits (Section 6.4.3) and quality of service outcomes (Section 6.4.4).

6.4.1. Activity

Table 6.4.1 presents the number of car parking spaces available across both terminal precincts, and throughput of those facilities at Sydney Airport from 2006-07 to 2015-16.

Total car parking spaces across both precincts of Sydney Airport decreased by 3.4 per cent to 15 933 spaces during 2015-16. Both the Blu Emu long-term car park and the P3 car park at the domestic precinct had reductions in the number of car spaces of 2.9 and 10.9 per cent respectively during 2015-16. The reduction in car parking spaces was related to ongoing construction works and preparations for changes to pick-up arrangements at the domestic precinct.

The average daily throughput of all car park facilities at Sydney Airport grew by 1.6 per cent to 12 864 cars during 2015-16. This is the largest daily throughput over the past ten years. Both the international and domestic car parks daily throughput increased by 2.5 and 0.8 per cent respectively, while the long-term Blu Emu declined by 1.0 per cent.

6.4.2. Car park prices

The following section assesses the trend in Sydney Airport's car parking charges in real terms from 2006-07 to 2015-16. Car parking at Sydney Airport can either be paid at the actual car park (drive-up charges) or can be booked online prior to arrival. The latter is typically at a discount to the drive-up charges. The ACCC has compared drive-up, online prices and the average charges that customers paid at Sydney Airport's car parking facilities for selected price points for 2015-16. While online take-up rates appear to be increasing at Sydney Airport, the majority of car parking revenue is still sourced from customers paying drive-up rates.⁹⁰

International terminal – short-term parking

Figure 6.4.1 presents the short-term drive-up prices for Sydney Airport's international terminal car park in real terms. Price points for all categories displayed except for 3 hours increased in real terms during 2015-16. The largest increase was for one hour duration which increased by 4.8 per cent in real terms. All other durations that increased were below 1 per cent. The three hours charge decreased by 1.4 per cent in real terms and was unchanged in nominal terms.

The prices for all parking durations displayed increased in real terms since June 2007. The largest increase was for the 4-hour charge which grew 76.8 per cent in real terms. In contrast, the two hour charge only increased by 0.3 per cent in real terms.

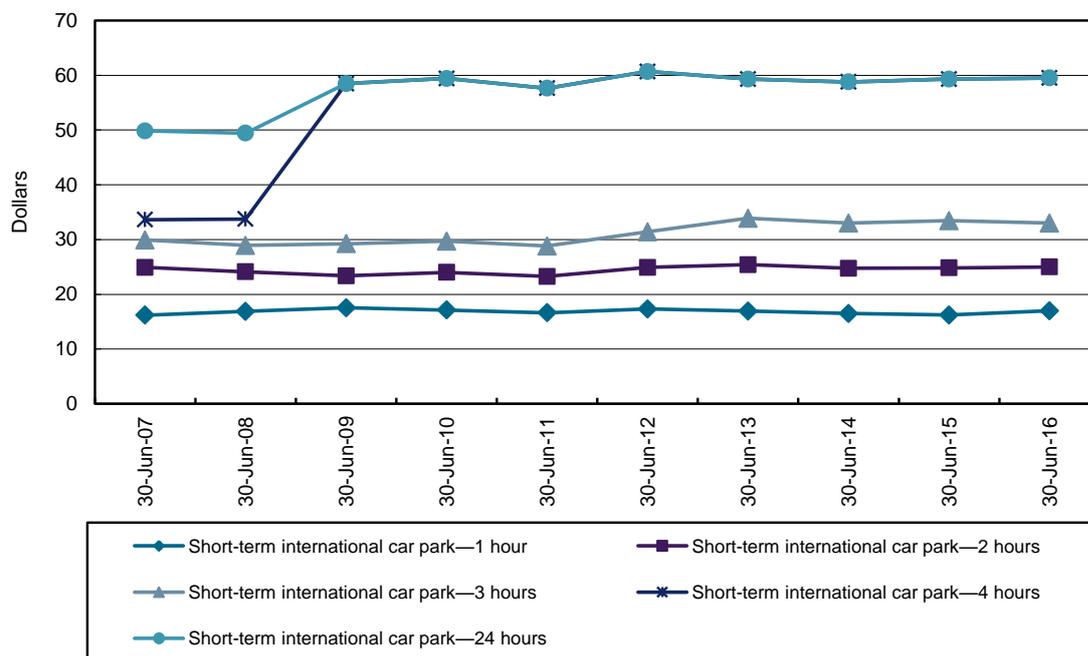
⁹⁰ Sydney Airport's 2015 annual report reported that 33 per cent of car parking revenue was derived from online bookings. Sydney Airport reported in its 2016 half yearly results presentation that this had increased to 38 per cent. Sydney Airport, *Sydney Airport Annual Report 2015*, 18 March 2016, viewed 8 February 2017, www.sydneyairport.com.au/investors/~media/files/investors/news%20and%20events/syd%20asx%20releases/2016/20160310%20syd%20fy15%201417%20full%20small.pdf Sydney Airport, *Sydney Airport 2016 Half Year Results Presentation*, 18 August, 2016, viewed 8 February 2017 www.sydneyairport.com.au/investors/reports-and-presentations/presentations/details/2016/syd-asx-releases/20160818-sydney-airport-2016-half-year-results-presentation?lst=%7bDFCE58D3-89DD-4DA3-B866-BAD55F9DD1E7%7d

Table 6.4.1: Sydney Airport—number of car park spaces and average daily throughput: 2006-07 to 2015-16

		2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Number of car park spaces	Domestic terminal	3,662	3,662	3,688	3,458	3,244	3,207	3,599	4,446	4,367	3,889
	International terminal	1,374	1,356	2,234	2,170	2,306	1,882	3,257	6,301	6,008	6,105
	Long-term (Blue Emu)	4,577	4,577	4,577	4,194	4,307	5,694	5,817	6,117	6,117	5,939
	Staff	1,256	1,256	1,911	2,326	2,414	2,333	3,149	NA	NA	NA
	Total airport	10,869	10,851	12,410	12,148	12,271	13,116	15,822	16,864	16,492	15,933
Annual throughput of car park facilities (thousand)	Domestic terminal	1195	1203	1128	1146	1561	1513	1548	1926	1960	1982
	International terminal	1626	1665	1648	1761	1888	1983	2179	2388	2414	2482
	Long-term (Blu Emu)	180	218	212	229	232	228	246	240	246	245
	Total airport	3001	3085	2988	3136	3680	3724	3972	4555	4621	4708
Average daily throughput of car park facilities	Domestic terminal	3273	3286	3091	3139	4278	4133	4240	5277	5370	5415
	International terminal	4455	4549	4515	4824	5171	5418	5969	6543	6615	6781
	Long-term (Blu Emu)	494	594	581	628	634	624	673	659	675	668
	Total airport	8222	8429	8187	8591	10083	10176	10882	12479	12660	12864

Notes: Annual throughput data for staff car parking was unavailable

Chart 6.4.1: Sydney Airport— drive-up prices at international terminal car park in real terms: 30 June 2007 to 30 June 2016



Note: Real values in 2015-16 dollars

Table 6.4.2 compares drive-up and average online charges for selected short-term categories at the International terminal car park. A weighted average of the drive-up and online charges is also presented. The largest differential between drive-up and the cheaper average online charges was for one hour parking. The average online price was 41.2 per cent cheaper than the equivalent drive-up charge. The differential for 2 and 3 hour parking was 40.0 and 39.4 per cent respectively cheaper for online booking. This differential drops to around 6.2 per cent for 24 hour parking.

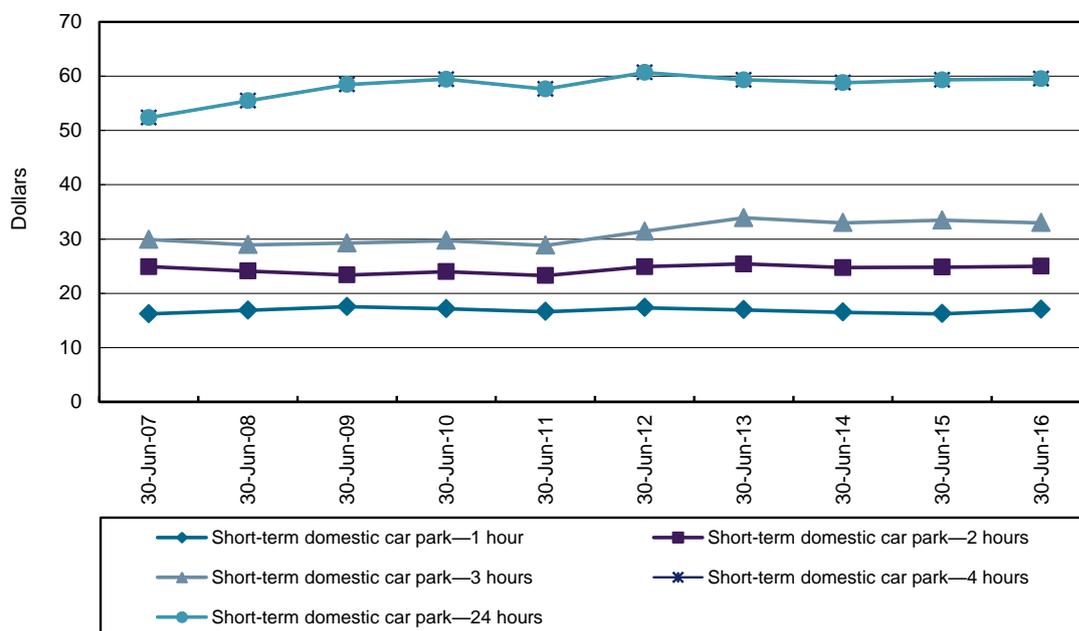
Table 6.4.2: Sydney Airport—drive-up, online and average parking charges at the international terminal car park: 2015-16

Length of stay	Drive-up (\$)	Average online (\$)	Weighted average of drive-up and online (\$)
1 hour	17.00	10.00	16.29
2 hours	25.00	14.99	24.30
3 hours	33.00	19.99	31.24
4 hours	59.50	55.83	58.64
24 hours	59.50	55.83	58.64

Domestic terminal – short-term parking

Figure 6.4.2 presents the real prices for Sydney Airport’s P1 and P2 domestic car park. Apart from the 3-hour duration price which decreased, all other durations increased in price in real terms. The largest increase occurred for 1-hour parking (4.8 per cent in real terms).

Figure 6.4.2: Sydney Airport—drive-up prices at domestic terminal car park in real terms: 30 June 2007 to 30 June 2016



Note: Real values in 2015-16 dollars

Table 6.4.3 compares the drive-up and average online charges for selected short-term categories at the P1 and P2 domestic car park. A weighted average of the drive-up and online charges is also presented. The largest differential between drive-up and the cheaper average online charges was for 2 to 3-hour parking. The average online price was 39.4 per cent cheaper than the equivalent drive-up charge.

Table 6.4.3: Sydney Airport—drive-up, online and average parking charges at the domestic terminal car park: 2015-16

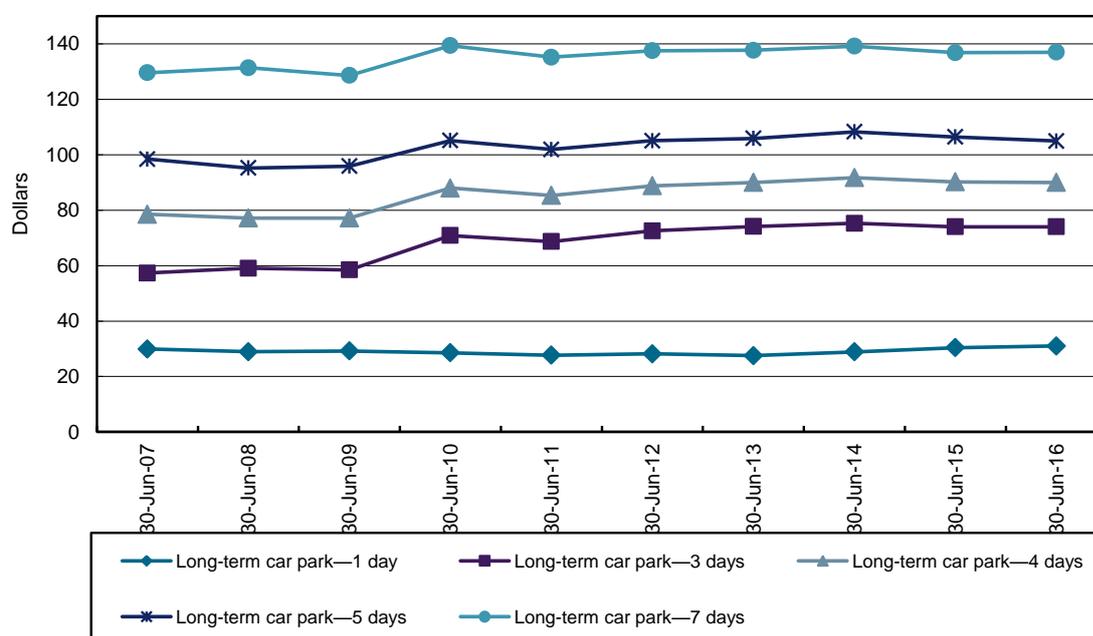
Length of stay	Drive-up (\$)	Average online (\$)	Weighted average of drive-up and online (\$)
1 hour	17.00	10.00	16.29
2 hours	25.00	15.00	24.40
3 hours	33.00	20.01	32.06
4 hours	59.50	50.98	57.50
24 hours	59.50	50.98	57.50

Note: Average car parking charges are calculated as the weighted average of drive-up and online charges

Long-term parking—Blu Emu car park

Figure 6.4.3 presents the drive-up charges for the long-term car park. Three out of the long-term durations presented increased marginally while two had decreases in real terms. The largest price change occurred with the one day charge which increased by 1.9 per cent in real terms. The five day duration had the largest decrease in price, dropping by 1.4 per cent in real terms (and was unchanged in nominal terms).

Figure 6.4.3: Sydney Airport—drive-up prices at long-term (Blu Emu) car park in real terms: 30 June 2007 to 30 June 2016



Note: Real values in 2015-16 dollars

Table 6.4.4 below compares the drive-up and average online charges for selected long-term durations at Sydney Airport’s long-term car park. The table clearly shows that the savings from average online charges increase when the period of stay is longer. Charges for one day are almost the same whether you drive up or book online. However, the average online price is almost a third cheaper than the drive-up price for 7 days duration.

Table 6.4.4: Sydney Airport—drive-up, online and average parking charges at the long-term (Blu Emu) car park: 2015-16

Length of stay	Drive-up (\$)	Average online (\$)	Weighted average of drive-up and online (\$)
1 day	\$31.00	\$30.01	\$30.27
3 days	\$74.00	\$65.27	\$70.15
4 days	\$90.00	\$79.33	\$84.33
5 days	\$105.00	\$96.73	\$100.74
7 days	\$137.00	\$98.12	\$108.22

Note: Average car parking charges are calculated as the weighted average of drive-up and online charges

6.4.3. Revenues, costs and profits

Table 6.4.5 presents Sydney Airport’s revenues, expenses and profits for car parking and total airport. During 2015-16, car parking revenue at Sydney Airport increased by 3.2 per cent in real terms to \$133.8 million. This increase is consistent with the annual average over the last decade.

Expenses related to the operation of Sydney Airport’s car parks decreased by 2.2 per cent in real terms during 2015-16. With the increase in revenue and decrease in expenses, the car

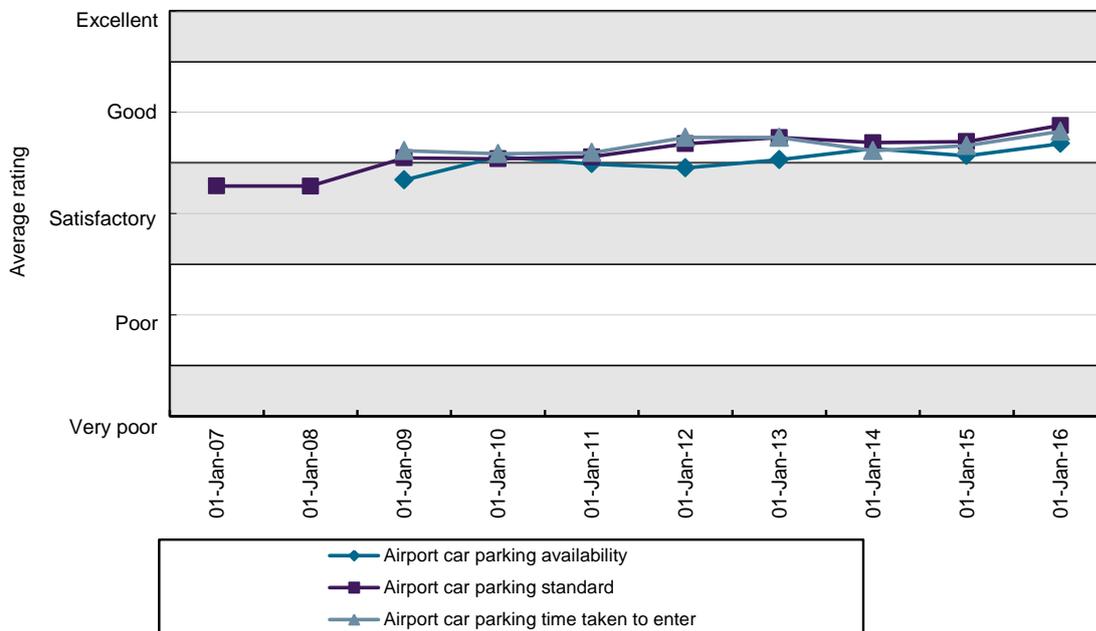
parking profit subsequently increased by 5.4 per cent in real terms to \$97.8 million. This is the airport’s largest car parking profit reported in real terms since privatisation. Sydney Airport made a profit of 73.1 cents for each dollar of car parking revenue in 2015-16.

Revenue and expenses per car park space increased by 6.9 and 1.3 per cent respectively in real terms. The profit per car park space increased by 9.1 per cent in real terms to \$6138. This is the largest increase in profit per car park space over the past 10 years.

6.4.4. Quality of car parking facilities

Figure 6.4.4 presents international passenger survey ratings for the quality of car parking facilities at the International terminal. All passenger ratings for parking availability, standard and time taken to enter increased slightly, and remained at ‘good’ during 2015-15.

Figure 6.4.4: Sydney Airport—international passenger survey ratings of the quality of car parking facilities: 2005-06 to 2015-16



Source: Passenger surveys

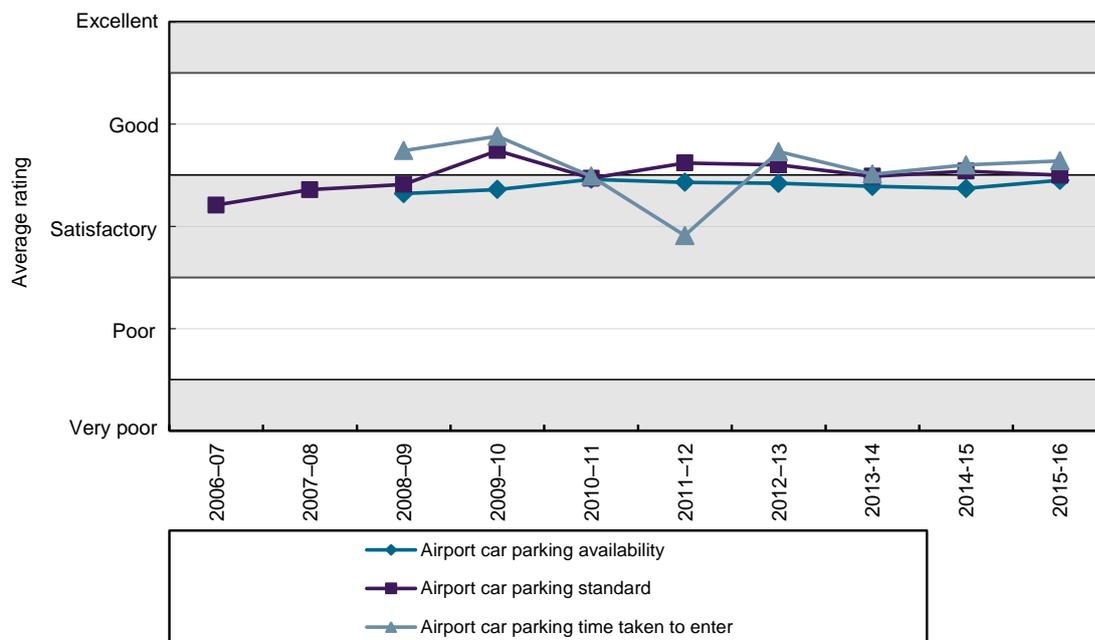
Table 6.4.5: Sydney Airport—revenues, expenses and profits for car parking and total airport services in real terms: 2006-07 to 2015-16

		2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue (\$million)	Car parking	97.7	104.1	103.3	108.7	108.6	108.8	118.1	123.8	129.6	133.8
	Total airport	1060.6	1241.0	1318.4	1030.1	1068.2	1087.6	1137.5	1181.2	1206.4	1296.1
	Car parking % of total	9.2	8.4	7.8	10.6	10.2	10.0	10.4	10.5	10.7	10.3
Expenses (\$million)	Car parking	21.8	30.0	28.0	30.8	32.0	33.6	36.9	33.0	36.7	36.0
	Total airport	354.7	392.6	394.9	424.8	420.0	417.0	427.1	428.0	440.3	506.1
EBITA profit (\$million)	Car parking	75.9	74.1	75.3	78.0	76.6	75.2	81.2	90.8	92.8	97.8
	Total airport	705.9	848.3	923.5	605.4	647.0	670.6	710.4	753.2	766.0	790.0
EBITA profit % of revenue	Car parking	77.7	71.2	72.9	71.7	70.6	69.1	68.8	73.3	71.6	73.1
	Total airport	66.6	68.4	70.0	58.8	60.6	61.7	62.5	63.8	63.5	61.0
Revenue per space (\$)		8990	9592	8323	8950	8847	8292	7465	7341	7856	8395
Expenses per space (\$)		2006	2766	2254	2532	2605	2562	2332	1956	2228	2257
EBITA profit per space (\$)		6984	6825	6069	6418	6242	5730	5133	5384	5628	6138

Note: Real values in 2015-16 dollars

Figure 6.4.5 presents domestic passengers’ ratings of parking availability, standard and time taken to enter. The ratings for car parking standards and time taken to enter remained unchanged at ‘good’. Availability increased marginally, but enough to move from ‘satisfactory’ to ‘good’.

Figure 6.4.5: Sydney Airport—domestic passenger survey ratings of the quality of car parking facilities: 2005-06 to 2015-16



Source: Passenger surveys

6.4.5. Other transport options

Sydney Airport has a number of alternative transport options apart from car parking. These include public buses, taxis, trains and private cars (such as limousines). Apart from public buses, all other alternative options are charged fees for access to the airport’s landside areas (Table 6.4.6).

Table 6.4.6: Sydney Airport—landside access charges in 2015-16 and indexed average access charges in real terms: 2011-12 to 2015-16

Transport option	Average list prices (\$) 2015-16	Indexed average list prices (2015-16 base year = 100)				
		2011-12	2012-13	2013-14	2014-15	2015-16
Public bus	No charge	NA	NA	NA	NA	NA
Private bus	14.40 ¹	90.3	88.3	93.1	98.6	100.0
Off-airport car parking	Various	NA	NA	NA	NA	NA
Taxis (per pick-up)	4.10	92.5	90.4	94.3	98.9	100.0
Limousine (per entry)	5.15 ²	94.7	92.5	95.1	98.4	100.0

Note: Real prices in 2015-16 dollars

1. Sydney airport has a number of charges for buses that are based on bus size and length of landside stay. The charges presented are for buses with 30 or greater seats that stayed between 0 to 40 minutes
2. Sydney Airport has a number of charges for limousines that are based on length of stay. The charges presented are for stays of 0 to 20 minutes.

Terminal drop-off and pick-up

Sydney Airport provides drop-off areas on the departure levels at both the domestic and international terminals at no charge. There are no kerbside pick-up facilities at either the domestic or international terminals. Sydney Airport does provide limited free pick-up zones at each terminal. The domestic and international terminals offer free parking for 15 minutes while the long-term Blu Emu car park offers 1 hour free parking.⁹¹

Private and public buses

There is only one public bus service to Sydney Airport. The service runs between Bondi Junction and Burwood with stops at the international and domestic terminals (route 400). This service operates approximately every 20 minutes, seven days a week.

Several private bus operators also provide alternatives for passengers travelling to the airport. Examples include Airport Connect who charges \$15 one way from the CBD to the airport.⁹² Other examples include Airbus Airport Shuttle which charges \$16 per adult or \$30 for a family for the same service.⁹³

Off-airport car parking operators

Sydney Airport is also serviced by a number of off-airport car parking operators which compete with the airport's car parks. A number of off-airport parking prices were assessed by the ACCC and prices range for outside parking from \$50 to \$69 for one day parking and \$80 to \$95 for three days parking.⁹⁴

Taxis

Sydney Airport applied a \$4.10 charge on each taxi picking up passengers during 2015-16. This is an increase of \$0.10 from the previous year. Taxi charges have increased by 23.3 per cent in real terms since 2010-11.

Ridesharing services

Ridesharing services such as UberX and GoCar provide an increasingly popular alternative to taxis. Sydney Airport opened a new 'shared priority pickup zone' near its domestic terminals in September 2016, which is available for ridesharing drivers and other pre-booked services, including taxis and limousines.⁹⁵ The charge for this zone is \$4.00 for 15 minutes, similar to the \$4.10 taxis pay to use the dedicated taxi ranks at the same terminal.

Private cars (limousines)

Sydney Airport had a range of charges relating to private cars based on the period of stay. Private cars that stay less than 20 minutes were charged \$5.15 in 2015-16, up 1.6 per cent in real terms. The charge increased to \$30.90 if the stay extended up to 60 minutes.

⁹¹ Sydney Airport, *Dropping off and picking up*, viewed 16 November 2016, www.sydneyairport.com.au/go/dropping-off-and-picking-up.aspx

⁹² Airport Connect, *Sydney Airport Shuttle*, 2016, viewed 16 November 2016, www.airportconnect.com.au/

⁹³ AirBus Airport Shuttle, *Welcome to Airbus Sydney*, viewed 16 November 2016, www.airbussydney.com.au/

⁹⁴ Park & Fly, viewed 16 November 2016 www.parknfly.com.au/

Airport Express, viewed 16 November 2016, www.airportexpresscarparking.com.au/

⁹⁵ Sydney Airport, *Sydney Airport to expand passenger pick-up options at T2/T3 Domestic precinct*, Media Release, 2016, viewed 19 August 2016, www.sydneyairport.com.au/corporate/media-centre/media-releases/media-release-detail/2016/media-releases/20160516-sydney-airport-to-expand-passenger

Train

The NSW State Government operates rail services through Sydney Airport using privately owned and operated train stations. Both precincts at Sydney Airport have stations. These stations at the terminals are not owned by Sydney Airport and nor does the airport generate any revenues from train travel. The service costs \$17.50 for a single trip to the airport from Kings Cross station.⁹⁶

Quality of landside access services and facilities provided by Sydney Airport

Airport operators control access to airport land including landside areas. The ACCC considers the landside area of monitored airports as a bottleneck area which is essential in the supply services to passengers and companies seeking access.

This section presents quality of service results for Sydney Airport's landside areas gathered from both passengers and businesses seeking access. The ACCC has collected ratings from passengers for landside services for a number of years. Since 2013-14, the ACCC has been collecting ratings on landside areas and facilities from companies requiring access and this includes taxis, buses, and off-airport parking operators.

Passenger ratings

Table 6.4.7 presents the passenger ratings for landside quality of services at both terminal precincts. Passenger ratings remained unchanged during 2015-16 for all surveyed landside services and facilities at the international terminal.

Passenger ratings for the domestic terminals have been combined into one rating for the domestic precinct. This is the first year for which data was available for the combined domestic precinct. Comparisons over time will commence in the 2016-17 airport monitoring report.

Table 6.4.7: Sydney Airport—ratings of quality of landside access services and facilities: 2015-16, 1-year change, and change since 2011-12

Terminal	Indicator	Rating category 2015-16	1-year change	Change since 2013-14
International	Kerbside pick-up and drop-off facilities	Good	—	▲
	Taxi facilities waiting time	Good	—	▲
	Kerbside space congestion	Satisfactory	—	▲
Domestic precinct	Kerbside pick-up and drop-off facilities	Good	n/a	n/a
	Taxi facilities waiting time	Good	n/a	n/a
	Kerbside space congestion	Satisfactory	n/a	n/a

Note: The rating categories are: very poor, poor, satisfactory, good and excellent. ▲ indicates an improvement; ▼ indicates a decline; — indicates no change. *Rating changed by a category over the period. This is the first year for which data was available for the combined domestic precinct. Comparisons over time will commence in the 2016-17 airport monitoring report.

⁹⁶ Transport Sydney Trains, *Fare Calculator*, viewed 16 November 2016, www.sydneytrains.info/tickets/fare_calculator.htm

Landside operator ratings

The overall average rating of landside operator responses at Sydney Airport during 2015-16 decreased from 'good' to 'satisfactory'.

Facilities provided for taxi and private car operators (limousines) were on average rated as 'satisfactory' for both availability and standard. During 2015-16, Sydney Airport upgraded rest room facilities for taxi drivers at both the international and domestic precincts.

Kerbside space for pick-up at the international was rated as 'good' for both availability and standard. These ratings dropped to 'satisfactory' for the availability and standard of kerbside space for drop-offs at the international terminal. Off-airport car park operators commented that the pick-up area at the international terminal was too far away and inconvenient for customers. Further, some landside users commented that the drop-off area became congested particularly during peak times.

At the domestic precinct, all ratings for drop-off and pick-up were rated as 'satisfactory'. Management responsiveness to addressing quality of service problems was rated as 'satisfactory' for both availability and standard. Landside users commented that management was generally approachable. During 2015-16 Sydney Airport and the New South Wales Taxi Council implemented a new working group to improve taxi services for customers.

A1. History of airport regulation in Australia

A1.1 Privatisation of airports

The Australian government established the Federal Airports Corporation (FAC) in the 1980s to operate airports on a commercial basis. Initially the FAC was required to notify the relevant Minister prior to imposing or varying aeronautical charges. In 1991, the government declared the FAC's aeronautical charges under s. 21 of the *Prices Surveillance Act 1983*. The declaration required the FAC to instead notify the Prices Surveillance Authority (PSA) prior to raising its aeronautical charges.

In 1995, the government decided to privatise all 22 FAC airports through leasing arrangements to improve the efficiency of airport investment and operations, and to facilitate innovative management.⁹⁷ The sale was undertaken in two phases, during 1997 and 1998. Phase one included Brisbane, Melbourne and Perth airports, while phase two included Adelaide, Darwin and Canberra airports. Sydney Airport was corporatised in 1998, but not sold until 2002.

The privatisation of these airports was accompanied by a transitional regulatory framework designed to limit the potential for the airports to exercise their market power. The ACCC-administered regime⁹⁸ consisted of:

- a price notification regime that applies to aeronautical services
- a Consumer Price Index (CPI) minus X cap on prices for aeronautical services
- price monitoring of certain aeronautical related services
- cost pass-through provisions for necessary new investment and government mandated security services.

The airports subject to price regulation were also subject to quality of service monitoring to ensure that airport assets were not allowed to run down at the expense of service standards.

The government stated that it would determine the subsequent, ongoing regulatory framework after a detailed review.

A1.2 Productivity Commission inquiries into the price regulation of airport services

Productivity Commission 2002 Inquiry

In December 2000, the government referred the review of the regulatory arrangements for airports to the Productivity Commission (PC). The review was concluded in 2002. The government accepted the PC's recommendation that price notification and price caps under the PSA should be discontinued for all airports, with the exception of regional air services at Sydney Airport.⁹⁹ Additionally, the PC recommended that the ACCC should monitor prices at Adelaide, Brisbane, Canberra, Darwin, Melbourne,

⁹⁷ Department of the Parliamentary Library Australia, *Turbulent Times: Australian Airline Issues 2003*, Research Paper No. 10, May, 2003, viewed 8 February, 2017, www.aph.gov.au/binaries/library/pubs/rp/2002-03/03rp10.pdf

⁹⁸ This was under Part VIIA of the then Trade Practices Act 1974.

⁹⁹ Productivity Commission, *Price regulation of airport services*, report no. 19, Canberra, January, 2002.

Perth and Sydney airports for a five-year period, and that a review of price regulation of airport services should be conducted at the end of that period to ascertain the need for future regulation. The government supported the PC's recommendation that quality of service monitoring be continued at all price monitored airports, with some modifications.

Productivity Commission 2006 Inquiry

In 2006, the PC conducted another review of the price regulation of airport services. In its response to the PC's recommendations, the government announced that the airport price and quality of service monitoring would continue for a further six year period and that, following this period, an independent review of the regulatory regime would be undertaken to assess the need for future regulation. The government supported the PC's recommendation that the monitoring regime apply only to Adelaide, Brisbane, Melbourne, Perth and Sydney airports. Canberra and Darwin airports were excluded because the PC considered these airports to have less market power.

Productivity Commission 2011 inquiry

In December 2010, the government brought forward the PC's next review of the economic regulation of airport services from 2012. The PC's review found that there had been a number of positive outcomes under the existing price monitoring regime, including:

- strong investment in new aeronautical assets,
- a generally good level of service provision, and
- reasonable aeronautical charges, revenues and profits compared to international benchmarks.

The PC found no evidence of any systemic misuse of market power by the airports, when considered alongside investment outcomes and international benchmarks. However, the PC considered that Brisbane, Melbourne, Perth and Sydney airports' market power to be of concern and recommended the continuation of the existing price and quality of service monitoring arrangements with some amendments to the regime.

The government agreed in principle with the PC's recommendations to continue monitoring and improve the operation of the regime, with another review of the economic regulation of airport services scheduled for 2018. The government also asked the ACCC to conduct a review of quality of service monitoring, which was completed in June 2013. The government agreed in principle with the recommendation that the ACCC take steps to make as much of its underlying methodology publicly available as possible and focus on trends over time at a given airport.

On 12 June 2012, the government issued new directions pursuant to s. 95ZF (Part VIIA) of the *Competition and Consumer Act 2010* (CCA), directing the ACCC to monitor the prices, costs and profits related to the supply of aeronautical services and car parking services at the four specified airports, with Adelaide Airport being removed from the monitoring regime. The government stated that these arrangements would continue until 2020.

A2. Regulatory framework

The ACCC's regulatory role involves monitoring the performance of the airports under directions issued pursuant to the *Competition and Consumer Act 2010* (CCA) as well as the *Airports Act 1996* (Airports Act) and associated regulations.

Regional air services at Sydney Airport are also subject to the price notification regime under Direction 93 issued pursuant to s. 95X of the CCA.

A2.1 Prices, costs and profits monitoring

A2.1.1 Aeronautical and car parking services monitoring

A direction made pursuant to s. 95ZF of Part VIIA of the CCA, and issued on 12 June 2012, requires the ACCC to monitor the prices, costs and profits related to the supply of aeronautical services and facilities by Brisbane, Melbourne, Perth and Sydney airports. This direction took effect on 1 July 2012 and replaced Direction 29.

A second direction, made pursuant to s. 95ZF of Part VIIA of the CCA issued on 12 June 2012, requires the ACCC to monitor the prices, costs and profits relating to the supply of car parking by Brisbane, Melbourne, Perth and Sydney airports. This direction took effect on 1 July 2012 and replaced Direction 31, issued on 7 April 2008.

In performing this monitoring function, the ACCC must also, under subs. 95G(7) of the CCA, have particular regard to the following matters:

- the need to maintain investment and employment, including the influence of profitability on investment and employment
- the need to discourage a person who is in a position to substantially influence a market for goods or services from taking advantage of that power in setting prices
- the need to discourage cost increases arising from increases in wages and changes in conditions of employment inconsistent with principles established by relevant industrial tribunals.

A2.1.2 Financial accounts

Under Part 7 of the Airports Act and Part 7 of the *Airports Regulations 1997* (Airports Regulations), the ACCC collects and reports annual regulatory accounting statements, including an income statement, balance sheet and statement of cash flows, from the four monitored airports.

In particular, regulation 7.03 of the Airports Regulations, under subs. 141(2) of the Airports Act, stipulates that a specified airport must prepare a financial report, which includes an income statement, balance sheet and cash flow statement. These statements must separately show the financial details in relation to the provision and use of aeronautical and non-aeronautical services. Under regulation 7.06 of the Airports Regulations, airports must lodge these accounts with the ACCC within 90 days of the end of the relevant accounting period.

The ACCC's price monitoring and financial reporting information requirements for airport operators are outlined in the *ACCC Airport prices monitoring and financial reporting guideline June 2009*.

A2.2 Quality of service monitoring

Part 8 of the Airports Act provides for the ACCC to monitor the quality of services and facilities at the specified airports. More specifically, Part 8 provides for:

- quality of service aspects to be specified in regulations
- the ACCC to monitor and evaluate the quality of the aspects of airport services and facilities against criteria determined by the ACCC
- records to be kept and retained in relation to quality of service matters
- information to be provided to the ACCC by airport operators and other relevant parties, including airlines, relevant to quality of service matters
- the ACCC to publish reports relating to the monitoring or evaluation of the quality of aspects of airport services and facilities.

Regulation 8.01A of the Airports Regulations specifies the particular aspects of passenger-related and aircraft-related services and facilities for which the ACCC is to monitor and evaluate quality of service. Schedule 2 of the Airports Regulations splits each of the required aspects into a variety of measures for which the airports must keep data. Regulation 8.03 of the Airports Regulations requires the specified airports to give the ACCC copies of the quality of service records for a financial year within 90 days after the end of that financial year.

In June 2013, the ACCC completed a review of quality of service monitoring, which was requested by the government in its response to the 2011 PC's inquiry into the economic regulation of airport services. The review recommended a number of amendments to the Airports Regulations. As a result, amendments were made to the Airports Regulations 1996 on 1 July 2014 to include new objective indicators (such as, number of departing passengers per check-in desk, bag drop and check-in kiosk during peak hour) and to remove some objective indicators (such as the percentage of hours when more than 80 per cent of check-in desks are in use).

The ACCC's approach to its quality of service monitoring role is outlined in its *Airport quality of service monitoring guideline June 2014*.

A2.3 Regulation of regional air services at Sydney Airport

Prices charged by Sydney Airport for regional air services at Sydney Airport are regulated under the price notification regime in Part VIIA of the CCA. Declaration 93 issued under s. 95X of the CCA required Sydney Airport to notify the ACCC if it intends to increase the prices of its aeronautical services and facilities provided to regional air services. Declaration 94 was issued 5 May 2016 to replace Declaration 93. The new declaration commenced on 1 July 2016 and will cease 30 June 2019.

A3. Services provided by airports

Services and facilities provided by airports are categorised as either aeronautical (section A3.1) or non-aeronautical services (section A3.2).

A3.1 Aeronautical services

The ACCC's direction to monitor the prices, costs and profits relates to the supply of aeronautical services and facilities by the monitored airports, refers to Part 7 of the Airports Regulations, which defines aeronautical services as those services and facilities at an airport that are necessary for the operation and maintenance of civil aviation at the airport.

Some of the aircraft-related aeronautical services and facilities provided by airports are:

- runways, taxiways, aprons, airside roads and airside grounds
- airfield and airside lighting
- aircraft parking sites
- ground handling (including equipment storage and refuelling)
- airside freight handling and staging areas essential for aircraft loading and unloading.

The basis of charging for aeronautical services is substantially different among airports. For example, airports determine charges based on a variety of factors, such as the number of passengers, maximum take-off weight (MTOW) and time of day. While some airports levy charges for each aeronautical service component, other airports bundle some of those services.

Some of the passenger-related aeronautical services and facilities provided by airports include:

- necessary departure and holding lounges, and related facilities
- aerobridges and buses used in airside areas
- facilities to enable the processing of passengers through customs, immigration and biosecurity (quarantine)
- check-in counters and related facilities (including any associated queuing areas)
- terminal access roads and facilities in landside areas (including lighting and covered walkways)
- baggage make-up, handling and reclaiming facilities.

Charges for access to terminals are generally levied on the basis of the number of passengers per aircraft and type of flight.

A3.2 Non-aeronautical services

Airports also provide a number of non-aeronautical services. As discussed in Appendix 2, the ACCC monitors the airports' car parking activities in a similar manner to aeronautical services. However, the ACCC's monitoring role does not extend to other non-aeronautical services and facilities such as retail outlets, hotels, corporate parks and factory outlets.

A4. Methodology

This appendix explains the methodology used by the ACCC in preparing the measures used in this report for price, costs and profits monitoring, financial reporting and quality of service monitoring.

Further information can be found in the following publications on the ACCC website:

- *Airport prices monitoring and financial reporting guideline and*
- *Guideline for quality of service monitoring at airports.*

A4.1 Prices, costs and profits

The monitoring results presented in Chapters 2 to 6 of this report relate to the annual financial performance of the monitored airports including prices, costs and profits. While these results may serve as indirect indicators of economic efficiency, they do not indicate conclusively whether or not the airports are exercising their market power to earn monopoly rents. The limitations of this data are discussed in A4.3.

A4.1.1 Aeronautical and total airport measures

The ACCC uses aeronautical revenue per passenger as an indicator of the airports' average prices, and profits and returns on aeronautical assets as an indicator of the airports' profitability. The ACCC also reports on total airport revenue, costs and profits.

There have been some changes in the scope of aeronautical services in the past. This has resulted in the inclusion of revenue of some services (e.g. aircraft refuelling) in the airports' regulatory accounts, which were previously excluded.¹⁰⁰ This is one of the issues that affects the comparison of data across airports and over time.

Government security requirements do not reflect decisions made by airport operators. As a result, where appropriate the ACCC excludes security charges from aeronautical revenues, operating expenses and profits to provide a more accurate indication of the charges imposed by the airports.

Prices

The ACCC uses aeronautical revenue per passenger as a proxy measure to present changes in average airport prices. The ACCC has reported on changes in this measure since 2003-04. As noted, the ACCC also reports limited data on aeronautical revenue per passenger excluding security revenues.

Ideally the ACCC would use a direct measure of prices in the form of a price index. However, in most cases it is not possible for the ACCC to compile such an index. For example, the price of using an airport cannot simply be measured by adding up the different charges in place at a given point in time because charges can be levied on different bases—such as on a per passenger basis or by aircraft weight. Also, airports might offer discounts for certain periods or to certain users, or there might be charges in place, which affect some users but not others.

¹⁰⁰ Brisbane, Perth and Sydney airports treated the revenue they derived from aircraft refuelling as non-aeronautical under Direction 27, while subsequent Directions required aircraft refuelling to be included as aeronautical revenue.

In addition, the price changes for particular airport users may vary depending on the composition of the airport services they utilise and the times at which they use them. For example, the costs of a domestic flight to an airline are likely to be different to those associated with an international one due to differing security and processing requirements. Similarly, changes in price structure imposed by an airport might affect users in different ways (e.g. lowering the costs for one user while raising them for another). The regulatory accounts for individual airports are available on the ACCC's website.¹⁰¹ The schedules of charges for each airport are included in the individual airport chapters (Chapters 3 to 6). Where possible, the ACCC has reported on the percentage change in list prices for aeronautical services in real terms, with 2015-16 taken as the base year.

Costs and profits

This ACCC reports a number of profitability measures in this report. The use and interpretation of these measures are discussed below.

Profits¹⁰²

In this report, profitability is measured using earnings before interest, tax and amortisation (EBITA). This means that depreciation is included as an expense in the measure. EBITA is reported as profit for either the total airport or a business component such as aeronautical or car parking operations. To provide context to the size of the profit, it is also reported as a percentage of revenue. This measure is defined as the profit margin.

The ACCC has reported on changes in aeronautical operating expenses per passenger and aeronautical profit per passenger since 2002-03. Aeronautical profit excluding security costs is not discussed in this report because government mandated security revenue is set to recover the costs associated with security services and does not affect the overall profitability of the airports.

EBITA provides a measure of airport operating performance, as distinct from financial performance. It is useful for revealing trends in operating performance over time. However, as a measure of profitability it does not take into account the full capital cost associated with the provision of services as it makes no allowance for a return on capital. Since it also includes non-cash items such as depreciation, operating margin does not provide a measure of net cash flow from airport operations either.

Rates of return

Most analyses of profitability focus on rate of return measures. Two common types of rate of return measures are return on assets and return on equity. These measures may be expressed in a number of forms (for example, pre- or post-tax returns; including or excluding interest expenses and/or depreciation and amortisation). The ACCC's approach to calculating rates of return in this report is discussed below.

Return on equity

Return on equity is an indicator of the rate of return that an entity is providing to shareholders. It is calculated as profit after tax divided by total shareholder equity. The ACCC considers this measure to be of limited value in relation to the monitored

¹⁰¹ For further information, see www.accc.gov.au/regulated-infrastructure/airports-aviation/airports-monitoring

¹⁰² The ACCC has previously used the term 'aggregate margins'.

airports. This is because shareholders at Australian airports are, generally speaking, also significant debt-holders, and the shareholder return may take the form of interest on debt, rather than the form of return on equity (i.e. dividends or capital growth).

The return on equity at the monitored airports appears to show that shareholders earned significant negative returns on their investment, or held negative levels of equity, while continuing to trade. The low base of shareholder equity at some of these airports results in extreme and variable rates of return on equity. However, the airports have generally been earning positive profits before interest, tax, depreciation and amortisation (EBITDA).

Return on assets

This report also looks at the rate of return that airports earn from their assets. This measure consists of EBITA on the average value (of opening and closing balances) of tangible non-current assets. The ratio provides a measure of the efficiency with which an entity uses its assets to produce operating profit before interest, tax and amortisation. Given the limitations in using a return on equity measure for the price monitored airports, the ACCC considers that a return on assets measure is a more useful indicator of an airport's rate of return and operating performance.

EBITA on average tangible non-current assets is not affected by management decisions regarding capital structure, which can significantly affect interest expenses and tax payable and therefore post-tax returns. Financing decisions do not reflect the operating profitability of providing airport services. Therefore, measures of EBITA on average tangible non-current assets allow for a more comparable basis for comparing operating performance across airports.

Non-tangible assets are excluded to limit the extent to which airport owners' expectations of growth in value (as reflected in goodwill or lease premiums) may obscure changes in the profitability of providing services. In particular, lease premiums paid could reflect the expectation of future price and profit increases that take advantage of the airports' monopoly power.

While having some advantages, measures of return on assets also have their limitations. For example, they are affected by the airport operator's valuation of its assets. Since the ACCC's monitoring regime commenced, a number of airports have revalued their assets upwards, thereby lowering the measure of return on assets. A line in the sand (LIS) measure was introduced in 2007-08 to reduce the effect of such revaluations (discussed below).

Finally, in preparing this report the ACCC has not assessed the appropriateness of airport asset valuations as it has done in some other industries where prices are regulated. However, this report does provide details of asset values reported by the airports over time.

'Line in the sand' aeronautical asset base

The ACCC has required airport operators to report under the LIS approach since 2007-08.¹⁰³ Under this approach, the value of an airport's aeronautical asset base is

¹⁰³ This approach was recommended by the PC in its 2006 inquiry and was supported by the Government. The PC noted that some airports revalued assets for a range of non-price reasons and the intention of revaluations is 'to provide a justification for higher charges at some stage in the future'. The PC considered that it was inappropriate to base increases in aeronautical charges on asset revaluations.

the value of tangible non-current assets as at 30 June 2005¹⁰⁴, adjusted for depreciation, additions (or new investment) and disposals for subsequent reporting periods. This information was required in addition to the airport operators' regulatory accounts based on Australian International Financial Reporting Standards (AIFRS) (which include any revaluations to the assets recorded since 30 June 2005).

The LIS approach removes the effect of revaluations of aeronautical assets by airports for monitoring purposes. For example, after 30 June 2005, an upward revaluation of a tangible non-current aeronautical asset would be recognised in the regulatory accounts prepared under AIFRS but not in the LIS asset base. As a result, to the extent that subsequent revaluations took place, the LIS asset base will be lower. There is also a flow-on effect of a lower value of depreciation and, therefore, lower operating expenses.

Where applicable, the ACCC has provided details of the LIS values in the price monitoring section of this report and comments in relation to the effect of reporting the data on this basis. So far, only Brisbane Airport and Sydney Airport have revalued their assets since 30 June 2005.

A4.1.2 Airport car parking

The ACCC monitors and reports on airport car parking prices, revenue, costs and profits (in real terms¹⁰⁵) under a direction issued on 12 June 2012 pursuant to s. 95ZF of Part VIIA of the CCA. The ACCC also reports on changes in the supply of airport car parking, and the quality of airport car parking services.

The ACCC commenced collecting online prices (as distinct from drive-up rates) for airport car parking for the 2014-15 report following consultation with the monitored airports. The ACCC has compared drive-up, online and the average of these two charges that customers pay at the monitored airports. However, unlike the other monitored airports, Perth Airport has declined to provide data on online prices to the ACCC .

Finally, while the car parking monitoring results can provide some indications about the performance of the monitored airports, they also have some limitations. One such limitation is that the indicators reported are based on regulatory accounts prepared under standard accounting practices, which do not enable an assessment of the efficient long-run costs of providing the services. Further, comparisons of airport car parking prices, revenues, costs and profits may not be done on a 'like-with-like' basis due to differences in the car parking configurations at different airports.

Landside access charges and revenues

The ACCC also collects information on landside access charges and revenues although it is not required to do so under a ministerial direction. This information is useful because access to airport land and in particular, landside areas controlled by airport operators is generally considered a bottleneck in the supply of downstream services taxis, buses and off-airport parking. The suppliers of these services require landside access to drop-off and/or pick-up airport users at the terminals.

¹⁰⁴ Airport revaluations that occurred prior to the 30 June 2005 cut-off date remain in the LIS asset base.

¹⁰⁵ All price and data outcomes are reported in real terms with 2015-16 as the base year.

As a result, airports may have incentives to obstruct competition from alternatives to on-airport car parking by imposing excessive charges or restrictive terms and conditions for landside access, which shifts demand to an airport's own car parking services. Therefore, the ACCC also collects information about airports' charges for operators who provide competing services to on-airport car parking as well as the amount of revenue received from those operators.

A4.2 Quality of service

The results for quality of service monitoring are presented in this report on a service-by-service basis. Quality of service monitoring complements price monitoring because, rather than by increasing prices, an airport may take advantage of market power by saving money through the lowering of service standards.

The ACCC monitors the quality of service at the facilities that are subject to price monitoring, including:

- airside facilities such as runways, taxiways and aprons
- terminal facilities such as international departure lounges and baggage systems
- car parking
- taxi facilities and kerbside pick-up and drop-off points.

However, domestic terminals owned and/or operated by airlines are not within the scope of the quality of service monitoring program.

Further information on the ACCC's approach can be found in the *Guideline for quality of service monitoring at airports* on the ACCC website.

A4.2.1 Issues concerning interpretation of results

A variety of factors outside the immediate control of the airport operator may influence the quality of service results. For example, the staffing and provision of IT equipment for check-in services by airlines and the staffing by the on-airport government border agencies may affect the quality of experience for passengers as they pass through an airport. This in turn may influence those passengers' ratings of the airport. Airservices Australia, airlines and other service providers may also affect quality outcomes such as causing delays in aircraft departure.

In addition, investment in terminal infrastructure is 'lumpy' and there may be a lag between an increase in passenger and flight numbers and an increase in the capacity of the terminal infrastructure. Such a lag could highlight capacity constraints in the results of some quality of service indicators and therefore identify areas for increased investment.

To inform its analysis of the monitoring data, the ACCC provides airports with the opportunity to explain where there have been mitigating circumstances influencing the results of monitoring.

A4.2.2 Sources of information

The quality of service analysis in this report draws on information from a number of different sources. These sources include airport operators, surveys of passengers, airlines and landside operators¹⁰⁶, as well as Airservices Australia.

Airport operators

Airport operators provide the ACCC with a range of objective data related to the number or size of various facilities and throughput at those facilities. These include the number of passengers at peak hours, the number of aerobridges and the size of gate lounges. The ACCC has converted these numbers and sizes to indicators of quality of service, such as the number of passengers per square metre of lounge area during peak hour.

The derived objective indicators are shown in charts in the body of the report. The data on which these objective indicators are based can be found in a spreadsheet on the ACCC's website <http://www.accc.gov.au/regulated-infrastructure/airports-aviation/airports-monitoring>. Measures relating to the size of facilities are generally presented as at the end of the relevant financial year, whereas measures of throughput—such as numbers of passengers or bags—relate to the whole financial year, unless otherwise specified (such as daily or during peak hour).

Passenger perception surveys

The yearly passenger perception surveys are arranged by each airport and may differ in their coverage and detail. However, these surveys should provide information consistent with that specified in the Airports Regulations and quality of service guideline. The areas covered include passenger check-in, security clearance, government inspection, gate lounges, washrooms, baggage processing and trolleys, signage and wayfinding, car parking and airport access for arriving and departing passengers.

Surveys at most airports ask respondents to rate their level of satisfaction with the facilities on a scale from 1 to 5 (Table A4.2.1). These are then converted into five ratings ranging from 'very poor' to 'excellent'. From the 2014-15 report, we have changed how average scores are rounded up or down to correlate to a rating, as shown in Table A7.2.1 below. This change means that an airport does not require a perfect score of 5 from every survey participant in order to achieve a rating of 'excellent'. To enable comparability with previous years, the new scale has been applied retrospectively over the entire comparison period.

Table A4.2.1: Ratings of satisfaction for airport facilities and services

Current scale	1-1.49	1.50-2.49	2.50-3.49	3.50-4.49	4.5-5
Scale used prior to 2014-15 report	1-1.99	2-2.99	3-3.99	4-4.99	5
	Very poor	Poor	Satisfactory	Good	Excellent

¹⁰⁶ Landside operators include taxi and bus industry bodies, as well as off-airport car parking operators.

The average ratings for each indicator in the passenger perception surveys are shown for each airport. The average ratings for domestic terminals and international terminals are presented over time where possible.

Airline survey

The ACCC conducts an annual survey of airlines about their perception of the quality of facilities they used at the monitored airports. Questions relate to both terminal facilities (aerobridges, check-in and baggage processing) and airside facilities (runways, taxiways, aprons, aircraft gates and ground equipment sites). Airlines are asked to rate two aspects of these facilities:

- availability—that is, the availability of infrastructure and equipment and the occurrence of delays in gaining access to those facilities
- standard—that is, the ability of equipment to perform the function intended, the reliability of the equipment and the probability of it breaking down.

The airlines are also asked to rate the airport operator's responsiveness or approach to addressing problems and concerns with the above facilities. Full details of the questions are contained in a spreadsheet on the ACCC's website

<http://www.accc.gov.au/regulated-infrastructure/airports-aviation/airports-monitoring>.

The scale used for airline ratings is the same as that of the passenger perceptions surveys and shown in Table A4.2.1 above. Ratings given by airlines were averaged across airlines (with equal weights) to give an average rating for each facility at each airport. In addition, airlines are given the opportunity to provide an explanation of their ratings.

Given that airlines may potentially have an incentive to deliberately under-report quality for the airports, the ACCC verifies the airlines' responses when needed. In particular, if an airline gives an airport a rating of below 'satisfactory', the ACCC will seek comments and additional information from the airline, and provide the relevant airport operator with an opportunity to respond to non-confidential commentary by the airlines.

Under the ACCC monitoring regime, airlines are not required to provide survey information for the domestic facilities they operate under domestic terminal leases.

Landside operator survey

The ACCC commenced surveying landside operators about their perception of the quality of landside access facilities from 2013-14. Operators surveyed include a selection of off-airport car parking operators and taxi and bus industry bodies. The survey covers taxi facilities, terminal kerbside pick-up and drop-off facilities. The aspects of the services and facilities being rated and the scale of the ratings are consistent with those for the airline survey.¹⁰⁷

Ratings given by landside operators were averaged to give an average rating for each facility at each airport. The ratings from off-airport car parking operators, taxi industry bodies, and bus industry bodies each contribute a third to the average rating. In addition, landside operators are given the opportunity to provide an explanation of their ratings.

While access for landside operators may be influenced by a range of factors beyond the airport operators' control, the ACCC considers that useful insights about factors within an airport operator's control can be obtained through surveys with carefully targeted questions. As with airline surveys, if a landside operator gives an airport a rating of below 'satisfactory', the ACCC seeks comments and additional information from the operator. Further, the ACCC provides the relevant airport operator with an opportunity to respond to non-confidential commentary by landside operators.

Airservices Australia

Airservices Australia (Airservices) provides air traffic control and airport rescue and fire-fighting services at major airports in Australia.

The ACCC incorporates Airservices data on the number of arrivals and departures, and airborne delays at Brisbane, Melbourne, Perth and Sydney airports in the quality of service section of the results chapter for each airport.

While Airservices data may give some indication of airport constraints and therefore the adequacy of runway infrastructure or management, the full extent of capacity constraints cannot be observed from this data. This is because there may be a number of factors that influence delays, such as weather conditions and aircraft mix.

A4.3 Limitations of monitoring

Monitoring does not directly restrict the airports from increasing prices and/or lowering service quality. Nor does it provide the ACCC with a general power to intervene in the airports' setting of terms and conditions of access to the airports' infrastructure.

In addition, the ACCC's monitoring of airports is limited in scope and does not enable a detailed assessment of the airports' performance to establish whether or not an airport has exercised market power to earn monopoly profits (discussed further below).

Monitoring information cannot be used to assess the appropriateness of the level of prices and profits

In undertaking an assessment of the level of prices and profits, it is common regulatory practice to undertake an assessment of the firm's economic returns against a benchmark of their efficient long-run costs for providing services. This involves a rigorous public process to determine an economic value of the firm's asset base—referred to as the regulatory asset base (RAB)—and to determine an efficient benchmark for the firm's return on capital—referred to as the weighted average cost of capital (WACC). Once a benchmark for efficient long-run costs and the revenues required to recover those costs has been established, the regulated firm's performance in subsequent years can be assessed.

In the case of airports, however, the benchmark for efficient long run costs has not been set. Instead, the airports' asset values under monitoring are based on their accounting values rather than their economic value. Importantly, the accounting value of assets may include revaluations that have been undertaken at the airports' discretion and that can distort assessments of airports' performance. For example, in some years, some airports have revalued their assets upwards, which lowers their return on assets. Consequently, the airports' asset values under monitoring do not

provide a reliable indicator of the airports' RAB, which is needed to make a meaningful assessment of whether the airports are earning monopoly rents.

As discussed earlier, the ACCC has adopted the 'line in the sand' approach since 2007-08 to address the issues associated with the airports revaluing their assets. However this approach only removes any asset valuations that occurred after 30 June 2005.

Judgement about the airports' performance cannot be made based on trends in the airports' prices, profits and quality of service alone

An airport that is already pricing at or near monopoly levels may report gradual increases in prices and profitability over time.

Further, monitoring cannot clearly distinguish between various factors that may contribute to increasing profitability, some of which may raise cause for concern about an airport's performance while others may not. For example, increasing profitability by increasing prices whilst lowering or holding quality of services constant over a sustained period of time may indicate an airport exercising market power, which may be a concern. In contrast, increasing profitability due to increased efficiency in operations or economies of scale may not necessarily raise cause for concerns.

Monitoring does not provide meaningful comparisons of the prices, profits and quality of service across airports

Because the airports have taken different approaches to valuing their assets, it can be difficult to meaningfully compare profitability between the airports based on reported return on assets. There are also some other specific reasons that make comparisons difficult. For example, the ACCC's monitoring role for aeronautical services relates only to those terminals that are owned and operated by the airports. However, some of the airports' domestic terminals are leased and operated by airlines and are not subject to the ACCC's monitoring. Therefore, the revenues, prices, costs, profits and quality of service associated with those terminals are not included in the monitoring results presented in this report. Such terminals include the Qantas domestic terminals at Melbourne and Perth airports, as well as the Qantas and Virgin Australia domestic terminals at Brisbane Airport. In 2015, Sydney Airport purchased the Qantas domestic terminal so it is now including in the monitoring regime.

In the case of airport car parking, the range of services provided by the airports varies significantly with some parking provided in close proximity to the airport terminals for convenience, while some car parking is located at a distance from the terminals. Comparisons of airport car parking prices, revenues, costs and profits are therefore complicated by these various car parking configurations. Importantly, highlighting differences across the airports will only be robust if comparisons are on a 'like-with-like' basis as far as is practicable.

A4.4 Consultation

The ACCC provides the monitored airports with the opportunity to provide comments in their quality of service and price monitoring submissions for the ACCC airport monitoring report. This process allows the airports to provide explanations as to why ratings or objective data have changed in the period. In addition, the monitored airports are given an opportunity to comment on their respective sections of the report

to ensure accuracy of the data presented in Chapters 3 to 6. Where appropriate, the ACCC has incorporated these comments into the report, particularly where these comments provide a possible explanation for changes in ratings.