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Competition &  
Consumer  
Commission

ACCC Report

# Airport Monitoring Report 2014-15

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23 Marcus Clarke Street,  
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# Glossary

AASB	Australian Accounting Standards Board
ACCC	Australian Competition and Consumer Commission
AC&BPS	Australian Customs and Border Protection Service. This agency was integrated with the Department of Immigration and Border Protection on 1 July 2015. The Australian Border Force was established as the front-line operational agency within the Department
AGAAP	Australian Generally Accepted Accounting Principles
AIFRS	Australian equivalents to International Financial Reporting Standards
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 (for example; 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 to complete, 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> . Among other things, this Act sets up a system for financial and quality of service monitoring of specific airports.
Airports Regulations	<i>Airports Regulations 1997</i> . Among other things, this regulation outlines the management of airports, land use for airports, protection of airspace and outlines the Quality of Service Monitoring which the ACCC reports on.
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. Airside areas include, for example, terminal buildings, runways and taxiways.
Aeronautical services and facilities	As defined under the <i>Airports Regulations 1997</i> , this refers to those 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.
Availability	Describes the amount of the facility/service made available relative to demands for the facility or service. May include whether facilities or services are available or restricted due to congestion, positioning, maintenance, or repairs, the accessibility

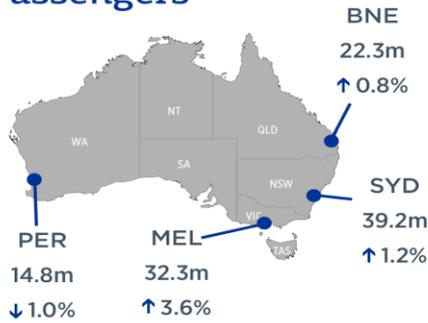
	or usefulness of the facility/service provided, and the efficiency of the system to allocate usage.
BARA	Board of Airline Representatives of Australia
BITRE	Bureau of Infrastructure, Transport and Regional Economics
CCA	<i>Competition and Consumer Act 2010</i>
CTFR	Counter Terrorism First Response
CPI	Consumer Price Index
DoIRD	Department of Infrastructure and Regional Development
DTL	Domestic terminal lease
EBITA	Earnings before interest, tax and amortisation
EBITDA	Earnings before interest, tax, depreciation and amortisation
FAC	Federal Airports Corporation
FIFO	Fly-in / fly-out refers to passengers who fly to and from remote areas for work via air transport.
GA	General aviation. These are 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
IASB	International Accounting Standards Board
Landside	Refers to areas specifically in the airport that are not established as airside areas. These areas generally include access roads and walkways within airport precincts.
LCC	Low cost carrier
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.
Minister	Minister with portfolio responsibility for infrastructure
Monitored airports	Those 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
Nominal terms	A value expressed in the money of the time when either: a charge was set, expenses were incurred, or when income was received. There is no adjustment for inflation (see real terms).
Objective indicators	Refers to aspects of airport services and facilities listed in the <i>Airports Regulations 1997</i> to be monitored and evaluated by the ACCC. Monitored airports are required to keep records of physical infrastructure (for example, the number of; check-in

	desks, seating facilities and flight information display screens), as well as other measurements (such as, number of passengers during peak hour, capacity of baggage equipment and total area in gate lounges).
On-carriage passengers	Refers to those passengers who arrive on one flight and depart on another flight without generally leaving the airport.
Overall quality of service	This is 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. As well as aeronautical services, the surveys include responses to questions on landside facilities, such as kerbside taxi facilities, car parking and airport management responsiveness.
Passenger-related services and facilities	Services and facilities provided by airports that are specifically utilised by passengers (for example; 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. Survey forms are designed by the airports to provide information to the ACCC as required under the Airports Regulations. These surveys ask passengers to rate on a scale of 1 to 5 the availability and standard of services and facilities provided by the monitored airports.
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.
PC	Productivity Commission
PFC	Passenger facilitation charges
PSC	Passenger services charge
Real terms	A value expressed in the money of a particular base time period (eg. 2013-14 dollars). Values in real terms remove the impact of inflation and provide for better comparison of values over time.
RPT	Regular public transport
SLA	Service level agreements
Standard	Describes the physical condition of the facility / service supplied and condition in which it is generally maintained.
Subjective indicators	Quality of service indicators provided by survey responses from airlines and passengers
Taxiway	Is a road for aircraft that connects runways with airport facilities including ramps, hangars and terminals
White paper	<i>Aviation White Paper: Flight path to the future</i> , Australian Government, 2009.



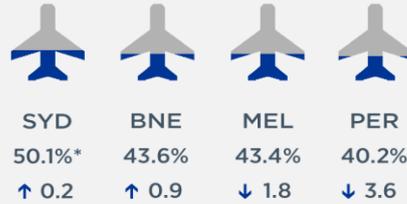
## Airport Monitoring Report 2014-15

### Passengers



### Return on sales

#### Aeronautical profit margin



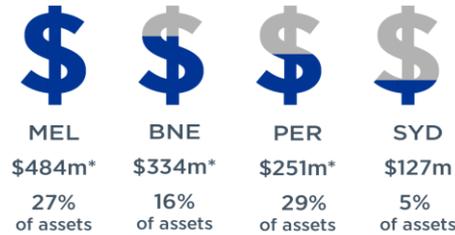
\* highest figure recorded by any airport since time series began in 2004-05

#### Car parking profit margin



### Investment

Additions to aeronautical assets



\*highest since privatisation

### Quality of service

Airline and passenger surveys, objective indicators



	BNE	PER	MEL	SYD
2014-15	Good	Good	Satisfactory	Satisfactory
2013-14	Good	Good	Satisfactory	Satisfactory

#### Excellent

- BNE** Check-in waiting line (dom & intl)  
 Wait time in outbound immigration (intl)  
 Wait time in inbound baggage inspection (intl)  
 Space in inbound baggage area (intl)  
 Findability of baggage trolleys (intl)  
 Crowd in gate lounge (intl)  
 Quality of security search process (dom & intl)  
 Taxi facilities waiting time (intl)  
 Check-in waiting time (intl)

- PER** Check-in standard (dom)  
 Baggage processing facilities availability (dom)  
 Baggage processing facilities standard (dom)

#### Poor

- SYD** Baggage processing facilities availability (intl)  
 Baggage processing facilities standard (intl)  
 Aerobridges availability (intl)  
 Aerobridges standard (intl)

- PER** Check-in standard (intl)  
 Aerobridges availability (intl)  
 Aerobridges standard (intl)

- MEL** Check-in availability (dom)  
 Availability of aircraft facilities, bays



# Key Findings

## Higher international passenger numbers flow through to higher earnings for most airports

While domestic passenger growth was flat during 2014-15 with a rise of just 0.7 per cent across the four monitored airports, international passengers grew 3.7 per cent. This growth in international passengers and the higher fees they attract resulted in three of the monitored airports reporting increases in aeronautical revenue of between 1.8 to 10.7 per cent in real terms. Brisbane Airport had the highest increase in aggregate aeronautical margin with growth of 12.9 per cent in real terms (to \$118.6 million).

Aeronautical activities remain very profitable for the airports. Return on sales (or the profit earned from a dollar of aeronautical revenue) ranged from a low of 40.2 cents at Perth Airport to a high of 50.1 cents at Sydney Airport. This latter figure is the highest of any airport since the time series began in 2004-05.

## Car parking margins remain very high, despite consumers increasingly taking advantage of online discounts

As the only suppliers of car parking on the airport grounds, the four monitored airports continue to earn significant profits from car parking. Return on sales for car parking revenue ranged from a low of 63.7 cents for Perth Airport to 73.2 cents for Melbourne Airport.

However, savvy motorists are increasingly taking advantage of the discount rates available by booking online. The ACCC found that consumers could save up to 66.5 per cent for longer term durations. Booking online is much more common for long-term parking where the discounts are higher and there is less need to be precise regarding arrival and departure times.

## Quality of service outcomes were mixed, with passengers more satisfied than airlines

Overall quality of service outcomes for the monitored airports were mixed during 2014-15. Brisbane Airport once again came out on top. Both Brisbane and Perth airports were rated in the 'good' category. The performance of the larger airports of Melbourne and Sydney placed them at the top end of 'satisfactory'. Over the period from 2004-05 to present, there have been no significant improvements in any of the monitored airports' average quality of service ratings.

Airports appear to be satisfying passengers slightly more than airlines. All airports were rated as 'good' by passengers, with ratings at Brisbane and Perth airports marginally higher in 2014-15 than the previous year. However, Brisbane Airport was the only airport to be rated as 'good' by the airlines. Sydney Airport was the lowest rated airport by the airlines.

## Over \$1 billion in aeronautical investment may improve quality of service and ease congestion

Passengers are likely to benefit from a significant boost to investment, with the four monitored airports undertaking the largest aggregate capital spend on aeronautical assets since the airports were privatised. Perth, Melbourne and Brisbane airports all reported the largest additions as a percentage of aeronautical tangible non-current assets since privatisation. The aeronautical asset base increased across all airports except for Sydney Airport, which decreased by 3.2 per cent during 2014-15.

The major projects contributing to these capital additions include the new runway at Brisbane Airport, the new domestic terminal T4 at Melbourne Airport, and Perth Airport's Terminal 1 International and Domestic Pier (which provides a domestic passenger facility with direct connections to the international terminal).

This investment follows past concern by the ACCC that the airports may not have invested in a way that added sufficient capacity to avoid congestion or accommodate forecast growth. Whether due to recent investment by airports, improved airline performance, changes in weather or simply a slowdown in passenger numbers, the proportion of flights that were on time in 2014-15 was the highest since 2006-07.

### Individual monitored airport performance for 2014-15

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 reported a relatively low increase in passengers of 0.8 per cent. Although domestic passenger numbers declined during 2014-15, international passenger growth was strong with an increase of 6.0 per cent.

Brisbane Airport reported the largest increase in aeronautical revenue of the monitored airports, with growth of 10.7 per cent in real terms during 2014-15 to \$272.2 million. It had the second highest return on sales of the four airports with respect to aeronautical activities, with a return of 43.6 cents for each dollar in revenue. The revenue from Brisbane Airport's car parking services increased by 4.6 per cent to \$84.5 million. While its return on sales of 67.2 per cent for car parking activities was the second lowest of the four airports, it also reported the second highest growth (up 2.9 percentage points).

Brisbane Airport's overall average quality of service rating remained unchanged at 'good' during 2014-15. Brisbane Airport has been rated the highest of the monitored airports since 2004-05. Both passengers and airlines continue to rate Brisbane Airport the highest of the monitored airports with ratings of 'good' from both.

Brisbane Airport's 2014-15 aeronautical capital spend was its largest in real terms since privatisation. A number of aeronautical projects were completed during 2014-15 including the expansion of the Domestic Southern Apron. Brisbane Airport's major ongoing aeronautical project is the construction of its new parallel runway.

#### *Melbourne Airport*

Melbourne Airport reported the largest passenger growth of the monitored airports with a rise of 3.6 per cent during 2014-15. It also reported the largest growth for both domestic (2.2 per cent) and international passengers (7.7 per cent) respectively.

The growth in international passengers and some higher charges resulted in aeronautical revenue growing by 7.7 per cent to \$338.2 million. Melbourne Airport earned 43.4 cents in profit from each dollar of aeronautical revenue. Melbourne Airport's car park revenue increased by 14.8 per cent to \$147.0 million, the highest that any monitored airport has ever reported. It also reported the highest return on sales from car parking activities, making 73.2 cents in profit from each dollar of revenue. Revenue per car park space also had a relatively large increase of 20.7 per cent in real terms.

Melbourne Airport's overall average quality of service rating remained unchanged at the top end of the 'satisfactory' category. This placed it equal lowest overall with Sydney Airport. Average passenger and airline ratings for Melbourne Airport remained unchanged at 'good' and 'satisfactory' during 2014-15.

Melbourne Airport's aeronautical capital spend of \$484 million during 2014-15 was its largest since the airport's privatisation. Aeronautical projects completed included the 'bussing, premium lounge and transfer screening facilities' project and additional bag drop facilities in the international terminal. Melbourne Airport's major ongoing aeronautical project was the construction of a new Terminal 4, which had a staged opening commencing on 18 August 2015.

#### *Perth Airport*

Perth Airport was the only monitored airport to report a drop in total passenger numbers during 2014-15 with a decrease of 1.0 per cent. This likely represents the end of a high growth period as a slowdown in the resources sector has reduced the number of flights by fly-in, fly-out workers.

Subsequently, Perth Airport's aeronautical revenue decreased by 1.4 in real terms to \$186.6 million. Perth was the only airport to see its return on sales from aeronautical activities fall (down 3.6 to 40.2 per cent of revenue). The falling passenger numbers also impacted its car parking operations, with both revenue (\$65.1 million) and return on sales (63.7 per cent of revenue) declining.

Perth Airport's overall average quality of service rating increased slightly within the 'good' range. Perth and Brisbane airports were the only airports to be rated as 'good' during 2014-15. Both airlines and passengers' average ratings rose slightly but remained within the 'satisfactory' and 'good' ranges respectively.

Perth also reported record aeronautical capital spends during 2014-15, investing \$250 million. Further, Perth Airport reported the largest additions as a percentage of aeronautical assets of the monitored airports with 28.7 per cent. The major aeronautical projects completed included the expansion and refurbishment works in T3 which increased the departure lounge area and an upgrade of the baggage handling system. The most significant aeronautical project underway during 2014-15 was the T1 International and Domestic Pier project with a value of \$330 million.

#### *Sydney Airport*

Total passenger growth was relatively flat with an overall increase of 1.2 per cent. Both domestic (1.4 per cent) and international passenger growth (1.0 per cent) was modest.

The flat passenger numbers led to a relatively low increase in aeronautical revenue, up 1.8 per cent in real terms to \$643.0 million. The airport's aeronautical return on sales was 50.1 per cent, up 0.2 percentage points. Sydney Airport's car park revenue increased 4.7 per cent in real terms to \$127.8 million. It made a return on sales of 71.6 cents for each dollar of car parking revenue (down 1.7 percentage points).

Sydney Airport's overall average quality of service rating remained virtually unchanged at the top end of the 'satisfactory' category. This placed it equal lowest with Melbourne Airport. Average passenger ratings remained unchanged at 'good', while average airline ratings remained at 'satisfactory' but at a lower level within that band.

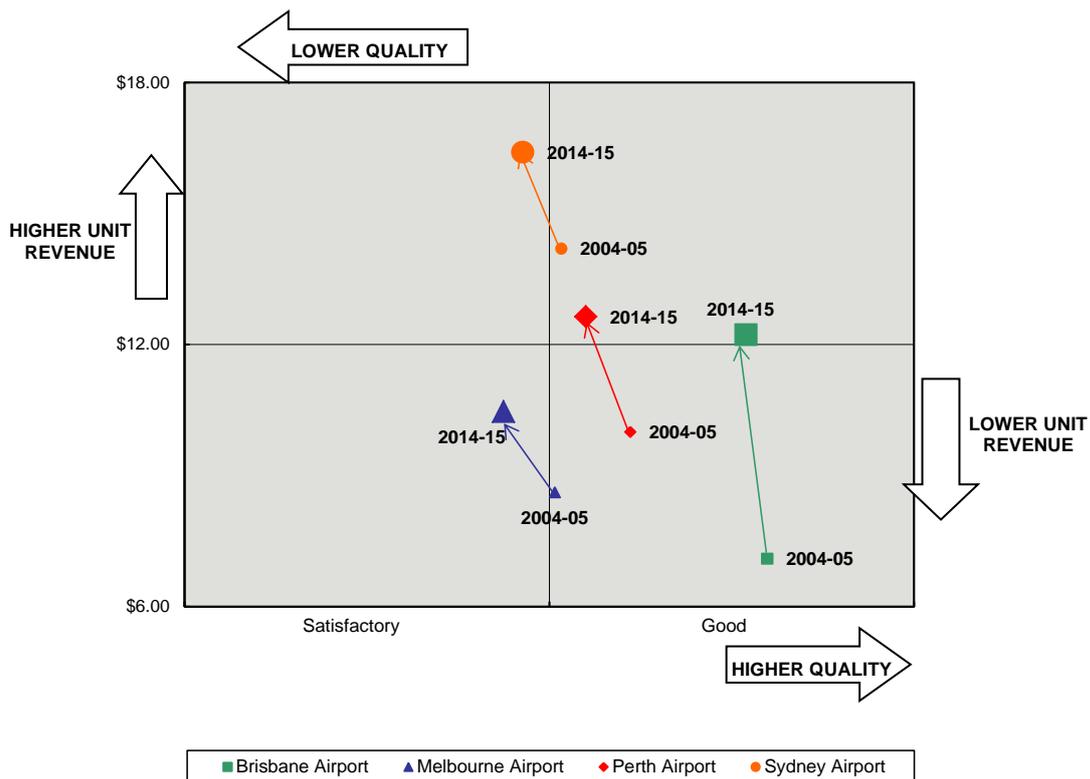
Sydney Airport added \$126 million in aeronautical assets in 2014-15. It reported the lowest percentage of aeronautical additions as a percentage of aeronautical assets of the monitored airports with 5.0 per cent during 2014-15. The major aeronautical projects completed during 2014-15 include the T1 early bag store system. Significant airfield projects commenced during 2014-15 include taxiway strengthening and additional aprons.

**All monitored airports have reported higher aeronautical prices and lower quality outcomes over the past 11 years**

An unconstrained monopolist would be expected to exercise its market power to increase prices and provide lower service quality outcomes over time. All monitored airports have seen their earnings increase in real terms over the past decade, while quality of service outcomes have declined slightly.

Chart 1 presents aeronautical revenue per passenger (a proxy for average price) and aeronautical quality of service ratings in 2004-05 and 2014-15. The most favoured combination for a passenger of lower price and higher quality outcomes would be located in the lower right quadrant. While three of the airports were in this quadrant in 2004-05, there were no airports in this quadrant for 2014-15.

**Chart 1: Aeronautical revenue per passenger (in real terms) and aeronautical quality of service ratings, 2004-05 and 2014-15**



For the majority of the past 11 years, Sydney Airport has been the only airport located in the high price, lower quality quadrant. Further, Sydney Airport has been in this quadrant for the majority of the time series.

### **Service level framework between airports and airlines offers hope of improved quality of service outcomes for passengers**

During 2014-15, Sydney Airport concluded its negotiations with a range of international airlines on the pricing of airport services for a five-year period. Of particular interest is that the agreement included a service level framework for the first time, facilitated by the Board of Airline Representatives of Australia (BARA). The service level agreement provides for the measurement of airport performance against various quality of service indicators for airlines and passengers. BARA advised the ACCC that this represents a significant step towards enabling improved service quality outcomes and hopes that other airports can adopt a similar arrangement where no framework exists or to enhance the existing framework.

### **Rail links and airport car park market power**

As the sole providers of car parking on airport grounds, the major Australian airports are likely to hold significant market power in the supply of car parking services. Potential constraints on this market power—and the ability for airports to raise prices or reduce quality—come from alternatives such as taxis, off-airport parking and airport rail links.

The ACCC took a closer look at airport rail links in this year's report. There are existing rail links at Brisbane and Sydney Airports, while one is under construction in Perth. The rail links in Brisbane and Sydney have struggled to reach levels of market share seen in some overseas cities. Possible reasons include the premium price (above public transport fares), lower population density, lower use of public transport and higher number of cars per capita.

Some studies have suggested there may not initially be a significant mode shift away from private car usage following the introduction of an airport rail link, and therefore it may not be a particularly strong constraint on airport car parking prices. A rail link may instead have a greater impact on the use of other private options such as taxis and other public transport such as buses. The time and convenience characteristics of on-airport car parking are more likely to be substituted by taxis, other shuttle services or off-airport car parking facilities, where it is easier for passengers to travel to and from their home.

### **Passenger delays associated with Australian Border Force operations**

Over the past two years, monitored airports have raised concerns with the ACCC around the operations of Australian Border Force (ABF) and delays for international passengers through customs.

The role of the ABF (and its predecessor) has become more challenging over time with heightened security requirements, increased passenger numbers and heavier peak periods. The ABF noted to the ACCC that airport commercial considerations (including those related to retail service) meant that the layout of airports may not be optimal for efficient passenger movements. Despite these challenges, the ABF acknowledged to the ACCC that its past performance had suffered from staffing reductions and insufficient engagement with airports.

However, the ABF also said that recent performance had been significantly improved by the rollout of more technologically advanced SmartGates and increased staffing. This improvement has also been recognised by the airports. The ACCC considers that ongoing close coordination by all parties involved in the processing of passengers is vital in ensuring optimal outcomes for passengers.

### Missed opportunity for competition as progress is made towards an airport in Western Sydney

In April 2014, the Australian government confirmed its intentions to develop a new major airport in Western Sydney at Badgerys Creek. The government intends for the airport to open in the mid-2020s, and to operate initially with one runway.

A second significant airport in a city has the potential to provide competition with the current Sydney Airport which would drive reduced prices and/or improved facilities. However, this potential benefit was lost during the privatisation process when the Australian government provided the acquirer of Sydney (Kingsford Smith) Airport with the right of first refusal to develop and operate any second airport within 100 kilometres of the CBD. It is now all but certain that there will be common ownership of the two airports in Sydney.

This is an example of Australian governments focusing overly on short term budgetary goals during privatisation, without sufficient regard to longer term competition. The ACCC believes the immediate financial benefit comes at a potentially significant cost which is effectively a 'tax' on future generations.<sup>93</sup>

### Key performance indicators 2014-15

**Table 1: Key aeronautical indicators for the monitored airports for 2014-15**

Airport	Passenger numbers	Total aero revenue	Aero revenue per passenger	Total aero margin	Aero margin per passenger	Overall rating for quality of service
	(million)	(\$million)	(\$)	(\$million)	(\$)	
Brisbane	22.3	272.2	12.22	118.6	5.33	Good
Melbourne	32.3	338.2	10.47	146.8	4.54	Satisfactory
Perth	14.8	186.6	12.64	75.0	5.08	Good
Sydney	39.2	643.0	16.40	322.2	8.22	Satisfactory

Note: Comparisons across monitored airports must be treated with caution. Results can be affected by the airports' different terminal configurations, passenger mix and the different approaches to valuing assets.

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 2: Percentage change in key aeronautical indicators from 2013-14 to 2014-15**

Airport	Passenger numbers	Total aero revenue	Aero revenue per passenger	Total aero margin	Aero margin per passenger	Overall rating for quality of service
Brisbane	▲ 0.8%	▲ 10.7%	▲ 9.8%	▲ 12.9%	▲ 12.0%	—
Melbourne	▲ 3.6%	▲ 7.7%	▲ 3.9%	▲ 3.4%	▼ 0.2%	—
Perth	▼ 1.0%	▼ 1.4%	▼ 0.4%	▼ 9.6%	▼ 8.7%	▲ 6.0%
Sydney	▲ 1.2%	▲ 1.8%	▲ 0.6%	▲ 2.3%	▲ 1.1%	▼ 2.1%

Note: Changes for financial data are presented in real terms (base year = 2014-15)

<sup>93</sup> A 'tax on future generations' refers to possible higher prices and lower quality of service that may occur to airport users under monopoly ownership of the two airports (in difference to more competitive outcomes that would be achieved under different owners).

**Table 3: Key car parking indicators for the monitored airports for 2014-15**

Airport	Revenue (\$million)	Operating margin (\$million)	Spaces	Revenue per car park space (\$)	Margin per car park space (\$)	Margin as % of car parking revenue (%)	Revenue as a % of total airport revenue (%)
Brisbane	84.5	56.8	13 677	6 181	4 153	67.2	13.8
Melbourne	147.0	107.6	23 223	6 331	4 633	73.2	19.5
Perth	65.1	41.5	22 166	2 937	1 871	63.7	15.2
Sydney	127.8	91.5	16 492	7 749	5 551	71.6	10.7

**Table 4: Percentage change in key car parking indicators from 2013-14 to 2014-15**

Airport	Revenue	Operating margin	Spaces	Revenue per car park space	Margin per car park space	Margin as % of car parking revenue	Revenue as a % of total airport revenue
Brisbane	▲ 4.6%	▲ 9.4%	▼ 2.1%	▲ 6.9%	▲ 11.8%	▲ 2.9pp	▼ 0.2pp
Melbourne	▲ 14.8%	▲ 21.6%	▼ 4.8%	▲ 20.7%	▲ 27.8%	▲ 4.1pp	▲ 1.4pp
Perth	▼ 1.2%	▼ 8.5%	▲ 16.7%	▼ 15.3%	▼ 21.6%	▼ 5.1pp	▼ 1.8pp
Sydney	▲ 4.7%	▲ 2.2%	▼ 2.2%	▲ 7.0%	▲ 4.5%	▼ 1.7pp	▲ 0.3pp

Note: (1) pp = percentage points; (2) Changes for financial data are presented in real terms (base year = 2014-15)



# 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 services and facilities and of car parking services supplied at Brisbane, Melbourne (Tullamarine), Perth and Sydney (Kingsford Smith) airports for 2014-15.

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 a constraint on 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 provide lower service-quality. Further, 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.

The ACCC notes that price monitoring can be an appropriate tool for the dissemination of information that otherwise may not be available to the Australian government, users of airport services and the general public. Further, it allows for a greater level of transparency of the airports' performance. The ACCC's monitoring allows for some general observations to be made from the monitoring results over time within the context of the airports' market power, as well as the incentives and ability to use that market power.

However, monitoring is limited in its scope to enable a detailed assessment of the airports' performance to be undertaken and cannot be used to establish whether or not an airport has exercised its market power to earn monopoly profits. Further, monitoring will have little or no longer term impact on the conduct of the infrastructure owner in circumstances of natural or legislated monopoly such as the major airports. Monitoring does not restrict the airports from exercising their market power and it is limited in its scope to provide information about the airports' performance. Monitoring does not directly restrict the airports from increasing prices and/or lowering service-quality. 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.

It should also be noted that comparisons across monitored airports are complicated by the various terminal configurations, passenger mix, differing approaches to valuing assets and domestic terminal leases.

The ACCC's monitoring role for aeronautical services and facilities relates only to those terminals that are owned and operated by the airports. Some domestic terminals at the monitored airports are leased and operated by domestic airlines and these terminals are not subject to the ACCC's monitoring. These include the majority of Brisbane Airport's domestic

terminal under leases to Qantas and Virgin Australia; Terminal 1 at Melbourne Airport which is leased by Qantas for domestic flights; Terminal 4 at Perth Airport which is also leased by Qantas; and Terminal 3 at Sydney which is another domestic terminal under lease to Qantas.

## The structure of this report

In this monitoring report, the key findings provide a summary of the overall monitoring results.

- Chapter 1 provides for an overview of the monitoring of the prices, revenues, costs, profits and quality of service indicators at the four monitored airports and also discusses a number of related themes.
- Chapters 2 to 5 present the results for each monitored airport.
- Appendix A1 presents a history of airport regulations in Australia.
- Appendix A2 provides background on the regulatory framework around the monitoring of the airports.
- 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. Airport performance and industry developments

## Key points—2014-15

### **Quality of service**

- Brisbane Airport was again the highest rated airport with an overall average quality of service rating of 'good'. Perth Airport was the only other airport to be also rated as 'good'.
- Sydney and Melbourne Airports were both equally rated as 'satisfactory' during 2014-15.

### **Aeronautical services and facilities**

- Total passenger increases were moderate at Brisbane, Melbourne and Sydney airports while Perth Airport reported total passenger decreases of 1.0 per cent during 2014-15.
- Both Brisbane and Melbourne airports reported aeronautical revenue increases of 10.7 and 7.7 per cent in real terms respectively. Sydney Airport's aeronautical income rose a modest 1.8 per cent in real terms while Perth Airport had a decline of 1.4 per cent in real terms.
- Total aeronautical aggregate margin increased in real terms at each airport except Perth Airport which experienced a drop of 9.6 per cent in real terms to \$75.0 million during 2014-15.

### **Car parking services and facilities**

- Melbourne Airport reported a substantial increase in its car parking aggregate margin of 21.6 per cent in real terms to \$107.6 million.
- Perth Airport was the only airport to report a decline with a drop of 8.5 per cent in real terms to \$41.5 million.

## 1.1 Introduction

This chapter presents an overview of the ACCC's monitoring of the prices, revenues, costs, profits and quality of service indicators for the supply of aeronautical and car parking services at Brisbane, Melbourne (Tullamarine), Perth and Sydney (Kingsford Smith) airports. The ACCC reports on these indicators pursuant to the ministerial directions made under Section 95ZF of the *Competition and Consumer Act 2010* (CCA).

In this chapter, a summary of the key issues and trends at each monitored airport for 2014-15 is presented in Section 1.2 while Section 1.3 provides the quality of service results for 2014-15. Section 1.4 presents key data on passenger and aircraft movements, and Section 1.5 reports on revenues, prices, costs, profits, assets and investments for aeronautical services. An overview of changes in aeronautical price and also quality outcomes over the period 2004-05 to 2014-15 is presented in Section 1.6. Section 1.7 presents pricing and the financial results for airport car parking services and Section 1.8 presents prices and revenues received from landside activities.

An important factor when considering an airport's quality of aeronautical services or comparing revenues and profits is the configuration of terminals and whether these terminals are operated by the airports or are under domestic terminal leases (DTLs).<sup>1</sup> The revenues, costs, profits and

<sup>1</sup> Domestic terminal leases (DTLs) are contractual arrangements between an airport and one airline where the airline leases exclusively a domestic terminal through a long-term lease.

quality of service monitoring associated with DTLs are not included in the ACCC's monitoring program for aeronautical services.<sup>2</sup> For further detail on terminals and DTLs, refer to the individual airport chapters.

## 1.2 Key statistics and trends at each monitored airport

Key observations for each monitored airport are presented in this section on quality of service, prices and margins. Although the data presented may raise concerns about individual airports, it does not allow for a detailed economic assessment of an airport's performance to be undertaken. Further, and more importantly, it cannot be used to conclusively establish whether an airport has exercised market power to extract monopoly rents from airport users.

The ACCC's monitoring role does not include any direct regulation of monitored airports' prices nor any power to intervene in the setting of terms and conditions. Appendices 2 and 4 detail further the ACCC's monitoring role and the limitations of monitoring.

### 1.2.1 Observations about Brisbane Airport

#### *Activity levels, aeronautical pricing, revenues and profits*

Brisbane Airport reported low increases in passenger growth of 0.8 per cent during 2014-15 which was largely driven by a reduction in domestic passengers of 0.7 per cent. However international passenger growth was relatively strong with increases of 6.0 per cent.

Increases in a number of aeronautical charges and the shift in passenger mix from domestic to international saw Brisbane Airport report the largest increase in aeronautical revenue (10.7 per cent in real terms) and aggregate margin (12.9 per cent in real terms) of the monitored airports. Return on sales during 2014-15 for aeronautical services was 43.6 per cent, up 0.9 percentage points from 2013-14.

#### *Quality of service outcomes at Brisbane Airport*

Brisbane Airport's overall average quality of service rating remained unchanged at 'good' during 2014-15. Brisbane Airport has been rated the highest of the monitored airports since 2004-05. Both passengers and airlines on average continue to rate Brisbane Airport the highest of the monitored airports with ratings of 'good' from both.

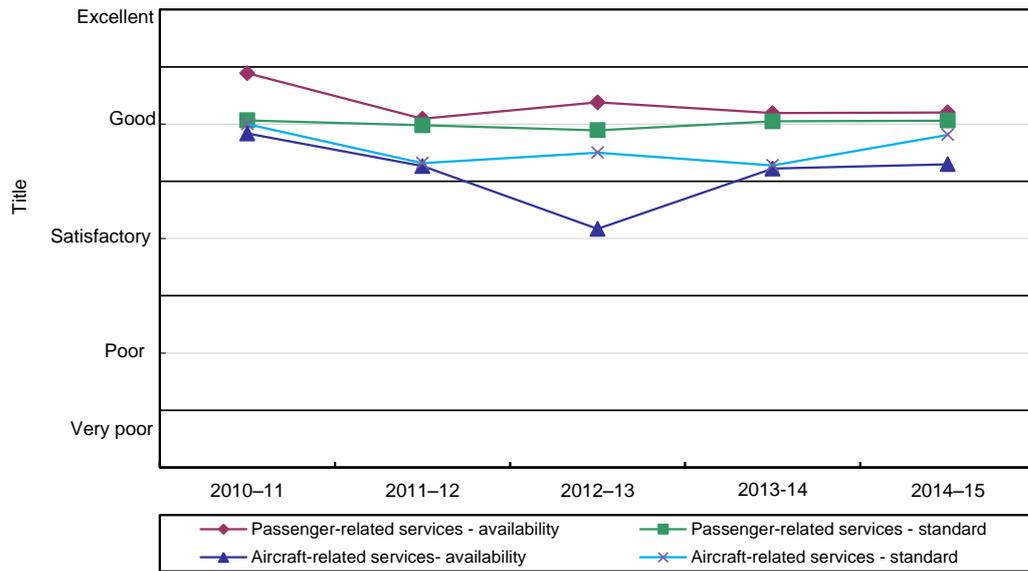
Chart 1.2.1 displays average ratings for passenger related services and also for aircraft related services for Brisbane Airport. The rating for the availability and standard of passenger related services both remained unchanged at 'good'. A number of passenger related services were rated 'excellent' including check-in waiting time, waiting time in outbound immigration areas, findability of baggage trolleys and crowding in lounge areas.

Average ratings for aircraft related services and facilities remained unchanged for availability but increased for standard of these services. Both were rated as 'good' during 2014-15. The change in the standard was partly due to an increase in the rating for the standard of management responsiveness from 'satisfactory' to 'good' while the standard of runway, taxiways and aprons all increased within the 'good' category. During 2012-13, average ratings for the availability of aircraft related services dropped from 'good' to 'satisfactory'. However, for the last two years it has been rated as 'good'.

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<sup>2</sup> Revenues associated with DTLs are included in the results for total airport services.

**Chart 1.2.1: Brisbane Airport—passenger and aircraft related services and facilities, availability and standard: 2010-11 to 2014-15**



Source: Airline surveys, passenger surveys, and objective indicators obtained from the monitored airports through the ACCC’s monitoring process

### Car parking

The revenue and aggregate margin from Brisbane Airport’s car parking services both increased during 2014-15 by 4.6 and 9.4 per cent in real terms respectively. On a per car park basis, revenue and aggregate margin increased by 6.9 and 11.8 per cent in real terms respectively. Return on sales for car parking activities was 67.2 per cent during 2014-15, up 2.9 percentage points from 2013-14.

During 2014-15, the ACCC introduced the collection of online and drive-up prices so as to derive an average price for all car park durations. While the average price for lengths of stay from 4 to 24 hours is marginally lower than the drive-up price, durations of 4 to 5 days show that the average price is over 10 per cent less than the drive-up price at Brisbane Airport. Durations of 6 to 7 days at both Brisbane Airport’s international and domestic car parks show that the average price is around 20 to 24 per cent less. Although passengers appear to have been reluctant to take advantage of any online deals for 4 to 24 hours durations, the majority of bookings for 4 to 5 days and longer are predominantly booked online.

## 1.2.2 Observations about Melbourne Airport

### Activity levels, aeronautical pricing, revenues and profits

Melbourne Airport reported passenger growth of 3.6 per cent during 2014-15 which is the highest of the monitored airports. This growth was driven by increases in international passengers with growth of 7.7 per cent.

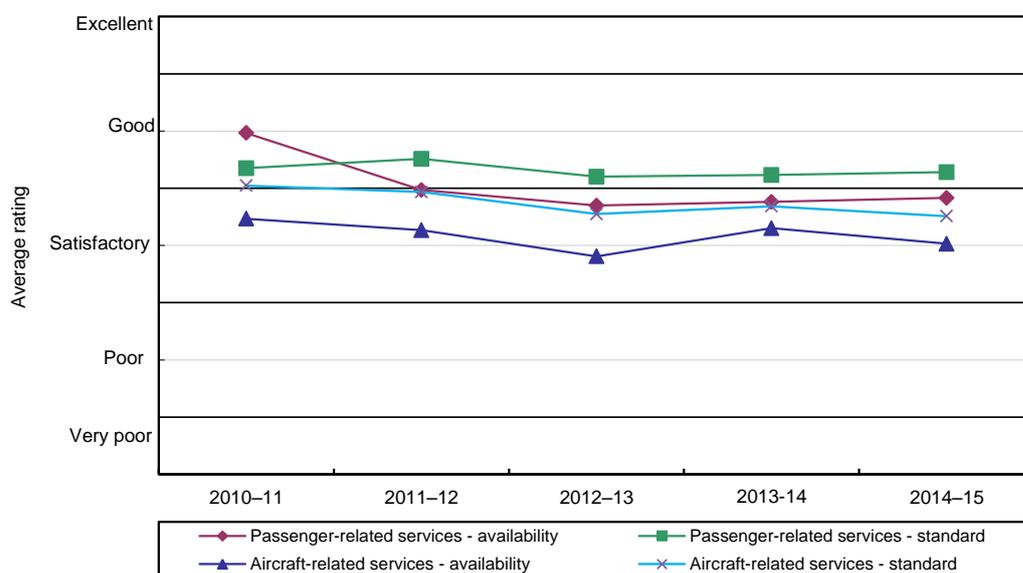
Aeronautical revenue increased by 7.7 per cent in real terms partly as a result of higher charges and passengers (particularly the growth in international passengers). Melbourne Airport’s aeronautical aggregate margin grew by 3.4 per cent in real terms to \$146.8 million. Return on sales for aeronautical services was 43.4 per cent for 2014-15, down 1.8 percentage points since 2013-14.

### Quality of service outcomes at Melbourne Airport

Melbourne Airport’s overall average quality of service rating remained at just below ‘good’ in the ‘satisfactory’ category. It had the equal lowest overall rating with Sydney Airport. Average passenger ratings for Melbourne Airport decreased marginally but remained at ‘good’, while average airline ratings remained unchanged at ‘satisfactory’.

Chart 1.2.2 presents average ratings for both passenger and aircraft related services for Melbourne Airport. While both the standard and availability of passenger related services remained unchanged, the former was rated overall at ‘good’ while availability was rated overall as ‘satisfactory’. All passenger related services were rated as ‘good’ during 2014-15 with no services changing rating categories.

**Chart 1.2.2: Melbourne Airport—passenger and aircraft related services and facilities, availability and standard: 2010-11 to 2014-15**



Source: Airline surveys, passenger surveys and objective indicators obtained from the monitored airports through the ACCC’s monitoring process

Average ratings for aircraft related services and facilities remained unchanged at ‘satisfactory’ for the standard while the availability of these services dropped slightly but also remained at ‘satisfactory’.

In relation to specific services and facilities, most were rated as either ‘satisfactory’ or ‘good’. Both the availability of runways and standard of taxiways increased from ‘satisfactory’ to ‘good’ during 2014-15. However, the availability of aircraft parking dropped from ‘satisfactory’ to ‘poor’ during 2014-15.

### Car parking

Melbourne Airport’s car park revenue increased by 14.8 per cent to \$147.0 million while the aggregate margin jumped by 21.6 per cent in real terms to \$107.6 million. Melbourne Airport reported the largest revenues and aggregate margin from car parking services of the monitored airports during 2014-15. Revenue and margin per car park space also had relatively large increases of 20.7 and 27.8 per cent in real terms respectively. Melbourne Airport’s return on sales for car parking activities was 73.2 per cent during 2014-15 which was the highest of the monitored airports.

As noted, the ACCC has introduced the collection of online and drive-up prices so as to derive a weighted average car parking prices. Average prices for car park short-term durations at Melbourne Airport are slightly lower than for the equivalent the drive-up prices. The average price for the 3 to 4 hour duration was 6.9 per cent lower than the equivalent drive-up prices.

Average car parking prices for long-term parking show substantial differences to the drive-up price. At the long-term uncovered car park, the average price difference to the drive-up ranged from a low of 16.2 per cent for 8 plus days to 24 per cent for 6 to 7 days duration. At the 'Value Long-stay' car park average prices for the 7 to 8 day duration were 28.2 per cent lower than the drive-up price.

### 1.2.3 Observations about Perth Airport

#### *Activity levels, aeronautical pricing, revenues and profits*

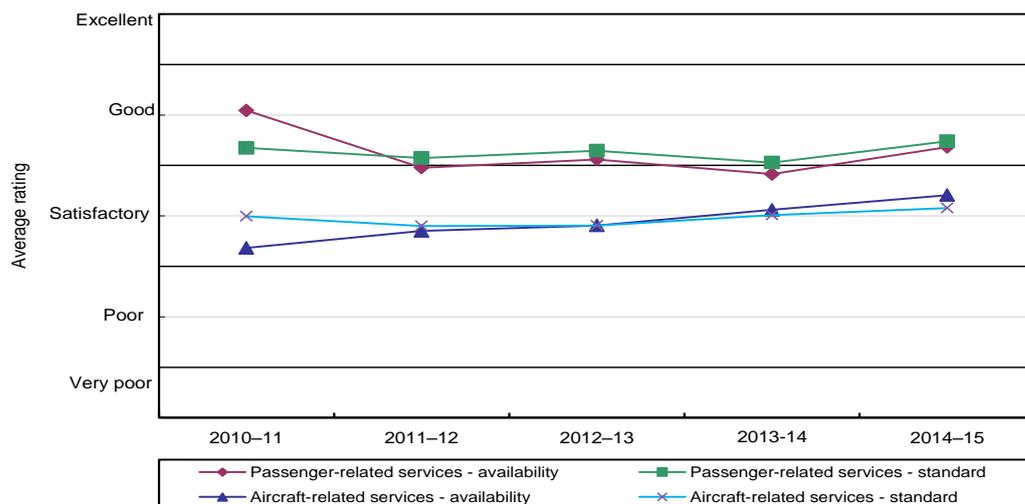
Perth Airport was the only monitored airport to report a drop in total passenger numbers during 2014-15 with a decrease of 1.0 per cent. This likely represents the end of a high growth period as a slowdown in the resources sector has reduced the number of flights by fly-in, fly-out workers.

Perth Airport's total aeronautical revenue decreased by 1.4 per cent in real terms to \$186.6 million. This is the first decrease in aeronautical revenue in real terms since 2001-02. Perth Airport was also the only monitored airport to report a decrease during 2014-15. Perth Airport was also the only monitored airport to report a decrease in aeronautical aggregate margin, which declined by 9.6 per cent in real terms to \$75.0 million. Return on sales for aeronautical services was 40.2 per cent, down 3.6 percentage points from 2013-14.

#### *Quality of service outcomes at Perth Airport*

Perth Airport's overall average quality of service rating increased slightly within the 'good' range during 2014-15. Chart 1.2.3 displays average ratings for both passenger and aircraft related services for Perth Airport.

**Chart 1.2.3: Perth Airport—passenger and aircraft related services and facilities, availability and standard: 2010-11 to 2014-15**



Source: Airline surveys, passenger surveys and objective indicators obtained from the monitored airports through the ACCC's monitoring process

During 2014-15, the availability of passenger related services increased from 'satisfactory' to 'good'. The standard of passenger related services also increased but remained at 'good'. Passengers were generally happy with the services at Perth Airport's terminals and car parks with ratings of 'good' reported for all categories.

Average ratings for aircraft related services and facilities availability and standard both increased slightly but remained at 'satisfactory'. Airline ratings of the availability of the runway increased from 'satisfactory' to 'good', as did the standard of taxiways. Airlines' ratings of the standard of aprons and availability of management both decreased from 'good' to 'satisfactory' during 2014-15.

### ***Car parking***

Perth Airport was the only monitored airport to report reductions in car parking revenue and margin. Total car parking revenue and margin decreased by 1.2 per cent and 8.5 per cent in real terms respectively during 2014-15. Return on sales for car parking services was 63.7 per cent, down 5.1 percentage points from 2013-14.

The ACCC was unable to compare drive-up car parking prices with average prices as Perth Airport declined to provide weighted online data. Perth Airport does offer some online car parking offers which are generally at a discount to the drive-up prices.

During 2014-15, Perth Airport increased in real terms all short-term car parking charges apart from the 5-30 minute category at both terminal precincts. Increases ranged from a low of 0.8 per cent to a high of 14.7 per cent. Similarly, all long-term car parking charges apart from 'additional days thereafter' had increases ranging from 4.9 to 13.1 per cent in real terms.

## **1.2.4 Observations about Sydney Airport**

### ***Activity levels, aeronautical pricing, revenues and profits***

Sydney Airport's total passenger growth was 1.2 per cent during 2014-15. Domestic passenger numbers grew by 1.4 per cent while international passenger growth was 1.0 per cent. The growth in international passengers was the lowest since 2008-09 when it reduced by 3.0 per cent. Return on sales during 2014-15 was 50.1 per cent which was the largest of the monitored airports.

Sydney Airport reported relatively flat increases in real terms for aeronautical revenue and aggregate margin. Aeronautical revenue increased by 1.8 per cent in real terms to \$643.0 million, while aeronautical aggregate margin increased by 2.3 per cent to \$322.2 million.

### ***Quality of service outcomes at Sydney Airport***

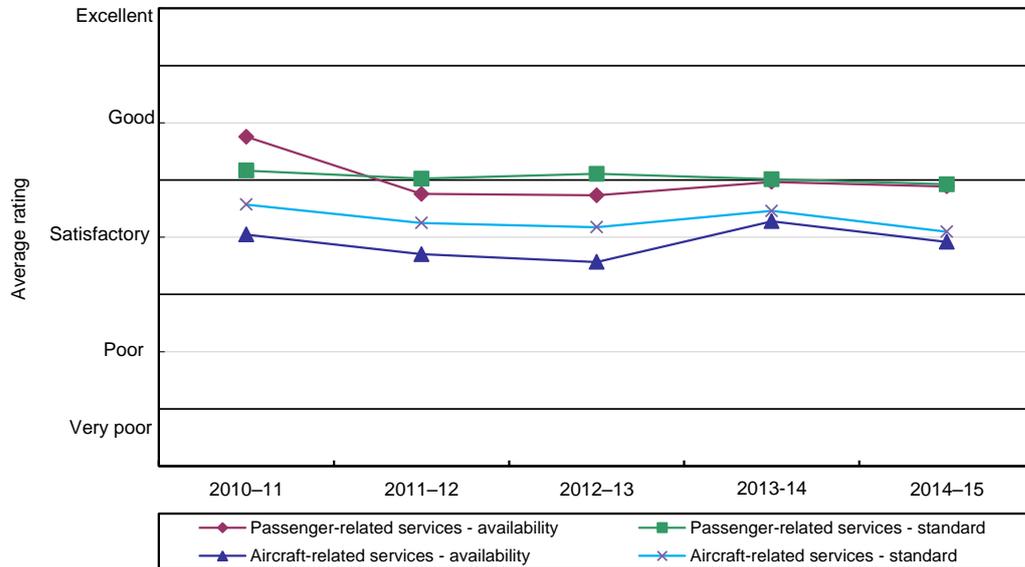
Sydney Airport's overall average quality of service rating decreased slightly and was at just below 'good' in the 'satisfactory' category. It had the equal lowest overall rating with Melbourne Airport. Average passenger ratings remained unchanged at 'satisfactory', while average airline ratings decreased but remained at 'satisfactory'.

Chart 1.2.4 displays average ratings for passenger and aircraft related services and facilities for Sydney Airport. The average for standard of passenger related services and facilities remained unchanged at 'good' during 2014-15. The average passenger rating for the availability of services and facilities dropped slightly from 'good' to just below the 'good' category at 'satisfactory'.

Average ratings for the availability and standard of aircraft related services and facilities both decreased during 2014-15 but remained at 'satisfactory'. Airlines' ratings for the availability and standard of baggage processing facilities at the international terminal dropped from

'satisfactory' to 'poor' during 2014-15. Airlines ratings of aerobridge availability and standard also declined from 'satisfactory' to 'poor'.

**Chart 1.2.4: Sydney Airport—passenger and aircraft related services and facilities, availability and standard: 2010-11 to 2014-15**



Source: Airline surveys, passenger surveys, and objective indicators obtained from the monitored airports through the ACCC's monitoring process

### Car parking

Sydney Airport's car park revenue increased by 4.7 per cent in real terms to \$127.8 million. The aggregate margin increased by 2.2 per cent to \$91.5 million. Revenue and aggregate margin per car park space increased 7.0 and 4.5 per cent in real terms to \$7748 and \$5551 respectively. Sydney Airport earned the most revenue and aggregate margin per car park space of the monitored airports each year since 2002-03.

Average prices for car park short-term durations were generally slightly lower than the equivalent drive-up prices during 2014-15. The average price for the two to three hour duration was 0.7 cent less than the drive up price at the domestic car park terminal. The same price duration at the international terminal car park was 1.6 per cent lower than the drive up prices.

In difference to the short-term parking, average prices for long-term parking show substantial differences with the equivalent drive-up price. At the domestic terminal car park, long-term average rates are between 5.7 to 63.2 per cent cheaper than the equivalent drive up rates. Average long-term parking rates at the international terminal are up to 39.8 per cent cheaper than the equivalent drive-up prices while at the Blu Emu car park, average rates are up to 35.5 per cent lower.

### **Western Sydney Airport and competition outcomes**

In April 2014, the Australian government confirmed its intention to develop a new major airport in Western Sydney at Badgerys Creek. The government intends for the airport to open in the mid-2020s, and to operate initially with one runway. It is expected that the airport will initially cater for approximately 10 million passengers by 2030. The government considers that a second parallel runway would be required after 25 years, to provide the capacity to meet

growth in demand for air travel.

However, the government removed the potential for competition between the two airports in Sydney when it provided the acquirer of Sydney (Kingsford Smith) Airport (at the time it was privatised) the right of first refusal to develop and operate any second airport within 100 kilometres of the CBD.

#### *Privatisation of Sydney (Kingsford Smith) and the right of first refusal*

The ACCC noted in the 2013-14 Airport Monitoring Report that the National Audit Office had found that the sale price of Sydney Airport was higher than a number of possible valuation benchmarks when it was privatised by the Commonwealth Government in 2002.<sup>3</sup> Further, the ACCC considered that this higher price was a reflection of a premium placed on the right of first refusal to develop and operate any second airport. The ACCC considered that the inclusion of the right of first refusal would result in a missed opportunity for more competitive outcomes in the aviation sector and provide little relief to airlines and other airport users who may have difficulties negotiating commercial agreements with the existing Sydney Airport.

The government's Competition Policy Review commented on the inclusion of a right of first refusal in its final report in November 2015. The Panel considered that:

- a significant opportunity for greater competition was lost as a result of the owner of the private Sydney Airport being given first right of refusal to operate the second Sydney Airport as part of the sale agreement, and
- privatising in a way that restricts competition may result in a higher sale price, but it comes at the long-term cost of a less competitive market structure.<sup>4</sup>

Sydney Airport expressed a contrasting view in its submission to the Competition Policy Review. In particular, Sydney Airport commented that the government's approach to selling the airport with a right of first refusal reflected the benefits of common ownership and management of the two airports in Sydney. Sydney Airport stated that common ownership would 'maximise the utilisation of the new airport and support faster economic growth and benefits'.<sup>5</sup>

The ACCC's view remains that the inclusion of a right of first refusal increased the Sydney Airport sale price at the expense of potential competition in the aviation sector. In particular, the ACCC believes that there are strong financial motives for governments to structure their privatisation processes in a manner that maximises the sale price they receive. The Sydney Airport privatisation process is an example of Australian governments focusing overly on short-term budgetary goals, without sufficient regard to longer term competition. The ACCC believes the immediate financial benefit comes at a potentially significant cost which would be an effective 'tax' on future generations. This can include higher prices to users and restricted access.

#### *Timeline of Western Sydney Airport progress*

Following the announcement of the new airport site, the Australian government began negotiations with the owners of Sydney Airport, as required under its right of first refusal. The formal consultation on developing an airport proposal officially began in October 2014, with the nine month consultation period concluding in July 2015. The next step in negotiations will be for the government to put a contractual offer to Sydney Airport. The government initially indicated

<sup>3</sup> Australian National Audit Office (2003), *The Sale of Sydney (Kingsford Smith) Airport*, Audit report No. 43 2002-03 Performance Audit, Commonwealth of Australia, 8 May  
[http://www.anao.gov.au/~media/Uploads/Documents/2002%2003\\_audit\\_report\\_43.pdf](http://www.anao.gov.au/~media/Uploads/Documents/2002%2003_audit_report_43.pdf)

<sup>4</sup> Harper, I., Anderson, P., McCluskey, S. & O'Bryan, M. (2015), *Competition Policy Review, Final Report*, March  
[http://competitionpolicyreview.gov.au/files/2015/03/Competition-policy-review-report\\_online.pdf](http://competitionpolicyreview.gov.au/files/2015/03/Competition-policy-review-report_online.pdf)

<sup>5</sup> Sydney Airport (2015), Harper Competition Policy Review – Final Report submission, 3 June  
[http://www.treasury.gov.au/~media/Treasury/Consultations%20and%20Reviews/Consultations/2015/Competition%20Policy%20Review%20Final%20Report/Submissions/PDF/Sydney\\_Airport.ashx](http://www.treasury.gov.au/~media/Treasury/Consultations%20and%20Reviews/Consultations/2015/Competition%20Policy%20Review%20Final%20Report/Submissions/PDF/Sydney_Airport.ashx)

that this might have occurred before the end of 2015, although this has not occurred yet.

In August 2015, new regulations naming Badgery's Creek as the site for Western Sydney's airport were proclaimed by the Minister for Infrastructure and Regional Development.

In addition to consultation with Sydney Airport, the Government has also been publicly consulting on aspects of the Western Sydney Airport. The Australian Government released a draft Airport Plan and Environment Impact Statement (EIS) for public consultation in October 2015. A final EIS will be provided to the Minister for Environment for consideration and decision during early 2016.

The Airport Plan sets out the Australian Government's vision for the proposed Western Sydney Airport (including concept designs and specifications for Stage 1 of the airport). The EIS is a study of the environmental, social and economic impact the proposed Western Sydney Airport would have on the airport site and surrounding area. The study also includes details on indicative flight paths.

The Western Sydney Airport will initially open with one 3.7 kilometre runway and is planned to handle domestic, international and freight aircraft. The airport has been planned to operate on a curfew-free basis. A second parallel runway is expected to be required around 2050. The terminal precinct will be located in the midfield area between the two runways.<sup>6</sup>

### 1.3 Quality of service results for monitored airports

This section outlines each of the monitored airports' quality of service results. The ACCC collects and assesses objective and subjective information on four major components of an airport's operations: passenger-related services and facilities; aircraft-related services and facilities; landside infrastructure; and management responsiveness.

A key source of data for the ACCC's quality of service assessment is survey data from airport users, particularly passengers and airlines. The ACCC also collects survey data from landside operators (such as taxis, buses and off-airport parking operators), which was commenced in 2013-14. The ACCC considers survey information along with the objective indicators of quality of service collected from the airport operators. The ACCC assesses indicators of quality of service for passenger-related services and facilities for each airport's common-user terminals, which excludes terminals operated under Domestic Terminal Leases.<sup>7</sup>

The ACCC aggregates the data from all sources of information on quality of service (excluding landside operator surveys) to provide an overall view of the quality of service provided by each airport operator.<sup>8</sup>

#### 1.3.1 Overall average rating of the airports' quality of service

The ACCC calculates an overall rating for quality of services for each monitored airport. These overall ratings are derived from airline and passenger surveys and also objective measures.

<sup>6</sup> Department of Infrastructure and Regional Development (2015), *Western Sydney Airport – Draft Airport Plan*, Commonwealth of Australia, <http://westernsydneyairport.gov.au/resources/index.aspx>

<sup>7</sup> The four monitored airports operate some of their terminals through common-user arrangements where all airlines can access the terminal subject to agreements with each airport operator. However, some terminals are operated by airlines under Domestic Terminal Leases (DTLs), where an airline exclusively leases a terminal, or sections of a terminal, through a long-term lease. Revenues, costs and profits associated with these DTLs are not included in the ACCC's aeronautical monitoring program (although, revenues from the leasing of DTLs to airlines are included in the non-aeronautical section of the airports' financial accounts). Details of each airport's terminal configurations can be found in Chapters 2 to 5.

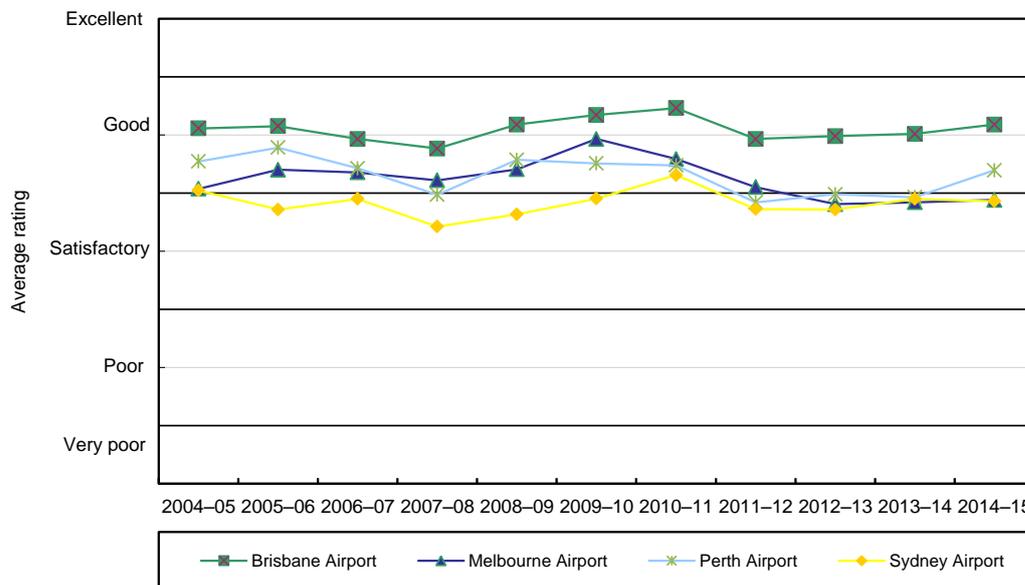
<sup>8</sup> A description of all quality of service indicators and results for 2014-15 can be found in on the ACCC's website. Appendix 4 provides further information on the methodology of the quality of service monitoring program.

Passenger and airline survey templates ask respondents to rate their level of satisfaction with services and facilities on a scale of 1 to 5. The ACCC aggregates the survey results and produces average ratings for each indicator, as well as overall average ratings.

Chart 1.3.1 presents the overall average quality of service ratings for the four monitored reports. Brisbane Airport’s overall rating remained unchanged at ‘good’ during 2014-15 and the airport remained as the highest rated monitored airport. Perth Airport also slightly improved its overall rating and it was the only other airport to be rated as ‘good’.

Both Melbourne and Sydney airports’ average overall ratings were equally lowest rated of the monitored airports at ‘satisfactory’. While Melbourne Airport’s rating was unchanged, Sydney Airline had a slight decline during 2014-15. Over the period, average overall quality of service ratings for all monitored airports have not shown any significant improvements.

**Chart 1.3.1: Overall average ratings of quality of service: 2004-05 to 2014-15**



Source: Airline surveys, passenger surveys, and objective indicators obtained from the monitored airports through the ACCC’s monitoring process

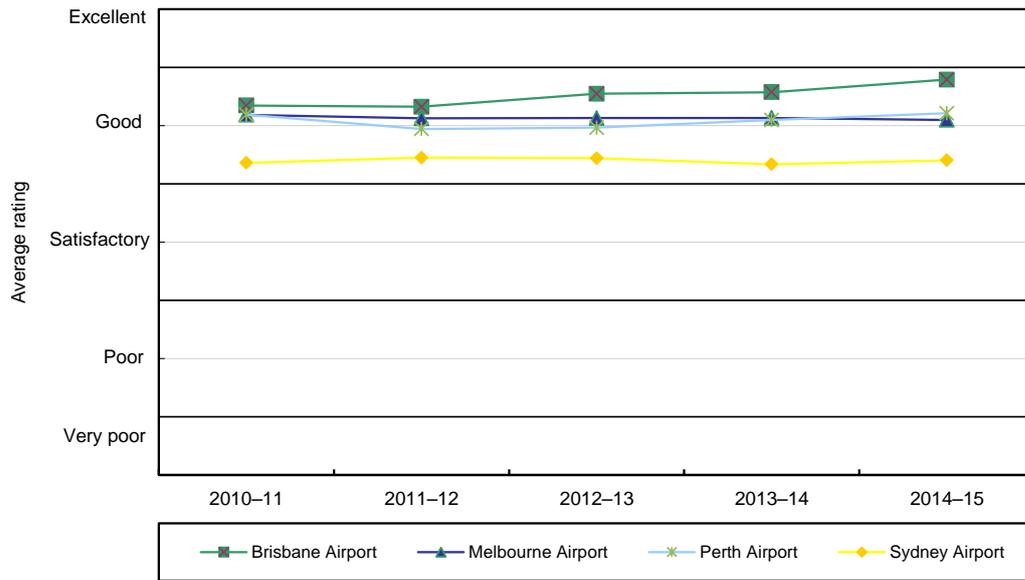
### 1.3.2 Passengers’ ratings of the airports’ quality of service

Passenger surveys are a key element of the ACCC’s quality of service monitoring program and provide a crucial perspective on the quality of various services offered by the monitored airports. Further, they are the only cohort that is able to provide feedback on the overall passenger experience.

However, while passengers’ perceptions are critical, they may be affected by service providers other than the actual airport itself. These can include the airlines they use, ground handling services provided by third parties, airport security and border force personnel for example. While these third parties may bias some passenger responses, the ACCC considers that passengers’ perceptions provide an important outlook on quality of service at airports.

Chart 1.3.2 presents the average ratings from passengers for each monitored airport from 2010-11 to 2014-15. All monitored airports were rated as ‘good’ by passengers during 2014-15. Brisbane Airport continued to be rated highest of the monitored airports and has since 2009-10. Both Brisbane and Perth airports had slight improvements within the ‘good’ range while Melbourne Airport had a slight decline and Sydney Airport remained unchanged.

**Chart 1.3.2: Average passenger ratings of quality of service: 2010-11 to 2014-15**



Source: Passenger surveys

***The impact of Australian Border Force operations on monitored airports***

The efficient processing of passengers by government border agency staff is a critical component of facilitating passenger movements through an airport. Over the past two years, monitored airports have raised concerns with the ACCC around the efficient facilitation of international passengers through customs, immigration and quarantine processing points. Monitored airports have generally stated that border agencies have not been resourced adequately to cover peak passenger periods and subsequently caused delays to both arriving and departing passengers and delays to some flights.

The airports have expressed concern that passengers who are subject to processing delays will develop a negative perception of service they received at the airport and this dissatisfaction will be reflected in the quality of service results in the ACCC’s monitoring report.

***Background to Australian Border Force operations at monitored airports***

Australian government border operations at all monitored airports are a critical component of the processing and facilitation of international passengers. Immigration and customs clearance activities have, until recently, been undertaken by officers from the (former) Department of Immigration and Border Protection, and the (former) Australian Customs and Border Protection Service), respectively. However, commencing on 1 July 2015, these activities have been managed by the Australian Border Force (ABF)<sup>9</sup>. Quarantine services are conducted by the Department of Agriculture and Water Resources (DAWR). Airport operators have statutory obligations to provide appropriate services and facilities to border agencies to allow them to perform their regulatory functions. These obligations mean that border agencies have recourse to their statutory rights to influence the level of services and facilities they receive at an airport.

The allocation and deployment of staffing by border agencies at international airports is driven by both the volumes of arriving and departing travellers, and the risk those travellers present to Australia’s border security. Airport operators support border agencies, through the provision of

<sup>9</sup> The Australian Customs and Border Protection Service were integrated with the Department of Immigration and Border Protection on 1 July 2015. The Australian Border Force was established as the front-line operational agency within the Department.

appropriate infrastructure to undertake these activities. Overall staffing and allocation by border agencies has traditionally been done in consultation with airport operators and has generally taken into account the infrastructure provided to carry out these services. However, a number of airports have commented in the past few years that this consultation had decreased and in some instances the ABF had been making staffing decisions independently of the airport operators.

Border agencies were impacted by staff reductions in the 2014-15 and 2015-16 Federal government budgets. At the same time, international passenger growth has been significant across the monitored airports with annualised growth of 5.0 per cent since 2012-13. This has been occurring at a time when the risk level to Australia's borders is considered high.

*Monitored airports' concerns with border agency operations*

The majority of issues raised by the monitored airports have been around what they consider to be appropriate resourcing by the ABF for processing passengers and the allocation of those staff. Airports have advised that this has led to excessive queuing and waiting times, particularly for arriving passengers. Some noted further delays at arrival secondary examination points. As noted, the monitored airports' main concern is the impact on the overall passenger experience which may bias overall quality of service results.

Specific issues raised by the monitored airports included new desk processing facilities built by the airport to facilitate faster processing of passengers had not been utilised by the ABF. The same airport also noted that only about half of these processing desks have ABF staff allocated for the processing of departing passengers. One monitored airport noted that waiting times in the non-SmartGate queues averaged one hour during morning peak periods. The airport believed these delays provided a poor first impression for international passengers and often resulted in passengers missing their connecting domestic flights.

Other comments related to the introduction of automated SmartGates.<sup>10</sup> One monitored airport noted that new installed SmartGates have not been used due to a lack of ABF staff and had resulted in significant queuing and delays. One monitored airport noted that failures by the system that supported the SmartGates were a further reason for passenger delays.

*Australian Border Force perspective*

The ABF acknowledged to the ACCC that it had experienced staffing reductions in the past and the consultation and engagement at some airports had not been at levels that they would have preferred.

However, according to the ABF the efficient processing of passengers is the shared responsibility of border agencies and industry partners, particularly airport operators and airlines. The ABF also emphasised that congestion at aviation security screening points, flight congestion (including flights arriving outside of scheduled times), and increasing traveller volumes arriving/departing on larger aircraft (such as A380s) are all having an impact on border control operations. The placement of duty free shops, airport design constraints, appropriate way-finding signage and overall airport staffing can also affect the efficient processing of passengers. The ABF noted a number of challenges with the current policing regime at border control, and that national security threats had resulted in an increased focus on departing passengers. The initial introduction of SmartGates had also involved a transitional period with passenger education, system issues and border agency personnel training.

*Recent improvements driven by the ABF, SmartGate rollout and greater collaboration with airports*

<sup>10</sup> SmartGates are an automated border processing technology that allows eligible passengers to self-process through passport control when arriving into Australia. This technology uses electronic information in ePassports to perform the customs and immigration checks usually performed by Border Force staff.

It does appear that changes in approaches to staffing by Border Protection and teething problems with the introduction of automated SmartGates had impacted on the efficient processing of international passengers and caused delays at monitored airports over the past two years. However, three of the monitored airports have commented on recent improvements including increased staffing and engagement by the ABF with airport operators.

The rollout of more SmartGates, particularly for departing passengers, has at some airports, significantly improved the processing of passengers and allowed for the redeployment of ABF staff to other critical areas.<sup>11</sup> The efficiency of SmartGates will also increase as passengers become more familiar with the technology. Other efficiencies will occur as more countries are permitted to allow their citizens to use the technology. SmartGates are expected to have a processing rate that is 40 to 50 per cent quicker than the traditional desk approach. The increased ABF staff numbers at monitored airports will also allow for increased passenger processing rates.

The ACCC notes that commercial considerations by airport operators including the previous noted placement of duty free shops (so as to maximise sales rather than the efficient transfer of passengers from aircraft to border agencies) can affect passenger flows. Further to this, appropriate staff resourcing and signage by airport operators are also critical components of the efficient processing of international passengers. The ACCC considers that ongoing close coordination by all parties involved in the processing of passengers is vital in ensuring optimal outcomes for passengers.

In an environment of national security threats combined with increased passenger numbers, heavier peak periods and constraints on the physical environment of airports, there will continue to be challenges for the efficient processing of international passengers.

*Whether delays at Australian Border Force operations have biased ratings for the airports*

Whether wider average quality of service outcomes have been affected by the issues outlined by the monitored airports is unknown. The ACCC does collect data on passengers' perceptions of waiting times for in and outbound immigration and baggage inspection. While this data is not used to determine quality of service ratings for the airports, it is possible that a negative experience during immigration could increase the likelihood that a passenger would report dissatisfaction with the broader airport facilities. In any event, over the past three years, the responses have been relatively stable with no noticeable declines over any period. Passengers have consistently rated these services as 'good' or 'excellent' across the four monitored airports.<sup>12</sup>

### 1.3.3 Airlines' ratings of the airports' quality of service

Airlines are direct users of airport services and facilities and arguably they are in a stronger position than passengers to provide an informed view of the quality of the airports' aeronautical infrastructure such as, runways, taxiways and associated terminal infrastructure. Although passengers' perceptions provide a critical picture of airport services, they may be infrequent visitors to airports. Airlines however are usually regular users of airport services and therefore may be in a better position to provide assessments of airport services and facilities.

<sup>11</sup> The Minister for Immigration and Border Protection announced in April 2015 that 92 SmartGates will be installed at Australia's eight international airports. It is expected that there will be 155 SmartGates in operation at the international airports by April 2016.

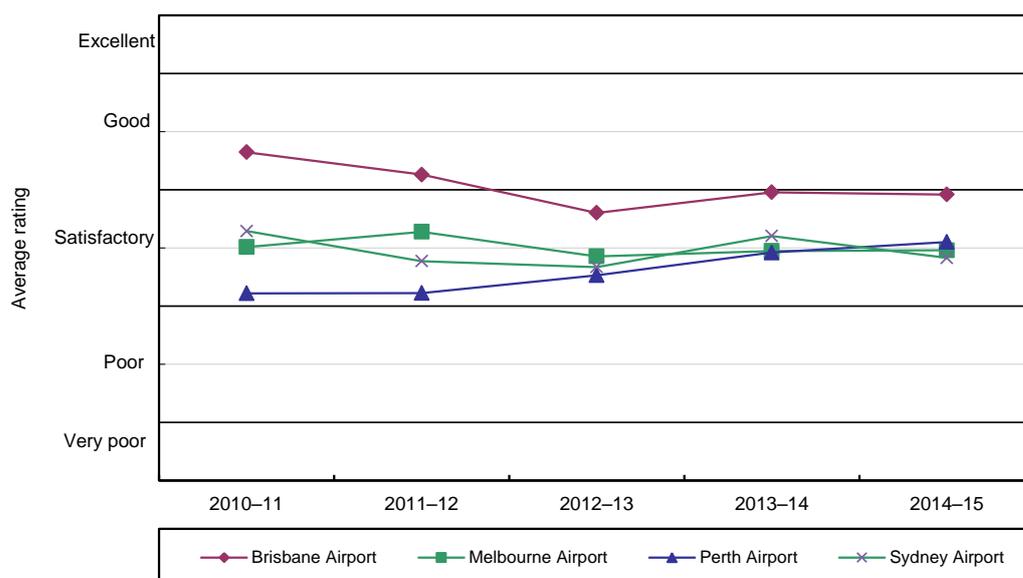
Source: The Hon. Peter Dutton, (2015), Minister – New security measures at international airports, Media release, 23 April <http://www.minister.border.gov.au/peterdutton/2015/Pages/new-security-measures-at-international-airports.aspx>

<sup>12</sup> Note that these ratings on the performance of ABF activities are not included in overall airport quality of service ratings.

However, the ACCC is aware that airlines, as customers of airports and primary users of their facilities, may be commercially motivated to rate down quality of service at individual airports. Typically, airline ratings have been much more volatile (and generally lower) than passenger ratings.<sup>13</sup>

Chart 1.3.3 presents the average airline ratings for each monitored airport. During 2014-15, Brisbane Airport was the only airport to be rated as 'good' by the airlines. Apart from 2012-13, Brisbane Airport has been rated as 'good' for the past 5 years. All other monitored airports were rated as 'satisfactory' during 2014-15. Sydney Airport was the lowest rated monitored airport by airlines during 2014-15.

**Chart 1.3.3: Average airline ratings of quality of service: 2010-11 to 2014-15**



Source: Airline surveys

### **Commercial negotiations between airports and airlines**

The 2013-14 Airport Monitoring Report explored commercial negotiations between airports and airlines.<sup>14</sup> The ACCC observed that there appears to be an unbalanced negotiating environment between airports and airlines and that airlines do not possess any countervailing power and cannot fully negate the exercise of market power by airports.

The ACCC also stated that airlines may be able to limit the airports' market power through their ability to initiate an application to the National Competition Council (NCC) for an airport to be declared under Part IIIA of the CCA. However, the ACCC highlighted that due to the significant time and uncertainty involved, few applications have been submitted to the NCC. One possible solution would be deemed declaration, which would require amendment of the *Airports Act 1996* to deem aeronautical services provided at the monitored airports to be declared for the purposes of Part IIIA. If commercial negotiations broke down, then there would be a role for formal arbitration (this is similar to a negotiate-arbitrate model).

The threat of third party intervention in commercial negotiations could limit the incentive for the airports to exercise market power. Further, it could facilitate the development of more effective commercial relationships as airlines could credibly threaten the airports with ACCC arbitration

<sup>13</sup> Note that airlines are generally rating different services and facilities at airports.

<sup>14</sup> See; ACCC (2015), *Airport Monitoring Report 2013-14*, 9 April 2015, pp. 16-21, <http://www.accc.gov.au/publications/airport-monitoring-reports/airport-monitoring-report-2013-14>

when negotiations are unsuccessful.

#### *Price monitoring limitations*

Price monitoring does not directly restrict airports from increasing prices and/or lowering service quality. Further, 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. Price monitoring is not a substitute for economic regulation nor does it present an effective constraint on the airports' ability to exercise market power in negotiations with airlines.

The ACCC notes that while price monitoring can be an appropriate tool with some value<sup>15</sup>, it will have little or no longer term impact on the conduct of the infrastructure owner in circumstances of natural or legislated monopoly such as the major airports. Further, the ACCC sees a negotiate-arbitrate framework as true light-handed regulation and would allow for commercial negotiation, where both parties have some negotiating leverage. As noted in the 2013-14 monitoring report, the ACCC believes that airlines do not possess any countervailing power and cannot fully negate the exercise of market power by airports.

#### *Post Competition Policy Review commentary*

The regulatory regime was considered as part of the government's Competition Policy Review. The March 2015 report of the review stated that the price monitoring and light-handed regulatory approach in aviation appeared to be working well overall. However, it also stated that if prices continue to increase as fast as they have been, it would raise concerns and may warrant a move away from light-handed regulation for individual airports.<sup>16</sup> The Qantas Group, Virgin Australia and Sydney Airport provided submissions to Treasury's consultation on the final report. The airline submissions repeated previous support for deemed declaration or a negotiate-arbitrate access model for airports.

The Qantas Group suggested that a 'fundamental change in the current regulatory regime is necessary to protect airport users from monopolistic behaviour and bring about constructive commercial engagement between airports and airport users'. Qantas also stated that commercial negotiations have tended to be difficult and protracted, despite the existence of Part IIIA and the monitoring regime. Qantas proposed that airports be deemed declared, as Part IIIA is an inappropriate solution and is 'a crippling time consuming and burdensome process'.<sup>17</sup>

Virgin Australia also stated that Part IIIA applications involve significant cost, time and uncertainty. Virgin said that 'the current regulatory regime is not effective in guaranteeing the efficient operation of the Australian aviation industry or in providing incentives for airports to efficiently price services while addressing the imbalance in negotiating power between airports and airlines'. Virgin advocated for the adoption of a negotiate-arbitrate access model for airports, with declaration under Part IIIA remaining as a safeguard until such a model is implemented.<sup>18</sup>

In contrast to Qantas and Virgin, Sydney Airport stated that the price monitoring regime and

<sup>15</sup> Monitoring of industries such as Australia's four largest airports allows for the dissemination of information that otherwise may not be available to the Australian Government and the public. The monitoring program can also provide information to consumers of airports services such as airlines and businesses seeking access to landside areas.

<sup>16</sup> Source: Harper, I., Anderson, P., McCluskey, S. & O'Bryan, M. (2015), Competition Policy Review, Final Report, March [http://competitionpolicyreview.gov.au/files/2015/03/Competition-policy-review-report\\_online.pdf](http://competitionpolicyreview.gov.au/files/2015/03/Competition-policy-review-report_online.pdf)

<sup>17</sup> Qantas Group (2015), *Qantas Group submission on Harper Review Recommendations*, 26 May 2015, <http://www.treasury.gov.au/~media/Treasury/Consultations%20and%20Reviews/Consultations/2015/Competition%20Policy%20Review%20Final%20Report/Submissions/PDF/Qantas%20Group%20Submission.ashx>

<sup>18</sup> Virgin Australia (2015), *Virgin Australia Airlines – submission on the Competition Policy Review Final Report*, 26 May 2015 [http://www.treasury.gov.au/~media/Treasury/Consultations%20and%20Reviews/Consultations/2015/Competition%20Policy%20Review%20Final%20Report/Submissions/PDF/Virgin\\_Australia.ashx](http://www.treasury.gov.au/~media/Treasury/Consultations%20and%20Reviews/Consultations/2015/Competition%20Policy%20Review%20Final%20Report/Submissions/PDF/Virgin_Australia.ashx)

light-handed regulation appeared to be working well. Further, it stated that the light-handed approach had facilitated the development of commercial relationships and commercial agreements with airlines over time.<sup>19</sup>

In response to the Competition Policy Review report and further consultation, the government chose to slightly modify the criteria for the declaration of services under Part IIIA of the *Competition and Consumer Act (2010)*. Criterion (f) will now require declaration to be in the public interest, rather than not contrary to the public interest.<sup>20</sup> Reshaping the criterion as a positive test has the effect of raising the threshold for when a service can be declared. This would weaken the bargaining power of airlines in their negotiations with the airports.

#### *Recent commercial negotiations between airports and airlines*

During 2014-15, Sydney Airport concluded its negotiations with the Board of Airline Representatives of Australia (BARA) and a range of international airlines on the pricing of airport services for a five-year period. Prior to these negotiations, BARA had stated that the government should be ready to take a more interventionist approach if an individual airport was not acting in line with the intent of the light-handed regulation.<sup>21</sup> However, the parties agreed to a price path in June 2015 that included a decrease in per passenger charges during the first year of the agreement. Of particular interest is that the agreement included a service level framework for the first time. The service level agreement provides for the measurement of airport performance against various quality of service indicators for airlines and passengers. BARA advised the ACCC that the framework represents a significant step towards enabling improved service quality outcomes, and hopes that other airports can adopt a similar formalised framework where no framework exists or to enhance the existing framework. Sydney Airport stated that it had finalised commercial negotiations with Qantas and Virgin Australia in August 2015.<sup>22</sup>

### **1.3.4 Landside operators' ratings of the airports' quality of service**

The ACCC introduced quality of service monitoring provided by airports to companies seeking landside access in the 2013-14 monitoring report. These companies include taxis, public and private buses and off-airport car park operators.

The landside area of monitored airports is a bottleneck area essential in the supply of services to passengers and companies seeking access. Passengers, off-airport car parking operators, taxis, buses and private cars all require access to landside areas for the pick-up and drop-off of passengers. Airport operators have the incentive to restrict access and impede competition from alternatives to on-airport parking by imposing excessive charges or restrictive terms and conditions.

<sup>19</sup> Sydney Airport, (2015), Harper Competition Policy Review – Final Report submission, 3 June, [http://www.treasury.gov.au/~media/Treasury/Consultations%20and%20Reviews/Consultations/2015/Competition%20Policy%20Review%20Final%20Report/Submissions/PDF/Sydney\\_Airport.ashx](http://www.treasury.gov.au/~media/Treasury/Consultations%20and%20Reviews/Consultations/2015/Competition%20Policy%20Review%20Final%20Report/Submissions/PDF/Sydney_Airport.ashx)

<sup>20</sup> Australian Government (2015), *Australian Government Response to the Competition Policy Review*, Commonwealth of Australia, [http://www.treasury.gov.au/~media/Treasury/Publications%20and%20Media/Publications/2015/Government%20response%20to%20the%20Competition%20Policy%20Review/Downloads/PDF/Govt\\_response\\_CPR.ashx](http://www.treasury.gov.au/~media/Treasury/Publications%20and%20Media/Publications/2015/Government%20response%20to%20the%20Competition%20Policy%20Review/Downloads/PDF/Govt_response_CPR.ashx)

<sup>21</sup> Freed, J. (2014), 'Sydney Airport needs fees deal or face carriers reaction', in *Australian Financial Review*, 10 April, <http://www.afr.com/business/infrastructure/airports/sydney-airport-needs-fees-deal-or-face-carriers-reaction-20140410-ix6kv>

<sup>22</sup> Although both Qantas and Virgin Australia are members of BARA they negotiated separate agreements.

Table 1.3.1 presents the landside ratings for each airport for 2014-15. The 2014-15 average ratings were derived from a smaller representation of landside users than 2013-14.<sup>23</sup>

Both Melbourne and Sydney airports' average landside ratings improved during 2014-15 while Perth Airport dropped from 'satisfactory' to 'poor'. Users at Perth Airport commented that construction work at the T1/T2 precinct had impacted on the quality and availability of pick-up and drop-off areas. A common complaint at three of the airports was around the location and signage for off-airport car park operators which was either inconveniently located or was a significant distance from terminals.

**Table 1.3.1** Landside operator's average ratings of airports' landside areas for 2014-15

Airport	Rating category 2014-15	1-year change
Brisbane Airport	Satisfactory	—
Melbourne Airport	Satisfactory	▲*
Perth Airport	Poor	▼*
Sydney Airport	Good	▲*

Source: Passenger surveys

Note: 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.

## 1.4 Key activity results for aeronautical services

This section presents data on passenger volumes (section 1.4.1) and aircraft movements (section 1.4.2).

### 1.4.1 Passenger volumes

Total passenger numbers increased by 1.5 per cent across the monitored airports and totalled 108.6 million passengers during 2014-15. Domestic passenger growth was subdued at 0.7 per cent while international passenger growth was 3.7 per cent and was the driver of the overall passenger aggregate growth for 2014-15.

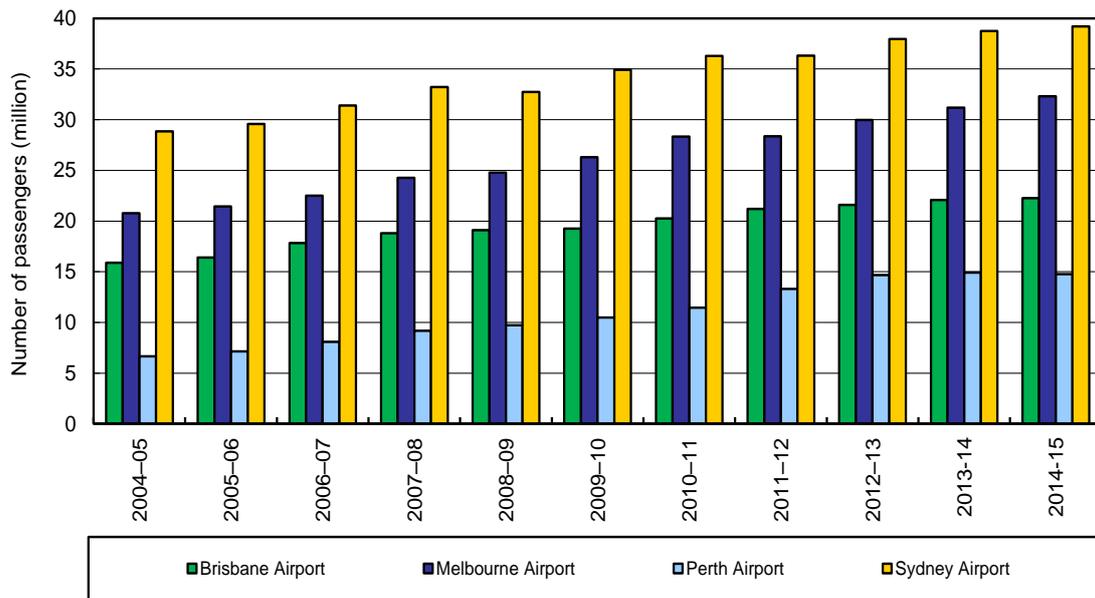
Chart 1.4.1 presents total passenger numbers for each airport since 2004-05. Perth Airport was the only airport to report an overall decrease in passenger numbers in 2014-15, declining by 1.0 per cent. This is the first overall decrease in passenger counts for Perth Airport since 2001-02.

For the second year in a row, Melbourne airport reported the largest increase in passengers with a rise of 3.6 per cent to 32.3 million passengers during 2014-15. Growth in international passengers of 7.7 per cent was the driver for Melbourne Airport's passenger increase.

Although Sydney Airport continues to report the largest numbers of passengers with 39.2 million during 2014-15, its dominance as a passenger destination is diminishing. In 2004-05, Sydney Airport's total passenger count was 38.9 per cent greater than Melbourne Airport which reported the second highest count. However, this percentage difference had dropped to 21.3 per cent by 2014-15.

<sup>23</sup> Due to the reluctance of some landside users and representative associations to participate in the landside survey, the ACCC will assess the suitability of continuing with this monitoring for the 2015-16 airport monitoring report.

Chart 1.4.1: Volume of passengers: 2004-05 to 2014-15



### 1.4.2 Aircraft movements

Aircraft movements across the monitored airports decreased by 0.4 per cent to 925 022 in 2014-15. The main driver for this decrease was the drop in general aviation<sup>24</sup> aircraft movements by 5.8 per cent. Total domestic and international aircraft movements had slight increases of 0.2 per cent each.

Brisbane and Perth Airports both reported decreases in domestic aircraft movements of 1.0 and 0.7 per cent respectively. Melbourne Airport reported strong growth in international aircraft movements of 5.4 per cent while Perth and Sydney Airports had decreases of 5.4 and 1.5 per cent respectively. The overall decrease in general aviation aircraft movements was driven by Perth and Brisbane airports with reported falls of 18.7 and 5.3 per cent respectively.

Aircraft movement data should be interpreted with caution when used as an indicator of an airport’s size, capacity and growth. Changes in aircraft size and configuration over time have resulted in greater numbers of passengers per flight. Further, the increasing number of low-cost carriers is another factor as they generally carry a higher number of passengers per flight.

#### ***Aeronautical investments and congestion***

The ACCC has outlined in prior airport monitoring reports that it was not clear that airports had invested in a way that added sufficient capacity to avoid congestion or accommodate forecast growth.<sup>25</sup> Continued growth in passengers and aircraft movements had appeared to place pressure on existing aeronautical assets at a number of monitored airports. One example of this pressure was the degradation of domestic airline on-time performance across the airports.<sup>26</sup>

However, there have been improvements in domestic airline on-time performance over the past

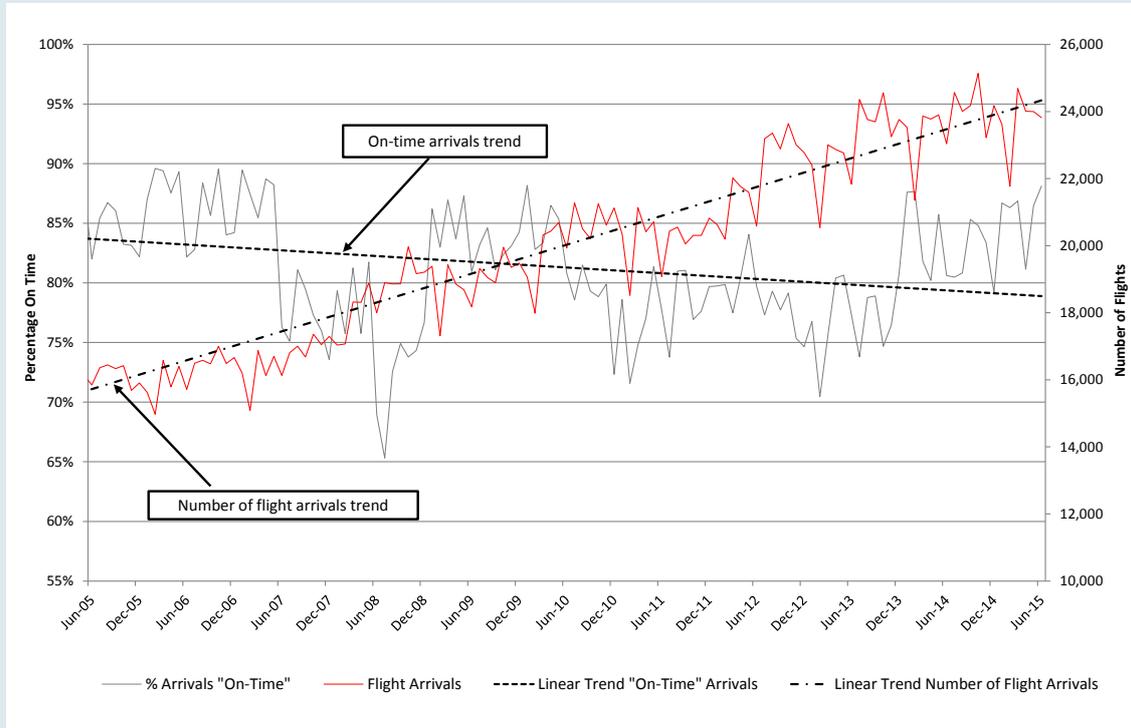
<sup>24</sup> General aviation flights refers to those aircraft operations that are not regular public transport such as private charter and aircraft training flights, and Royal Flying Doctor Services. It generally refers to all flights other than non-scheduled air transport operations.

<sup>25</sup> See chapter 2 of the 2011-12 report, chapter 2 of the 2012-13 report and chapter 1 of the 2013-14 report.

<sup>26</sup> Bureau of Infrastructure, Transport and Regional Economics, *Domestic airline on-time performance monthly reports*, June 2015, [https://bitre.gov.au/publications/ongoing/airline\\_on\\_time\\_monthly.aspx](https://bitre.gov.au/publications/ongoing/airline_on_time_monthly.aspx)

two years. In particular, the average proportion of arrivals and departures that were on-time in 2014-15 was the highest since 2006-07. Chart 1 presents data on domestic the number of flight arrivals and those arrival flights that were on-time for the period June 2005 till June 2015.

**Chart 1: Monitored airports—number of domestic flights and the proportion of flights on-time, June 2005 to June 2015**



Source: Bureau of Infrastructure, Transport and Regional Economics, Domestic airline on time performance monthly reports, June 2015

There may be a number of reasons for the improvement in airline on-time performance, with airport congestion, airlines performance, weather and passengers themselves all playing a role. Lower growth in the number of flights may have helped with aircraft on-time performance. Total domestic aircraft movements had a relatively small increase in 2013-14 of 1.3 per cent and just 0.2 percent in 2014-15. However, total general aviation movements showed decreases of 5.2 per cent in 2013-14 and 5.8 per cent in 2014-15.<sup>27</sup>

The airports have also been undertaking significant capital expansion with aeronautical assets, which may also partly explain the recent improvements in domestic airline on-time performance. In particular, three of the four monitored airports reported their largest annual additions to aeronautical assets in real terms since privatisation during 2014-15. The total additions to aeronautical assets across the monitored airports totalled almost \$1.2 billion for 2014-15. Further, total additions to aeronautical assets were around \$907 million in 2013-14. This represents the largest additions since 2004-05.

The major projects contributing to these capital additions include the new runway at Brisbane Airport, the new domestic terminal T4 at Melbourne Airport and Perth Airport’s Terminal 1 International and Domestic Pier, which provides a domestic passenger facility with direct

<sup>27</sup> At Perth and Brisbane Airports, general aviation aircraft have partly catered for the fly-in, fly-out mining workforce. During the mining boom, Perth Airport noted that aeronautical congestion in the morning was partly caused by flights catering for this workforce. The decrease in general aviation flights over the past two years is partly related to the end of the mining boom.

Kerr, P (2012), 'Miners to be slugged more for FIFO flights', The West Australian newspaper, 3 October, <https://au.news.yahoo.com/thewest/a/15018991/miners-to-be-slugged-more-for-fifo-flights/>

connections to the international terminal. Other work completed at monitored airports including improvements to domestic terminals, improved taxiways, aprons and aircraft parking may also have contributed to the domestic on-time performance.

Other initiatives such as the Airport Capacity Enhancement program that was commissioned by Airservices Australia in collaboration with airlines and airports to identify opportunities to improve efficiency and increase utilisation of existing aeronautical facilities may have also contributed to the improvement in domestic on-time performance.<sup>28</sup> Since the commencement of this program, further initiatives agreed to with Brisbane, Melbourne, Perth and Sydney Airports have been implemented.

## 1.5 Airport revenues, prices, costs, profits, assets and investments

This section presents the results of the ACCC's price monitoring and financial reporting results. These results are categorised into revenue (Section 1.5.1), operating expenses (Section 1.5.2), operating margins (Section 1.5.3), return on sales (Section 1.5.4), aeronautical assets (Section 1.5.5), return on assets (Section 1.5.6) and aeronautical investments (Section 1.5.7).

### 1.5.1 Revenue

#### *Aeronautical revenue*

Airports generally earn most aeronautical income from charges to airlines accessing airport services such as runways, taxiways and parking bays. These charges are mostly applied on a per passenger basis and are often bundled together.

Total aeronautical income for all monitored airports increased by 4.3 per cent in real terms to \$1.44 billion during 2014-15. The monitored airports have reported increases in aggregate aeronautical income for each year since they were privatised.

All airports apart from Perth Airport reported real increases in aeronautical revenue during 2014-15. In contrast to last year when Perth Airport's aeronautical income grew 12.9 per cent and was the largest increase of the monitored airports, during 2014-15 it decreased by 1.4 per cent in real terms to \$186.6 million. This is the first time since 2001-02 that Perth Airport's aeronautical income has decreased in real terms. However, since 2004-05, Perth Airport has had the largest average annual yearly increase of 10.9 per cent of the monitored airports.

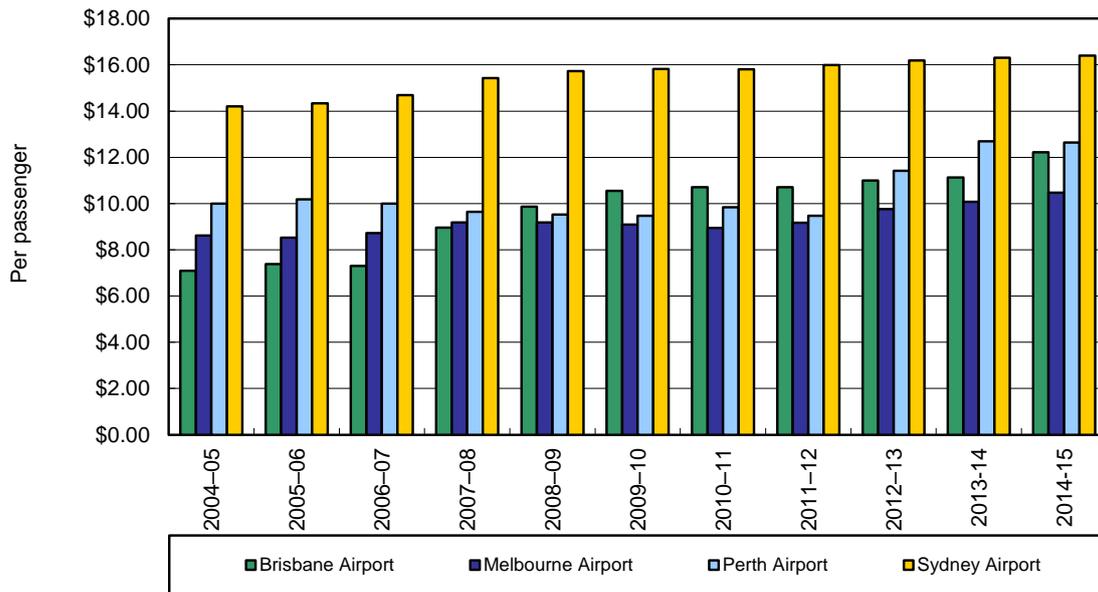
Brisbane Airport had the largest increase in aeronautical revenue during 2014-15 with growth of 10.7 per cent in real terms to \$272.2 million. This is in contrast to the three years prior where income increases were less than 5 per cent per year. Melbourne Airport's aeronautical income grew by 7.7 per cent in real terms while Sydney Airport reported growth of 1.8 per cent in real terms.

#### *Aeronautical average prices*

The monitored airports all provide similar services and charges. However, the analysis of comparing charges across airports is complicated by the various types of charge bundling done and the basis by which they are applied. Due to these differences, the ACCC prefers to use aeronautical revenue per passenger as a proxy for an airport's average price levels and their changes over time.

<sup>28</sup> Airservices, (2013), Airport Capacity Enhancement (ACE) Program, [http://www.airservicesaustralia.com/wp-content/uploads/ACE\\_Program.pdf](http://www.airservicesaustralia.com/wp-content/uploads/ACE_Program.pdf)

**Chart 1.5.1: Aeronautical revenue per passenger in real terms: 2004-05 to 2014-15**



Note: Real values in 2014-15 dollars

Chart 1.5.1 shows that all airports except Perth Airport reported increases in aeronautical revenue per passenger in real terms during 2014-15. Brisbane Airport reported the largest increase with 9.8 per cent in real terms to \$12.22. Brisbane Airport increased a number of aeronautical charges during 2014-15 which saw its aggregate aeronautical revenue jump by 10.7 per cent in real terms while overall passenger numbers had a small increase of 0.8 per cent.

Perth Airport was the only airport to report a reduction in aeronautical revenue per passenger with a decrease of 0.4 per cent in real terms to \$12.64. Although Sydney Airport reported modest increases of 0.6 per cent in real terms to \$16.40, it has continued to be the most expensive airport to fly into per passenger for the entire time series.

### Total airport revenue

All airports reported increases in total airport revenue.<sup>29</sup> In contrast to the decline in Perth Airport’s aeronautical revenue in real terms during 2014-15, its total airport revenue had the largest increase of all airports with a jump of 10.6 per cent to \$429.3 million. Sydney Airport reported the smallest overall airport revenue increase with a rise of 2.1 per cent in real terms to \$1190.0 million.

Table 1.5.1 presents both aeronautical and total airport revenues for the years 2004-05 and 2014-15. It further provides the ratio of aeronautical income to total airport income.

<sup>29</sup>Total airport revenue includes revenue from other operations such as car parks, retail leases, commercial property leases and aeronautical revenue.

**Table 1.5.1: Aeronautical and total airport revenue in real terms: 2004-05 to 2014-15**

Revenue in 2004-05 (\$million)					
	Brisbane	Melbourne	Perth	Sydney	Total
Aeronautical	112.7	179.1	66.6	409.6	768.0
Total airport	320.1	411.6	184.0	833.0	1 748.7
<b>Aeronautical as a % of total airport</b>	<b>35.2%</b>	<b>43.5%</b>	<b>36.2%</b>	<b>49.2%</b>	<b>43.9%</b>
Revenue in 2014-15 (\$million)					
	Brisbane	Melbourne	Perth	Sydney	Total
Aeronautical	272.2	338.2	186.6	643.0	1 440.0
Total airport	610.7	753.1	429.3	1 190.0	2 983.1
<b>Aeronautical as a % of total airport</b>	<b>44.6%</b>	<b>44.9%</b>	<b>43.5%</b>	<b>54.0%</b>	<b>48.3%</b>

Note: Real values in 2014-15 dollars

## 1.5.2 Operating expenses

### *Aeronautical operating expenses*

Significant aeronautical expenses incurred by monitored airports include depreciation, services and utilities, amortisation and salaries and wages. During 2014-15, the combined aeronautical expenses for all airports increased by 5.6 per cent in real terms. This is around 1.3 percentage points above the aeronautical revenue increase for 2014-15.

Melbourne Airport reported the largest rise in aeronautical expenses with an increase of 11.2 per cent in real terms to \$191.3 million. Expenses driving this increase included amortisation and general administrative expenses which increased by 14.7 and 47.8 per cent in real terms respectively.

Sydney Airport recorded the lowest increase in aeronautical operating expenses with a rise of 1.3 per cent in real terms to \$320.8 million. This small increase was achieved by savings in services and utilities and salaries and wages which reduced by 31.2 and 6.6 per cent in real terms respectively.

### *Total airport operating expenses*

Total operating expenses increased in real terms at all airports during 2014-15. Individual monitored airports' total operating expenses changes were similar to what occurred with their aeronautical operating expenses.

Melbourne Airport's total operating expenses increased by 12.5 per cent in real terms to \$298.0 million during 2014-15, representing the largest increase of the monitored airports. Sydney Airport recorded the lowest increase in total airport operating expenses with a rise of 2.9 per cent in real terms in 2014-15.

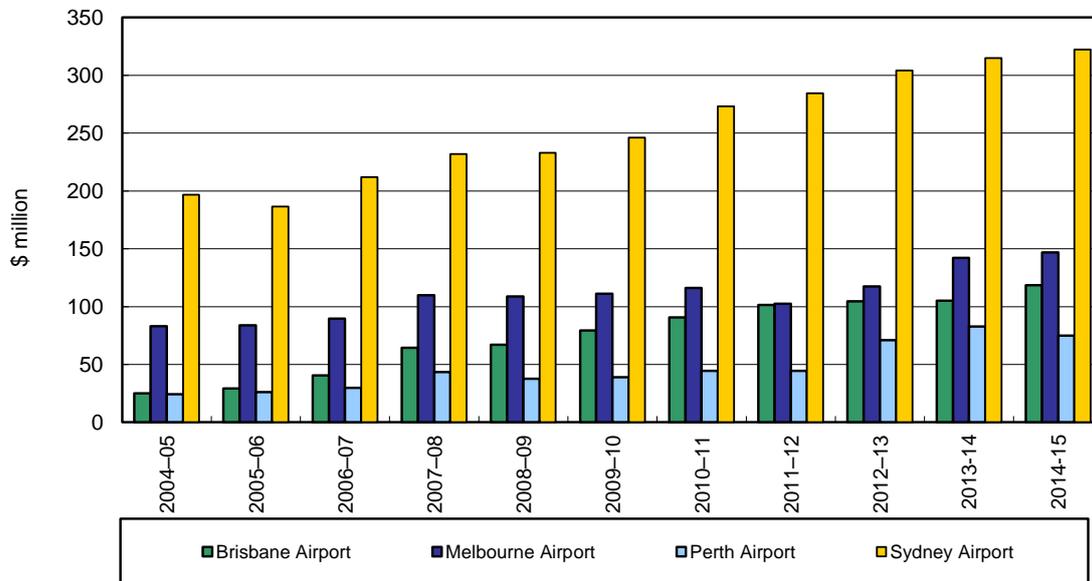
## 1.5.3 Operating margin

The ACCC's main measure of profitability or aggregate margin is earnings before interest, tax and amortisation (EBITA). The ACCC uses EBITA because it is not affected by differing capital structures or tax rates utilised by Australian companies. However, this measure does not enable an accurate assessment of whether an airport's prices are generating revenues consistent with the efficient long-run costs of providing aeronautical services.

### Aeronautical aggregate margin

The combined aeronautical aggregate margin for all monitored airports increased by 2.7 per cent in real terms during 2014-15 to \$662.7 million. All airports except Perth Airport reported increases. Chart 1.5.2 presents aeronautical aggregate margin for each airport in real terms for the period 2004-05 to 2014-15.

Chart 1.5.2: Aeronautical aggregate margin in real terms: 2004-05 to 2014-15



Note: Real values in 2014-15 dollars

Brisbane Airport reported the largest increase during 2014-15 with a rise of 12.9 per cent in real terms to \$118.6 million, its largest increase since 2010-11. Further to this, since 2004-05 Brisbane Airport has reported the largest average yearly increase of 16.8 per cent in real terms for aeronautical aggregate margin of the monitored airports. This means it has almost quadrupled from a low base of \$25.1 million in 2004-05.

Both Melbourne and Sydney Airports reported relatively flat increases in aeronautical aggregate margin with rises of 3.4 and 2.3 per cent in real terms respectively. Sydney Airport's total aeronautical aggregate margin of \$322.2 million was more than double that of Melbourne Airport (second highest with \$146.8 million). Both Melbourne and Sydney airports have reported similar average annual increases of 5.9 and 5.1 per cent in real terms respectively.

Perth Airport reported a drop in aeronautical aggregate margin of 9.6 per cent in real terms to \$75.0 million. This contrasts with an annual average increase of 12.0 per cent per year in real terms over the period.

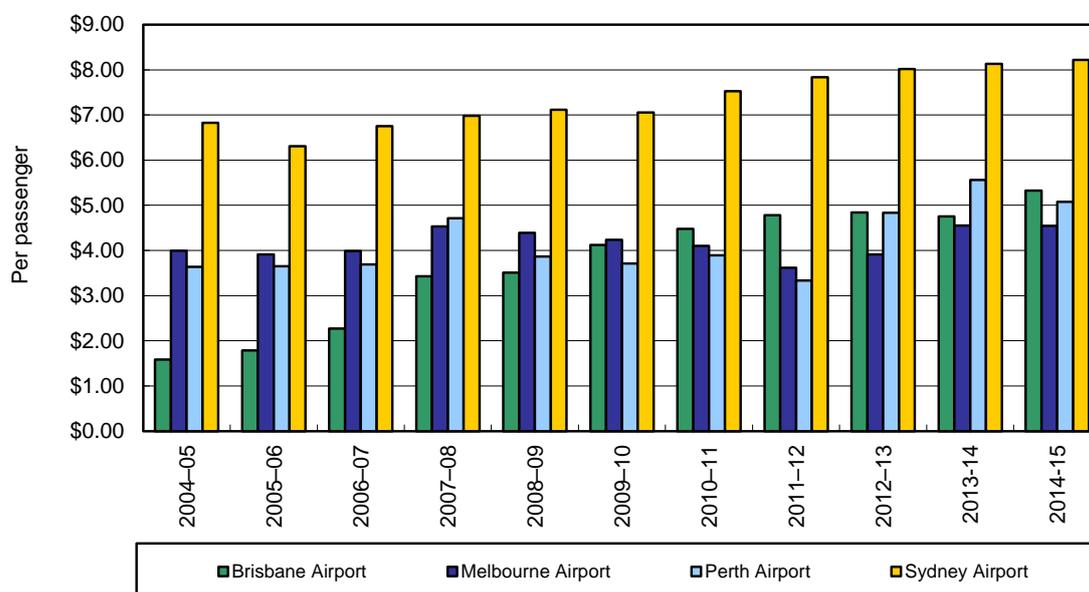
### Aeronautical operating margin per passenger

Aeronautical aggregate margin is used by the ACCC because it is a useful measure when assessing earnings gained per passenger by the monitored airports. Chart 1.5.3 presents aeronautical aggregate margin per passenger in real terms for the period 2004-05 to 2014-15.

Only Brisbane and Sydney airports reported increases in aeronautical aggregate margins per passenger during 2014-15. Brisbane Airport's had the largest increase with a gain of 12.0 per cent in real terms to \$5.33. This represents the largest increase for this measure at Brisbane Airport since 2007-08. Brisbane Airport also had the highest annual average increase over the past decade with 12.9 per cent.

Perth Airport’s aeronautical aggregate margin per passenger dropped 8.7 per cent in real terms to \$5.08 during 2014-15. Melbourne Airport reported a small decrease of 0.2 per cent to \$4.54.

**Chart 1.5.3: Aeronautical margin per passenger in real terms: 2004-05 to 2014-15**



Note: Real values in 2014-15 dollars

Sydney Airport continues to earn the highest aggregate margins per passenger of the monitored airports. During 2014-15 it earned \$8.22 per passenger and this result was 54.3 per cent higher than the next highest (Brisbane Airport). Since 2004-05, this difference has been as high as 116.7 per cent which occurred in 2011-12 (with Brisbane Airport).

**Total airport aggregate margin**

All monitored airports reported increases in total airport aggregate margin during 2014-15. The combined total aggregate margin for all monitored airports increased by 4.5 per cent in real terms to \$1788.1 million.

In contrast to their decline in aeronautical aggregate margin during 2014-15, Perth Airport’s total airport aggregate margin increased by 16.3 per cent in real terms to \$225.8 million. This was the largest increase of the monitored airports.

Sydney Airport reported the lowest increase in total airport aggregate margin with a rise of 1.7 per cent in real terms to \$755.1 million. Although Sydney Airport’s total airport aggregate margin is 66 per cent higher than Melbourne Airport (\$455.1 million), this ratio is the lowest it has been since 2009-10 when it was 61.8 per cent.

**1.5.4 Return on sales**

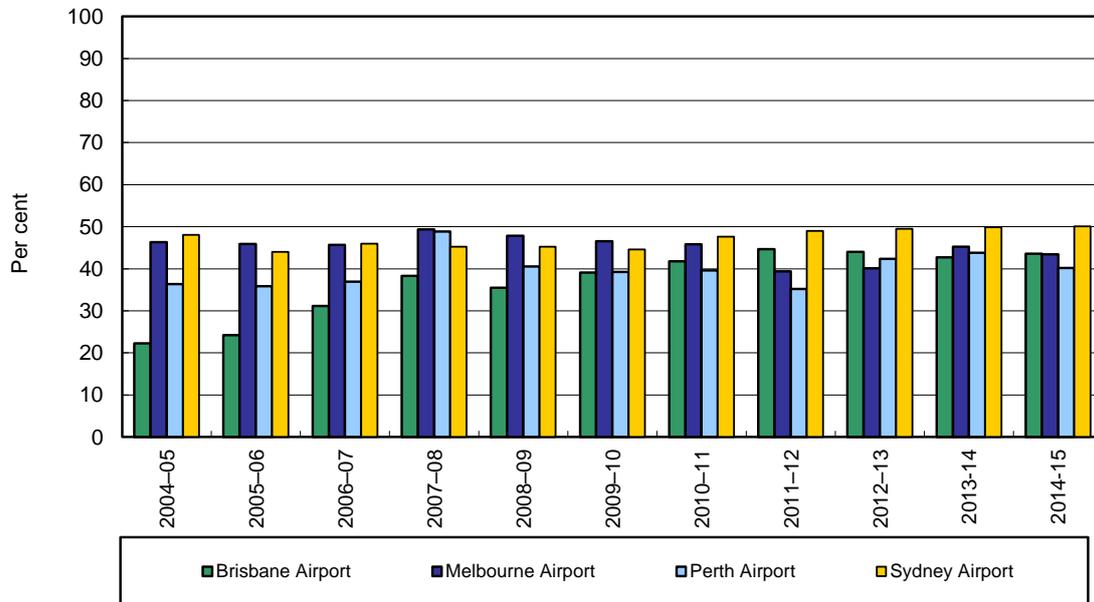
**Aeronautical return on sales**

Return on sales is generally used as one of the measures of a firm’s profitability and represents the extent to how much profit is earned from each dollar of revenue generated.<sup>30</sup>

<sup>30</sup> Return on sales is calculated by dividing net profit (EBITA) by total sales and expressing the final number as a percentage.

Chart 1.5.4 presents aeronautical return on sales for the period 2004-05 to 2014-15. Return on sales for aeronautical activities ranged from a high of 50.1 per cent for Sydney Airport to a low of 40.2 per cent for Perth Airport during 2014-15. Sydney Airport has recorded the largest return on sales for all monitored airports for the past five years. Further, Sydney Airport’s 2014-15 return on sales of 50.1 per cent is the highest achieved by any monitored airport over the time series.

**Chart 1.5.4: Aeronautical return on sales: 2004-05 to 2014-15**



**Total airport return on sales**

Return on sales for total airport activities ranged from a high of 63.5 per cent for Sydney Airport to a low of 52.6 per cent for Perth Airport during 2014-15. Brisbane Airport reported 57.6 per cent and Melbourne 60.4 per cent.

**1.5.5 Aeronautical assets**

Aeronautical assets are normally those airport assets that are directly used for the supply of aeronautical services and include for example runways, aprons, aircraft parking bays, aerobridges and terminals.

Aeronautical tangible non-current assets for the four monitored airports for 2014-15 were valued at \$7.3 billion, up 11.5 per cent in real terms since 2013-14. Melbourne Airport accounted for around 52 per cent of the real dollar increase in the monitored airports’ combined aeronautical asset base.

During 2014-15, all airports apart from Sydney Airport reported increases in the total real value of aeronautical tangible non-current assets. Melbourne Airport reported an increase of 28.1 per cent in real terms while Brisbane and Perth airports had increases of 16.8 and 19.8 per cent in real terms respectively. Sydney Airport’s aeronautical tangible non-current assets decreased by 3.2 per cent in real terms to \$2.6 billion.

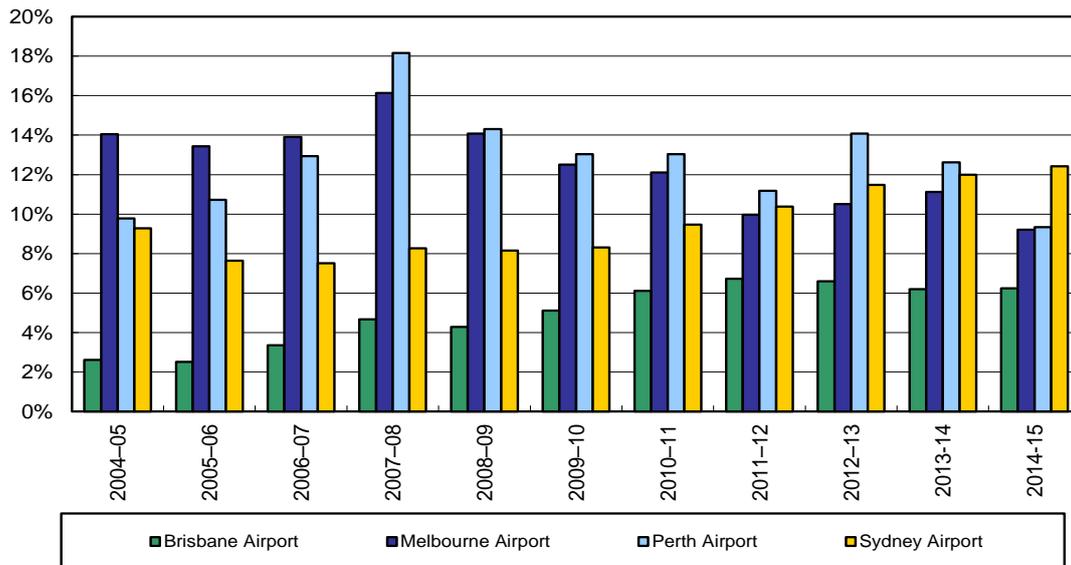
### 1.5.6 Return on assets

Return on assets is calculated as EBITA on average tangible non-current assets. This measure provides a measure of the efficiency with which an entity uses its assets to produce an operating profit.<sup>31</sup>

#### *Return on aeronautical assets*

Chart 1.5.3 presents the return on assets for aeronautical services from 2004-05 to 2014-15.

**Chart 1.5.3: Return on assets for aeronautical services: 2004-05 to 2014-15**



Sydney Airport was the only monitored airport to report an increase in return on aeronautical assets for 2014-15, with a rise of 0.4 percentage points to 12.4 per cent. This is the sixth consecutive year that Sydney Airport’s return on aeronautical assets has increased.

Sydney Airports return on aeronautical assets was also the highest rate of all the monitored airports during 2014-15.

Both Melbourne (down 1.9 percentage points to 9.2 per cent) and Perth Airports (down 3.3 percentage points to 9.3 per cent) reported drops in their return on aeronautical assets. Brisbane Airport remained unchanged at 6.2 per cent for their return on aeronautical assets. Brisbane Airport earned around half of what Sydney Airport is earning for every dollar invested during 2014-15.

#### *Return on aeronautical assets using the line in the sand approach*

The 2006 Productivity Commission’s (PC) inquiry into the economic regulation of airports services said that some airports were revaluing aeronautical assets for a range of non-price reasons.<sup>32</sup> Further, the PC said that the intent of these revaluations may be to provide a justification for higher charges at some stage in the future.

<sup>31</sup> Care should be taken when assessing or using the return on assets data presented for the monitored airports. This is due to the differing approaches airports may have taken in valuing their assets. A number of airports have effected upward revaluations of their assets which has the effect of lowering the return on assets.

<sup>32</sup> Productivity Commission (2006), Review of Price Regulation of Airport Services, No. 40, 14 December [http://www.pc.gov.au/\\_data/assets/pdf\\_file/0019/20638/airportservices.pdf](http://www.pc.gov.au/_data/assets/pdf_file/0019/20638/airportservices.pdf)

The ACCC has reported on a 'line in the sand' (LIS) approach for airports' aeronautical asset valuations since 2007-08. Under the LIS 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.<sup>33</sup>

Brisbane and Sydney airports are the only two airports impacted by the LIS approach, as Melbourne and Perth airports have not revalued their aeronautical assets for monitoring purposes since 30 June 2005.

Brisbane Airport's return on aeronautical assets under the LIS approach was 7.9 per cent which is 1.6 percentage points higher than the non-LIS figure. This is due to Brisbane Airport's earnings being higher under the LIS methodology, while its aeronautical asset base is lower in value under the LIS methodology.<sup>34</sup>

Under the LIS approach, Sydney Airport's return on aeronautical assets was 12.0 per cent.<sup>35</sup> This is 0.4 percentage points lower than the non-LIS value.

### ***Return on total airport assets***

Brisbane, Melbourne and Sydney airports reported declining return on total airport assets while Perth Airport remained unchanged during 2014-15.

Sydney Airport's return on total airport assets was 17.9 per cent during 2014-15, representing a drop of 1.2 percentage points from the previous year. This return on total airport assets is substantially above the other monitored airports.

Melbourne Airport recorded the largest drop of 2.2 percentage points for return on total assets with 12.9 per cent during 2014-15. Perth Airport remained unchanged at 9.8 per cent while Brisbane Airport reported 9.0 per cent.

## **1.5.7 Aeronautical investments**

An important indicator for airport performance is the extent to which it is undertaking efficient investment in aeronautical infrastructure to meet current and future needs of the users of airports. The nature, scale and timing of investments will have a material impact on services provided to airlines and passengers.

Aeronautical assets such as runways, terminals, taxiways and aprons are generally long-lived assets, and investment projects also require long lead times in the planning and implementation stages. For these reasons, different airports are likely to be at different phases of their investment cycles at any given time. However, an airport's investment profile over time should provide a useful context for assessing changes in the standard of service levels.

### ***Additions as a percentage of aeronautical assets***

Additions to aeronautical assets are used by the ACCC to measure aeronautical investment (or capital expenditure) relative to the size of the airport. Further, it is used to measure the extent to which an airport expands its aeronautical asset base on a yearly basis. Brisbane, Melbourne

<sup>33</sup> The ACCC's requirement for airports operators to provide the additional asset value information put into effect the government's response to the PC's 2006 review.

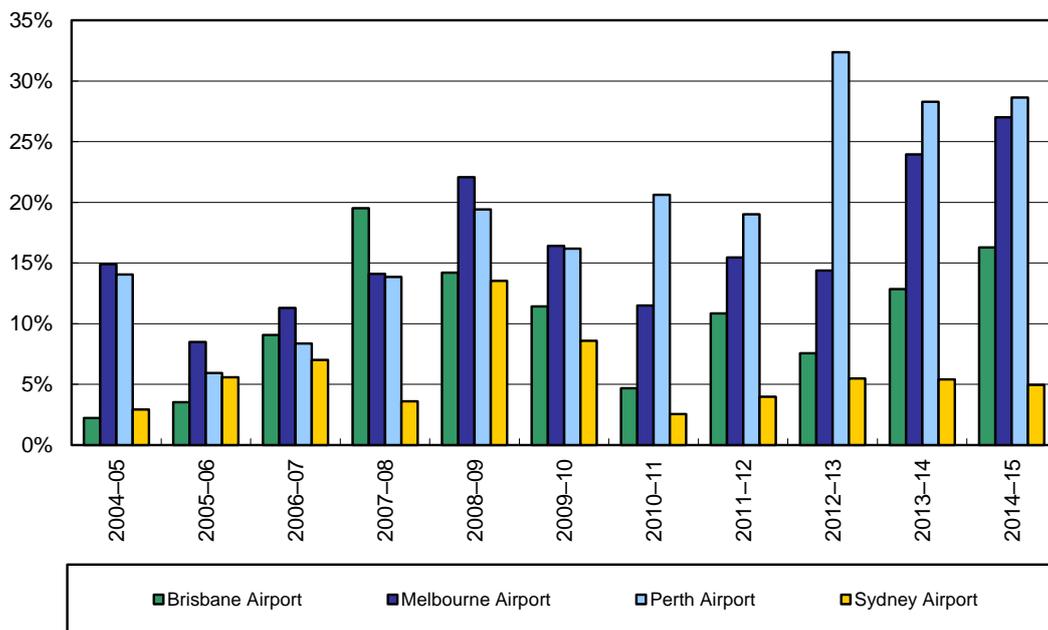
<sup>34</sup> The LIS approach removes the effect of revaluations of aeronautical assets by airports for monitoring purposes. This usually means that the LIS asset base will be lower than the non-LIS asset base because of revaluations completed on the latter. Further, there is a flow-on effect of a lower value of depreciation for the LIS asset base and subsequent lower total expense aggregates and higher margin.

<sup>35</sup> This figure refers to Sydney Airport's line in the sand value excluding the value of landfill in leasehold land. For Sydney Airport's line in the sand values both including and excluding the value of landfill, please see section 5.2.2.

and Perth airports have all reported substantial additions to aeronautical investments over the last decade while Sydney Airport has reported quite lower additions.

Chart 1.5.4 presents additions as a percentage of aeronautical assets for all monitored airports from 2004-05 to present. Perth Airport reported the highest additions to aeronautical assets of the monitored airports during 2014-15 with 28.7 per cent, up 0.4 percentage points from 2013-14. This is the second highest addition to Perth Airport’s aeronautical assets since privatisation. The major aeronautical projects completed during 2014-15 at Perth Airport include the expansion and refurbishment works in T3, which increased the departure lounge area and an upgrade of the baggage handling system.

**Chart 1.5.4: Additions as a percentage of tangible non-current assets for aeronautical services: 2004-05 to 2014-15**



The most significant aeronautical project underway during 2014-15 was the T1 International and Domestic Pier project with a value of \$330 million. The new T1 Domestic Pier opened during November 2015.

Melbourne Airport’s additions to aeronautical assets were 27.0 per cent during 2014-15 representing the largest aeronautical capital spend since privatisation. Major projects include the construction of the new Terminal 4 and the international terminal bussing, premium lounge and transfer screening facilities project.

Over the period from 2004-05 to 2014-15, Melbourne Airport’s additions have totalled \$1.9 billion in real terms and this is the largest of the monitored airports. Both Brisbane and Sydney airports overall additions over the same period time series were around \$1.8 billion in real terms.

## 1.6 Comparing aeronautical price with quality outcomes

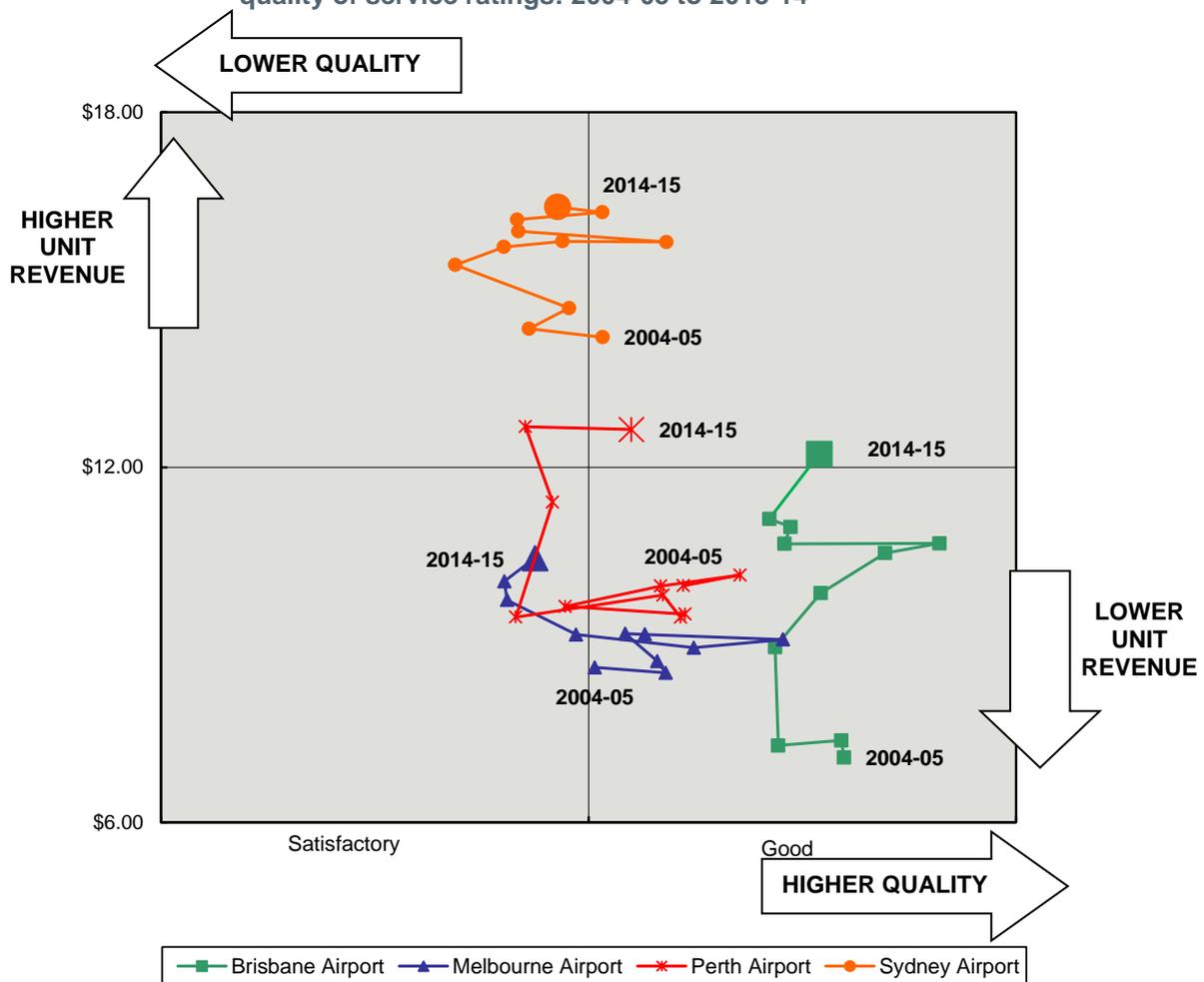
An unregulated monopolist has the ability to earn excess profits by charging higher fees for their service or product and by reducing quality / standards or by not passing on reductions in costs. The latter can result in lower standards of service or quality of product. This section

compares the overall aeronautical quality of service ratings with the average aeronautical prices charged per passenger for each monitored airport.

Chart 1.6.1 provides a graphical representation of the combination of these two indicators for each airport for the period 2004-05 to 2014-15. The most favourable combinations of quality of service ratings and average prices would be located in the lower right quadrant which would represent lower prices and higher quality. Alternatively, the upper left quadrant representing lower quality and higher prices would be the least favourable combination.

During 2014-15, there were no monitored airports in the most favourable quadrant of low average prices and high quality outcomes. Although Melbourne Airport reported the lowest average aeronautical price of the monitored airports, it also had the equal lowest overall aeronautical quality rating. Sydney Airport reported the largest average aeronautical price and the equal lowest overall aeronautical quality rating. It was the only airport to be located in the high price / low quality quadrant during 2014-15.

**Chart 1.6.1: Aeronautical revenue per passenger (in real terms) and aeronautical quality of service ratings: 2004-05 to 2013-14<sup>36</sup>**



When assessed over the period 2004-05 to 2014-15, Chart 1.6.1 shows that all monitored airports have reported a worsening of their aeronautical average revenue and quality of service from a consumer perspective. However, Brisbane, Melbourne and Perth Airports all were located in the low price / high quality quadrant in 2004-05. As can clearly be seen in the chart,

<sup>36</sup> For the purposes of this chart, aeronautical services and facilities include aircraft-related services and facilities, passenger-related services and facilities and management responsiveness, but exclude car parking and landside services and facilities. The ratings for these services differ from those associated with overall services and facilities.

Brisbane Airport's average aeronautical price had the largest increase of 72.2 per cent over the period from 2004-05 to 2014-15.

Sydney Airport has been located for the majority of years over the period 2004-05 to 2014-15 in the high price / low quality quadrant. However, Sydney Airport has reported the lowest increase in average aeronautical prices over the period with a rise of 15.5 per cent.

### ***Lack of competition in the supply of jet fuel to airlines***

Jet fuel is a considerable cost item for airlines, representing around a third of global airline operating costs.<sup>37</sup> From a competition perspective, the key part of the supply chain is the transport of jet fuel from the refinery or wharf to aircraft at the airport. Jet fuel is transported to on-site storage at the airport by pipeline and/or truck. The storage and distribution infrastructure at the airport is owned by multiple parties and operates under lease by the airport. Some airports including Sydney Airport also charge a fuel throughput levy on each litre of jet fuel.

The Board of Airline Representatives of Australia (BARA) has long been concerned about the lack of competition in the supply of jet fuel. In 2011 it applied for both the pipeline and the airport storage facilities in Sydney to be declared under Part IIIA of the National Access Regime in the *Competition and Consumer Act 2010*. The Minister accepted the recommendation by the National Competition Council and decided not to declare the services.

BARA submitted to the government's Competition Policy Review that it was an opportune time to create the conditions necessary to allow the emergence of more competitive jet fuel markets.<sup>38</sup> It said that there were many globally recognised jet fuel suppliers that could enter and compete at Australia's major international airports. It argued that in order to open up access to the jet fuel infrastructure supply chain:

- for the infrastructure located at airports, open access arrangements should be a mandatory condition for any lease renewals between the infrastructure owners and the airport and
- the pipelines that transfer the jet fuel to the airport should be deemed declared under Part IIIA.<sup>39</sup>

The government's Competition Policy Review found in March 2015 that competition in jet fuel supply should be a focus of further reform efforts in the sector.<sup>40</sup> However, it did not provide direction as to how this reform may proceed.

## 1.7 Airport car parking prices, revenues, costs and profits

This section presents the ACCC's monitoring results of the prices, revenues, costs and profits relating to the supply of car parking services and facilities at the four monitored airports. Most airports provide a range of car parking options such as short-term or long-term parking and covered or un-covered parking. More detailed information on individual airport car parking facilities and its configurations is provided in Chapters 2 to 5.

<sup>37</sup> Board of Airline Representatives of Australia (BARA), *Submission to the Competition Policy Review*, p. 7.

<sup>38</sup> *Ibid*, p. 4.

<sup>39</sup> However, Qantas has noted that pipelines at Melbourne and Sydney Airports are operating at full capacity. See Qantas (2011), *The Qantas Group Submission to the Productivity Commission inquiry into the Economic Regulation of Airport Services*, April. <http://www.pc.gov.au/inquiries/completed/airport-regulation/submissions/sub052.pdf>

<sup>40</sup> Competition Policy Review, *Final report*, March 2015, p. 206.

All airports have introduced online booking systems for car parking in addition to the drive-up rates. The online booking of car parking places is in most instances at a discount to the equivalent drive-up rate. For the 2014-15 monitored report, the ACCC has collected weighted online and drive-up price data and has calculated an average price for selected price durations.

A full list of car parking charges and the availability of car parking facilities over the past five years can be found on the Airport Monitoring page of the ACCC's website.<sup>41</sup>

### 1.7.1 Supply of airport car parking spaces

Table 1.7.1 presents the number of car parking spaces at each monitored airport for 2014-15.

All monitored airports apart from Perth Airport decreased the number of car parking spaces during 2014-15. Melbourne Airport reported the largest fall in car parking spaces from June 2014 with a decrease of 4.8 per cent. This drop at Melbourne Airport was due to car rental facilities being moved to the short-term car parking area and a reduction in long-term spaces due to the construction of an elevated road to access the new Terminal 4.

Perth Airport was the only airport to report an increase in car parking spaces during 2014-15 with a rise of 16.7 per cent to 22 166 car park spaces. This increase is largely attributed to the expansion of both the long and short-term car parks in the T1/T2 precinct.

**Table 1.7.1: Total car parking spaces as at 30 June 2015, and percentage changes from 30 June 2005 and 30 June 2015**

Airport	Total car parking spaces			Change in total car parking spaces (per cent)	
	30 June 2005	30 June 2014	30 June 2015	2005 to 2015	2014 to 2015
Brisbane	7 837	13 975	13 677 <sup>1</sup>	▲ 74.5	▼ 2.1
Melbourne	11 712	24 406	23 223	▲ 98.3	▼ 4.8
Perth	4 267	19 001	22 166	▲ 419.5	▲ 16.7
Sydney	10 168	16 864	16 492	▲ 62.2	▼ 2.2

Note: Staff car parking spaces are included in data on total car parking spaces

<sup>1</sup> Brisbane Airport opened a new remote car park which opened on 30 June 2015 adding an additional 1100 spaces.

### 1.7.2 Car parking prices

Airport car parking prices are primarily based on the length of stay. Other considerations such as the distance to / from the terminal, whether the car park provides under cover parking and type of booking (drive up or online) also can affect pricing. A selection of drive up and online car parking prices charged by each monitored airport for short-term and long-term parking for 2014-15 are presented in Table 1.7.2 and Table 1.7.3 for 2014-15.

As noted, all airports are now offering online booking options for selected price durations. The ACCC has collected both drive-up and online prices for 2014-15 and has calculated a weighted average price for selected price durations. Table 1.7.2 presents drive-up, average online and the weighted average for selected short-term car parking price durations.

Table 1.7.2 shows that Perth Airport charged the lowest drive-up prices for short-term parking across the monitored airports in 2014-15. Brisbane, Melbourne and Sydney airports offered similar prices for short-term parking, but Brisbane airport had relatively lower rates for two to three hours and eight to 24 hours.

<sup>41</sup> For further information see <http://www.accc.gov.au/regulated-infrastructure/airports-aviation/airports-monitoring>

**Table 1.7.2: Selected short-term drive-up, online and average car parking prices at domestic terminal car parks in 2014-15**

	Short-term car parking								
	1 hour			2-3 hours			4-24 hours		
	Drive up	Average Online	Weighted average	Drive up	Average Online	Weighted average	Drive up	Average Online	Weighted average
<b>Brisbane</b>	\$15.00	n/a	n/a	\$23.00	n/a	n/a	\$55.00	\$44.18	\$47.88
<b>Melbourne</b>	\$14.00	n/a	\$14.00	\$29.00	n/a	\$29.00	\$57.00	-	\$56.45
<b>Perth</b>	\$8.50	n/a	n/a	\$14.50	n/a	n/a	\$41.00	n/a	n/a
<b>Sydney</b>	\$16.00	-	\$16.26	\$33.00	-	\$32.50	\$58.50	-	\$57.36

Note n/a – online values not available  
 - Commercial in confidence

(a) All monitored airports with an exception of Perth Airport charged flat drive-up rates for 4 to 24 hours car parking. Perth airport charged \$19 for 4-5 hours car parking and then its drive-up rates increased incrementally by \$2 per hour. Perth Airport charged a single drive-up rate of \$41 for 8-24 hours car parking.

(b) Since 2013-14, Sydney airport has provided an additional car park service which is located within walking distance to its domestic terminals and offered a daily parking rate of \$45. Due to data unavailability and airports' claims of commercial in confidence, the ACCC was only able to publish limited data on online and weighted average prices for short-term car parking. However, data collected by the ACCC from three monitored airports indicates that consumers have the potential to gain substantial savings through online bookings for short-term durations. The weighted average data presented in Table 1.7.2 shows that the average online prices for Brisbane airport for 4 to 24 hours durations were 8.0 per cent lower than the equivalent drive-up price.

Table 1.7.3 presents drive-up, average online and the weighted average for selected long-term car parking price durations. Brisbane Airport reported the highest drive-up rates for long-term car parking. Brisbane Airport's 1, 3 and 7 day drive-up prices were 23.1, 20.5 and 9.6 per cent higher respectively than the next highest airport's prices for those price durations. However, Brisbane Airport's long-term car park is located within walking distance to the terminal while Melbourne, Perth and Sydney airports are at a distance to the terminal with free shuttle bus services.

As noted, because of data unavailability and commercial in confidence constraints, the ACCC was only able to publish limited data on online prices for long-term car parking. The data that the ACCC was able to collect on long-term online offers highlighted considerable differences from the equivalent drive-up rates and the substantial savings on offer to consumers.

**Table 1.7.3: Selected long-term drive up, online and average car parking prices at domestic terminal car parks in 2014-15**

	Long-term car parking								
	1 day			3 days			7 days		
	Drive up	Average Online	Weighted average	Drive up	Average Online	Weighted average	Drive up	Average Online	Weighted average
<b>Brisbane</b>	\$48.00	-	\$47.88	\$88.00	-	\$82.18	\$148.00	-	\$111.05
<b>Melbourne</b>	\$39.00	\$14.91	\$30.44	\$69.00	\$35.15	\$55.60	\$99.00	\$55.70	\$75.26
<b>Perth</b>	\$23.00	n/a	n/a	\$67.00	n/a	n/a	\$111.00	n/a	n/a
<b>Sydney</b>	\$30.00	-	\$31.96	\$73.00	-	\$72.01	\$135.00	-	\$111.88

Note n/a – online values not available  
 - Commercial in confidence  
 Melbourne Airport's long-term car parking prices are at the long-term uncovered car park.

The limited data presented for average online prices in Table 1.7.3 indicates that consumers generally can make significant savings through online booking at Brisbane Airport. Average online prices for 1, 3 and 7 days are 0.3, 6.6 and 24.9 per cent less respectively than the equivalent drive-up price.

Table 1.7.4 presents the percentage change of selected short and long-term domestic drive-up parking prices as at 30 June 2014 and 30 June 2015. Perth Airport was the only airport to increase all presented domestic short-term and long-term car parking prices.

**Table 1.7.4: Percentage change of selected short and long-term drive-up car parking prices in real terms: 30 June 2014 to 30 June 2015**

Airport	Short-term car parking			Long-term car parking		
	1 hour	3 hours	8 hours	1 day	3 days	7 days
Brisbane	▲ 5.3%	▼ 1.7%	▲ 0.1%	▲ 9.7%	▲ 4.2%	▲ 1.8%
Melbourne	▼ 1.7%	▲ 1.8%	▲ 0.1%	▼ 1.7%	▼ 1.7%	▼ 1.7%
Perth	▲ 4.5%	▲ 1.8%	▲ 2.4%	▲ 13.1%	▲ 9.8%	▲ 4.9%
Sydney	▼ 1.7%	▲ 1.4%	▲ 0.9%	▲ 5.3%	▼ 1.7%	▼ 1.7%

Note: Real values in 2014-15 dollars

The majority of price durations for short-term parking increased across the monitored airports, with the largest occurring for one hour parking at Brisbane Airport (5.3 per cent in real terms). However, there was a decrease of 1.7 per cent in real terms for Brisbane Airport’s 3 hour short-term parking. Both Brisbane and Perth airports increased all long-term price durations presented in Table 1.7.4. Melbourne Airport left its long-term price durations unchanged in nominal terms.

***Passengers starting to take advantage of airport online parking offers***

All monitored airports have over the past few years introduced online booking of car parking places. Data collected by the ACCC from three monitored airports<sup>42</sup> indicates that consumers have the potential to gain substantial savings through online bookings and particularly for longer term parking durations.

Previous monitoring reports outlined the potential savings to consumers from online car parking offers but noted that the majority of car parking revenue was sourced from customers paying drive-up rates. However, this may be changing. For three of the monitored airports, online parking revenues have comprised the majority of revenue for selected long-term parking durations.

Airports may be choosing to make discounts available as a form of price discrimination—price conscious consumers will book ahead to receive discounts online, while less price sensitive consumers will pay higher drive-up prices. These discounts may attract consumers that would otherwise have considered alternatives such as lifts from family and friends, public transport and off-airport carparks. The variable online pricing may also represent a way for the airports to manage periods of variable demand for a fixed number of carparks.

***Substantial discounts on offer***

The online and average car parking price data provided for 2014-15 from three of the monitored airports highlights the substantial differences in prices paid between those who have booked online and those who have paid drive-up prices. Online prices for short-term durations were generally between 8.7 and 58.3 per cent cheaper than the corresponding drive-up prices. The high use short-term duration of 1 to 2 hours was between 26.5 and 37.5 per cent cheaper for online bookings rather than the drive-up price.

Online offers for long-term car parks or durations greater than 24 hours provided even larger savings over drive-up rates. The data provided for long-term parking suggests that the longer the period parked, the greater the daily saving by booking online. Online prices for longer term

<sup>42</sup> Perth Airport declined to participate in the provision of online data for this analysis.

durations were between 13.1 to 66.5 per cent cheaper than the corresponding drive-up equivalent.

*Changing consumer preferences for some long-term parking durations*

Total car parking revenue for the participating airports show that around 28.3 per cent of this revenue was derived from online bookings during 2014-15.

However, consumers using long-term car parking spaces of durations exceeding 5 to 7 days have a clear preference for online booking. For these durations, the volume of cars who have booked online to those who pay drive-up is double at some airports and substantially more at some other airports. More generally, the share of revenue from online bookings for long-term car parking spaces (or for durations longer than 24 hours) was 40.7 per cent while the short-term share was 3.4 per cent.

Consumer preferences for online booking of long-term car parking may be related to the larger percentage and aggregate dollar savings of long-term parking when compared to short-term car parking. Other reasons include the need for consumers to be precise with their arrival and departure time in order to book online for short-term parking, which can be made difficult by potential road congestion and the late arrival of planes. Other factors could also be related to the airports' focus on long-term deals on their websites.

**1.7.3 Car parking revenues, costs and profits**

Table 1.7.5 presents car parking revenues, operating expenses and operating margins in real terms for each of the monitored airports, as well as annual percentage changes for each of these indicators.

**Table 1.7.5: Car parking revenue, operating expenses and aggregate margin: 2014-15, and percentage change from 2013-14 in real terms**

Airport	Car parking revenue, operating expenses and operating margin					
	Revenue (\$million)	Percentage change (%)	Operating expenses (\$million)	Percentage change (%)	Operating margin (\$million)	Percentage change (%)
Brisbane	84.5	▲ 4.6	27.7	▼ 3.9	56.8	▲ 9.4
Melbourne	147.0	▲ 14.8	39.4	▼ 0.3	107.6	▲ 21.6
Perth	65.1	▼ 1.2	23.6	▲ 14.9	41.5	▼ 8.5
Sydney	127.8	▲ 4.7	36.2	▲ 11.4	91.5	▲ 2.2

Note: Real values in 2014-15 dollars

With the exception of Perth Airport, all monitored airports reported an increase in car parking revenue in real terms during 2014-15. Perth Airport's revenue fell marginally by 1.2 per cent in real terms from \$65.9 million in 2013-14 to \$65.1 million in 2014-15. This is the first time over the reporting period that Perth Airport's car parking revenue has decreased in real terms. The result was likely due to the fall in passengers at Perth Airport of 1.0 per cent during 2014-15.

Melbourne Airport has consistently earned the largest amount of car parking revenue among the monitored airports. In 2014-15, Melbourne Airport reported the largest revenue growth with an increase of 14.8 per cent to \$147.0 million in real terms. As most prices did not increase substantially during 2014-15, this result was likely due to customers parking for longer durations. This large rise in revenue and associated decline in car parking expenses of 0.3 per cent in real terms has resulted in Melbourne Airport reporting an increase in car parking aggregate margin for the first time since 2010-11. In 2014-15, Melbourne Airport's car parking aggregate margin increased by 21.6 per cent in real terms to \$107.6 million during 2014-15.

Perth Airport and Sydney Airport reported significant increases in car parking operating expenses during 2014-15 with rises of 14.9 and 11.4 per cent in real terms respectively. Perth Airport was the only monitored airport to report a decline in car parking aggregate margin, decreasing by 8.5 per cent in real terms to \$41.5 million.

Return on sales for car parking activities were significantly higher than earned for aeronautical services. Whereas the highest return on sales for aeronautical assets was at 50.1 per cent, all airports reported in excess of 60 per cent for car parking services. Melbourne Airport reported the largest return on sales with 73.2 per cent during 2014-15 (up 4.1 percentage points from 2013-14). Sydney Airport's return on sales for car parking services was 71.6 per cent, while Brisbane Airport was 67.2 per cent and Perth Airport had 63.7 per cent.

### 1.7.4 Average car parking revenues, costs and profits

Table 1.7.6 presents car parking revenue, operating expenses and operating margin on a per car park space basis for each of the monitored airports.

Perth Airport is the only airport to report a decrease in revenue per car park space in 2014-15. This drop of 15.3 per cent can be explained by the expansion of Perth Airport's car parking spaces and the decline in its car parking revenue in real terms.

On a per car park basis, Melbourne Airport reported increases in car parking revenue by 20.7 per cent to \$6,331 and unit operating margin by 27.8 per cent to \$4,633.

**Table 1.7.6: Car parking revenue, operating expenses and operating margin per car park space: 2014-15, and percentage change from 2013-14 in real terms**

Airport	Car parking revenue, operating expenses and operating margin per car park space					
	Revenue (\$)	Percentage change (%)	Operating expenses (\$)	Percentage change (%)	Operating margin (\$)	Percentage change (%)
Brisbane	6 181	▲ 6.9	2 028	▼ 1.8	4 153	▲ 11.8
Melbourne	6 331	▲ 20.7	1 698	▲ 4.8	4 633	▲ 27.8
Perth	2 937	▼ 15.3	1 066	▼ 1.5	1 871	▼ 21.6
Sydney	7 749	▲ 7.0	2 198	▲ 13.9	5 551	▲ 4.5

Note: Real values in 2014-15 dollars

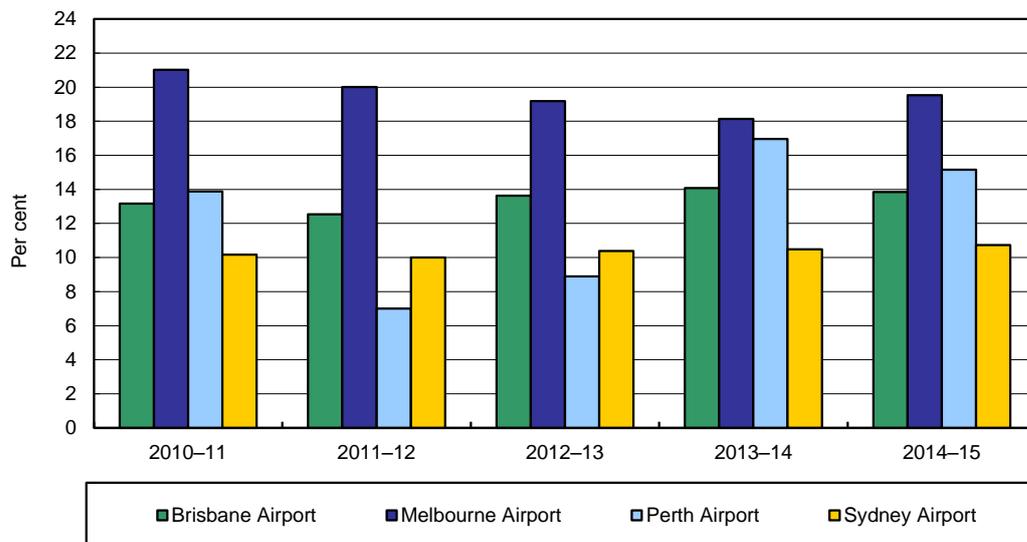
### 1.7.5 Car parking revenue as a percentage of total airport revenue

Chart 1.7.1 displays car parking revenue as a percentage of total airport revenue for the monitored airports over the period from 2010-11 to 2014-15. Total airport revenue includes revenue from other operations such as car parks, retail leases, commercial property leases and aeronautical revenue.

Melbourne Airport's share of car parking revenue to total airport revenue increased by 1.4 percentage points to 19.5 per cent during 2014-15. This is the first increase for Melbourne Airport since 2010-11. Chart 1.7.1 shows that Melbourne Airport has consistently reported the highest percentage over the period presented.

Perth Airport's share of car parking revenue to total airport revenue dropped 1.8 percentage points to 15.2 per cent in 2014-15. Sydney Airport continues to report the lowest share with 10.7 per cent.

**Chart 1.7.1: Car parking revenue as a percentage of total airport revenue: 2010-11 to 2014-15**



## 1.8 Landside access prices and revenues

Landside areas within the precincts of monitored airports provide another revenue source for airports. There are a number of businesses that require access to landside areas including private car operators, taxis, buses, train operators and off-airport car parking operators. These businesses provide a range of alternatives to on-airport parking and therefore are an important constraint on car parking monopoly pricing. Airports set the price, terms and conditions of access to airport land, which is a bottleneck infrastructure area. As the airports' car parking facilities are generally in direct competition with the businesses that require access to landside infrastructure, airports have an incentive to influence the level of competition through the prices, terms and conditions they set for landside access.

This section presents prices and revenues associated with landside access, which provides an indication of the range of alternatives to on-airport car parking and the conditions imposed on the operators of these services.

### 1.8.1 Landside access prices

Landside access pricing changes for the monitored airports were varied during 2014-15. Sydney Airport reported the largest landside pricing changes for all services during 2014-15. Private bus charges increased by between 5.9 to 10.6 per cent in real terms while taxi charges increased by 4.9 per cent in real terms. Both Melbourne and Perth Airports left nominal prices unchanged during 2014-15 for taxis and private cars and therefore had a real decrease of 1.7 per cent. Brisbane and Sydney airports increased all landside charges during 2014-15. Brisbane Airport charges for taxis increased by 1.3 per cent in real terms while fees from the air train corridor lease increased by 3.4 per cent in real terms.

### 1.8.2 Landside revenues

Table 1.8.1 presents landside revenues as at 30 June 2014 and 30 June 2015. The largest increase in landside revenues occurred at Melbourne Airport, increasing by 46.5 in real terms during 2014-15. The majority of Melbourne Airport's landside revenue increase was due to an increase in taxi fees in April 2014 which increased from \$1.32 to \$2.70 per taxi in nominal terms. Sydney Airport's landside revenue increased by 13.3 per cent in real terms during

2014-15. It reported the highest aggregate landside revenue of the monitored airports over the period from 2009-10 to 2014-15.

**Table 1.8.1: Landside access revenues as at 30 June 2014 and 30 June 2015, and percentage change in real terms**

Type of fee	Year	Airport (\$thousand—real values in 2014-15 dollars)			
		Brisbane	Melbourne	Perth	Sydney
Taxi	2013-14	3 984	2 833	2 385	10 986
	2014-15	4 102	5 255	2 302	11 653
	% change	▲ 3.0	▲ 85.5	▼ 3.5	▲ 6.07
Public bus	2013-14	247	0	0	0
	2014-15	285	0	0	0
	% change	▲ 15.5	NA	NA	NA
Private bus	2013-14	2 165 <sup>(a)</sup>	5 963 <sup>(b)</sup>	0	2 150 <sup>(c)</sup>
	2014-15	1 876 <sup>(a)</sup>	6 386 <sup>(b)</sup>	0	2 609 <sup>(c)</sup>
	% change	▼ 13.4	▲ 7.1	NA	▲ 21.3
Train	2013-14	157	NA	NA	NA
	2014-15	162	NA	NA	NA
	% change	▲ 3.4	NA	NA	NA
Private car operators	2013-14	NA	2 113	300	2 120
	2014-15	NA	2 351	307	2 517
	% change	NA	▲ 11.3	▲ 2.3	▲ 18.7

Notes: Real values in 2014-15 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

### Australian rail connections as a constraint on airport market power

As the sole providers of car parking on airport grounds, the major Australian airports are likely to hold significant market power in the supply of car parking services. The higher the level of market power, the less incentive that an airport has to keep prices low and provide a service that is attractive to users. An indication of the monitored airports' market power is that they all enjoy operating margins on car parking of above 50 per cent (see section 1.7.3).

The degree of market power depends on the extent to which consumers can and are happy to choose other means for getting to and from the airport. Alternative transport modes may include off-airport car parking, terminal pick-up and drop-off, taxis, hire cars, limousines, public and private buses, and trains. The competitive dynamics of airport transport is further impacted by suppliers of these alternative forms of transport relying on the airport for appropriate facilities (e.g. convenient locations for kerbside pick-up and drop-off) and access charges where applicable.

In this year's report, the ACCC has chosen to take a closer look at airport rail links and the degree to which they act as a constraint on the market power of airports in car parking. We find that where rail links have been built, they have struggled to gain significant market share due to a variety of price and non-price factors. The relatively low patronage of these services suggests that airport rail has not provided a strong degree of constraint on airport's car parking pricing. Furthermore, there is some evidence that airport rail competes more closely with other modes of transport, such as taxis and other public transport services.

### ***Existing and possible future Australian airport rail links***

Sydney and Brisbane airports are the only two major Australian airports that have a heavy rail service operating to and from the airport. Both have historically struggled to capture significant market share, with Sydney Airport's rail market share at around 15 per cent and Brisbane Airport's rail market share at around 4 per cent of the total trips to these airports. Despite this, plans for airport rail links at other major Australian airports have also been recently discussed or introduced. These existing and potential airport rail links are described in more detail below.

#### **Sydney**

The Sydney Airport rail link was the first in Australia. It was constructed between 1995 and 2000 in order to be completed prior to the 2000 Sydney Olympics. This project was developed as a 30-year concession between the New South Wales Government and the private sector. The airport stations are operated and managed by the Airport Link Company (ALC) and will be under private ownership until 2030.<sup>43</sup> ALC applies a station usage fee that is applied for all trips to and from the airport stations, which results in passengers paying \$17.00 one-way to/from Sydney Airport.<sup>44</sup> The NSW Government is also entitled to a portion of the net revenues from the station usage fee.<sup>45</sup> In August 2014, the NSW Government stated that it did not intend to abolish or reduce the station usage fee, and that removing it would cost the NSW Government hundreds of millions of dollars.<sup>46</sup>

#### **Brisbane**

The Brisbane Airport rail link is a privately owned and operated railway that commenced operations in May 2001.<sup>47</sup> Queensland Transport granted Airtrain a licence to build, own, operate and transfer the Brisbane Airport rail link for 35 years.<sup>48</sup> Similar to the Sydney Airport rail link, there is a higher fee applied on using the Brisbane Airport rail link stations than the regular passenger train network. Passengers currently pay \$17.50 one-way to travel between Brisbane Airport and Brisbane City.<sup>49</sup>

#### **Perth**

In August 2014, the Western Australian Government announced the construction of the Forrestfield-Airport Link, with construction to begin in 2016 and trains to commence in 2020.<sup>50</sup> The rail link will have three new train stations, including an underground station at Perth Airport, which will result in travel times of less than 20 minutes to the Perth CBD.<sup>51</sup> The WA Government has short-listed three consortia to design and construct the rail link. Perth Airport

<sup>43</sup> AirportLink, (2011) *Airport Link Company submission to the Productivity Commission Economic Regulation of Airports*, , p. 3, <http://www.pc.gov.au/inquiries/completed/airport-regulation/submissions/sub015.pdf>

<sup>44</sup> Sydney Trains, *Fare calculator*, [http://www.sydneytrains.info/tickets/fare\\_calculator](http://www.sydneytrains.info/tickets/fare_calculator)

<sup>45</sup> NSW State Government, (2014) *Removing or Reducing Station Access Fees at Sydney Airport – NSW Government Response*, 2014, p. 3, [http://www.parliament.nsw.gov.au/prod/parlment/committee.nsf/0/08CF3EF25C31F173CA257C8D00046CE?open&fnavid=CO4\\_1](http://www.parliament.nsw.gov.au/prod/parlment/committee.nsf/0/08CF3EF25C31F173CA257C8D00046CE?open&fnavid=CO4_1)

<sup>46</sup> Ibid.

<sup>47</sup> Brisbane's Airtrain, *About Us*, <http://www.airtrain.com.au/aboutus>

<sup>48</sup> Ibid.

<sup>49</sup> Brisbane's Airtrain, *Fares – travelling between Brisbane Airport and Brisbane City*, [http://www.airtrain.com.au/fares\\_page](http://www.airtrain.com.au/fares_page)

<sup>50</sup> The Hon. Colin Barnett, (2014) *8km Forrestfield-Airport Link tunnel revealed*, Media release, , <https://www.mediastatements.wa.gov.au/Pages/Barnett/2014/08/8km-Forrestfield-Airport-Link-tunnel-revealed.aspx>

<sup>51</sup> Government of WA, *Forrestfield-Airport Link*, <http://getthebiggerpicture.wa.gov.au/forrestfield-airport-link/>

has publicly supported the airport rail project, and the WA Government has confirmed that it will fully fund the project from planning to construction and into operation.<sup>52</sup>

### Melbourne

In April 2014, the then Victorian Government announced a plan to build a rail link to Melbourne Airport.<sup>53</sup> Although supportive of a rail link to the airport in principle and suggesting that it was 'a worthy long-term project', the new government has stated that it has other more immediate infrastructure priorities.<sup>54</sup> The current Opposition Leader, the Hon Matthew Guy, has backed the Melbourne Airport rail link project, stating in August 2015 that 'it's a no brainer that Melbourne Airport needs a railway'<sup>55</sup>.

The Tourism and Transport Forum (TTF) considered that once airports reach a benchmark of 40 million passengers per year, a rail link becomes a necessity.<sup>56</sup> Another analysis argued that an airport rail link in Melbourne would be required before passenger numbers reach 60 million per year.<sup>57</sup> Both reports consider that Melbourne Airport could reach these volumes within 20 years. In addition, the Bureau of Infrastructure, Transport and Regional Economics (BITRE) has forecast that Melbourne Airport would surpass 60 million passengers per year in 2030-31.<sup>58</sup>

### Western Sydney

In April 2014, the Australian Government and NSW Government announced a \$3.5 billion roads package to improve the linkages to the new airport to be built at Badgerys Creek in Western Sydney.<sup>59</sup> However, the Australian Government announced that there would be no rail link when the airport opens. Department of Infrastructure and Regional Development deputy secretary Andrew Wilson stated in August 2015 that 'the first public transport to and from the airport will be buses provided through an efficient road network' and 'rail is a longer-term requirement'.<sup>60</sup>

In November 2015, the Australian and NSW Governments announced a 'rail options' plan to examine Western Sydney's rail transport needs, including serving Badgerys Creek Airport and other Western Sydney growth areas.<sup>61</sup> The Australian Government stated that this process will

<sup>52</sup> Western Australia Public Transport Authority, *Project Delivery and Governance*, <http://www.forrestfieldairportlink.wa.gov.au/about/planning/ProjectDeliveryandGovernance/tabid/1043/Default.aspx>  
Geoffrey Thomas, (2014) *Airport 'no' to rail link payment*, The West Australian Newspaper, , <https://au.news.yahoo.com/thewest/wa/a/24798025/airport-no-to-rail-link-payment/>

<sup>53</sup> Victorian State Government (2014), *Coalition Government commits to Melbourne Airport Rail Link in State Budget*, Media Release, , <http://www.martindixon.org/coalition-government-commits-melbourne-airport-rail-link-state-budget/>

<sup>54</sup> Lucas, C (2015) *Melbourne Airport 50<sup>th</sup> busiest in the world but among only six without rail*, The Age, , <http://www.theage.com.au/victoria/melbourne-airport-50th-busiest-in-the-world-but-among-only-six-without-rail-20151028-gkkndo.html>

<sup>55</sup> Natalie Savino, (2015) *Opposition Leader Matthew Guy backs Melbourne Airport rail link*, Herald Sun, , <http://www.heraldsun.com.au/leader/north-west/opposition-leader-matthew-guy-backs-melbourne-airport-rail-link/story-fnrvn43-1227464656061?nk=666658156c408d270a58baafd1e82e27-1439255105>

<sup>56</sup> Tourism & Transport Forum (2013), *Rapid buses, road and rail – ground transport solutions to meet Melbourne Airport's passenger growth to 2050*, p.29, <http://www.ttf.org.au/Content/RRR.aspx>

<sup>57</sup> Parsons Brinckerhoff (2012), *Melbourne Airport Rail Link Alignment Alternatives Study Volume 2: Technical Report Final*, p.14, <http://pandora.nla.gov.au/pan/146229/20140508-1455/Melbourne-Airport-Rail-Link-Study-Technical-Report.pdf>

<sup>58</sup> Bureau of Infrastructure, Transport and Regional Economics (2012), *Air passenger movements through capital and non-capital city airports to 2030-31*, Research Report 133, pp. 26-28, [https://bitre.gov.au/publications/2012/files/report\\_133.pdf](https://bitre.gov.au/publications/2012/files/report_133.pdf)

<sup>59</sup> The Hon. Jamie Briggs MP (2014), *Local stakeholders welcome \$3.5 billion infrastructure plan*, Media release, [http://minister.infrastructure.gov.au/jb/releases/2014/April/jb029\\_2014.aspx](http://minister.infrastructure.gov.au/jb/releases/2014/April/jb029_2014.aspx)

<sup>60</sup> Jamie Freed (2015), *Sydney's Badgerys Creek airport will not have a rail connection*, The Sydney Morning Herald, , <http://www.smh.com.au/business/aviation/sydneys-badgerys-creek-airport-will-not-have-a-rail-connection-20150803-giqff3.html>

<sup>61</sup> The Hon. Warren Truss MP (2015), *Federal and NSW Governments join forces on future rail transport for Western Sydney*, Media release, [http://minister.infrastructure.gov.au/wt/releases/2015/November/wt364\\_2015.aspx](http://minister.infrastructure.gov.au/wt/releases/2015/November/wt364_2015.aspx)

be completed within 12 months. In particular, the government stated that a rail line linking Badgerys Creek Airport and the surrounding communities will be needed 'one day' and that the airport would be 'rail ready' when it opens.<sup>62</sup>

### **Why have airport rail links struggled to gain significant market share?**

Private car remains the dominant mode of transport used to access Australia's major airports. Although rail is the most popular form of public transportation used by passengers travelling to/from the airport in both Sydney and Brisbane, these services have struggled to reach significant levels of market share. This may be partly due to local conditions in Australia and attitudes towards public transport, as well as specific features of the airport rail links and the airports.

After initially struggling to gain market share of trips to the airport, Sydney's airport rail improved its market share by 1 percentage point per year between 2006 and 2012.<sup>63</sup> According to a 2012 survey, rail was the main public transport option used to access Sydney Airport and had reached a market share of around 15 per cent of trips to and from the airport (which is not insignificant).<sup>64</sup> Owner of the rail link, CP2 Limited, further advised the Australian Logistics Council 2016 Conference that this share had increased to 20 per cent. It also forecast train patronage to grow by 7 per cent during 2016.<sup>65</sup> It has been suggested that more airport visitors have opted for the airport rail link due to current worsening of congestion on roads around the airport.<sup>66</sup> Public buses accounted for only 2 per cent of trips to and from the airport.<sup>67</sup> In comparison, during 2009 (the most recent figures available) private car and taxi trips accounted for almost 70 per cent of trips to and from the airport.<sup>68</sup> There is much lower use of public transport to get to the airport in Brisbane than in Sydney, with around 94 per cent of trips typically by private cars and taxis, with less than 6 per cent of trips by public transport.<sup>69</sup>

Both the Brisbane and Sydney airport rail links appear to provide comparable travel times with other possible transport modes (including private cars) at reliable intervals for passengers travelling to/from the CBD at non-peak times.<sup>70</sup> During peak times, the airport rail would likely provide a faster service than other road-based transport modes. Despite this, airport rail market shares are yet to reach significant levels such as those at European and Asian airports, particularly in Brisbane. Some of the likely contributing factors are discussed below.

### **Premium pricing on airport rail links**

There is a premium price applied to the Brisbane and Sydney airport rail services compared to regular public transport services. Premium prices for rail may make it more cost effective for passengers to use another form of transport (such as a taxi) for multiple people travelling together. For example, the TTF suggested that Sydney's airport station usage fee (currently \$13.00<sup>71</sup>) is cost-prohibitive for price sensitive travellers (those most likely to fly with low cost

<sup>62</sup> Ibid.

<sup>63</sup> Sydney Airport, *Sydney Airport Master Plan 2033*, p. 98

<sup>64</sup> Ibid.

<sup>65</sup> O'Sullivan, M. (2016), 'Train passengers to Sydney Airport line fill government's coffers to tune of \$100m', in Sydney Morning Herald newspaper, 3 March <http://www.smh.com.au/nsw/train-passengers-to-sydney-airport-line-governments-coffers-to-tune-of-100m-20160301-gn7c3y.html>

<sup>66</sup> O'Sullivan, M. (2016),

<sup>67</sup> Ibid.

<sup>68</sup> Tourism & Transport Forum (2011), *Accessing Our Airports*, p.40, <http://www.ttf.org.au/Content/airportaccess0211.aspx>

<sup>69</sup> Brisbane Airport, *Brisbane Airport 2014 Master Plan*, p.239

<sup>70</sup> Brisbane Airtrain, *Connecting you to Brisbane*, <https://airtrain.com.au/brisbane-connect> AirportLink, *Trip Times*, <http://www.airportlink.com.au/trip-information/trip-times/>

<sup>71</sup> NSW Government, *Opal – Sydney Airport Station Access Fee*, [https://www.opal.com.au/en/opal-fares/airport\\_station\\_access\\_fee/](https://www.opal.com.au/en/opal-fares/airport_station_access_fee/)

carriers) and for groups (where taxi fares may be cheaper than the airport rail link).<sup>72</sup> In addition, it has been forecast that removing the station usage fee at Sydney Airport would provide an initial increase in rail market share of 4 per cent for airline passengers and 3 per cent for airport employees.<sup>73</sup> It was noted recently that the NSW State Government received a payment of \$54 million from the operators of the rail link for the 2013-14 financial year.<sup>74</sup>

Despite the premium price, a number of studies have argued that passengers place higher values on travel time and other non-price factors, and that even the highest rail fares worldwide are considerably lower than their equivalent taxi fares.<sup>75</sup> Although price is an important factor, other factors may be more important in explaining the relatively low market share held by Australia's airport rail links.

### Australia's local conditions

Australian cities do not tend to display the characteristics of high density cities, with residents dispersed throughout suburban areas at a distance from the CBD. Because of this dispersion, rail lines that originate/terminate in the CBD are not likely to be an attractive method of travel for residents who generally make trips between the airport and their home. In addition, the provision of free areas for pick-up and drop-off at the major Australian airports encourages private vehicle usage and discourages a modal shift to other transport options, such as public transport.<sup>76</sup>

Most airport rail links in Europe have market shares of around 25 to 45 per cent or more, while airport rail links in the United States generally have market shares of less than 10 per cent.<sup>77</sup> One study attributed this to differences in metropolitan characteristics (such as urban density, general usage of public transport and number of cars per capita), airport isolation (distance from CBD) and supply-side factors (such as travel time differences between modes of travel).<sup>78&79</sup> The study indicated that European cities tend to display more characteristics that are attributed to higher rail usage than those in the USA. The study also indicated that Australian cities tend to display qualities that more closely reflect those of USA cities than those in Europe.<sup>80</sup>

Another study suggested that the extent of road investment in the USA is likely to make it difficult to realise relative travel time advantages for rail services (as seen at a number of European airports).<sup>81</sup> A 2000 study on the use of public transport by airport passengers

<sup>72</sup> Tourism & Transport Forum, *Unlocking the full potential of Sydney's Airport Rail Link*, 2013, p. 8, <http://www.ttf.org.au/Content/airporthail.aspx>

<sup>73</sup> Booz&co (2010), *Impact of Fare Reform on the Sydney Airport Rail Link*, pp. iv-v, <https://www.sydneyairport.com.au/corporate/media-centre/media-releases/~media/163a1aa3ff12478fa9ef7c63e02fdb3.pdf>

<sup>74</sup> O'Sullivan, M. (2016),

<sup>75</sup> David Ashley (2006), 'Airport Rail Links – A Post Audit', 29th Australasian Transport Research Forum p. 5, [http://www.atrf.info/papers/2006/2006\\_Ashley.pdf](http://www.atrf.info/papers/2006/2006_Ashley.pdf)  
J Bates, D Ashley & G Hyman, 'The Nested Incremental Logit Model: Theory and Application to Mode Choice', Seminar C, PTRC Summer Annual Meeting 1987.  
Bradley (2005), 'A comparison of Australian airport rail links with elsewhere in the world', Australasian Transport Research Forum, pp. 10-17, [http://www.atrf.info/papers/2005/2005\\_Bradley.pdf](http://www.atrf.info/papers/2005/2005_Bradley.pdf)

<sup>76</sup> TTF, *Accessing Our Airports*, p.15

<sup>77</sup> Bradley, 'A comparison of Australian airport rail links with elsewhere in the world'

<sup>78</sup> Ibid, pp. 14-16.

<sup>79</sup> Some European and Asian airports are achieving public transport mode shares of 38 to 60 per cent of airport visitors. See TTF, *Accessing Our Airports*, p.16

<sup>80</sup> Bradely, pp. 14-16.

<sup>81</sup> Transit Cooperative Research Program, *Report 62 - Improving public transportation access to large airports*, 2005, p.86, [http://onlinepubs.trb.org/onlinepubs/tcrp/tcrp\\_rpt\\_62-b.pdf](http://onlinepubs.trb.org/onlinepubs/tcrp/tcrp_rpt_62-b.pdf)

suggested that ‘the factors that allow rail to attract large market shares at the European and Asian airports are not directly transferable to conditions in most cities in the United States’.<sup>82</sup> The paper concluded that the ceiling on public transportation use in most USA cities appeared to be around 10-15 per cent, even at airports with rail services.<sup>83</sup> It is possible that Australian cities also do not exhibit the characteristics that enable rail to attract large market shares.

**Specific features of the airport rail links**

There may also be specific service qualities of the Brisbane and Sydney airport rail links that deter passengers from using these services. For example, the Sydney airport rail link is not a dedicated airport service, with multiple stops along the route to the destination. These trains may also be relatively crowded during peak hours as daily commuters make their journey to the city centre. The Brisbane airport rail link also makes multiple stops along the journey to the city centre. The Brisbane and Sydney airport rail links do not provide substantial extra luggage storing capability, which may deter passengers with checked baggage from using the service.

***Do airport rail links constrain airport car parking prices?***

As noted, airports likely hold market power as a result of being the sole providers of on-airport car parking services. The extent of this market power will depend on the degree to which passengers can and are happy to choose alternative means for travelling to the airport. For example, if an airport rail link provided a viable alternative to on-airport car parking, this would likely create incentives for the airports to offer car parking services at reduced rates to discourage consumers from switching to the airport rail service.

The majority of passengers who park at Australia’s airports are likely to be residents of those cities/states and have access to a private vehicle. Although price competitiveness may shift passengers to rail at the margin, the time and convenience characteristics of on-airport car parking are more likely to be substituted by taxis or off-airport car parking facilities, where it is easier for passengers to travel to and from their home. It is likely that a significant proportion of the usage of a rail service may come from non-residents travelling to the city centre, who would not otherwise park at the airport. For this segment of rail demand, the rail service is instead competing more directly with taxis and other public transport services for market share.

Table 1.8.2 outlines that a passenger’s choice of travel mode may also be impacted by the length of time they will be away and the number of passengers in a group. In particular, for one or two passengers travelling to and from the CBD, taking the Brisbane or Sydney airport rail will generally be cheaper or equivalent to alternative travel modes. This cost effectiveness will differ for passengers travelling outside of the CBD and for passenger groups of different numbers.

**Table 1.8.2: Approximation of the cheapest travel mode for different travel periods at Brisbane and Sydney airports on a price per passenger basis (for return travel to/from the CBD)**

# of passengers Brisbane	Length of time away						
	1 day	2 days	3 days	4 days	5 days	6 days	7 days
1	Train	Train	Train	Train	Train	Train	Train
2	Car park	Train	Train	Train	Train	Train	Train
3	Car park	Car park	Car park	Taxi	Taxi	Taxi	Taxi
4	Car park	Car park	Car park	Taxi	Taxi	Taxi	Taxi

<sup>82</sup> PB Mandle (2000), DM Mansel & MA Coogan, ‘Use of public transportation by airport passengers’, Transportation Research Board – 79th Annual Meeting,, p. 5, [http://www.researchgate.net/profile/Matthew\\_Coogan/publication/228588024\\_Use\\_of\\_public\\_transportation\\_by\\_airport\\_passengers/links/5488428e0cf2ef3447906d1d.pdf](http://www.researchgate.net/profile/Matthew_Coogan/publication/228588024_Use_of_public_transportation_by_airport_passengers/links/5488428e0cf2ef3447906d1d.pdf)

<sup>83</sup> Ibid, p. 12.

# of passengers Sydney	Length of time away						
	1 day	2 days	3 days	4 days	5 days	6 days	7 days
1	Car park	Train	Train	Train	Train	Train	Train
2	Car park	Car park	Train	Train	Train	Train	Train
3	Car park	Car park	Car park	Car park	Taxi	Taxi	Taxi
4	Car park	Car park	Car park	Car park	Taxi	Taxi	Taxi

Note: Travel modes considered for this table were: airport rail, taxis and on-airport car parking (drive-up rates)  
 Source: Brisbane Airtrain website, Yellow Cab Co fare calculator, and car parking prices from ACCC monitoring Sydney AirportLink website, Sydney Airport website and car parking prices from ACCC monitoring Brisbane Sydney on-airport parking charges are based on the domestic long-term car parking facilities

A 2000 study for the USA-based Transportation Research Board suggested that airline passengers tend to be more time sensitive and less cost sensitive than the average daily work commuter.<sup>84</sup> However, today's air travel market is comprised of different segments that will have differing levels of cost sensitivity, with some segments more prone to switching to a lower cost alternative travel mode than others.<sup>85</sup> It is likely that low cost carrier (LCC) passengers would be more willing to switch to public transport or free pick-up and drop-off facilities due to price factors than other segments of the air travel market.

The 2000 study for the Transportation Research Board also stated that:

*Available studies report that over 80% of the airline passengers using new rail services previously used buses, vans, or taxicabs. Thus, the introduction of rail service does not appear to significantly raise the public transportation ceiling, but rather promotes the diversion of airline passengers from one public transportation mode to another.*<sup>86</sup>

This suggests that there may not initially be a significant mode shift from private car usage following the introduction of an airport rail link, with price sensitive passengers being the most likely to switch from private car to rail.

Although an airport rail link may provide a degree of constraint on on-airport car parking prices, it is likely to have a much stronger constraint on the pricing of other transport alternatives (such as buses and taxis). For example, if the Melbourne Airport rail link were constructed, passenger fares would likely be constrained by the current SkyBus service (priced at \$18 one-way<sup>87</sup>), as SkyBus provides an equivalent and efficient service between the same locations. The TTF claimed that the Melbourne Airport rail link will not be able to offer competitive travel times for many passengers and will need to instead compete on service reliability and pricing (optimally priced at the Metro fare).<sup>88</sup> The TTF also suggested that any rail link to Melbourne Airport will be of most benefit if it expands total public transport access, rather than mimicking the service currently provided by SkyBus.<sup>89</sup>

***A collaborative approach between airports and governments can encourage passengers to increase their usage of public transport***

While this section has focused on rail links, broader provision of public transport can provide

<sup>84</sup> Mandle, Mansel & Coogan, 'Use of public transportation by airport passengers', p. 9,

<sup>85</sup> The cost sensitivity of airline passengers has likely evolved since that 2000 study, with the emergence of low cost carrier airlines (such as Jetstar and Tigerair) providing discounted airfares and attracting a wider market for air travel. The BITRE's data on the 'Real Best Discount' airfares for Australian domestic air travel confirms the continued discounting of airfares, with best discounted airfares around 44 per cent lower in 2014-15 than those in 2000-01.

<sup>86</sup> Mandle, Mansel & Coogan, 'Use of public transportation by airport passengers', p.10

<sup>87</sup> SkyBus, Fares, <http://www.skybus.com.au/fares/>

<sup>88</sup> TTF, *Rapid buses, road and rail*, p.32

<sup>89</sup> TTF, *Rapid buses, road and rail*, p.28

passengers with options for getting to and from the airport and therefore increase incentives for the airports to offer more attractive car parking rates. In addition, passengers may be more inclined to shift to public transport where these services reach more areas of the population, become more reliable and frequent, and provide a more cost effective travel alternative.

The airports are not the only entities involved in improving public transport (including rail) access at the airports. Improvements in landside infrastructure can only come about through a collaborative approach involving airport operators and state and local governments. Planning and funding decisions on landside infrastructure made by the airports and governments can have flow-on effects to the rest of the road transport network. A collaborative approach will produce better investment and improve access to airports in the future. For example, the Airports Act was amended in 2010 to improve the planning regulatory framework, to support more effective airport planning and better alignment with State and local planning.<sup>90</sup>

Airports can influence the attractiveness of public transport services through the terms and conditions imposed on airport access for public transport (such as the pick-up and drop-off locations). However, governments provide public transport (or contracts for public transport services) and have the ability to influence the quality, frequency, affordability and convenience of public transport services. For example, some state governments have recently commenced enhancements to bus and train services to and from their airports<sup>91</sup>, as well as road enhancements<sup>92</sup>.

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<sup>90</sup> The Parliament of the Commonwealth of Australia, *Airports Amendment Bill 2010 – Explanatory Memorandum*, p. 1, [http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r4454\\_ems\\_c80a9663-90aa-42c1-bea5-021e6a8297d3/upload\\_pdf/347498.pdf;fileType=application%2Fpdf](http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r4454_ems_c80a9663-90aa-42c1-bea5-021e6a8297d3/upload_pdf/347498.pdf;fileType=application%2Fpdf)

<sup>91</sup> Sydney; Sydney Airport, *Sydney Airport Master Plan 2033*, p. 91  
Perth; The Hon. Dean Nalder, *New airport bus direct to international terminal*, Media release, 2015,  
The Hon. Warren Truss MP, *Perth Airport on Track for New Rail Development*, Media release, 2015.

<sup>92</sup> Melbourne; The Hon. Luke Donnellan MP, *Agreement signed to widen Citylink/Tulla all the way to the airport*, Media release, 2015  
Perth; Gateway WA, Funding & delivery, <http://gatewaywa.com.au/about-us/funding-and-delivery/>

## 2. Brisbane Airport

### Key points—2014-15

- Brisbane Airport's passenger numbers increased by 0.8 per cent to 22.3 million.
- Total aeronautical revenue increased by 10.7 per cent in real terms to \$272.2 million, while aeronautical aggregate margin increased by 12.9 per cent in real terms to \$118.6 million. This equated to a profit of 43.6 cents for each dollar in aeronautical revenue.
- Rate of return on tangible aeronautical non-current assets was unchanged at 6.2 per cent.
- Total aeronautical capital expenditure was \$334.0 million, representing the largest yearly spend since privatisation.
- Brisbane Airport's average overall quality of service rating increased within the 'good' range. Once again it had the highest result of the four monitored airports.
- Total car parking aggregate margin increased by 9.4 per cent in real terms to \$56.8 million. The airport made a profit of 67.2 cents for each dollar in car parking revenue.

### 2.1 Airport overview and major investments

This section outlines information about Brisbane Airport, as well as activity and investment during 2014-15. This includes passenger/traffic levels (Section 2.1.1), terminal configurations and car parking facilities (Section 2.1.2), and major airport investments (Section 2.1.3).

#### 2.1.1 Activity levels

Chart 2.1.1 shows that total passenger volumes increased by 0.8 per cent at Brisbane Airport during 2014-15 to reach 22.3 million.

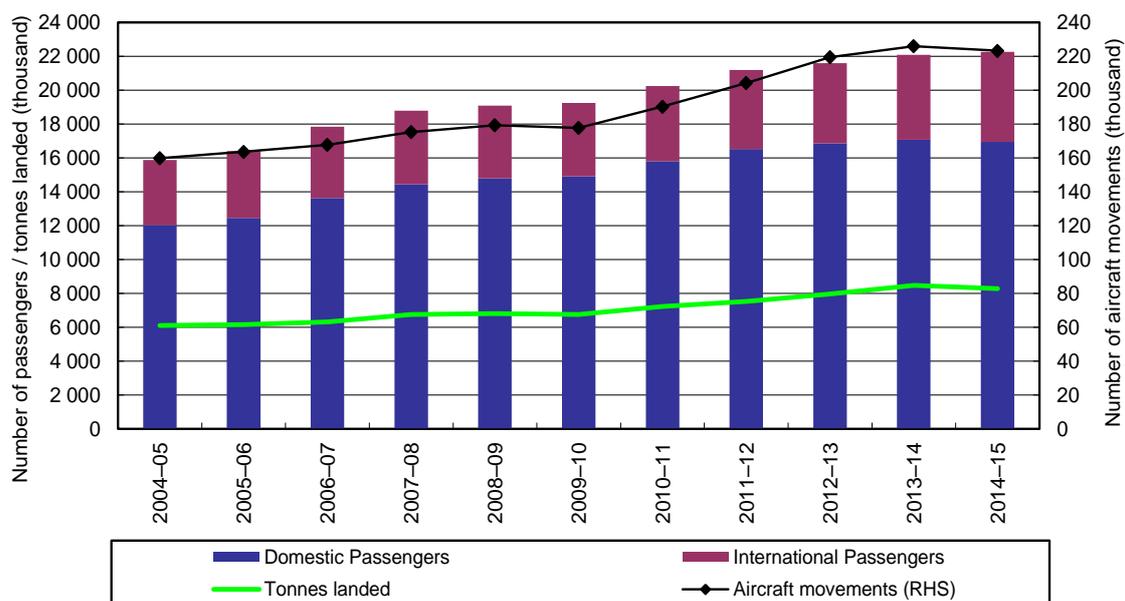
The low passenger growth during 2014-15 was driven by a reduction in domestic passengers (including on-carriage) of 0.7 per cent during the year. This is the first year over the time series that Brisbane Airport has experienced a reduction in the number of domestic passengers.<sup>94</sup>

However, international passenger growth (including transit passengers) was strong during the year, increasing by 6.0 per cent, which follows a similar percentage increase in 2013-14.

Reductions in domestic passengers also drove decreases in tonnes landed and aircraft movements at Brisbane Airport during 2014-15. Aircraft movements decreased by 1.2 per cent during the year, which is the first decline reported over the time series.

<sup>94</sup> The time series refers to the period 2004-05 to 2014-15. Brisbane Airport did experience a decline in total passenger numbers in 2001-02 of 7.3 per cent.

**Chart 2.1.1: Brisbane Airport—volume of passengers, tonnes landed and aircraft movements: 2004-05 to 2014-15<sup>95</sup>**



## 2.1.2 Terminal configurations and car parking facilities

### Terminal configurations

Brisbane Airport has one international terminal and one domestic terminal:

- The international terminal is a common-user terminal used by all international airlines flying to and from Brisbane Airport.
- Qantas and Virgin Australia occupy and operate the majority of the domestic terminal under lease. These areas of the domestic terminal are not subject to monitoring and are therefore not included in the ACCC's monitoring results.
- The remainder of the domestic terminal is common-user areas that are predominately used by Jetstar and Tigerair, as well as regional operators.

### Car parking facilities

Brisbane Airport has two car parking precincts. In the international terminal precinct, there is a combined short term, long term and staff car park located near the front of the terminal that provides both undercover and open-air parking. In the domestic terminal precinct, there are car parking facilities located near the front of the terminal providing short term, long term, staff and premium car parking. On 30 June 2015 Brisbane Airport opened a new remote car parking facility with 1100 bays.

<sup>95</sup> Unless otherwise stated, the source for tables and charts in this chapter is data obtained from Brisbane Airport through the ACCC's monitoring process.

### 2.1.3 Major airport investments

Table 2.1.1 provides details of major aeronautical investments that have been completed, commenced or planned during 2014-15. Brisbane Airport's latest Master Plan<sup>96</sup> was approved by the Australian Government on 3 February 2015.<sup>97</sup>

**Table 2.1.1: Brisbane Airport—major investments in aeronautical services and facilities**

Description of investment	Value (\$m)	Started	Completed
Southern Domestic apron expansion	40	Oct-13	Apr-15
Common-user area upgrade at the Domestic Terminal	8	Jul-13	May-15
Front of house security upgrade to various areas	4	Nov-13	Nov-14
New Parallel Runway	1 400	2012	2020
Northern Domestic apron expansion	60	Sep-14	2018
Runway 01/19 overlay	28	May-15	2016
ITB Northern concourse expansion	60	May-14	2018
Hotel taxiway upgrade	28	Feb-14	2018
Apron and taxiway rejuvenation	4	Aug-15	2016

Brisbane Airport completed a number of aeronautical projects during 2014-15, with the major completed project being the expansion of the Domestic Southern Apron. Brisbane Airport stated that this project provided a new dual-apron taxi lane and relocated landside infrastructure, in response to increased aircraft demand.

Brisbane Airport's major ongoing aeronautical project is the construction of its new parallel runway. Phase 1 of this project has been completed including the pumping of sand onto the site. The ground settlement period for the sand is expected to be finished in 2018. The next phase of works will include the design of the runway and supporting infrastructure.

Table 2.1.2 provides details of major car parking / landside related investments that have been completed, commenced or planned during 2014-15. Brisbane Airport's major car parking investments are its new staff and public car parks. In addition to the staff car park facility, Brisbane Airport intends to provide greater amenity for staff parking by upgrading the waiting areas, such as through an enclosed air-conditioned bus shelter. The new remote public car park facility will provide around 2200 parking bays when it is complete. On 30 June 2015 Brisbane Airport opened a new remote car parking facility with 1100 bays.

**Table 2.1.2: Brisbane Airport—major investments in car parking and landside access services**

Description of investment	Value (\$m)	Started	Completed
Stage 1 Staff car park (for temporary use as remote public parking)	8	2013	Jun-15
Remote Public car park (permanent facility)	31	Jan-15	May-16
Stage 2 Staff car park (for temporary use as remote public parking)	2	Aug-15	Dec-15
All weather protection for dropping off passengers	N/A	N/A	N/A
Upgrade of premium parking at the domestic terminal	N/A	N/A	N/A

<sup>96</sup> The Master Plan is a 20 year forward looking document that identifies, for example, development objectives and future aviation requirements, and is required to be updated every five years and approved by the Minister for Infrastructure and Regional Development.

<sup>97</sup> The Hon. Warren Truss (2015), *Brisbane Airport development takes off with Master Plan approved*, Media release, 3 February 2015, [http://minister.infrastructure.gov.au/wt/releases/2015/February/wt027\\_2015.aspx](http://minister.infrastructure.gov.au/wt/releases/2015/February/wt027_2015.aspx)

## 2.2 Aeronautical price monitoring and financial performance results

This section presents Brisbane Airport's aeronautical price monitoring and financial reporting results. These results are categorised into prices (Section 2.2.1), revenues, costs and profits (Section 2.2.2), assets (Section 2.2.3), capital additions (Section 2.2.4) and rate of return on tangible non-current assets (Section 2.2.5).

### 2.2.1 Prices

Brisbane Airport's current pricing agreements with airlines came into effect from 1 September 2012. The runway system agreement is a 25-year agreement, while the 'terminals, aprons and related infrastructure' agreement is a five-year agreement. The pricing methodology used in setting charges under these agreements is a cost-based building block methodology where prices are adjusted as investment expenditure is incurred.

Table 2.2.1 presents Brisbane Airport's average aeronautical charges in 2014-15, as well as the indexed average list prices in real terms between 2010-11 and 2014-15. Commercial agreements mean that airlines may pay less than the list prices.

The majority of aeronautical charges at Brisbane Airport increased in real terms during 2014-15. The international and domestic runway charges both increased by over 30 per cent in real terms during 2014-15. All landing fees increased by 14.9 per cent in real terms during 2014-15. This continues a trend in landing fee increases at Brisbane Airport, with price rises of more than 40 per cent in real terms since 2010-11.

Of the list prices that decreased in real terms, the majority remained unchanged in nominal terms. The only charge to decrease in nominal and real terms in 2014-15 was the international terminal passenger charge, which declined by 6.4 per cent in real terms.

**Table 2.2.1: Brisbane Airport—schedule of average aeronautical charges in 2014-15 and indexed average list prices (including GST) in real terms from 2010-11 to 2014-15**

	Average charge per unit (\$)	Indexed average list prices (2014-15 base year = 100)				
		2010-11	2011-12	2012-13	2013-14	2014-15
<b>Landing fees</b>						
Freight landing fees (per MTOW)	19.24	68.6	67.0	70.3	87.1	100.0
General aviation landing fees (per MTOW)	19.24	68.6	67.0	70.3	87.1	100.0
Rotary wing landing fees (per MTOW)	11.55	71.0	69.4	70.3	87.0	100.0
International private charter and non-scheduled air service landing fee (per MTOW)	19.24	68.6	67.0	70.3	87.1	100.0
Noise surcharge (applies to all aviation charges)	50%	50.0	50.0	91.5	100.0	100.0
<b>Aircraft parking fees</b>						
0 to 5 000kg	36.30	99.4	97.1	104.4	101.7	100.0
5 001 to 20 000kg	60.50	99.4	97.1	104.4	101.7	100.0
20 001 to 40 000kg	90.75	99.4	97.1	104.4	101.7	100.0
40 001 to 100 000kg	145.75	99.0	96.8	104.0	101.7	100.0
100 001 to 250 000kg	332.75	99.4	97.1	104.4	101.7	100.0

	Average charge per unit (\$)	Indexed average list prices (2014-15 base year = 100)				
		2010-11	2011-12	2012-13	2013-14	2014-15
<b>Landing fees</b>						
250 001 to 400 000kg	484.00	99.4	97.1	104.4	101.7	100.0
400 001kg+	641.30	99.4	97.1	104.4	101.7	100.0
<b>Runway and terminal fees (RPT services)</b>						
International runway charge (per passenger)	6.04	NA	NA	52.3	75.6	100.0
International passenger service charge (per passenger)	22.95	NA	NA	113.0	106.9	100.0
Domestic runway charge (per passenger)	3.49	NA	NA	51.4	76.1	100.0
Domestic leased terminal charge (per passenger)	4.62	NA	NA	83.0	90.5	100.0
Domestic passenger service charge common-user terminal—including aerobridge (per passenger) <sup>(b)</sup>	8.51	NA	NA	97.6	98.5	100.0
Domestic passenger service charge common-user terminal—excluding aerobridge (per passenger) <sup>(b)</sup>	7.87	NA	NA	96.2	97.4	100.0
Peak period minimum movement charge <sup>(a)</sup>	220.00	NA	NA	104.5	101.7	100.0
<b>Government-mandated security charges</b>						
International charge (per passenger)	4.26	93.4	93.3	91.1	94.1	100.0
Domestic common-user terminal charge (per passenger)	2.29	95.9	80.3	84.1	84.4	100.0
Domestic Qantas/Virgin terminal charge (per passenger)	0.18	83.5	71.2	78.4	67.8	100.0

Notes: Real indexed prices are in 2014-15 dollars.

Where a list price changed during a financial year, the average of that charge has been presented in table 2.2.1.

(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)

## 2.2.2 Revenues, costs and profits for aeronautical and total airport services

Table 2.2.2 presents the revenues, operating expenses and aggregate margins for aeronautical services, government mandated security services and the total airport in real terms from 2004-05 to 2014-15.

In 2014-15, Brisbane Airport's aeronautical revenue increased by 10.7 per cent in real terms to \$272.2 million. This increase was mainly driven by increased aeronautical charges, plus a slight shift in passenger mix from domestic travel towards international travel. This is the largest annual increase in Brisbane Airport's aeronautical revenue since 2008-09. Since 2004-05, aeronautical revenue has increased by an average of 9.2 per cent per year in real terms.

Brisbane Airport also reported significant growth in aeronautical operating expenses during 2014-15, increasing by 9.1 per cent in real terms. The increase in aeronautical operating expenses was largely driven by increases in depreciation (20.3 per cent real increase), general administration (18.2 per cent real increase) and property/leasing maintenance (12.3 per cent

real increase). Brisbane Airport also reported a decrease in a number of cost categories, such as consultants and advisors (51.2 per cent real decrease) and services and utilities (17.1 per cent real decrease).

Despite the large percentage increase in aeronautical operating expenses, Brisbane Airport reported strong growth in aeronautical aggregate margin in 2014-15, with an increase of 12.9 per cent in real terms to \$118.6 million. Since 2004-05, aeronautical aggregate margin has increased by an average of 16.8 per cent per year in real terms. Brisbane Airport made a profit of 43.6 cents for each dollar in aeronautical revenue in 2014-15.

The significant increases in total aeronautical financial indicators during 2014-15 also occurred for Brisbane Airport's aeronautical revenue, operating expenses and aggregate margin on a per passenger basis. This is because Brisbane Airport's passenger growth was relatively flat during the year and changes in revenues and expenses were due to factors other than total passenger growth.

Since 2004-05, Brisbane Airport's aeronautical revenue per passenger has increased by an average of 5.6 per cent per year in real terms. Aeronautical aggregate margin per passenger has increased by an average of 12.9 per cent per year in real terms to \$5.33. Since 2004-05, Brisbane Airport has reported the largest increases in aeronautical revenue and aggregate margin on a per passenger basis of the monitored airports.

**Table 2.2.2: Brisbane Airport—revenues, operating expenses and aggregate margins for aeronautical services, government-mandated security services, and total airport services in real terms: 2004-05 to 2014-15**

		2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Revenue (\$million)</b>	Total aeronautical	112.7	121.2	130.3	168.4	188.6	203.1	217.0	227.0	237.5	245.9	272.2
	Security services	21.6	22.5	21.2	30.6	30.8	27.1	23.0	23.1	25.5	27.6	27.0
	Security % of total aeronautical	19.2	18.5	16.3	18.1	16.3	13.3	10.6	10.2	10.7	11.2	9.9
	<b>Total airport</b>	<b>320.1</b>	<b>398.8</b>	<b>408.8</b>	<b>467.8</b>	<b>440.4</b>	<b>477.6</b>	<b>499.0</b>	<b>519.4</b>	<b>550.5</b>	<b>573.7</b>	<b>610.7</b>
	Aeronautical % of total airport	35.2	30.4	31.9	36.0	42.8	42.5	43.5	43.7	43.1	42.9	44.6
<b>Operating expenses (\$million)</b>	Total aeronautical	87.6	91.8	89.7	103.9	121.6	123.7	126.3	125.6	132.9	140.8	153.6
	Security services	21.2	26.0	21.6	27.4	30.8	23.4	23.0	23.1	25.5	27.6	27.0
	<b>Total airport</b>	<b>132.8</b>	<b>139.4</b>	<b>143.4</b>	<b>164.6</b>	<b>194.7</b>	<b>198.1</b>	<b>207.0</b>	<b>211.6</b>	<b>229.6</b>	<b>240.9</b>	<b>259.0</b>
<b>Aggregate margin (\$million)</b>	Total aeronautical	25.1	29.4	40.6	64.5	67.0	79.4	90.7	101.3	104.6	105.1	118.6
	Security services	0.4	(3.6)	(0.4)	3.2	0.0	3.7	0.0	0.0	0.0	0.0	0.0
	<b>Total airport</b>	<b>187.4</b>	<b>259.4</b>	<b>265.4</b>	<b>303.2</b>	<b>245.7</b>	<b>279.4</b>	<b>292.1</b>	<b>307.7</b>	<b>320.9</b>	<b>332.9</b>	<b>351.7</b>
<b>Aggregate margin % of total revenue</b>	Aeronautical	22.3	24.2	31.2	38.3	35.5	39.1	41.8	44.6	44.0	42.7	43.6
	<b>Total airport</b>	<b>58.5</b>	<b>65.1</b>	<b>64.9</b>	<b>64.8</b>	<b>55.8</b>	<b>58.5</b>	<b>58.5</b>	<b>59.3</b>	<b>58.3</b>	<b>58.0</b>	<b>57.6</b>
<b>Revenue per passenger (\$)</b>	Total aeronautical	7.10	7.38	7.30	8.96	9.87	10.55	10.71	10.71	10.99	11.13	12.22
	Security services	1.36	1.37	1.19	1.63	1.61	1.41	1.13	1.09	1.18	1.25	1.21
<b>Operating expenses per passenger (\$)</b>	Total aeronautical	5.52	5.60	5.03	5.53	6.36	6.43	6.23	5.93	6.15	6.37	6.89
	Security services	1.33	1.59	1.21	1.46	1.61	1.21	1.13	1.09	1.18	1.25	1.21
<b>Aggregate margin per passenger (\$)</b>	Total aeronautical	1.58	1.79	2.27	3.43	3.51	4.12	4.48	4.78	4.84	4.75	5.33
	Security services	0.03	(0.22)	(0.02)	0.17	0.00	0.19	0.00	0.00	0.00	0.00	0.00

Note: Real values in 2014-15 dollars

### ***Line in the sand values for aeronautical services***

Since 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. This chapter separately reports LIS measures for Brisbane Airport where applicable. In particular, 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 2.2.3 presents the revenues, operating expenses and aggregate margin for aeronautical services under the LIS approach from 2007-08 to 2014-15. Under the LIS approach, aeronautical operating expenses were around 148.8 million in 2014-15, or around 3.1 per cent lower than the non-LIS figure (shown in Table 2.2.2). This difference is due to lower depreciation expenses under the LIS approach.

**Table 2.2.3: Brisbane Airport—revenues, operating expenses and aggregate margin for aeronautical services under the LIS approach in real terms: 2007-08 to 2014-15**

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Revenue (\$million)</b>	168.4	188.6	203.1	217.0	227.0	237.5	245.9	272.2
<b>Operating expenses (\$million)</b>	97.9	117.4	119.6	121.0	120.6	130.0	138.7	148.8
<b>Aggregate margin (\$million)</b>	70.5	71.1	83.4	96.1	106.4	107.4	107.2	123.4
<b>Aggregate margin as a % of revenue</b>	41.8	37.7	41.1	44.3	46.9	45.2	43.6	45.3

Note: Real values in 2014-15 dollars

As aeronautical operating expenses are lower under the LIS approach, aeronautical aggregate margin under the LIS approach was \$123.4 million in 2014-15, or around 4.0 per cent higher than the non-LIS figure.

### **2.2.3 Assets for aeronautical and total airport services**

Table 2.2.4 outlines Brisbane Airport's tangible non-current assets for aeronautical and total airport services from 2004-05 to 2014-15. Brisbane Airport's tangible non-current assets for aeronautical services under the LIS approach are presented in Table 2.2.5.

In 2014-15, the value of aeronautical tangible non-current assets at Brisbane Airport increased by 16.8 per cent in real terms to around \$2.0 billion. This increase was driven by an increase in the value of all asset categories, but particularly 'non-current portion of lease and hedge assets' which were more than three times larger than in 2013-14. Since 2004-05, aeronautical tangible non-current assets have increased in value by 75.9 per cent in real terms.

Tangible non-current assets for the total airport increased in value by 12.8 per cent in real terms to \$4.2 billion in 2014-15, which was also mostly driven by an increase in the value of the 'non-current portion of lease and hedge assets'.

Under the LIS approach, the value of aeronautical tangible non-current assets was \$1.7 billion in 2014-15, or around 15.7 per cent lower than the non-LIS figure. This is mainly due to the LIS value of property, plant and equipment being around 17.4 per cent lower than the non-LIS value.

**Table 2.2.4: Brisbane Airport—non-current assets for aeronautical services and total airport services in real terms: 2004-05 to 2014-15**

		2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Investment property (\$million)</b>	Aeronautical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	<b>Total airport</b>	<b>418.6</b>	<b>523.1</b>	<b>584.3</b>	<b>682.6</b>	<b>768.9</b>	<b>795.3</b>	<b>867.3</b>	<b>953.6</b>	<b>1 047.7</b>	<b>1 085.2</b>	<b>1 137.2</b>
<b>Land (\$million)</b>	Aeronautical	23.4	22.4	22.4	21.4	21.1	20.2	19.3	19.5	49.9	47.6	47.7
	<b>Total airport</b>	<b>78.5</b>	<b>75.3</b>	<b>72.3</b>	<b>69.1</b>	<b>66.3</b>	<b>64.0</b>	<b>61.4</b>	<b>59.0</b>	<b>90.5</b>	<b>87.7</b>	<b>85.2</b>
<b>Property, plant and equipment (\$million)</b>	Aeronautical	1 167.1	1 139.5	1 184.9	1 412.9	1 548.0	1 465.2	1 438.0	1 516.1	1 558.5	1 690.7	1 925.1
	<b>Total airport</b>	<b>1 440.4</b>	<b>1 385.5</b>	<b>1 511.9</b>	<b>1 863.8</b>	<b>1 988.0</b>	<b>2 009.5</b>	<b>2 064.3</b>	<b>2 173.7</b>	<b>2 192.9</b>	<b>2 399.0</b>	<b>2 685.9</b>
<b>Intangibles (\$million)</b>	Aeronautical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	<b>Total airport</b>	<b>1 075.1</b>	<b>1 041.7</b>	<b>1 011.7</b>	<b>978.8</b>	<b>949.2</b>	<b>927.7</b>	<b>899.7</b>	<b>879.4</b>	<b>859.8</b>	<b>837.1</b>	<b>823.0</b>
<b>Other tangible non-current assets (\$million)</b>	Aeronautical	(25.3)	3.7	45.0	74.0	47.3	4.3	17.8	0.0	23.1	16.3	76.2
	<b>Total airport</b>	<b>(57.9)</b>	<b>9.7</b>	<b>118.9</b>	<b>187.2</b>	<b>117.5</b>	<b>10.5</b>	<b>46.5</b>	<b>0.0</b>	<b>85.7</b>	<b>108.1</b>	<b>243.6</b>
<b>Total tangible non-current assets (\$million)</b>	Aeronautical	1 165.1	1 165.6	1 252.3	1 508.2	1 616.3	1 489.7	1 475.1	1 535.6	1 631.6	1 754.6	2 049.1
	<b>Total airport</b>	<b>1 879.6</b>	<b>1 993.6</b>	<b>2 287.4</b>	<b>2 802.8</b>	<b>2 940.7</b>	<b>2 879.3</b>	<b>3 039.5</b>	<b>3 186.4</b>	<b>3 416.7</b>	<b>3 679.9</b>	<b>4 151.9</b>
<b>Total non-current assets (\$million)</b>	Aeronautical	1 165.1	1 165.6	1 252.3	1 508.2	1 616.3	1 489.7	1 475.1	1 535.6	1 631.6	1 754.6	2 049.1
	<b>Total airport</b>	<b>2 954.7</b>	<b>3 035.3</b>	<b>3 299.1</b>	<b>3 781.5</b>	<b>3 889.9</b>	<b>3 806.9</b>	<b>3 939.1</b>	<b>4 065.8</b>	<b>4 276.5</b>	<b>4 517.1</b>	<b>4 974.9</b>

Note: Real values in 2014-15 dollars

**Table 2.2.5: Brisbane Airport—non-current assets for aeronautical services under the LIS approach in real terms: 2007-08 to 2014-15**

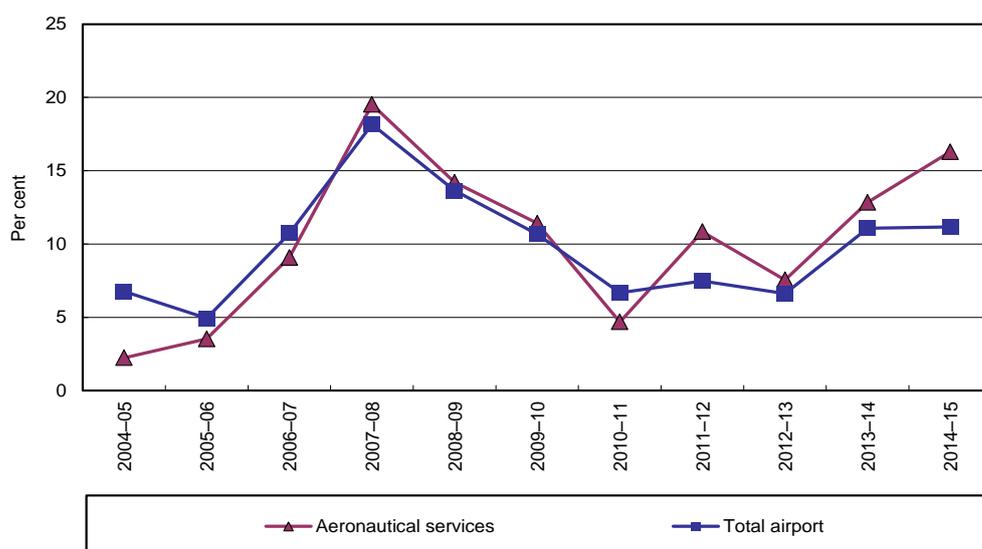
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Investment property (\$million)</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Land (\$million)</b>	30.2	29.9	28.7	27.7	27.8	62.5	59.9	60.1
<b>Property, plant and equipment (\$million)</b>	982.1	1 133.7	1 064.6	1 056.1	1 148.0	1 201.1	1 347.5	1 590.0
<b>Intangibles (\$million)</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Other tangible non-current assets (\$million)</b>	0.0	47.3	4.3	17.8	0.0	23.1	16.3	76.2
<b>Total tangible non-current assets (\$million)</b>	1 012.3	1 210.9	1 097.7	1 101.6	1 175.8	1 286.8	1 423.7	1 726.4

Note: Real values in 2014-15 dollars

## 2.2.4 Additions as a percentage of tangible non-current assets

Chart 2.2.1 shows that during 2014-15, Brisbane Airport's \$334.0 million in additions to aeronautical assets represented about 16.3 per cent of total aeronautical tangible non-current assets. This is the largest yearly aeronautical capital expenditure since privatisation. The majority of additions to aeronautical assets in 2014-15 were due to work in progress of \$249.8 million. Brisbane Airport's work in progress mainly relates to its work on the new parallel runway project which is estimated to cost \$1.4 billion.

**Chart 2.2.1: Brisbane Airport—additions as a percentage of tangible non-current assets for aeronautical and total airport services: 2004-05 to 2014-15**

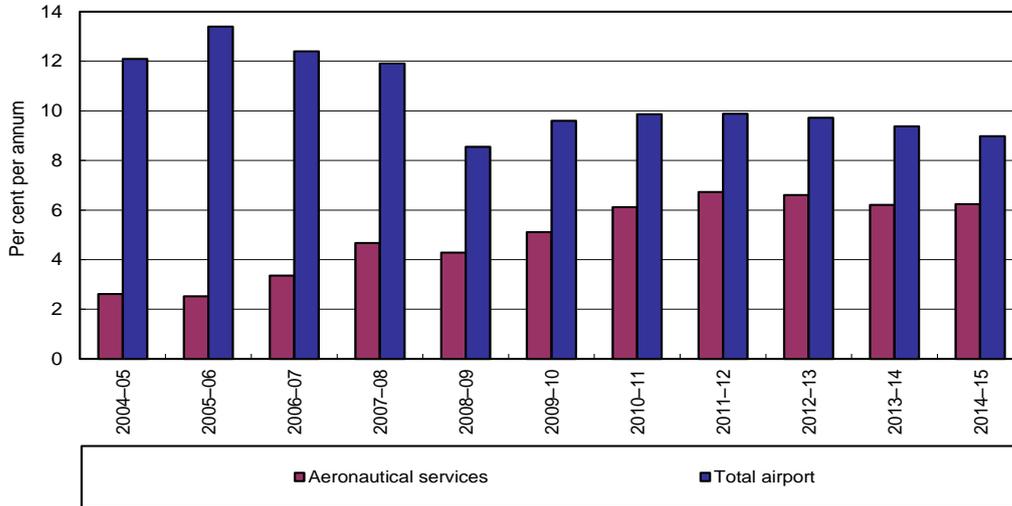


## 2.2.5 Rates of return on tangible non-current assets

The rate of return on aeronautical tangible non-current assets is calculated using earnings before interest, tax and amortisation (EBITA) on average assets. This figure was unchanged at

6.2 per cent in 2014-15 (Chart 2.2.2) and has not increased since 2011-12. Brisbane Airport has consistently reported the lowest rate of return on aeronautical tangible non-current assets of the monitored airports since 2004-05.

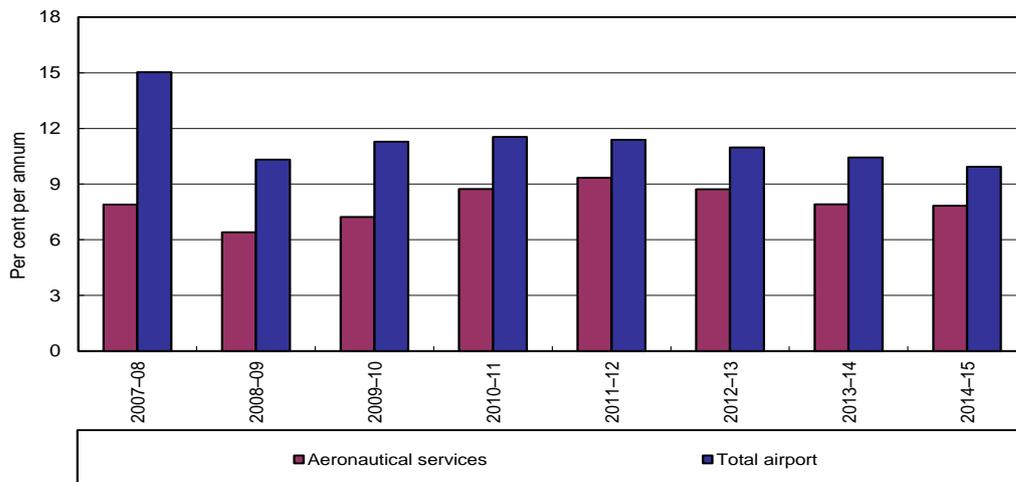
**Chart 2.2.2: Brisbane Airport—rate of return (EBITA) on tangible non-current assets for aeronautical and total airport services in real terms: 2004-05 to 2014-15**



Note: Real values in 2014-15 dollars

Chart 2.2.3 illustrates the results under the LIS approach. Since 2007-08, the broad trends in the rate of return on average aeronautical and total airport tangible non-current assets have been comparable between the non-LIS approach (Chart 2.2.2) and the LIS approach. The rate of return on aeronautical tangible non-current assets was 7.8 per cent in 2014-15, around 1.6 percentage points higher than the non-LIS figure. This is due to higher earnings and a lower asset base under the LIS approach.

**Chart 2.2.3: Brisbane Airport—rate of return (EBITA) on tangible non-current assets for aeronautical services under the LIS approach and total airport services in real terms: 2004-05 to 2014-15**



Note: Real values in 2014-15 dollars

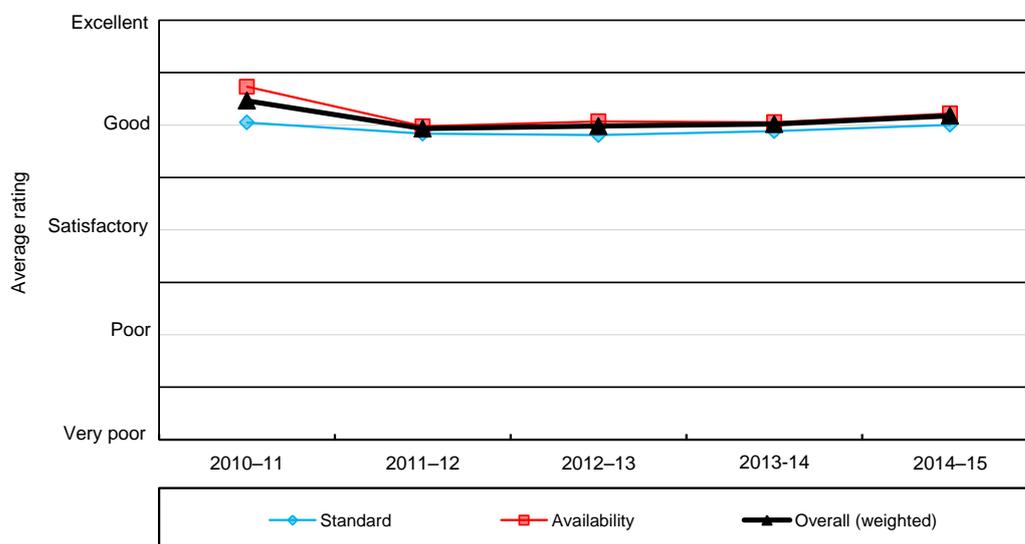
## 2.3 Aeronautical services quality of service monitoring results

Both passengers and airlines are surveyed to give an insight into the quality of service offered by each airport. This section presents Brisbane Airport’s quality of service monitoring results for the overall average ratings (Section 2.3.1), aircraft-related services and facilities (Section 2.3.2), and passenger-related services and facilities for each of Brisbane Airport’s terminals (Section 2.3.3).

### 2.3.1 Overall quality of service<sup>98</sup>

Chart 2.3.1 shows that in 2014-15, Brisbane Airport’s overall average rating increased slightly within the ‘good’ range. The average rating for the availability and standard of total airport services and facilities both increased within the ‘good’ range in 2014-15. These ratings have been within the ‘good’ range in each year over the time series.

**Chart 2.3.1: Brisbane Airport—average ratings for standard and availability of total airport services and facilities: 2010-11 to 2014-15**

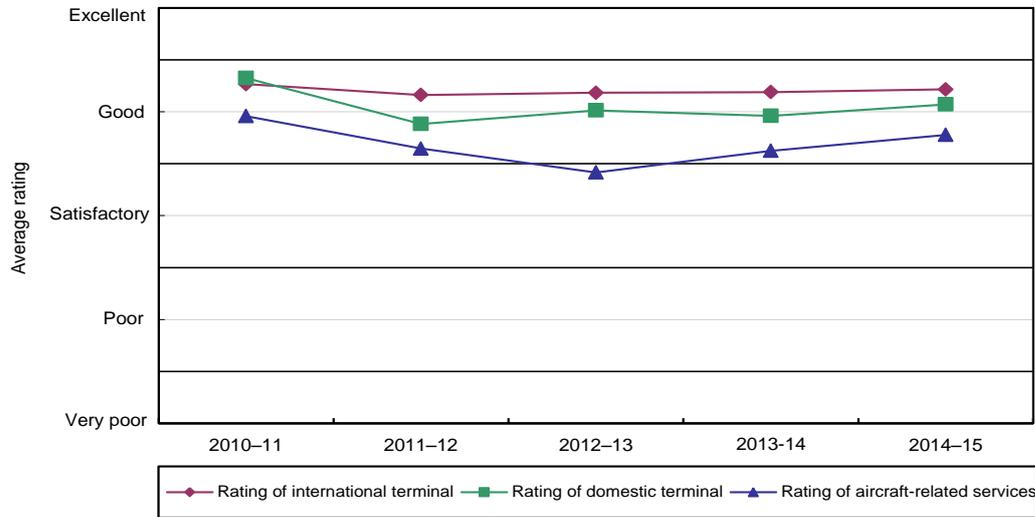


Source: Airline surveys, passenger surveys, and objective indicators obtained from Brisbane Airport

Chart 2.3.2 compares average quality of service ratings between domestic terminal services, international terminal services and aircraft-related services. Brisbane Airport’s international and domestic terminals have been rated ‘good’ each year over the time series. The rating for aircraft-related services and facilities increased within the ‘good’ range during 2014-15, after reaching a low of ‘satisfactory’ in 2012-13.

<sup>98</sup> Passenger and airline survey templates ask respondents to rate their level of satisfaction with services and facilities on a scale of 1 to 5. The ACCC aggregates the survey results and produces average ratings for each indicator, as well as overall average ratings. In the 2014-15 report, the ACCC has changed its interpretation of average rating categories. For further detail on the reasons for this change see Appendix A4.

**Chart 2.3.2: Brisbane Airport—average ratings for international and domestic terminal services, and aircraft-related services and facilities: 2010-11 to 2014-15**



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

### 2.3.2 Aircraft-related services and facilities

This section explores the airline survey results on aircraft-related services and facilities in more detail. Table 2.3.1 displays the specific indicators which drove the improvement in the rating of aircraft-related services and facilities during the year.

**Table 2.3.1: Brisbane Airport—airline ratings of quality of individual aircraft-related services and facilities: 2014-15, 1-year change, and change since 2010-11**

	Indicator	Rating category 2014-15	1-year change	Change since 2010-11
<b>Runway</b>	Availability	Satisfactory	▲	▼*
	Standard	Good	▲	▼
<b>Taxiways</b>	Availability	Good	—	—
	Standard	Good	▲	▲
<b>Aprons</b>	Availability	Good	▲	▲
	Standard	Good	▲	▲
<b>Aircraft parking</b>	Availability of facilities and bays	Satisfactory	▼*	▼*
	Standard of facilities and bays	Good	▲	▼
<b>Ground handling</b>	Availability of services and facilities	Good	▼	▼
	Standard of services and facilities	Good	▼	▼
<b>Management responsiveness</b>	Availability	Good	▲	▼
	Standard	Good	▲*	▼

Note: 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.

Airlines’ ratings of the availability and standard of runways improved during 2014-15, particularly the rating for standard which increased within the ‘good’ range. A number of airlines said that availability is reasonable, although there are occasions where congestion occurs and

aircraft are put into holding patterns. Some airlines mentioned that Brisbane Airport is attempting to increase the utilisation of its cross runway to help ease congestion. Airlines were generally satisfied with the standard of Brisbane Airport's runways.

Airlines' rating of the availability of aircraft parking facilities and bays decreased from 'good' to 'satisfactory' in 2014-15. Some airlines commented that there is limited parking available for A380 aircraft, especially with continued disruptions or diversions from Sydney and Melbourne airports. However, airlines were more satisfied with the standard of aircraft parking facilities and bays, with the rating improving within the 'good' range in 2014-15.

In 2014-15, airlines' rated the availability and standard of Brisbane Airport's management responsiveness as 'good'. Most airlines made positive comments regarding Brisbane Airport's management, including that management is engaged and responsive to concerns. However, other airlines have suggested that responses can be slow and require escalation.

### **2.3.3 Passenger-related services and facilities**

#### ***International terminal***

As shown in Table 2.3.2, passengers and airlines reported different levels of quality received at Brisbane Airport's international terminal during 2014-15. In particular, passengers' ratings of each subjective indicator remained within the 'excellent' and 'good' categories in 2014-15, while airlines' ratings of Brisbane Airport's subjective indicators remained within the 'good' and 'satisfactory' categories. The majority of indicators rated by passengers were 'excellent' in 2014-15, while airlines did not rate any indicator as 'excellent'.

Most passenger ratings either increased or remained unchanged in 2014-15, apart for passengers' rating of information display for inbound baggage reclaim, which decreased within the 'good' range.

The largest change in airline rating was the reduced rating for the standard of aerobridges, which declined within the 'satisfactory' range to be just above a 'poor' rating. In response to the airline surveys, some airlines stated that the aerobridges are poorly maintained. One airline suggested that the single aerobridges provided at most gates are not suited for wide-bodied aircraft and lead to a poor passenger experience. Brisbane Airport said that it is planning to undertake full floor replacements of affected aerobridges to improve both serviceability and customer experience with the aerobridges. It also said that the move towards dual aerobridges for all wide bodied gates would be discussed with the airlines and if agreed included in future capital plans.

Brisbane Airport noted that it is undertaking a phased project of installing and converting traditional check-in counters to a mix of kiosks, check-in desks and bag drop facilities. Brisbane Airport reported that it provided an additional 24 kiosk spaces as at 30 June 2015 compared to the prior year. Airlines rated the availability and standard of check-in facilities as 'good' in 2014-15. Some airlines commented that Brisbane Airport's introduction of kiosks is a positive step and that automation of the check-in process will improve the quality of service. Airlines noted that there can be issues with check-in desk availability during peak periods.

Brisbane Airport stated that it provided an additional 53 flight information display screens during 2014-15. This corresponds with an increase in passenger survey ratings within the 'good' range in relation to flight information display screens.

**Table 2.3.2: Brisbane Airport—indicators of quality of passenger-related services and facilities—international terminal: 2014-15, 1-year change and change since 2010-11**

Category	Indicator	Data source	Indicator result 2014-15	1-year change	Change since 2010-11
<b>Check-in</b>	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	9.0 passengers	▼	▲
<b>Immigration</b>	Waiting time in outbound Immigration area	Passenger survey	Excellent	▲	▲*
	Number of departing passengers per outbound Immigration desk (peak hour)	Objective indicator	65.6 passengers	▼	▼
	Waiting time in inbound Immigration area	Passenger survey	Good	—	▼*
	Number of arriving passengers per inbound Immigration desk (peak hour)	Objective indicator	32.8 passengers	▲	▲
	Waiting time in inbound baggage inspection area	Passenger survey	Excellent	—	—
	Number of arriving passengers per baggage inspection desk (peak hour)	Objective indicator	15.6 passengers	▲	▲
<b>Information</b>	Flight information display screens	Passenger survey	Good	▲	▲
	Number of passengers per flight information display screen (peak hour)	Objective indicator	3.5 passengers	▲	▲
	Number of passengers per information point (peak hour)	Objective indicator	1 707 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 2.3.2: Brisbane Airport—indicators of quality of passenger-related services and facilities—international terminal: 2014-15, 1-year change and change since 2010-11 (cont.)**

Category	Indicator	Data source	Indicator result 2014-15	1-year change	Change since 2010-11
<b>Baggage</b>	Baggage processing facilities availability	Airline survey	Satisfactory	▼*	▼*
	Baggage processing facilities standard	Airline survey	Good	▲	▲
	Average throughput of outbound baggage system (per hour)	Objective indicator	406 items	▲	▲
	Circulation space for inbound baggage reclaim	Passenger survey	Excellent	▲*	—
	Information display for inbound baggage reclaim	Passenger survey	Good	▼	▼*
	Number of arriving passengers per m <sup>2</sup> of inbound baggage reclaim area (peak hour)	Objective indicator	0.1 passengers	▲	N/A
	Findability of baggage trolleys	Passenger survey	Excellent	▲	▲
	Number of passengers per baggage trolley (peak hour)	Objective indicator	0.8 passengers	—	▲
<b>Gate lounges</b>	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	Excellent	▲*	▲*
	Number of departing passengers per m <sup>2</sup> of lounge area (peak hour)	Objective indicator	0.06 passengers	▼	—
<b>Amenities</b>	Standard of washrooms	Passenger survey	Good	▲	▲
	Number of departing passengers per washroom (peak hour)	Objective indicator	50.7 passengers	▼	N/A
<b>Aerobridges</b>	Aerobridges availability	Airline survey	Good	▼	—
	Aerobridges standard	Airline survey	Satisfactory	▼	▼
	Percentage of international passengers arriving using an aerobridge	Objective indicator	96.9%	▼	▼
	Percentage of international passengers departing using an aerobridge	Objective indicator	97.7%	▼	▼
<b>Security</b>	Quality of security search process	Passenger survey	Excellent	—	▲*
	Number of departing passengers per security clearance system (peak hour)	Objective indicator	21.1 passengers	▼	▲

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.

**Domestic terminal**

**Table 2.3.3: Brisbane Airport—indicators of quality of passenger-related services and facilities—domestic terminal: 2014-15, 1-year change and change since 2010-11**

Category	Indicator	Data source	Indicator result 2014-15	1-year change	Change since 2010-11
<b>Check-in</b>	Check-in availability	Airline survey	Satisfactory	▲	N/A
	Check-in standard	Airline survey	Satisfactory	—	N/A
	Check-in waiting time	Passenger survey	Excellent	▲	▲*
	Number of departing passengers per check-in desk, kiosk and bag drop facility (peak hour)	Objective indicator	12.9 passengers	▼	▲
<b>Baggage</b>	Baggage processing facilities availability	Airline survey	Satisfactory	▼	N/A
	Baggage processing facilities standard	Airline survey	Satisfactory	▼*	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 <sup>2</sup> of inbound baggage reclaim area (peak hour)	Objective indicator	2.4 passengers	▼	N/A
	Findability of baggage trolleys	Passenger survey	Good	▲	▲
	Number of passengers per baggage trolley (peak hour)	Objective indicator	3.0 passengers	▼	▲
<b>Information</b>	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	971.0 passengers	▼	▲
	Signage and wayfinding	Passenger survey	Good	▲	▲
<b>Gate lounges</b>	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 <sup>2</sup> of lounge area (peak hour)	Objective indicator	0.1 passengers	—	▲
<b>Amenities</b>	Standard of washrooms	Passenger survey	Good	▲	▲
	Number of departing passengers per washroom (peak hour)	Objective indicator	110.0 passengers	▲	N/A
<b>Aerobridges</b>	Aerobridges availability	Airline survey	Satisfactory	▼	N/A
	Aerobridges standard	Airline survey	Satisfactory	—	N/A
	Number of arriving domestic passengers per aerobridge (peak hour)	Objective indicator	265.5 passengers	▼	▲
	Number of departing domestic passengers per aerobridge (peak hour)	Objective indicator	220.0 passengers	▲	▲
<b>Security</b>	Quality of security search process	Passenger survey	Excellent	—	▲*
	Number of departing passengers per security clearance system (peak hour)	Objective indicator	33.8 passengers	▲	▲

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.

As shown in Table 2.3.3, passengers and airlines also differed in their views on the level of quality at Brisbane Airport's domestic terminal in 2014-15. While passengers' ratings of the majority of subjective indicators remained within the 'good' range in 2014-15, airlines' rated the availability and standard of subjective indicators as 'satisfactory'

While passengers rated most subjective indicators as 'good' in 2014-15, they rated both the check-in waiting time and the quality of security search process as 'excellent'. Since 2010-11, passengers have generally rated Brisbane Airport's domestic terminal services as 'good', with some services and facilities occasionally rated as 'excellent' or 'satisfactory'.

In 2014-15, airlines' ratings of the availability of services and facilities were notably lower within the 'satisfactory' range than airlines' ratings of the standard of services and facilities.

In regards to check-in facilities, Brisbane Airport completed its 'Common-User Terminal Upgrade' project, which enabled passengers flying with airlines that operate kiosks to use any available kiosk to check-in (rather than each airline having separate kiosk facilities). However, this also led to a reduction in the total number of check-in kiosk facilities provided. Airlines commented that the standard of service was impacted during the redevelopment period, although the installation of self-service technology has since improved the standard available.

As part of the 'Common-User Terminal Upgrade' project, Brisbane Airport also provided an additional 18 flight information display screens in the domestic terminal.

## 2.4 Car parking services monitoring results

This section assesses Brisbane Airport's car parking and landside services and facilities. Areas covered include activity (Section 2.4.1), car park pricing (Section 2.4.2), revenues and margins (Section 2.4.3) and quality of service outcomes (Section 2.4.4).

### 2.4.1 Activity

Table 2.4.1 outlines the number of car parking spaces available and throughput of those car parking facilities at Brisbane Airport from 2004-05 to 2014-15.

The total number of car parking spaces at Brisbane Airport decreased by 2.1 per cent to 13 677 spaces in 2014-15. Brisbane Airport has the lowest number of car parking spaces of the monitored airports. Brisbane Airport opened a new remote car parking facility on 30 June 2015 with 1100 parking bays. As this car park was only available for one day of the reference year, it has not been included in overall car parking space totals nor used in the calculation of car parking revenue and margin per space.

In 2014-15, Brisbane Airport's car parking facilities included:

- 2137 international combined short term and long term parking spaces (15.6 per cent of total car parking capacity)
- 1074 domestic short term parking spaces (7.9 per cent)
- 7428 domestic long term parking spaces (54.3 per cent)
- 3038 staff parking spaces (22.2 per cent).

The average daily throughput decreased across all of Brisbane Airport's car parks during 2014-15. The fall in throughput ranged from 2.1 per cent at the international terminal car park to 12.4 per cent at the domestic short term car park.

**Table 2.4.1: Brisbane Airport—number of car park spaces and average daily throughput: 2004-05 to 2014-15**

		2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Number of car park spaces</b>	International combined short term and long term	950	950	951	1 740	1 740	1 740	1 740	1 740	2 202	2 202	2 137
	Domestic short term	938	938	842	858	810	976	1 133	1 690	1 119	1 119	1 074
	Domestic long term	3 600	4 100	4 100	4 148	4 635	4 410	4 410	6 948	7 616	7 616	7 428
	Staff	2 349	2 723	2 723	3 575	2 730	2 484	2 484	2 484	3 038	3 038	3 038
	<b>Total airport</b>	<b>7 837</b>	<b>8 711</b>	<b>8 616</b>	<b>10 321</b>	<b>9 915</b>	<b>9 610</b>	<b>9 767</b>	<b>12 862</b>	<b>13 975</b>	<b>13 975</b>	<b>13 677</b>
<b>Annual throughput of car park facilities (thousand)<sup>99</sup></b>	International combined short term and long term	753	752	707	607	705	673	662	663	751	751	735
	Domestic short term	1 176	1 141	1 156	1 031	960	912	839	758	1 381	1 327	1 162
	Domestic long term	214	315	378	356	362	511	533	533	652	725	657
	<b>Total airport</b>	<b>2 142</b>	<b>2 208</b>	<b>2 242</b>	<b>1 994</b>	<b>2 028</b>	<b>2 096</b>	<b>2 035</b>	<b>1 954</b>	<b>2 784</b>	<b>2 804</b>	<b>2 555</b>
<b>Average daily throughput of car park facilities</b>	International combined short term and long term	2 062	2 060	1 937	1 659	1 932	1 845	1 815	1 811	2 058	2 057	2 014
	Domestic short term	3 223	3 126	3 168	2 817	2 631	2 498	2 298	2 070	3 784	3 637	3 185
	Domestic long term	585	864	1 036	972	993	1 399	1 462	1 457	1 785	1 987	1 801
	<b>Total airport</b>	<b>5 870</b>	<b>6 049</b>	<b>6 141</b>	<b>5 448</b>	<b>5 557</b>	<b>5 742</b>	<b>5 574</b>	<b>5 338</b>	<b>7 627</b>	<b>7 681</b>	<b>7 000</b>

<sup>99</sup> Annual throughput data for staff car parking was unavailable.

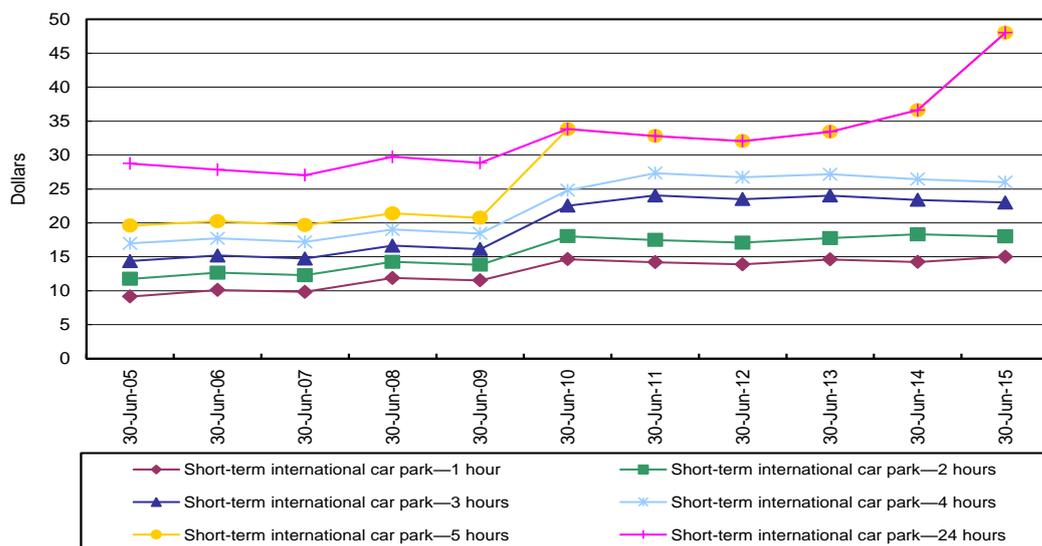
### 2.4.2 Prices

The following section assesses the trends in Brisbane Airport’s ‘drive-up’ car parking charges in real terms from 30 June 2005 to 30 June 2015. The ACCC notes that Brisbane Airport also provides an online car park booking system, which provides customers with access to charges that are at a discount to Brisbane Airport’s ‘drive-up’ charges. As such, the ACCC has also compared ‘drive-up’, online, and the average charges that customers have pay at Brisbane Airport’s car parking facilities for 2014-15.

#### ***International terminal—short term and long term car parking***

Chart 2.4.1 shows short term prices for Brisbane Airport’s international terminal. Brisbane Airport increased prices for every duration longer than four hours in 2014-15, and did not change the nominal prices for less than four hours parking (chart 2.4.1). In particular, prices for 4-24 hours parking increased by 31.1 per cent in real terms during 2014-15. Brisbane Airport said that the price increase for 4-24 hours was to align pricing with the domestic car park.

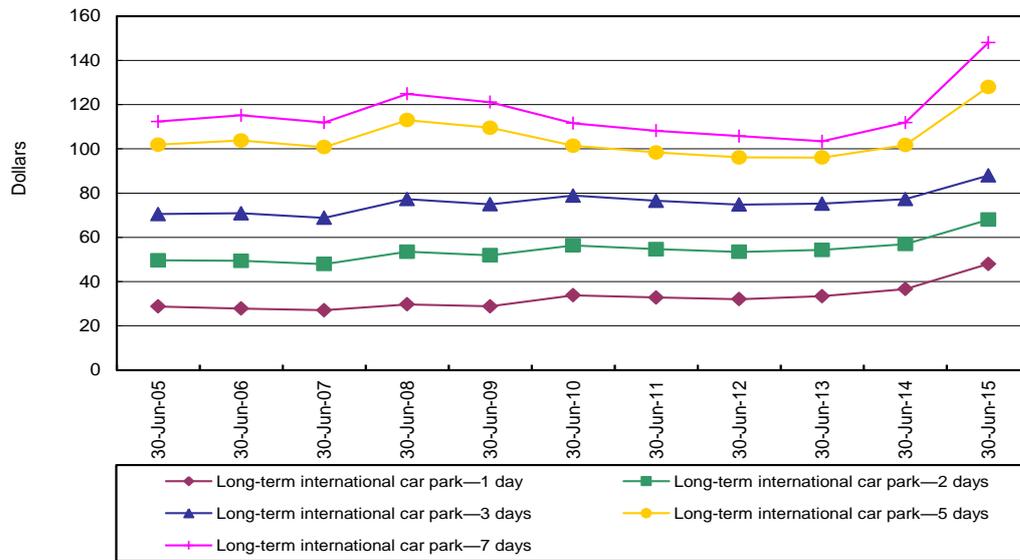
**Chart 2.4.1: Brisbane Airport—selected short term parking prices at the international terminal car park in real terms: 30 June 2005 to 30 June 2015**



Note: Real values in 2014-15 dollars

Chart 2.4.2 presents selected long-term prices at Brisbane Airport’s international terminal. The increases in prices for 1-7 days parking ranged from 13.8 per cent in real terms for three days parking to 32.3 per cent in real terms for seven days parking. For each parking duration, the price increases in 2014-15 represent the largest annual increase in real terms over the time series. The car park is situated within walking distance of the international terminal with most parking bays under cover.

**Chart 2.4.2: Brisbane Airport—selected long term parking prices at the international terminal car park in real terms: 30 June 2005 to 30 June 2015**



Note: Real values in 2014-15 dollars

Since 2004-05, the movement in most short term car parking prices has trended steadily upwards in real terms, excluding charges for less than 30 minutes parking. However, the increase in the 24 hour rate in 2014-15 is the most significant yearly increase in the 24 hour rate over the time series. Long term car parking prices have been more varied over the time series, with increases and decreases in these charges over time. As stated above, the increases during 2014-15 have been the most significant increases in long term car parking prices over the time series.

As noted, Brisbane Airport also provides online pre-booking of car parking spaces, which provides customers with discounted charges. Table 2.4.2 below compares the drive-up charges with the average online car parking charges paid by customers during the year. In addition, the table also displays the average price paid by customers during 2014-15 at Brisbane Airport’s international terminal car park. It shows that consumers are obtaining a discount of around one third for 6-7 days’ parking.

**Table 2.4.2: Brisbane Airport—drive-up, online and average parking charges at the international terminal car park: 2014-15**

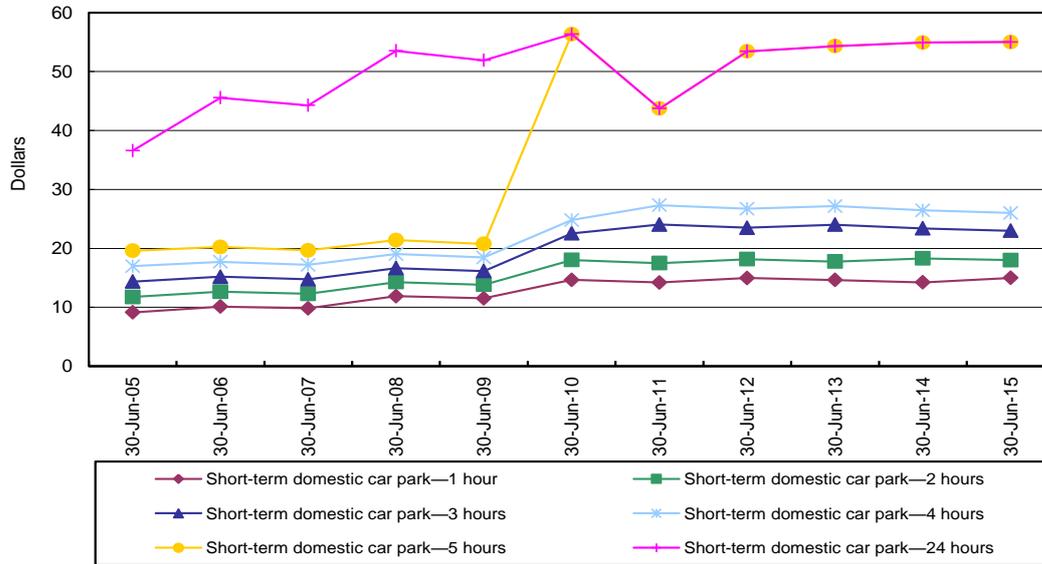
Length of stay	Drive-up (\$)	Average online (\$)	Weighted average of drive-up and online (\$)
4-24 hours	48.00	43.03	46.89
1-2 days	68.00	58.52	65.70
2-3 days	88.00	74.90	83.32
3-4 days	108.00	92.73	100.08
4-5 days	128.00	99.23	111.38
5-6 days	138.00	99.66	113.95
6-7 days	148.00	100.28	114.93

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

**Domestic terminal—short term and long term car parking**

Chart 2.4.3 shows that Brisbane Airport reduced almost all of its short term car parking charges during 2014-15 in real terms. The exception was the one hour rate, which increased by 5.3 per cent in real terms.

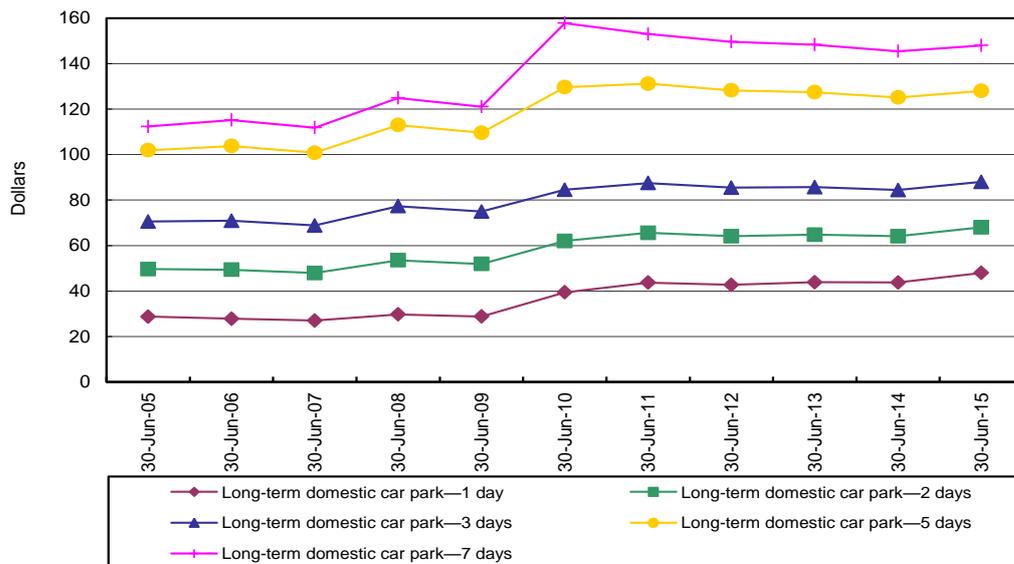
**Chart 2.4.3: Brisbane Airport—selected short term parking prices at the domestic terminal car park in real terms: 30 June 2005 to 30 June 2015**



Note: Real values in 2014-15 dollars

Chart 2.4.4 shows that Brisbane Airport increased each of its long term car parking charges at its domestic terminal car park.

**Chart 2.4.4: Brisbane Airport—selected long term parking prices at the domestic terminal car park in real terms: 30 June 2005 to 30 June 2015**



Note: Real values in 2014-15 dollars

The increases ranged from 1.8 per cent in real terms for seven days parking to 9.7 per cent for one day parking. The domestic car park is situated within walking distance of the terminal and provides for undercover parking.

During 2014-15, Brisbane Airport aligned its car parking charges across the international and domestic terminal car parking facilities.

As noted, Brisbane Airport also provides online pre-booking of car parking spaces, which provides customers with discounted charges. Table 2.4.3 below displays the drive-up charges, average online charges and the weighted average of drive-up and online charges in 2014-15.

**Table 2.4.3: Brisbane Airport—drive-up, online and average parking charges at the domestic terminal car park: 2014-15**

Length of stay	Drive-up (\$)	Average online (\$)	Weighted average of drive-up and online (\$)
4-24 hours	48.00	44.18	47.88
1-2 days	68.00	59.16	66.76
2-3 days	88.00	73.18	82.18
3-4 days	108.00	97.35	102.56
4-5 days	128.00	98.84	111.57
5-6 days	138.00	99.91	112.68
6-7 days	148.00	100.28	111.05

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

### 2.4.3 Revenues, costs and profits

Table 2.4.4 outlines Brisbane Airport’s revenues, operating expenses and aggregate margin for car parking and total airport services from 2004-05 to 2014-15.

In 2014-15, Brisbane Airport’s car parking revenue increased by 4.6 per cent in real terms to \$84.5 million. This occurred despite total car parking throughput decreasing by 8.9 per cent during the year. Since 2004-05, car parking revenue has increased by an average of 8.2 per cent per year in real terms.

Car parking operating expenses decreased by 3.9 per cent in real terms during 2014-15. This resulted in car parking aggregate margin significantly increasing by 9.4 per cent in real terms to \$56.8 million. Since 2004-05, car parking aggregate margin has increased by an average of 7.0 per cent per year in real terms. The airport made a profit of 67.2 cents for each dollar in car parking revenue in 2014-15.

The trends were similar on a per car park space basis, with revenue increasing by 6.9 per cent in real terms. Operating expenses per car park space declined. Aggregate margin per car park space increased by 11.8 per cent in real terms during 2014-15, to \$4153 per car park space.

**Table 2.4.4: Brisbane Airport—revenues, operating expenses and aggregate margins for car parking and total airport services in real terms: 2004-05 to 2014-15**

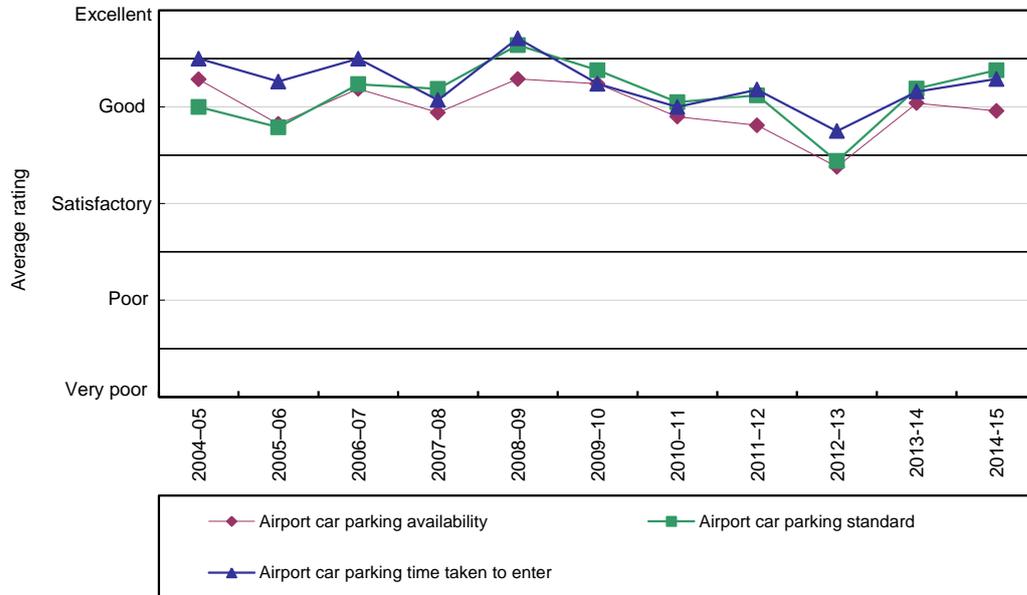
		2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Revenue (\$million)</b>	Car parking	38.4	43.2	49.0	52.3	60.3	65.5	65.7	65.1	75.1	80.8	84.5
	<b>Total airport</b>	<b>320.1</b>	<b>398.8</b>	<b>408.8</b>	<b>467.8</b>	<b>440.4</b>	<b>477.6</b>	<b>499.0</b>	<b>519.4</b>	<b>550.5</b>	<b>573.7</b>	<b>610.7</b>
	Car parking % of total	12.0	10.8	12.0	11.2	13.7	13.7	13.2	12.5	13.6	14.1	13.8
<b>Operating expenses (\$million)</b>	Car parking	9.4	9.0	11.0	14.0	14.5	15.2	18.7	24.7	26.0	28.9	27.7
	<b>Total airport</b>	<b>132.8</b>	<b>139.4</b>	<b>143.4</b>	<b>164.6</b>	<b>194.7</b>	<b>198.1</b>	<b>207.0</b>	<b>211.6</b>	<b>229.6</b>	<b>240.9</b>	<b>259.0</b>
<b>Aggregate margin (\$million)</b>	Car parking	29.0	34.2	38.0	38.2	45.8	50.3	46.9	40.5	49.1	51.9	56.8
	<b>Total airport</b>	<b>187.4</b>	<b>259.4</b>	<b>265.4</b>	<b>303.2</b>	<b>245.7</b>	<b>279.4</b>	<b>292.1</b>	<b>307.7</b>	<b>320.9</b>	<b>332.9</b>	<b>351.7</b>
<b>Aggregate margin % of revenue</b>	Car parking	75.4	79.2	77.6	73.1	76.0	76.8	71.5	62.1	65.4	64.3	67.2
	<b>Total airport</b>	<b>58.5</b>	<b>65.1</b>	<b>64.9</b>	<b>64.8</b>	<b>55.8</b>	<b>58.5</b>	<b>58.5</b>	<b>59.3</b>	<b>58.3</b>	<b>58.0</b>	<b>57.6</b>
<b>Revenue per space (\$)</b>		4 899	4 959	5 682	5 063	6 082	6 820	6 724	5 063	5 370	5 780	6 181
<b>Operating expenses per space (\$)</b>		1 204	1 033	1 272	1 360	1 458	1 581	1 917	1 917	1 858	2 065	2 028
<b>Aggregate margin per space (\$)</b>		3 695	3 927	4 410	3 703	4 624	5 238	4 806	3 146	3 512	3 716	4 153

Note: Real values in 2014-15 dollars

### 2.4.4 Quality of car parking facilities

Chart 2.4.5 shows that international passengers' ratings of the time taken to enter, availability and standard of Brisbane Airport's car parking facilities all remained as 'good' during 2014-15.

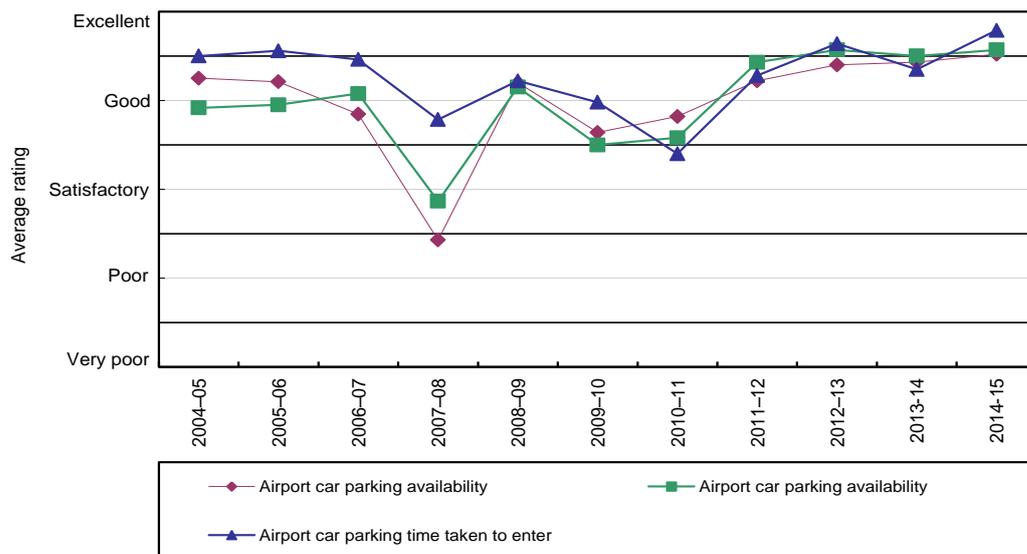
**Chart 2.4.5: Brisbane Airport—international passenger survey ratings of the quality of car parking facilities: 2004-05 to 2014-15**



Source: Passenger surveys

Chart 2.4.6 shows domestic passengers' rating of the standard of Brisbane Airport's car parking facilities improved within the 'excellent' range in 2014-15.

**Chart 2.4.6: Brisbane Airport—domestic passenger survey ratings of the quality of car parking facilities: 2004-05 to 2014-15**



Source: Passenger surveys

Domestic passengers' ratings of the time taken to enter and the availability of car parking both increased from 'good' in 2013-14 to 'excellent' in 2014-15.

### 2.4.5 Other transport options

In addition to car parking options, there are a number of alternative transport options to and from Brisbane Airport, including buses, taxis, train and private cars. Brisbane Airport imposes a landside access charge on some of these alternative transport options. Table 2.4.5 outlines the landside access charges for 2014-15, as well as the indexed average list prices between 2010-11 and 2014-15 in real terms. Brisbane Airport operates a free inter-terminal bus service between the domestic and international terminal.

**Table 2.4.5: Brisbane Airport—landside access charges in 2014-15 and indexed average access charges in real terms: 2010-11 to 2014-15**

Transport option	Average list prices (\$) 2014-15	Indexed average list prices (2014-15 base year = 100)				
		2010-11	2011-12	2012-13	2013-14	2014-15
Public bus	Monthly fee	NA	NA	NA	NA	NA
Off-airport car parking	Monthly fee	NA	NA	NA	NA	NA
Taxis (per pick-up)	3.40	96.5	94.3	101.4	98.7	100.0
Train (corridor lease)	162 000	97.8	98.3	80.6	96.7	100.0
Private bus and private car operators	Various	NA	NA	NA	NA	NA

Note: Real prices in 2014-15 dollars

Brisbane Airport provides 13 designated spaces for passenger pick-up and drop-off at the international terminal, and 46 spaces at the domestic terminal. Brisbane Airport also provides 225 parking spaces that are free for the first 30 minutes.

#### *Private and public buses*

Brisbane Airport operates a free shuttle bus to and from the Skygate shopping precinct and between the terminals. In terms of getting to and from the airport, commercial bus companies service the airport and provide CBD and hotel pick-up, as well as travel to the Gold Coast and Sunshine Coast. In addition, TransLink provides various public bus services to and from the airport precinct.

100

#### *Off-airport car parking operators*

A number of off-airport car parking operators service Brisbane Airport. Prices sampled by the ACCC ranged from \$18.00 to \$27.00 for one day parking and \$35.00 to \$48.00 for three days parking.<sup>101</sup>

#### *Taxis*

Brisbane Airport charges a \$3.40 airport access fee for each taxi pick-up, and does not charge for drop-offs. Brisbane Airport received a total of \$4.1 million in revenue from taxi access fees in 2014-15, an increase of 3.0 per cent in real terms.

<sup>100</sup> TransLink, *Airport services*, <http://translink.com.au/travel-information/visiting-queensland/airport-services>

<sup>101</sup> Gateway Airport Parking, *Parking rates*, <http://www.gatewayairportparking.com.au/parking-rates/rates.aspx>  
 Portside Cruise & Airport Parking, *Rates*, <http://www.portsideparking.com.au/rates.asp>  
 Andrew's Airport Parking, *Parking rates*, <http://www.andrewsairportpark.com.au/brisbane/rates.aspx>

*Train*

Brisbane Airport is serviced by a privately-owned and operated train service, which is integrated into the suburban train network. Train fares are \$17.00 one-way between the airport and the CBD, or \$32.00 return.<sup>102</sup> Brisbane Airport earns revenue from the train service through a corridor lease (\$162 000 in 2014-15).

**Quality of landside access services and facilities provided by Brisbane Airport**

Airport operators control access to airport land, including landside access areas. Further, the landside areas of monitored airports are bottleneck facilities essential in the supply of services to passengers and companies seeking access. Passengers, off-airport car parking operators, taxis, buses and private cars all require access to landside areas for the pick-up and drop-off of passengers. Airport operators have the incentive to restrict access and impede competition from alternatives to on-airport parking by imposing excessive charges or restrictive terms and conditions.

This section contains the quality of service results for Brisbane 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.

*Passenger ratings*

Table 2.4.6 shows that the majority of passengers’ ratings of international terminal landside services and facilities were unchanged at ‘good’ in 2014-15. The exception was passengers’ rating for taxi facilities waiting time, which increased from ‘good’ to ‘excellent’ in 2014-15. Passengers’ ratings of domestic terminal landside services all increased within the ‘good’ range during 2014-15.

**Table 2.4.6: Brisbane Airport—passenger ratings of quality of landside access services and facilities: 2014-15, 1-year change, and change since 2010-11**

Terminal	Indicator	Rating category 2014-15	1-year change	Change since 2010-11
<b>International</b>	Kerbside pick-up and drop-off facilities	Good	—	▲
	Taxi facilities waiting time	Excellent	▲*	▲*
	Kerbside space congestion	Good	—	▲
<b>Domestic</b>	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. For each indicator for the period specified: ▲ indicates an improvement; ▼ indicates a decline; — indicates no change. \*Rating changed by a category over the period.

*Landside operator ratings*

In 2014-15, 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.

<sup>102</sup> Airtrain, *Airtrain ticket information*, <https://airtrain.com.au/ticket-information>

The overall average rating from landside operator responses of Brisbane Airport's landside services and facilities was 'satisfactory' in 2014-15. The overall average rating is unchanged from 2013-14.

Commentary received from off-airport parking operators indicated that things have not changed materially at Brisbane Airport during 2014-15 and that the same issues remain relevant. In particular, off-airport parking operators said that pick-up points are inconvenient and that Brisbane Airport refuses to erect signage to indicate to their customers where these services are located in the airport precinct. In response, Brisbane Airport said that it had no requests for off-airport car parking signage in the past 12 months. Brisbane Airport also stated that it did not want to brand a common user area.

Industry groups were positive about their experiences at Brisbane Airport, noting that the standard of facilities is high and that the current availability of kerbside space is sufficient to cater for passengers.

In terms of management responsiveness, industry groups stated that Brisbane Airport works closely with the industries and have regular meetings to address concerns and issues. However, off-airport parking operators commented that Brisbane Airport is unresponsive to their needs and have poor communication. Off-airport parking operators suggested that there used to be regular meetings, which no longer occur. Brisbane Airport said in response that operators have failed to attend recent scheduled meetings.

Of concern to off-airport parking operators is their view that Brisbane Airport does not make decisions on access terms and conditions in a fair and reasonable way.

## 3. Melbourne Airport

### Key points—2014-15

- Melbourne Airport's passenger numbers increased by 3.6 per cent to 32.3 million.
- Total aeronautical revenue increased by 7.7 per cent in real terms to \$338.2 million, while aeronautical aggregate margin increased by 3.4 per cent in real terms to \$146.8 million. This equated to a profit of 43.4 cents for each dollar of aeronautical revenue.
- Rate of return on tangible aeronautical non-current assets decreased by 1.9 percentage points to 9.2 per cent.
- Total aeronautical capital expenditure was \$483.7 million, representing the largest yearly spend since privatisation.
- Melbourne Airport's average overall quality of service rating remained at 'satisfactory'. Its performance was equal lowest (with Sydney) of the four airports.
- Total car parking aggregate margin increased by 21.6 per cent in real terms to \$107.6 million. The airport made a profit of 73.2 cents for each dollar of car parking revenue.

### 3.1 Airport overview and major investments

This section outlines information about Melbourne Airport, as well as activity and investment during 2014-15. This includes passenger/traffic levels (Section 3.1.1), terminal configurations and car parking facilities (Section 3.1.2), and major airport investments (Section 3.1.3).

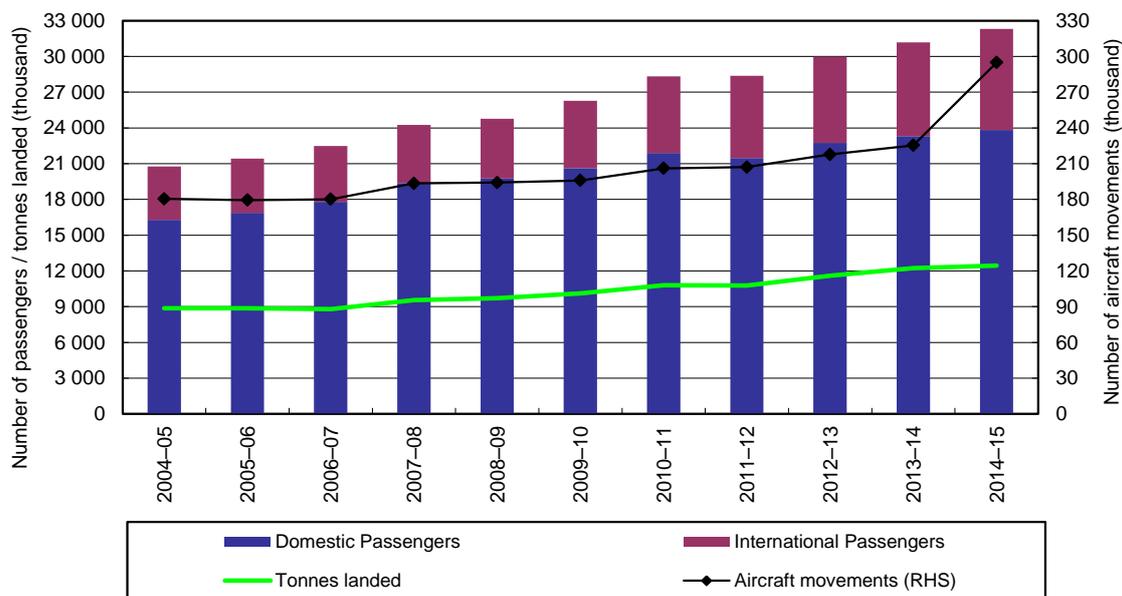
#### 3.1.1 Activity levels

Chart 3.1.1 shows that total passenger volumes increased by 3.6 per cent at Melbourne Airport during 2014-15 to reach 32.3 million. This is the highest annual growth reported by Melbourne Airport and places it behind only Sydney Airport in terms of patronage.

Passenger growth in 2014-15 was largely driven by a 7.7 per cent increase in international passengers (including transit) during the year. Domestic passenger numbers (including on-carriage) also increased in 2014-15, by 2.2 per cent.

Total aircraft movements increased by 2.5 per cent during 2014-15. Domestic aircraft movements were relatively flat with a small increase of 1.6 per cent. However, international aircraft movements increased by 5.4 per cent during 2014-15. General aviation aircraft movements increased by 38.9 per cent during 2014-15 to 1,320, following a decline in these movements in 2013-14.

**Chart 3.1.1: Melbourne Airport—volume of passengers, tonnes landed and aircraft movements: 2004-05 to 2014-15<sup>103</sup>**



### 3.1.2 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 (DTL). This terminal is not subject to monitoring and is not included in 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 and Regional Express.
- Terminal 4 (T4) is a common user domestic terminal that has been used by Tigerair since November 2007.

#### *Car parking facilities*

Melbourne Airport provides multiple car parking facilities that are combined for both domestic and international passengers. This included undercover short term and multi-level long term parking opposite the terminals. There is also a long term car park which is serviced by a shuttle bus. Other car parks include an additional overflow car park operated at peak times (Value Long Stay car park) and a business car park within walking distance of the terminals. The Business Car Park was incorporated into the multi-level long term car park.

<sup>103</sup> Unless otherwise stated, the source for tables and charts in this chapter is data obtained from Melbourne Airport through the ACCC's monitoring process.

### 3.1.3 Major airport investments

Table 3.1.1 provides details of major aeronautical investments that have been completed, commenced or planned during 2014-15. The Australian Government approved Melbourne Airport’s latest Master Plan<sup>104</sup> on 18 December 2013.<sup>105</sup>

**Table 3.1.1: Melbourne Airport—major investments in aeronautical services and facilities**

Description of investment	Value (\$m)	Started	Completed
Bussing, Premium Lounge and Transfer Screening facilities	N/A	Q1 2014	Q2 2015
T2 check-in enhancement	N/A	Q2 2014	Q4 2014
Secondary Examination Area upgrade	N/A	Q2 2013	Q1 2014
Golf Pier	N/A	Q3 2015	Q3 2015
Construction Services Tunnel	N/A	Q3 2015	Q3 2015
Southern Apron Expansion	N/A	Q3 2013	Q3 2015
T2 deployment of Smart Gates (inbound and outbound)	N/A	Q4 2015	Q2 2016
T2 Security Screening enhancement	N/A	Q4 2015	Q4 2015
T3/T4 integration	N/A	Q3 2016	Q2 2019

Melbourne Airport completed a number of aeronautical projects during 2014-15 with the major completed project being the ‘Bussing, Premium Lounge and Transfer Screening facilities’ project for the international terminal. Other major projects in the international terminal included additional bag drop facilities in the baggage hall and layout upgrades to screening areas.

Melbourne Airport’s major ongoing aeronautical project was the construction of a new Terminal 4. This new domestic terminal will have the first fully self-service departures hall in the Asia Pacific region. Melbourne Airport began its staged opening of this new terminal on 18 August 2015.<sup>106</sup>

Table 3.1.2 provides details of major car parking / landside related investments that have been completed, commenced or planned during 2014-15. For example, Melbourne Airport completed its ‘Airport Drive & Steel Creek North’ project in 2014-15, which provided a 3.3 kilometre four-lane road that connects to the M80 Western Ring Road. Melbourne Airport’s major ongoing car parking project is the multi-level structure for the new Terminal 4, which will provide more than 2500 car parking spaces, a ground transport hub and public pick-up and drop-off lanes.

<sup>104</sup> The Master Plan is a 20 year forward looking document that identifies, for example, development objectives and future aviation requirements, and is required to be updated every five years and approved by the Minister for Infrastructure and Regional Development.

<sup>105</sup> The Hon. Warren Truss (2013), *Melbourne Airport ‘Master Plan’ Approved*, Media release, 23 December 2013, [http://minister.infrastructure.gov.au/wt/releases/2013/December/wt050\\_2013.aspx](http://minister.infrastructure.gov.au/wt/releases/2013/December/wt050_2013.aspx)

<sup>106</sup> Melbourne Airport (2015), *Melbourne Airport opens the doors to its new Terminal 4*, Media release, 18 August 2015, <http://melbourneairport.com.au/about-melbourne-airport/media/media-releases/melbourne-airport-opens-the-doors-to-its-new-terminal-4-1758.html>

**Table 3.1.2: Melbourne Airport—major investments in car parking and landside access services**

Description of investment	Value (\$m)	Started	Completed
Airport Drive & Steele Creek North	N/A	Q1 2013	Q2 2015
Interim Premium Parking/Valet facility	N/A	Q3 2013	Q4 2014
Licence Plate Recognition	N/A	Q3 2014	Q2 2015
Multi-level structure at T4	N/A	Q3 2013	Q4 2015

## 3.2 Aeronautical price monitoring and financial performance results

This section presents Melbourne Airport's aeronautical price monitoring and financial reporting results. These results are categorised into prices (Section 3.2.1), revenues, costs and profits (Section 3.2.2), and assets (Section 3.2.3), including capital additions (Section 3.2.4) and rate of return on tangible non-current assets (Section 3.2.5).

### 3.2.1 Prices

Melbourne Airport's current pricing agreements with airlines have applied since 1 July 2012 and expire on 30 June 2017. Prices for this agreement were determined using a cost-based building block methodology, and prices are primarily adjusted by fixed annual increases with some charges adjusted by CPI during the term of the agreement. Table 3.2.1 presents Melbourne Airport's average aeronautical charges in 2014-15, as well as the indexed average list prices in real terms between 2010-11 and 2014-15. Commercial agreements mean that airlines may pay less than the list prices.

**Table 3.2.1: Melbourne Airport—schedule of average aeronautical charges in 2014-15 and indexed average list prices (including GST) in real terms from 2010-11 to 2014-15**

	Average charge per unit (\$)	Indexed average list prices (2014-15 base year = 100)				
		2010-11	2011-12	2012-13	2013-14	2014-15
<b>Landing fees</b>						
International terminal (per passenger)	19.75	83.4	84.3	91.7	95.2	100.0
Other (for aircraft not utilising international terminal) (per passenger)	4.48	93.0	90.9	97.5	98.8	100.0
Common-user domestic terminals (per passenger)	5.58	97.8	97.1	100.2	99.7	100.0
International freight (per MTOW) <sup>(a)</sup>	10.57	84.5	85.5	99.1	98.9	100.0
Domestic freight (per MTOW) <sup>(a)</sup>	10.57	84.5	85.5	99.1	98.9	100.0
General aviation (per MTOW) <sup>(a)</sup>	19.84	84.5	85.5	99.1	98.9	100.0
Aircraft parking (per 15 minutes)	45.35	84.5	85.5	99.1	98.9	100.0
Check-in desks (per hour) <sup>(b)</sup>	34.79	80.6	81.5	99.1	98.9	100.0
<b>Minimum charges</b>						
International and domestic freight (per landing)	N/A	88.3	89.3	102.7	100.0	N/A
General aviation (per landing)	287.00	85.5	86.5	101.9	97.6	100.0

	Average charge per unit (\$)	Indexed average list prices (2014-15 base year = 100)				
		2010-11	2011-12	2012-13	2013-14	2014-15
<b>Landing fees</b>						
<b>Government-mandated security charges</b>						
International terminal passenger screening (includes check baggage screening) (per passenger)	4.26	114.0	104.1	101.8	105.3	100.0
Common-user domestic terminals passenger screening (includes check baggage screening) (per passenger)	2.88	90.5	100.2	101.9	92.9	100.0
Airport security charge – passengers (per passenger)	0.21	135.4	117.0	114.4	111.4	100.0
Airport security charge – freighters and general aviation (per MTOW)	0.21	135.4	117.0	114.4	111.4	100.0

Notes: Real indexed prices are in 2014-15 dollars. N/A = Not applicable  
 (a) Minimum charge applies. Melbourne Airport advised that this charge did not apply on 'international and domestic freight' during 2014-15.  
 (b) Melbourne Airport also offers a 'premium rate' for check-in desks of \$52.18 per hour.

The majority of aeronautical charges at Melbourne Airport increased in real terms during 2014-15. The only charges to decrease in real terms were most of the government-mandated security charges, with real decreases ranging from 5.0 per cent (international passenger screening), to 10.2 per cent (airport security charges).

Melbourne Airport increased the majority of its landing fees by around 1.1 per cent in real terms in 2014-15, with the main exception being the 'international terminal' landing fee that increased by 5.1 per cent in real terms.

### 3.2.2 Revenues, costs and profits for aeronautical and total airport services

Table 3.2.2 presents the revenues, operating expenses and aggregate margins for aeronautical services, government mandated security services and the total airport in real terms from 2004-05 to 2014-15.

In 2014-15, Melbourne Airport's aeronautical revenue increased by 7.7 per cent in real terms to \$338.2 million. This increase was driven by increased aeronautical charges, higher passenger numbers and a slight shift in passenger mix from domestic travel towards international travel. Since 2004-05, aeronautical revenue has increased by an average of 6.6 per cent per year in real terms.

Melbourne Airport reported significant growth in aeronautical operating expenses during 2014-15, increasing by 11.2 per cent in real terms. The increase in aeronautical operating expenses was largely driven by increases in depreciation (14.7 per cent real increase), general administration (47.8 per cent real increase), and salaries and wages (10.2 per cent real increase). The increase in salaries and wages expenditure resulted from higher average wages for staff, as staffing levels remained stable during the year.

Despite the large percentage increase in aeronautical operating expenses, Melbourne Airport reported growth in aeronautical aggregate margin in 2014-15, (3.4 per cent in real terms to \$146.8 million). Since 2004-05, aeronautical aggregate margin has increased by an average of 5.9 per cent per year in real terms. The airport made a profit of 43.4 cents for each dollar of aeronautical revenue in 2014-15.

On a per passenger basis, both aeronautical revenue (3.9 per cent) and operating expenses (7.3 per cent) increased in real terms during the year. However, aeronautical aggregate margin per passenger decreased during the year by 0.2 per cent in real terms to \$4.54. For the second consecutive year, Melbourne Airport has reported the lowest values of aeronautical revenue, operating expenses and aggregate margin on a per passenger basis of the monitored airports.

### **3.2.3 Assets for aeronautical and total airport services**

Table 3.2.3 outlines Melbourne Airport's tangible non-current assets for aeronautical and total airport services from 2004-05 to 2014-15.

In 2014-15, the value of aeronautical tangible non-current assets at Melbourne Airport increased by 28.1 per cent in real terms to \$1.8 billion. This increase was driven by an increase in the value of property, plant and equipment, which grew by 29.2 per cent in real terms during 2014-15. Since 2004-05, aeronautical tangible non-current assets have increased in value by 189.4 per cent in real terms.

Tangible non-current assets for the total airport increased in value by 28.6 per cent in real terms to around \$4.0 billion in 2014-15. This was driven by an increase in the value of all asset categories. In particular, the value of 'other' non-current assets (including financial assets and accrued revenue) increased by 140.4 per cent in real terms, while the value of land increased by 46.1 per cent in real terms.

Melbourne Airport advised in its regulatory accounts that a schedule of LIS values for aeronautical assets is not required as its total aeronautical asset base used for the regulatory accounts is the same as the LIS values required by the ACCC. As a result, LIS measures are not separately reported for Melbourne Airport.

**Table 3.2.2: Melbourne Airport—revenues, operating expenses and aggregate margins for aeronautical services, government-mandated security services, and total airport services in real terms: 2004-05 to 2014-15**

		2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Revenue (\$million)</b>	Total aeronautical	179.1	182.7	196.2	222.9	227.3	238.9	253.5	260.3	292.5	314.1	338.2
	Security services	17.5	18.6	16.9	24.3	27.9	32.9	31.6	30.8	34.8	35.7	37.3
	Security % of total aeronautical	9.8	10.2	8.6	10.9	12.3	13.8	12.5	11.8	11.9	11.4	11.0
	<b>Total airport</b>	<b>411.6</b>	<b>429.0</b>	<b>459.5</b>	<b>520.3</b>	<b>533.5</b>	<b>566.9</b>	<b>596.2</b>	<b>612.5</b>	<b>653.4</b>	<b>706.2</b>	<b>753.1</b>
	Aeronautical % of total airport	43.5	42.6	42.7	42.8	42.6	42.1	42.5	42.5	44.8	44.5	44.9
<b>Operating expenses (\$million)</b>	Total aeronautical	96.0	98.9	106.6	112.9	118.5	127.7	137.3	157.7	175.2	172.1	191.3
	Security services	17.5	18.5	17.7	25.7	29.0	29.1	30.1	31.2	34.8	35.1	37.5
	<b>Total airport</b>	<b>161.7</b>	<b>173.1</b>	<b>178.7</b>	<b>177.5</b>	<b>185.3</b>	<b>197.8</b>	<b>212.6</b>	<b>234.3</b>	<b>258.1</b>	<b>264.9</b>	<b>298.0</b>
<b>Aggregate margin (\$million)</b>	Total aeronautical	83.0	83.8	89.6	110.0	108.8	111.3	116.2	102.6	117.4	142.1	146.8
	Security services	0.0	0.0	(0.8)	(1.4)	(1.1)	3.8	1.5	(0.4)	0.0	0.6	(0.2)
	<b>Total airport</b>	<b>249.9</b>	<b>255.9</b>	<b>280.8</b>	<b>342.8</b>	<b>348.3</b>	<b>369.1</b>	<b>383.6</b>	<b>378.2</b>	<b>395.4</b>	<b>441.3</b>	<b>455.1</b>
<b>Aggregate margin % of total revenue</b>	Aeronautical	46.4	45.9	45.7	49.3	47.9	46.6	45.8	39.4	40.1	45.2	43.4
	<b>Total airport</b>	<b>60.7</b>	<b>59.7</b>	<b>61.1</b>	<b>65.9</b>	<b>65.3</b>	<b>65.1</b>	<b>64.3</b>	<b>61.7</b>	<b>60.5</b>	<b>62.5</b>	<b>60.4</b>
<b>Revenue per passenger (\$)</b>	Total aeronautical	8.62	8.53	8.72	9.19	9.18	9.09	8.95	9.17	9.76	10.07	10.47
	Security services	0.84	0.87	0.75	1.00	1.13	1.25	1.11	1.08	1.16	1.15	1.15
<b>Operating expenses per passenger (\$)</b>	Total aeronautical	4.62	4.61	4.74	4.65	4.78	4.86	4.85	5.56	5.84	5.52	5.92
	Security services	0.84	0.86	0.79	1.06	1.17	1.11	1.06	1.10	1.16	1.13	1.16
<b>Aggregate margin per passenger (\$)</b>	Total aeronautical	4.00	3.91	3.98	4.53	4.39	4.23	4.10	3.62	3.91	4.56	4.54
	Security services	0.00	0.00	(0.04)	(0.06)	(0.05)	0.14	0.05	(0.01)	0.00	0.02	(0.01)

Note: Real values in 2014-15 dollars

Table 3.2.3: Melbourne Airport—non-current assets for aeronautical services and total airport services in real terms: 2004-05 to 2014-15

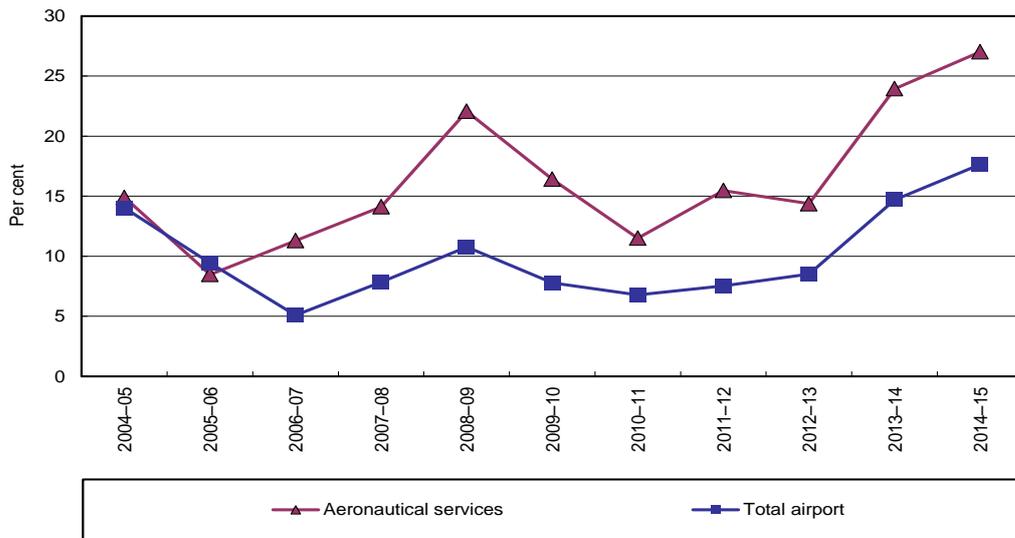
		2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Investment property (\$million)</b>	Aeronautical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	<b>Total airport</b>	<b>0.0</b>	<b>0.0</b>	<b>1 053.3</b>	<b>1 046.3</b>	<b>989.6</b>	<b>981.9</b>	<b>1 032.3</b>	<b>1 061.4</b>	<b>1 117.3</b>	<b>1 078.2</b>	<b>1 206.6</b>
<b>Land (\$million)</b>	Aeronautical	64.3	61.6	57.5	55.0	52.7	53.1	50.8	49.1	47.8	46.0	44.6
	<b>Total airport</b>	<b>138.1</b>	<b>132.3</b>	<b>72.6</b>	<b>69.4</b>	<b>66.6</b>	<b>66.5</b>	<b>63.7</b>	<b>61.4</b>	<b>77.1</b>	<b>74.2</b>	<b>108.3</b>
<b>Property, plant and equipment (\$million)</b>	Aeronautical	554.4	568.1	601.7	650.2	788.4	885.8	931.3	1 027.0	1 109.4	1 351.3	1 745.4
	<b>Total airport</b>	<b>931.6</b>	<b>959.1</b>	<b>893.9</b>	<b>986.0</b>	<b>1 142.1</b>	<b>1 235.5</b>	<b>1 293.8</b>	<b>1 377.1</b>	<b>1 495.7</b>	<b>1 821.8</b>	<b>2 388.2</b>
<b>Intangibles (\$million)</b>	Aeronautical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	<b>Total airport</b>	<b>753.1</b>	<b>880.1</b>	<b>820.8</b>	<b>794.1</b>	<b>770.1</b>	<b>752.6</b>	<b>729.9</b>	<b>713.4</b>	<b>697.6</b>	<b>681.0</b>	<b>669.1</b>
<b>Other tangible non-current assets (\$million)</b>	Aeronautical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	<b>Total airport</b>	<b>0.0</b>	<b>4.5</b>	<b>1.5</b>	<b>17.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>7.9</b>	<b>47.2</b>	<b>108.0</b>	<b>259.7</b>
<b>Total tangible non-current assets (\$million)</b>	Aeronautical	618.6	629.7	659.2	705.2	841.1	938.9	982.1	1 076.1	1 157.2	1 397.3	1 790.1
	<b>Total airport</b>	<b>1 069.7</b>	<b>1 095.9</b>	<b>2 021.3</b>	<b>2 118.8</b>	<b>2 198.3</b>	<b>2 283.8</b>	<b>2 389.7</b>	<b>2 507.8</b>	<b>2 737.2</b>	<b>3 082.1</b>	<b>3 962.9</b>
<b>Total non-current assets (\$million)</b>	Aeronautical	618.6	629.7	659.2	705.2	841.1	938.9	982.1	1 076.1	1 157.2	1 397.3	1 790.1
	<b>Total airport</b>	<b>1 822.9</b>	<b>1 976.1</b>	<b>2 842.1</b>	<b>2 912.8</b>	<b>2 968.3</b>	<b>3 036.4</b>	<b>3 119.6</b>	<b>3 221.3</b>	<b>3 434.8</b>	<b>3 763.1</b>	<b>4 632.0</b>

Note: Real values in 2014-15 dollars

### 3.2.4 Additions as a percentage of tangible non-current assets

Chart 3.2.1 shows that during 2014-15, Melbourne Airport’s \$483.7 million in additions to aeronautical assets represented about 27.0 per cent of total aeronautical tangible non-current assets. This is the highest proportion of additions reported over the time series and the largest yearly aeronautical capital expenditure since privatisation. Additions to aeronautical assets included buildings (\$111.7 million), land improvement (\$242.7 million), plant and machinery (\$74.7 million) and work in progress (\$54.7 million). The major projects included in the additions were the T2 arrivals upgrade, Airport Drive road, taxiway concrete replacement and the T2 bussing and airline lounge.

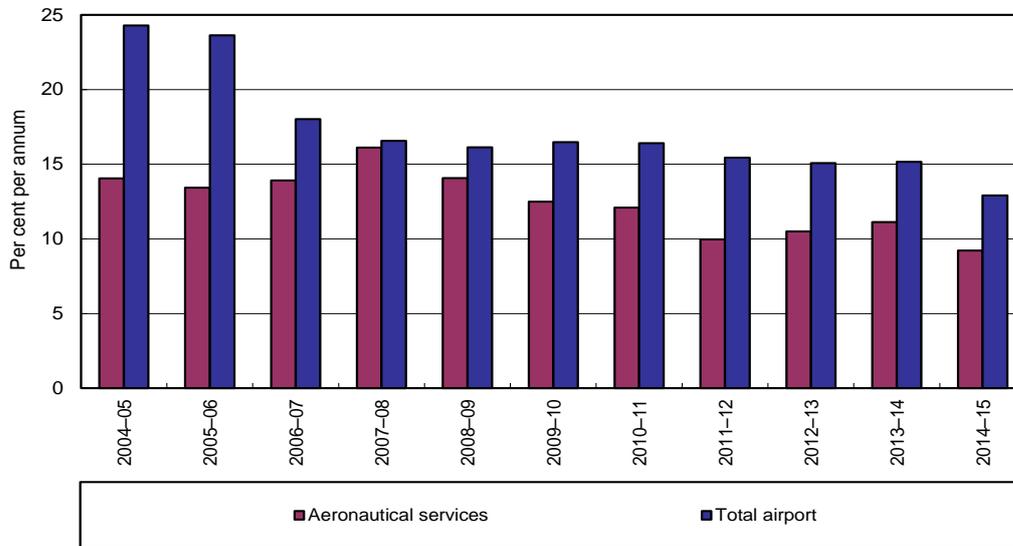
**Chart 3.2.1: Melbourne Airport—additions as a percentage of tangible non-current assets for aeronautical and total airport services: 2004-05 to 2014-15**



### 3.2.5 Rates of return on tangible non-current assets

The rate of return on aeronautical tangible non-current assets is calculated using earnings before interest, tax and amortisation (EBITA) on average assets. This figure decreased by 1.9 percentage points to 9.2 per cent in 2014-15 (Chart 3.2.2). This is the lowest rate of return on aeronautical tangible non-current assets reported over the time series.

**Chart 3.2.2: Melbourne Airport—rate of return (EBITA) on tangible non-current assets for aeronautical and total airport services in real terms: 2004-05 to 2014-15**



Note: Real values in 2014-15 dollars

### 3.3 Aeronautical services quality of service monitoring results

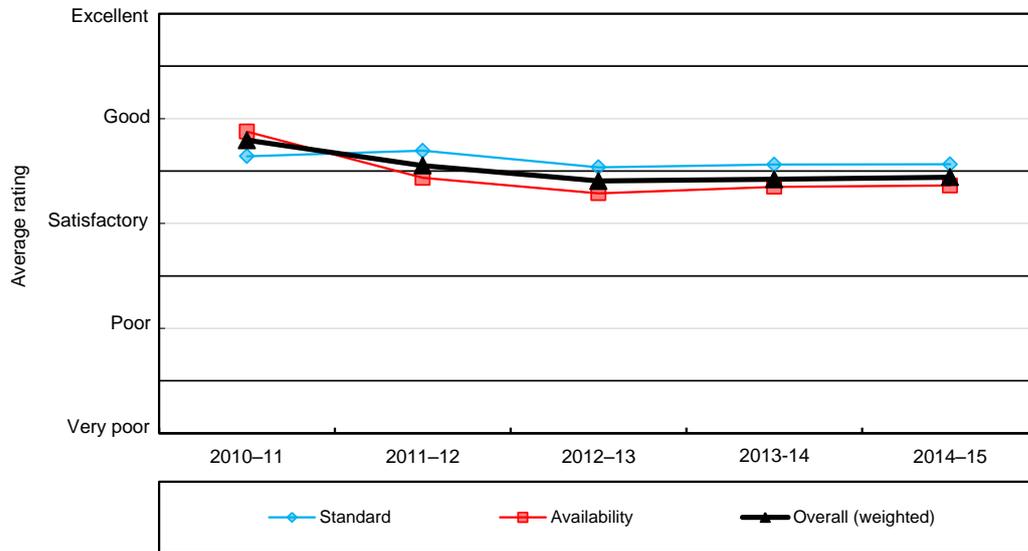
Both passengers and airlines are surveyed to give an insight into the quality of service offered by each airport. This section presents Melbourne Airport's quality of service monitoring results for the overall average ratings (Section 3.3.1), aircraft-related services and facilities (Section 3.3.2), and passenger-related services and facilities for Melbourne Airport's terminals (Section 3.3.3).

#### 3.3.1 Overall quality of service<sup>107</sup>

Chart 3.3.1 shows that during 2014-15, Melbourne Airport's overall average rating remained unchanged at 'satisfactory' for the second consecutive year. The average rating for the availability of total airport services and facilities remained within the 'satisfactory' range, while the average rating for the standard of total airport services and facilities remained within the 'good' range. There has been little movement in the results over the past three years.

<sup>107</sup> Passenger and airline survey templates ask respondents to rate their level of satisfaction with services and facilities on a scale of 1 to 5. The ACCC aggregates the survey results and produces average ratings for each indicator, as well as overall average ratings. In the 2014-15 report, the ACCC has changed its interpretation of average rating categories. For further detail on the reasons for this change see Appendix A4.

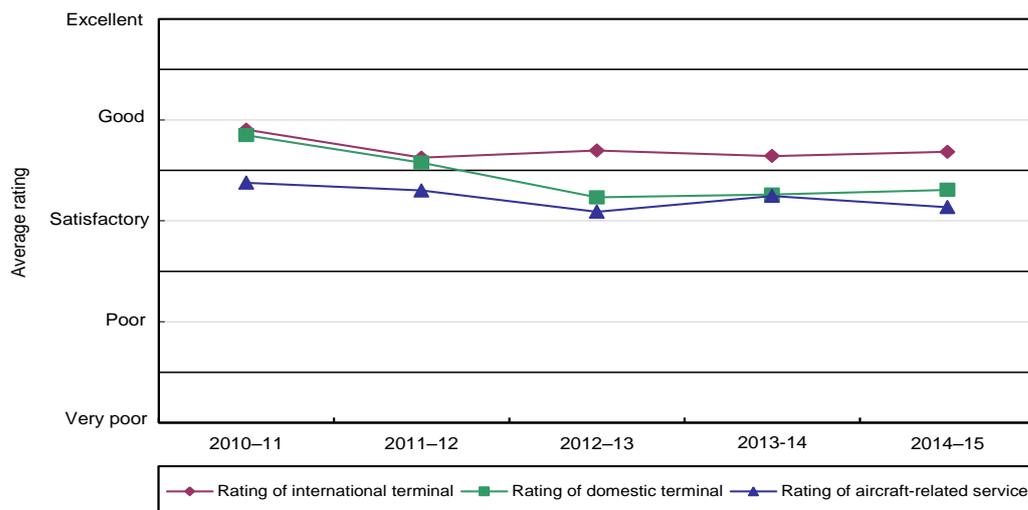
**Chart 3.3.1: Melbourne Airport—overall weighted rating and average ratings for standard and availability of total airport services and facilities: 2010-11 to 2014-15**



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

Chart 3.3.2 compares average quality of service ratings between domestic terminal services, international terminal services and aircraft-related services. Melbourne Airport’s average rating for international terminal services increased within the ‘good’ range during 2014-15, while the average rating for domestic terminal services remained unchanged at ‘satisfactory’. Melbourne Airport’s average rating for aircraft-related services and facilities decreased within the ‘satisfactory’ range in 2014-15.

**Chart 3.3.2: Melbourne Airport—average ratings for international and domestic terminal services, and aircraft-related services and facilities: 2010-11 to 2014-15**



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

### 3.3.2 Aircraft-related services and facilities

As discussed above, airlines' ratings of aircraft-related services and facilities declined within the 'satisfactory' range during 2014-15. Table 3.3.1 displays the specific indicators which drove the decline in this rating during the year.

**Table 3.3.1: Melbourne Airport—airline ratings of quality of individual aircraft-related services and facilities: 2014-15, 1-year change, and change since 2010-11**

	Indicator	Rating category 2014-15	1-year change	Change since 2010-11
<b>Runway</b>	Availability	Good	▲*	▲*
	Standard	Good	▲	▲
<b>Taxiways</b>	Availability	Satisfactory	—	▼
	Standard	Good	▲*	▼
<b>Aprons</b>	Availability	Satisfactory	▼	▼*
	Standard	Satisfactory	▼	▼*
<b>Aircraft parking</b>	Availability of facilities and bays	Poor	▼*	▲
	Standard of facilities and bays	Satisfactory	▼	▼
<b>Ground handling</b>	Availability of services and facilities	Satisfactory	—	—
	Standard of services and facilities	Satisfactory	▼	—
<b>Management responsiveness</b>	Availability	Satisfactory	▼	▼*
	Standard	Satisfactory	▼	▼*

Note: 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.

Airlines' ratings of the availability and standard of runways both improved during 2014-15. In particular, the rating for availability increased from 'satisfactory' to 'good'. Most airlines noted that there are runway congestion issues at Melbourne Airport during peak periods. A number of airlines noted that Melbourne Airport has been completing runway upgrade works, which have generally, but not greatly, impacted operations.

Airlines' ratings of the availability and standard of aprons declined within the 'satisfactory' range during 2014-15. Airlines stated that the apron works and concrete replacements during the year have impacted on operations.

Airlines have consistently raised the availability of aircraft parking facilities and bays as an issue at Melbourne Airport, with a rating of 'poor' in most years since 2010-11. Airlines have again stated that the limited space and number of bays is an issue. In particular, airlines commented that there are waiting times for bays, which requires additional aircraft towing. Some airlines also commented that the limited number of bays results in increased stand-off and bussing operations, which results in a lower quality of service provided.

Airlines' ratings of the availability and standard of management responsiveness declined within the 'satisfactory' range during 2014-15. Some airlines mentioned that airport management has restructured during the year, which impacted on engagement.

### 3.3.3 Passenger-related services and facilities

#### *International terminal*

Various quality of service indicators for Melbourne Airport's international terminal are shown in Table 3.3.2. In particular, passengers' ratings of each subjective indicator remained unchanged within the 'good' range in 2014-15, while airlines' ratings of subjective indicators remained within the 'good' and 'satisfactory' categories.

The largest change in airline rating was the reduced rating for the standard of aerobridges, which declined within the 'satisfactory' range. Some airlines stated that there are occasionally faults and serviceability issues with aerobridges. A number of airlines also raised issues with the general cleanliness of Melbourne Airport's aerobridges.

Melbourne Airport increased the number of check-in desks, kiosks and bag-drop facilities during 2014-15. Melbourne Airport stated that the construction of these new facilities was likely to have impacted on customer experience, as evidenced by the slight decline in the passenger rating for check-in waiting time during the year. The commentary from airlines on check-in facilities were mixed, with some airlines finding the availability sufficient while others raised issues with congestion. In terms of standard, some airlines stated that the facilities are of a decent standard, and one airline specifically stated that the new facilities are acceptable while the older facilities are of a poor standard.

Melbourne Airport stated that it added 14 additional flight information display screens in its public gate lounge areas during 2014-15. In addition, Melbourne Airport provided 324 additional seats in its existing gate lounge areas. These improvements correspond to slightly improved passenger ratings within the 'good' range for these services and facilities.

**Table 3.3.2: Melbourne Airport—indicators of quality of passenger-related services and facilities—international terminal: 2014-15, 1-year change and change since 2010-11**

Category	Indicator	Data source	Indicator result 2014-15	1-year change	Change since 2010-11
<b>Check-in</b>	Check-in availability	Airline survey	Satisfactory	▼	▲
	Check-in standard	Airline survey	Good	▼	▲*
	Check-in waiting time	Passenger survey	Good	—	▼
	<i>Number of departing passengers per check-in desk, kiosk and bag drop facility (peak hour)</i>	<i>Objective indicator</i>	<i>6.6 passengers</i>	▲	▲
<b>Immigration</b>	Waiting time in outbound Immigration area	Passenger survey	Good	—	▼
	<i>Number of departing passengers per outbound Immigration desk (peak hour)</i>	<i>Objective indicator</i>	<i>48.7 passengers</i>	▼	▼
	Waiting time in inbound Immigration area	Passenger survey	Good	▼	▼
	<i>Number of arriving passengers per inbound Immigration desk (peak hour)</i>	<i>Objective indicator</i>	<i>24.0 passengers</i>	▼	▲
	Waiting time in inbound baggage inspection area	Passenger survey	Good	—	▲
	<i>Number of arriving passengers per baggage inspection desk (peak hour)</i>	<i>Objective indicator</i>	<i>28.6 passengers</i>	▲	▲
<b>Information</b>	Flight information display screens	Passenger survey	Good	—	—
	<i>Number of passengers per flight information display screen (peak hour)</i>	<i>Objective indicator</i>	<i>18.6 passengers</i>	▲	▲
	<i>Number of passengers per information point (peak hour)</i>	<i>Objective indicator</i>	<i>2 342 passengers</i>	▼	▼
	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. \*\* Rating changed by two categories over the period.

**Table 3.3.2: Melbourne Airport—indicators of quality of passenger-related services and facilities—international terminal: 2014-15, 1-year change and change since 2010-11 (cont.)**

Category	Indicator	Data source	Indicator result 2014-15	1-year change	Change since 2010-11
<b>Baggage</b>	Baggage processing facilities availability	Airline survey	Good	▲*	▲**
	Baggage processing facilities standard	Airline survey	Good	—	▲**
	<i>Average throughput of outbound baggage system (per hour)</i>	<i>Objective indicator</i>	<i>524 items</i>	▲	▲
	Circulation space for inbound baggage reclaim	Passenger survey	Good	▼	▲
	Information display for inbound baggage reclaim	Passenger survey	Good	▲	▲
	<i>Number of arriving passengers per m<sup>2</sup> of inbound baggage reclaim area (peak hour)</i>	<i>Objective indicator</i>	<i>1.5 passengers</i>	—	N/A
	Findability of baggage trolleys	Passenger survey	Good	—	▼*
	<i>Number of passengers per baggage trolley (peak hour)</i>	<i>Objective indicator</i>	<i>1.1 passengers</i>	▼	▼
<b>Gate lounges</b>	Seating in lounge area (quality and availability)	Passenger survey	Good	—	▲
	<i>Number of departing passengers per seat in gate lounges (peak hour)</i>	<i>Objective indicator</i>	<i>0.3 passengers</i>	—	▲
	Crowding in lounge area	Passenger survey	Good	—	—
	<i>Number of departing passengers per m<sup>2</sup> of lounge area (peak hour)</i>	<i>Objective indicator</i>	<i>0.2 passengers</i>	▼	▼
<b>Amenities</b>	Standard of washrooms	Passenger survey	Good	—	—
	<i>Number of departing passengers per washroom (peak hour)</i>	<i>Objective indicator</i>	<i>73.0 passengers</i>	▼	N/A
<b>Aerobridges</b>	Aerobridges availability	Airline survey	Satisfactory	▲	▲
	Aerobridges standard	Airline survey	Satisfactory	▼	—
	<i>Percentage of international passengers arriving using an aerobridge</i>	<i>Objective indicator</i>	<i>98.7%</i>	▲	▼
	<i>Percentage of international passengers departing using an aerobridge</i>	<i>Objective indicator</i>	<i>99.5%</i>	▲	▲
<b>Security</b>	Quality of security search process	Passenger survey	Good	—	▼
	<i>Number of departing passengers per security clearance system (peak hour)</i>	<i>Objective indicator</i>	<i>129.8 passengers</i>	▼	▲

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. \*\* Rating changed by two categories over the period.

### ***Domestic terminal (T3)***

As shown in Table 3.3.3, passengers' ratings of each subjective indicator of Melbourne Airport's Terminal 3 remained within the 'good' range in 2014-15. In contrast, airlines were much less positive regarding Terminal 3 and rated each indicator as either 'satisfactory' or 'poor' in 2014-15.

Most passenger ratings were unchanged during 2014-15. Three slightly decreased (check-in waiting time, findability of baggage trolleys and standard of washrooms) and one slightly increased (flight information display screens).

Melbourne Airport decreased the number of check-in kiosk facilities from 16 to 13 during 2014-15. Passengers' rated check-in waiting time as 'good' in 2014-15, although this rating slightly declined during the year. Airlines rated the availability of check-in services and facilities as 'poor' in 2014-15, and rated the standard of these services and facilities as 'satisfactory'. In commentary provided to support these ratings, airlines noted that the check-in hall is often very busy and can overflow into the landside areas.

Airlines' rating of the availability and standard of baggage processing facilities increased from 'poor' in 2013-14 to 'satisfactory' in 2014-15. However, the ratings for 2014-15 were at the bottom of the 'satisfactory' range. Airlines commented that the baggage processing systems were old, out-dated and unclean. Airlines also raised issues with congestion in the inbound and outbound baggage processes due to infrastructure constraints.

Melbourne Airport stated that it added two additional flight information display screens in its public gate lounge areas during 2014-15. This improvement corresponds to slightly improved passenger ratings within the 'good' range for flight information display screens.

### ***Domestic terminal (T4)***

As presented in Table 3.3.4, all of the ratings on Melbourne Airport's subjective indicators at Terminal 4 remained in the 'good' range during 2014-15. Of these, the only measure that declined was the findability of baggage trolleys. Melbourne Airport stated that construction works for the new Terminal 4 impacted baggage trolley availability during the year.

Despite 2014-15 being the final year of operation for the existing Terminal 4, passengers did note some improvements in a number of services and facilities during the year. For example, passengers' rating of check-in waiting time increased within the 'good' range in 2014-15. Melbourne Airport stated that this was due to Tigerair implementing a new fully automated check-in system to work in conjunction with its traditional check-in desks. Passengers' rating of the circulation space for inbound baggage reclaim also increased within the 'good' range in 2014-15. Melbourne Airport noted that the relocation of the inbound baggage reclaim area to a new larger area resulted in positive feedback from passengers.

**Table 3.3.3: Melbourne Airport—indicators of quality of passenger-related services and facilities—domestic terminal (T3): 2014-15, 1-year change and change since 2010-11**

Category	Indicator	Data source	Indicator result 2014-15	1-year change	Change since 2010-11
<b>Check-in</b>	Check-in availability	Airline survey	Poor	▼*	—
	Check-in standard	Airline survey	Satisfactory	—	—
	Check-in waiting time	Passenger survey	Good	▼	▲
	<i>Number of departing passengers per check-in desk, kiosk and bag drop facility (peak hour)</i>	<i>Objective indicator</i>	<i>19.2 passengers</i>	▼	▲
<b>Baggage</b>	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	—	N/A
	<i>Number of arriving passengers per m<sup>2</sup> of inbound baggage reclaim area (peak hour)</i>	<i>Objective indicator</i>	<i>7.4 passengers</i>	▼	N/A
	Findability of baggage trolleys	Passenger survey	Good	▼	▼
	<i>Number of passengers per baggage trolley (peak hour)</i>	<i>Objective indicator</i>	<i>3.7 passengers</i>	▼	▲
<b>Information</b>	Flight information display screens	Passenger survey	Good	▲	▲
	Signage and wayfinding	Passenger survey	Good	—	—
	<i>Number of passengers per flight information display screen (peak hour)<sup>(a)</sup></i>	<i>Objective indicator</i>	<i>39.2 passengers</i>	▼	▼
<b>Gate lounges</b>	Seating in lounge area (quality and availability)	Passenger survey	Good	—	▲
	<i>Number of departing passengers per seat in gate lounges (peak hour)</i>	<i>Objective indicator</i>	<i>0.6 passengers</i>	▼	—
	Crowding in lounge area	Passenger survey	Good	—	▲
	<i>Number of departing passengers per m<sup>2</sup> of lounge area (peak hour)</i>	<i>Objective indicator</i>	<i>0.2 passengers</i>	—	—
<b>Amenities</b>	Standard of washrooms	Passenger survey	Good	▼	—
	<i>Number of departing passengers per washroom (peak hour)</i>	<i>Objective indicator</i>	<i>138.0 passengers</i>	▼	N/A
<b>Aerobridges<sup>(b)</sup></b>	<i>Number of arriving domestic passengers per aerobridge (peak hour)</i>	<i>Objective indicator</i>	<i>79.9 passengers</i>	▲	▼
	<i>Number of departing domestic passengers per aerobridge (peak hour)</i>	<i>Objective indicator</i>	<i>62.7 passengers</i>	▼	▲
<b>Security</b>	Quality of security search process	Passenger survey	Good	—	▲
	<i>Number of departing passengers per security clearance system (peak hour)</i>	<i>Objective indicator</i>	<i>98.6 passengers</i>	▲	▲

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.

(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.

**Domestic terminal (T4)****Table 3.3.4: Melbourne Airport—indicators of quality of passenger-related services and facilities—domestic terminal (T4): 2014-15, 1-year change and change since 2010-11**

Category	Indicator	Data source	Indicator result 2014-15	1-year change	Change since 2010-11
<b>Check-in</b>	Check-in waiting time	Passenger survey	Good	▲	▲
	<i>Number of departing passengers per check-in desk, kiosk and bag drop facility (peak hour)</i>	Objective indicator	20.9 passengers	▼	▲
<b>Baggage</b>	Circulation space for inbound baggage reclaim	Passenger survey	Good	▲	▲
	Information display for inbound baggage reclaim	Passenger survey	Good	▲	N/A
	<i>Number of arriving passengers per m<sup>2</sup> of inbound baggage reclaim area (peak hour)</i>	Objective indicator	3.6 passengers	▲	N/A
	Findability of baggage trolleys	Passenger survey	Good	▼	▼
	<i>Number of passengers per baggage trolley (peak hour)</i>	Objective indicator	11.6 passengers	▼	▲
<b>Information</b>	Flight information display screens	Passenger survey	Good	—	▲
	Signage and wayfinding	Passenger survey	Good	—	▲
	<i>Number of passengers per flight information display screen (peak hour)</i>	Objective indicator	96.8 passengers	▼	▲
<b>Gate lounges</b>	Seating in lounge area (quality and availability)	Passenger survey	Good	—	▲
	<i>Number of departing passengers per seat in gate lounges (peak hour)</i>	Objective indicator	1.0 passengers	▼	▼
	Crowding in lounge area	Passenger survey	Good	▲	▲
	<i>Number of departing passengers per m<sup>2</sup> of lounge area (peak hour)</i>	Objective indicator	0.4 passengers	▼	▼
<b>Amenities</b>	Standard of washrooms	Passenger survey	Good	—	▲
	<i>Number of departing passengers per washroom (peak hour)</i>	Objective indicator	125.3 passengers	▼	N/A
<b>Security</b>	Quality of security search process	Passenger survey	Good	▲	▲
	<i>Number of departing passengers per security clearance system (peak hour)</i>	Objective indicator	188.0 passengers	▼	▼

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.

Terminal 4 has no aerobridges or information points and as a result, no indicators are included for these measure.

Airline responses have not been included for confidentiality reasons, although these ratings have been included in average airline survey ratings elsewhere in this chapter.

### 3.4 Car parking services monitoring results

This section assesses Melbourne Airport’s car parking and landside services and facilities. Areas covered include activity (Section 3.4.1), car park pricing (Section 3.4.2), revenues and margins (Section 3.4.3) and quality of service outcomes (Section 3.4.4).

#### 3.4.1 Activity

Table 3.4.1 outlines the number of car parking spaces available and throughput of those car parking facilities at Melbourne Airport from 2004-05 to 2014-15.

The total number of car parking spaces at Melbourne Airport decreased by 4.8 per cent to 23 223 spaces in 2014-15, which was due to reduced spaces for both short term and long term parking. Melbourne Airport has reported the largest number of car parking spaces of the monitored airports in each year over the time series. Melbourne Airport stated that short term car parking spaces were lower in 2014-15 due to car rental facilities being moved within the short term car park. Melbourne Airport stated that long term car parking spaces were reduced due to the construction of an elevated road to access the new Terminal 4. As noted in section 3.1.3, Melbourne Airport opened a new public car parking facility in November 2015 that has provided more than 2500 car parking spaces.

In 2014-15, Melbourne Airport’s car parking facilities included 6824 short term parking spaces (29.4 per cent of total car parking capacity), 13 830 long term parking spaces (59.6 per cent) and 2569 staff parking spaces (11.1 per cent).

In 2014-15, the average daily throughput for short term car parking decreased by 2.0 per cent, which is the third consecutive annual decrease in throughput. However, the average daily throughput for the long term car parking increased by 5.5 per cent, which is the third consecutive annual increase.

Table 3.4.1: Melbourne Airport—number of car park spaces and average daily throughput: 2004-05 to 2014-15

		2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Number of car park spaces</b>	Short term	3 553	3 744	3 315	3 244	7 698	7 529	7 529	7 441	7 441	7 279	6 824
	Long term	6 859	11 077	11 913	14 592	12 500	12 500	12 500	12 100	12 250	14 500	13 830
	Staff	1 300	1 410	1 676	2 059	2 059	2 383	2 383	2 383	2 627	2 627	2 569
	<b>Total airport</b>	<b>11 712</b>	<b>16 231</b>	<b>16 904</b>	<b>19 895</b>	<b>22 257</b>	<b>22 412</b>	<b>22 412</b>	<b>21 924</b>	<b>22 318</b>	<b>24 406</b>	<b>23 223</b>
<b>Annual throughput of car park facilities (thousand)</b> <sup>108</sup>	Short term	2 719	2 752	2 594	2 644	2 664	2 725	2 723	2 804	2 701	2 594	2 543
	Long term	418	512	539	703	527	521	540	530	579	586	618
	<b>Total airport</b>	<b>3 136</b>	<b>3 264</b>	<b>3 133</b>	<b>3 347</b>	<b>3 191</b>	<b>3 246</b>	<b>3 263</b>	<b>3 334</b>	<b>3 279</b>	<b>3 180</b>	<b>3 161</b>
<b>Average daily throughput of car park facilities</b>	Short term	7 448	7 540	7 107	7 224	7 298	7 466	7 460	7 662	7 400	7 106	6 967
	Long term	1 144	1 402	1 478	1 921	1 443	1 427	1 480	1 447	1 585	1 606	1 694
	<b>Total airport</b>	<b>8 592</b>	<b>8 942</b>	<b>8 585</b>	<b>9 144</b>	<b>8 742</b>	<b>8 893</b>	<b>8 940</b>	<b>9 110</b>	<b>8 985</b>	<b>8 711</b>	<b>8 661</b>

<sup>108</sup> Annual throughput data for staff car parking was unavailable.

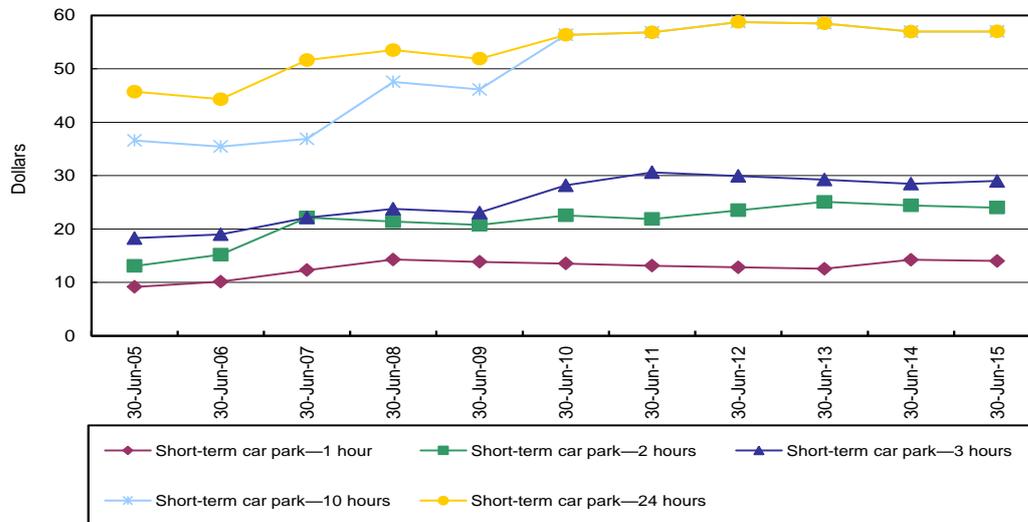
### 3.4.2 Prices

The following section assesses the trend in Melbourne Airport’s ‘drive-up’ car parking charges in real terms from 30 June 2005 to 30 June 2015. The ACCC notes that Melbourne Airport also provides an online car park booking system, which provides customers with access to charges that are typically at a discount to Melbourne Airport’s ‘drive up’ charges.<sup>109</sup>

#### Short term car parking

Chart 3.4.1 shows the trends in prices for Melbourne Airport’s multi-level short term car park. The prices have been fairly stable in real terms since 2009-10, with two hours parking experiencing the largest increase, of 6.5 per cent in real terms since 2009-10.

**Chart 3.4.1: Melbourne Airport—selected prices at multi-level short term car park in real terms: 30 June 2005 to 30 June 2015**



Note: Real values in 2014-15 dollars

As noted, Melbourne Airport also provides online pre-booking of car parking spaces, which typically provide customers with discounted charges. Table 3.4.2 below compares the drive-up charges with the average weighted drive-up and online charges. The results indicate that the average drive-up and online calculation does not differ substantially from the drive-up charge and relatively few consumers are obtaining significant savings by booking online for these durations.

<sup>109</sup> Melbourne Airport requested that the weighted online charges were commercial in confidence and asked for the data to be not published.

**Table 3.4.2: Melbourne Airport—drive-up, online and average parking charges at the short term car park: 2014-15**

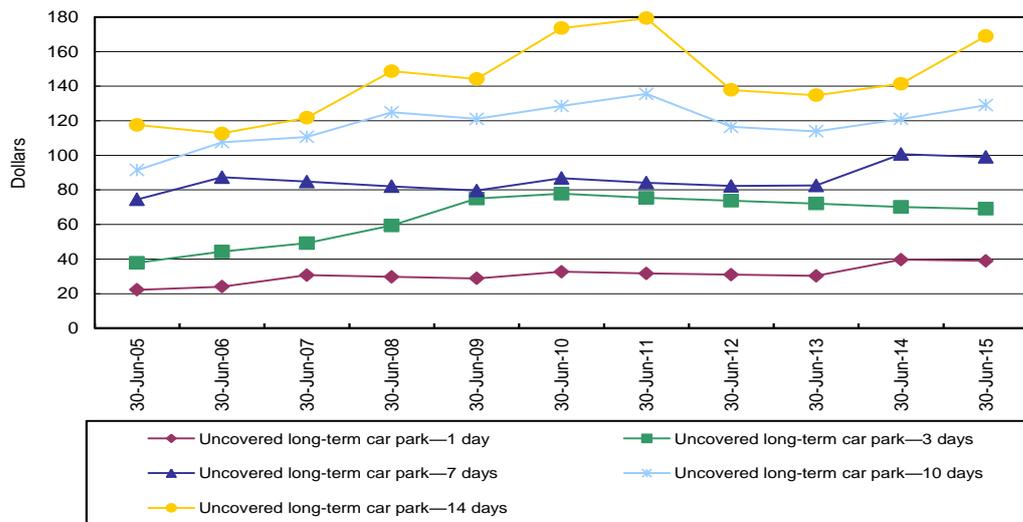
Length of stay	Drive-up (\$)	Average online (\$)	Weighted average of drive-up and online (\$)
0-30 minutes	6.00	-	6.00
31-60 minutes	14.00	-	14.00
1-2 hours	24.00	-	23.86
2-3 hours	29.00	-	29.00
3-4 hours	37.00	-	33.53
4-24 hours	57.00	-	56.45

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

**Long term car parking**

Chart 3.4.2 shows pricing for the uncovered long term car park. Melbourne Airport did not change any of the prices for eight or fewer days parking but changed its pricing structure for parking between nine and fourteen days parking. In particular, Melbourne had previously charged an additional \$5 for each day from nine to fourteen days, which has now increased to an additional \$10 for each day in this period.

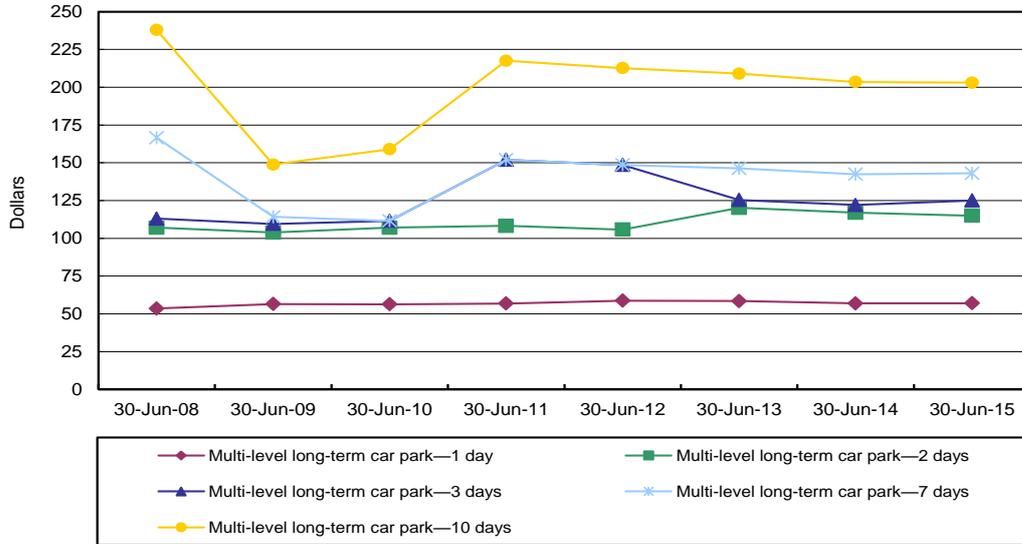
**Chart 3.4.2: Melbourne Airport—selected prices at uncovered long term car park in real terms: 30 June 2005 to 30 June 2015**



Note: Real values in 2014-15 dollars

Prices are higher at Melbourne Airport’s multi-level long term car park due to its proximity to the terminals. Melbourne Airport left its two day charge unchanged and increased all other charges by between \$1 and \$5. Chart 3.4.3 shows that prices have remained fairly stable in real terms during 2014-15.

**Chart 3.4.3: Melbourne Airport—selected prices at multi-level long term car park in real terms: 30 June 2008 to 30 June 2015**

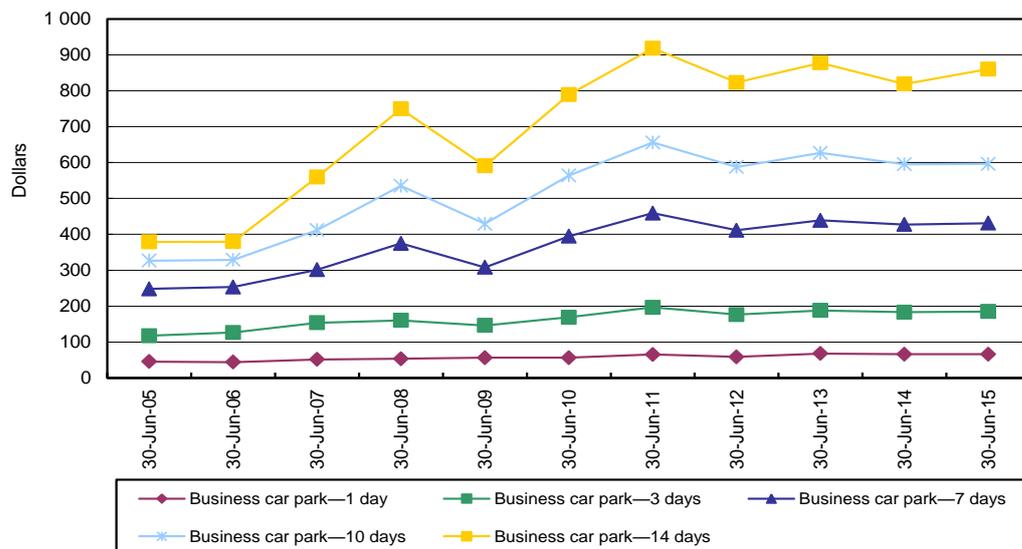


Note: Real values in 2014-15 dollars

Since 2007-08, the prices for between one and six days parking have all increased in real terms, with the largest increase occurring for four days parking (11.8 per cent in real terms). However, the prices for more than six days parking have all declined by between 14.0 to 16.0 per cent in real terms since 2007-08.

The highest long term car parking prices are for the business car park. Chart 3.4.4 shows that Melbourne Airport increased prices for each duration by between \$3 and \$55 in 2014-15.

**Chart 3.4.4: Melbourne Airport—selected prices at business car park in real terms: 30 June 2005 to 30 June 2015**



Note: Real values in 2014-15 dollars

As noted, Melbourne Airport also provides online pre-booking of car parking spaces, which provides customers with discounted charges. Table 3.4.3 below displays the drive-up charges

and the weighted average of drive-up and online charges in 2014-15. The lower figures for the weighted average suggests that users of the long term car parking facilities are more likely to be obtaining online discounts than those using the short term car park.

**Table 3.4.3: Melbourne Airport—drive-up, online and average parking charges at the long term car parking facilities: 2014-15**

<b>Multi-level long term car park (includes 'business' car park)</b>			
<b>Length of stay</b>	<b>Drive-up (\$)</b>	<b>Average online (\$)</b>	<b>Weighted average of drive-up and online (\$)</b>
1-2 days	112.56	-	104.80
2-3 days	123.92	-	107.89
3-4 days	132.92	-	114.87
4-5 days	141.68	-	126.35
5-6 days	140.80	-	126.93
6-7 days	140.62	-	126.57
<b>Uncovered long term car park</b>			
<b>Length of stay</b>	<b>Drive-up (\$)</b>	<b>Average online (\$)</b>	<b>Weighted average of drive-up and online (\$)</b>
0-24 hours	39.00	-	30.44
1-2 days	49.00	-	40.50
2-3 days	69.00	-	55.60
3-4 days	75.00	-	60.34
4-5 days	79.00	-	65.23
5-6 days	89.00	-	70.54
6-7 days	99.00	-	75.26
7-8 days	109.00	-	84.12
<b>Value long term car park</b>			
<b>Length of stay</b>	<b>Drive-up (\$)</b>	<b>Average online (\$)</b>	<b>Weighted average of drive-up and online (\$)</b>
0-24 hours	39.00	-	37.69
1-2 days	49.00	-	45.55
2-3 days	69.00	-	47.12
3-4 days	75.00	-	58.80
4-5 days	79.00	-	59.08
5-6 days	89.00	-	72.06
6-7 days	99.00	-	79.96
7-8 days	109.00	-	78.27

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

### 3.4.3 Revenues, costs and profits

Table 3.4.4 outlines Melbourne Airport's revenues, operating expenses and aggregate margin for car parking and total airport services from 2004-05 to 2014-15.

In 2014-15, Melbourne Airport's car parking revenue increased by 14.8 per cent in real terms to \$147.0 million. This occurred despite total car parking throughput decreasing by 0.6 per cent during the year. As most prices did not increase substantially during 2014-15, this result was likely due to customers parking for longer durations. Since 2004-05, car parking revenue has increased by an average of 8.6 per cent per year in real terms.

Car parking operating expenses decreased by 0.3 per cent in real terms during 2014-15, which resulted in car parking aggregate margin significantly increasing by 21.6 per cent in real terms to \$107.6 million. Since 2004-05, car parking aggregate margin has increased by an average of 7.9 per cent per year in real terms.

Melbourne Airport reported the largest percentage growth in car parking revenue and aggregate margin of the monitored airports during 2014-15. Melbourne Airport also reported the largest values of car parking revenue and aggregate margin of the monitored airports.

In most years since 2004-05, Melbourne Airport has reported the highest car parking aggregate margin as a percentage of revenue of the monitored airports. In 2014-15, Melbourne Airport's car parking aggregate margin represented 73.2 per cent of car parking revenue.

The changes on a per car park space basis were more pronounced in 2014-15 due to car park spaces decreasing during the year. Revenue per car park space increased by 20.7 per cent in real terms, and operating expenses per car park space also increased. Aggregate margin per car park space increased by 27.8 per cent in real terms during 2014-15, to \$4633 per car park space.

**Table 3.4.4: Melbourne Airport—revenues, operating expenses and aggregate margins for car parking and total airport services in real terms: 2004-05 to 2014-15**

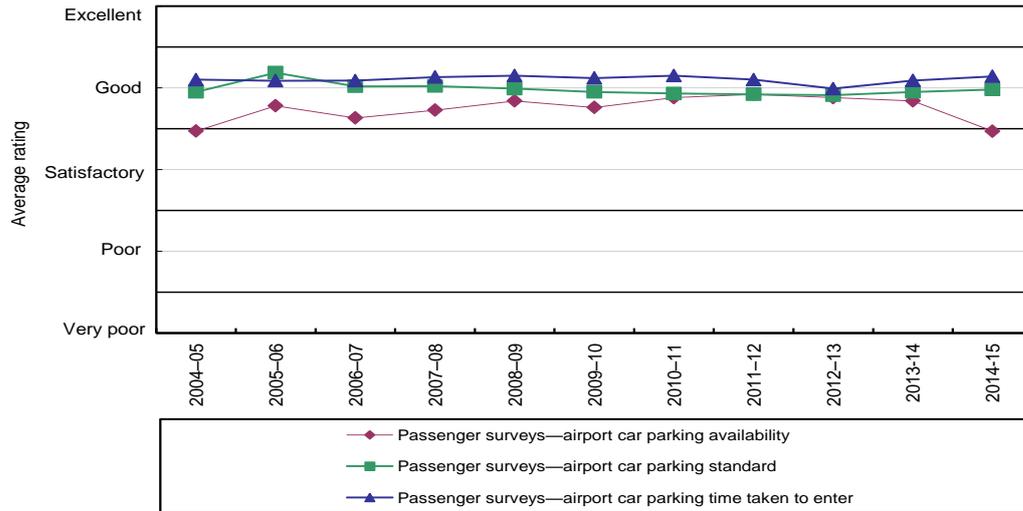
		2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Revenue (\$million)</b>	Car parking	64.3	74.8	84.4	108.3	109.3	117.1	125.3	122.5	125.4	128.1	147.0
	<b>Total airport</b>	<b>411.6</b>	<b>429.0</b>	<b>459.5</b>	<b>520.3</b>	<b>533.5</b>	<b>566.9</b>	<b>596.2</b>	<b>612.5</b>	<b>653.4</b>	<b>706.2</b>	<b>753.1</b>
	Car parking % of total	15.6	17.4	18.4	20.8	20.5	20.6	21.0	20.0	19.2	18.1	19.5
<b>Operating expenses (\$million)</b>	Car parking	13.9	16.2	23.7	25.1	23.4	26.0	30.3	30.2	35.6	39.5	39.4
	<b>Total airport</b>	<b>161.7</b>	<b>173.1</b>	<b>178.7</b>	<b>177.5</b>	<b>185.3</b>	<b>197.8</b>	<b>212.6</b>	<b>234.3</b>	<b>258.1</b>	<b>264.9</b>	<b>298.0</b>
<b>Aggregate margin (\$million)</b>	Car parking	50.4	58.6	60.7	83.2	85.9	91.1	95.0	92.3	89.8	88.5	107.6
	<b>Total airport</b>	<b>249.9</b>	<b>255.9</b>	<b>280.8</b>	<b>342.8</b>	<b>348.3</b>	<b>369.1</b>	<b>383.6</b>	<b>378.2</b>	<b>395.4</b>	<b>441.3</b>	<b>455.1</b>
<b>Aggregate margin % of revenue</b>	Car parking	78.3	78.3	72.0	76.8	78.6	77.8	75.8	75.3	71.6	69.1	73.2
	<b>Total airport</b>	<b>60.7</b>	<b>59.7</b>	<b>61.1</b>	<b>65.9</b>	<b>65.3</b>	<b>65.1</b>	<b>64.3</b>	<b>61.7</b>	<b>60.5</b>	<b>62.5</b>	<b>60.4</b>
<b>Revenue per space (\$)</b>		5 490	4 610	4 994	5 444	4 911	5 224	5 591	5 590	5 618	5 247	6 331
<b>Operating expenses per space (\$)</b>		1 190	1 000	1 401	1 262	1 050	1 158	1 352	1 378	1 595	1 620	1 698
<b>Aggregate margin per space (\$)</b>		4 300	3 610	3 593	4 182	3 860	4 066	4 239	4 212	4 023	3 626	4 633

Note: Real values in 2014-15 dollars

### 3.4.4 Quality of car parking facilities

Chart 3.4.5 shows how passengers have viewed the quality of Melbourne Airport’s car parking facilities. Passengers’ ratings of the standard of facilities, and time taken to enter the car parking facilities were largely unchanged in 2014-15 and remained rated as ‘good’. However, passengers’ rating of the availability of car parking declined within the ‘good’ range in 2014-15. Melbourne Airport stated that the relocation of hire cars to within the short term car park and the construction around Terminal 4 resulted in reduced car park spaces in 2014-15.

**Chart 3.4.5: Melbourne Airport—passenger survey ratings of the quality of car parking facilities: 2004-05 to 2014-15**



Source: Passenger surveys

### 3.4.5 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 some of these alternative transport options. Table 3.4.5 outlines the landside access charges for 2014-15, as well as the indexed average list prices between 2010-11 and 2014-15 in real terms.

**Table 3.4.5: Melbourne Airport—landside access charges in 2014-15 and indexed average access charges in real terms: 2010-11 to 2014-15**

Transport option	Average list prices (\$) 2014-15	Indexed average list prices (2014-15 base year = 100)				
		2010-11	2011-12	2012-13	2013-14	2014-15
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	53.4	52.2	51.1	101.7	100.0
Private car operators (per entry)	4.00	82.0	80.1	104.5	101.7	100.0

Note: Real prices in 2014-15 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 monitoring results

Melbourne Airport provides 127 designated spaces for passenger pick-up and drop-off at its main terminal forecourt area (which services the Qantas domestic terminal, the international terminal 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.<sup>110</sup> The SkyBus service also regularly operates between the CBD and Melbourne Airport for \$18.00 per trip for adults.<sup>111</sup>

There are a number of off-airport car park operators that provide alternative car parking services to the Melbourne Airport's car parks. Prices sampled by the ACCC ranged from \$12.00 to \$30.00 for one day parking and \$29.00 to \$52.00 for three days parking.<sup>112</sup>

In 2014-15, Melbourne Airport received around \$8.4 million from private buses and off-airport car parking operators, which is an increase of 40.4 per cent in real terms. As the number of units provided declined by 8.5 per cent during the year, the revenue increase was driven by higher average charges paid by operators during 2014-15. Melbourne Airport noted that operators were informed of price increases for the next three years in advance.

### *Taxis*

Melbourne Airport increased its taxi access charge on 19 May 2014, from \$1.32 to \$2.70 per pick-up. Melbourne Airport earned around \$5.3 million in revenue from taxi access charges in 2014-15, representing an increase of 85.5 per cent in real terms from the previous year.

## **Quality of landside access services and facilities provided by Melbourne Airport**

Airport operators control access to airport land, including landside access areas. Further, the landside areas of monitored airports are bottleneck facilities essential in the supply of services to passengers and companies seeking access. Passengers, off-airport car parking operators, taxis, buses and private cars all require access to landside areas for the pick-up and drop-off of passengers. Airport operators have the incentive to restrict access and impede competition from alternatives to on-airport parking by imposing excessive charges or restrictive terms and conditions.

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.

### *Passenger ratings*

Table 3.4.6 shows that passenger ratings for Melbourne Airport's landside services and facilities all increased within the 'good' range during 2014-15. Passenger ratings for each of these services and facilities have declined when compared with 2010-11.

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<sup>110</sup> Melbourne Airport, *Buses providing regular passenger services from the airport*, <http://melbourneairport.com.au/to-from-the-airport/other-bus-services/other-buses.html>

<sup>111</sup> SkyBus, *Trip fares*, <https://www.skybus.com.au/fares/>

<sup>112</sup> Busy Beaver Airport Parking, *Rates*, <http://www.busybeaverairportparking.com.au/parking-rates/rates.aspx>  
Ace Airport Parking, *Quote/booking*, <https://secure.aceairportparking.com.au/bookings/quote>  
Andrew's Airport parking, *Rates*, <http://www.andrewsairportpark.com.au/melbourne/rates.aspx>

**Table 3.4.6: Melbourne Airport—passenger ratings of quality of landside access services and facilities: 2014-15, 1-year change, and change since 2010-11**

Terminal	Indicator	Rating category 2014-15	1-year change	Change since 2010-11
<b>International and Domestic</b>	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.  
 For each indicator for the period specified: ▲ indicates an improvement; ▼ indicates a decline; — indicates no change.  
 \*Rating changed by a category over the period.

*Landside operator ratings*

In 2014-15, Melbourne Airport provided 127 designated spaces for passenger pick-up and drop-off for landside operators at its main terminal forecourt (which services the Qantas domestic terminal (T1), the international terminal (T2), and Terminal 3), and 20 spaces at Terminal 4. Landside operators include taxis, buses and off airport car parking operators.

The overall average rating from landside operator responses of Melbourne Airport’s landside services and facilities was ‘poor’ in 2014-15. The overall average rating is unchanged from 2013-14.

Commentary received from off-airport parking operators raised some similar issues to last year, such as the designated pick-up/drop-off location resulting in long walk distances through uncovered areas for passengers to and from terminals. Off-airport parking operators also noted that there remains a lack of adequate signage for their services, although they stated that Melbourne Airport has begun to look into this. They also raised issue with Melbourne Airport’s decision to erect signage in the waiting shelters used by off-airport parking operators that advertised for Melbourne Airport’s on-airport car parking.

Off-airport parking operators commented that Melbourne Airport’s management is generally dismissive of issues raised and that negotiations have not resulted in outcomes that are acceptable to any party other than the airport.



## Key points—2014-15

- Passenger numbers at Perth Airport decreased by 1.0 per cent to 14.8 million passengers.
- Total aeronautical revenue decreased by 1.4 per cent in real terms to \$186.6 million while aeronautical aggregate margin decreased 9.6 per cent in real terms to \$75.0 million. This equated to a profit of 52.6 cents for each dollar of aeronautical revenue.
- Total aeronautical capital expenditure was \$250.6 million representing the largest yearly spend since privatisation.
- The rate of return on tangible aeronautical non-current assets increased by 3.3 percentage points to 9.3 per cent.
- Perth Airport's average overall quality of service rating increased within the 'good' category. Its result was the second highest of the four airports.
- Total car parking aggregate margin increased by 2.2 per cent in real terms to \$91.5 million. The airport made a profit of 63.7 cents for each dollar in car parking revenue.

## 4.1 Airport overview and major investments

This section looks at Perth Airport's aeronautical activities including volume of passengers, tonnes landed and aircraft movements (Section 4.1.1). Other areas assessed include terminal configurations and car parking facilities (Section 4.1.2) and major investments (Section 4.1.3).

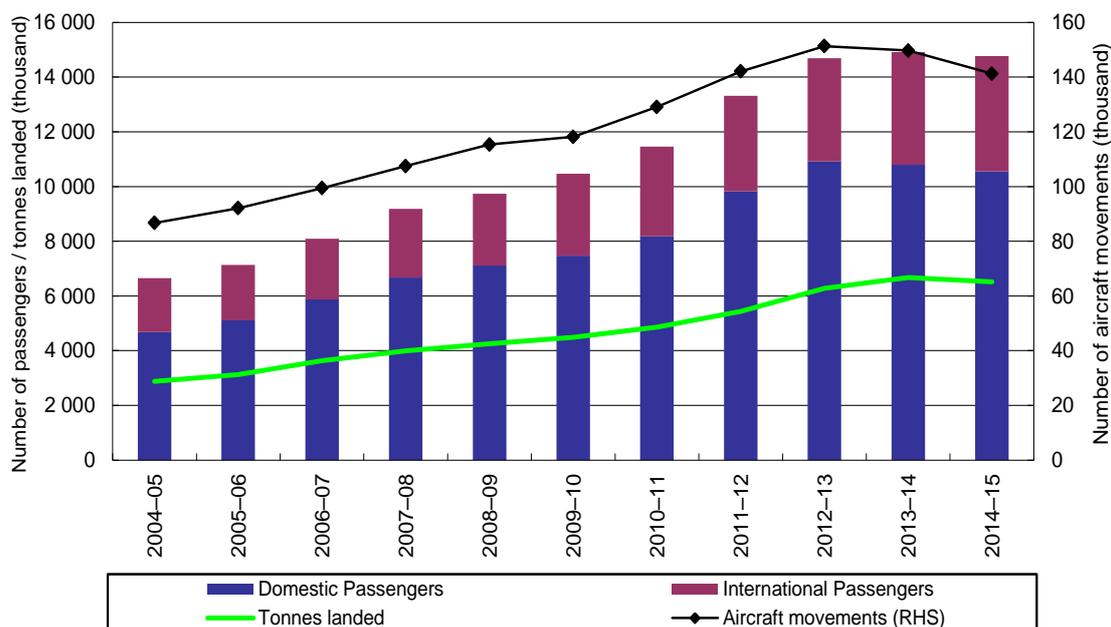
### 4.1.1 Activity

Chart 4.1.1 shows that total passenger volume decreased by 1.0 per cent at Perth Airport during 2014-15 to 14.8 million. This likely represents the end of a high growth period as a slowdown in the resources sector has reduced the number of flights by fly-in, fly-out workers.

Perth Airport has not experienced a drop in total passenger numbers since 2001-02 when numbers decreased by 8.1 per cent. Whereas international passenger numbers (including transit) grew by 1.9 per cent, the overall passenger decrease was driven by a 2.1 per cent fall in domestic passenger numbers (including general aviation and on-carriage).

Total tonnes landed and total aircraft movements both decreased by 2.4 and 5.6 per cent respectively. This is the first time that both total tonnes landed and total aircraft movements have both decreased in the same year.

**Chart 4.1.1: Perth Airport—volume of passengers, tonnes landed and aircraft movements: 2004-05 to 2014-15<sup>113</sup>**



## 4.1.2 Terminal configurations and car parking facilities

### Terminal configurations

Perth Airport has one international terminal and three domestic terminals located within two distinct precincts.

- The international terminal (T1) is a common-user terminal that is utilised by all airlines operating international services and is located in the Airport Central Precinct.
- Terminal 2 (T2) is a common-user domestic terminal also located in the Airport Central Precinct. Airlines flying from T2 currently include Alliance Airlines, Tigerair and Virgin Australia and other regional operators. T2 opened in 2013 and was planned to meet primarily intrastate and the resource sectors' travel demands.<sup>114</sup>
- Terminal 3 (T3) is located in the Airport West Precinct and is a common-user terminal used by Virgin Australia and Jetstar.
- Terminal 4 (T4) is adjacent to T3 and is also located in the Airport West Precinct. It is occupied and operated by Qantas under lease and therefore is not included within the scope of the ACCC's monitoring results.

### Car parking facilities

As T1 and T2 are adjacent to each other, they are serviced by the same short and long term car parks. Similarly T3 and T4 in the Airport West Precinct are serviced by the same car parks.

T1 and T2 have short-term parking options in two locations. Long term parking options are in four locations adjacent to each other and there is also a park-and-wait short term car park.

<sup>113</sup> Unless otherwise stated, the source for tables and charts in this chapter is data obtained from Perth Airport through the ACCC's monitoring process

<sup>114</sup> Perth Airport, (2014), Master Plan 2014, [http://www.perthairport.com.au/Libraries/Master\\_Plan\\_2014\\_Documents/WAC1333\\_PAMP\\_2014-04\\_Aviation\\_Development\\_SECURED\\_3.sflb.ashx](http://www.perthairport.com.au/Libraries/Master_Plan_2014_Documents/WAC1333_PAMP_2014-04_Aviation_Development_SECURED_3.sflb.ashx)

T3 and T4 have a ‘Fast track’ business short term car park located in front of the terminals. This car park provides a premium, under cover car parking service. Behind this car park is the short-term car park. There is long-term car parking in four locations. T3 and T4 also have a park-and-wait short term car park.

### 4.1.3 Major airport investments

Table 4.1.1 provides a summary of major aeronautical investments that have either been completed, commenced or planned during 2014-15. Perth current Airport’s Master Plan was approved on 16 January 2015.<sup>115</sup>

**Table 4.1.1: Perth Airport—major investments in aeronautical services and facilities**

Description of investment	Value (\$m)	Started	Completed
T3 Phase 2 works	22.9	Dec 2011	Jun 2015
T1 Standoff and taxi line	12.5	Sep 2011	April 2014
Taxiway C Extension	9.5	Mar 2014	Jun 2015
T1 international and domestic pier	330.0	Aug 2011	Sep 2015
International arrivals expansion (T1)	80.0	Feb 2010	Nov 2015
International departures upgrade (T1)	52.5	Jun 2012	Dec 2015
Significant T1 Terminal expansion project	800.0	Jul 2015	Jun 2021
New runway	450.0	Aug 2015	Dec 2020
Low visibility infrastructure upgrade	36.0	Jul 2015	Feb 2018

The major aeronautical projects completed during 2014-15 include the expansion and refurbishment works in T3, which increased the departure lounge area and an upgrade of the baggage handling system. Significant airfield projects completed included additional stand-off bays adjacent to T1 and the construction of the ‘Taxiway Charlie’ extension.

The most significant aeronautical project underway during 2014-15 was the T1 International and Domestic Pier project with a value of \$330 million. The new T1 Domestic Pier opened during November 2015. Virgin Australia relocated to this new facility from the Airport West Precinct.

The major planned aeronautical project that Perth Airport are seeking to progress is their new International satellite pier that will be linked to the existing T1 via a link bridge. The other significant planned project is the new parallel runway. The design and approvals phase of the runway project are expected to be completed within two years. Subject to overall demand, the new runway will proceed with the construction phase.

Table 4.1.2 shows that the major car parking and landside investments completed during 2014-15 include Airport Drive which provides for a new access road. An additional 3000 parking bays were added to the T1/T2 long term car park during 2014-15.

<sup>115</sup> The Master Plan is a 20 year forward looking document that identifies, for example, development objectives and future aviation requirements, and is required to be updated every five years and approved by the Minister for Infrastructure and Regional Development.

**Table 4.1.2: Perth Airport—major investments in car parking and landside access services**

Description of investment	Value (\$m)	Started	Completed
Airport Drive Development	22.6	Nov 2012	Jun 2015
T1/T2 Additional Park and Ride Expansion	19.0	Jun 2013	Oct 2015
T1 Car park expansion – Stage 1	12.7	Feb 2014	Oct 2015
Gateway WA Roads Contribution	10.0	Aug 2014	Sep 2015
Airport West access road upgrade	5.8	Oct 2015	Jun 2016
Multi deck car park pod 1	92.0	Feb 2016	Jun 2018
T1/T2 Long term car park expansion	6.7	Jul 2016	Mar 2017

- Significant projects commenced include further expansions to both the long and short term car parks and work associated with the Perth Airport and Freight Access project (referred to as Gateway WA).
- Planning has commenced for the first multi-storey car park to be located in the Airport Central precinct and it is expected to have around 2500 bays. Perth Airport is also in discussions with the Public Transport Authority of WA to enable the construction of an underground rail line to the airport.

## 4.2 Aeronautical price monitoring and financial performance results

This section presents Perth Airport's aeronautical price monitoring and financial reporting results. These results are categorised into prices (Section 4.2.1), revenues, costs and profits (Section 4.2.2), and assets (Section 4.2.3), including capital additions (Section 4.2.4) and rate of return on tangible non-current assets (Section 4.2.5).

### 4.2.1 Prices

Table 4.2.1 presents the average aeronautical charges at Perth Airport during 2014-15. Further, it provides an indexed average list price for each charge in real terms between 2010-11 and 2014-15. Commercial agreements mean that airlines may pay less than the list prices.

**Table 4.2.1: Perth Airport—schedule of average aeronautical charges in 2014-15 and indexed average list prices (including GST) in real terms from 2010-11 to 2014-15**

	Average charge per unit (\$)	Indexed average list prices (2014-15 base year = 100)				
		2010-11	2011-12	2012-13	2013-14	2014-15
<b>Aircraft-related services and facilities</b>						
Basic landing charge						
International RPT (per passenger)	4.07	114.9	105.4	96.3	99.2	100.0
Domestic and regional RPT (per passenger)	4.07	114.9	105.4	96.3	99.2	100.0
Fixed wing (GA, freight and other) (per tonne MTOW)	8.37	113.8	116.8	99.4	98.8	100.0

	Average charge per unit (\$)	Indexed average list prices (2014-15 base year = 100)				
		2010-11	2011-12	2012-13	2013-14	2014-15
Rotary wing (per tonne MTOW)	4.18	113.8	116.8	99.4	98.8	100.0
<b>Minimum landing charge</b>						
Fixed wing	38.93	111.7	114.6	99.4	98.8	100.0
Rotary wing	19.47	111.7	114.5	99.4	98.8	100.0
Basic aircraft parking charge (GA) (per aircraft per day)	34.81	108.5	111.3	99.4	98.8	100.0
Aircraft storage charge	9.46	100.7	103.3	99.4	98.8	100.0
Peak period minimum movement charge <sup>(a)</sup>	216.32	NA	NA	99.4	98.8	100.0
<b>Passenger-related services and facilities</b>						
International terminal charge (per passenger)	10.89	82.8	98.0	106.0	109.9	100.0
CUTE usage charge (per departing international passenger)	0.61	120.2	117.5	104.5	101.7	100.0
Domestic terminal charge (per passenger)	15.48	31.2	51.8	98.9	101.3	100.0
<b>Government mandated security costs</b>						
<b>Counter terrorism first response</b>						
RPT services (per passenger)	0.98	105.6	133.4	116.9	94.3	100.0
Freight and other (aircraft > 20 tonne) (per tonne MTOW)	0.92	104.2	131.5	117.0	94.3	100.0
International passenger and checked bag screening (per passenger)	5.71	109.3	106.7	97.8	93.7	100.0
T3 common-user domestic terminal passenger and checked bag screening (per passenger)	5.40	78.6	54.6	54.5	51.5	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.

All charges apart from the international and domestic terminal charges and the CUTE usage charge the international terminal charge increased in real terms during 2014-15.

The largest increases over the past 12 months were related to government related security processes. The T3 passenger and checked bag screening charge increased by 94.4 per cent in real terms to \$5.40 per passenger.

Charges relating to aircraft landing per passenger have decreased in real terms over the past five years while the terminal charges have generally increased. The most significant increase was a tripling of the domestic passenger charge. Apart from T3 common user domestic terminal screening charges, all other government-mandated security charges fell in real terms over the past five years.

#### **4.2.2 Revenues, costs and profits for aeronautical and total airport services**

Table 4.2.2 presents the revenues, operating expenses and aggregate margins for aeronautical services, government mandated security services and the total airport in real terms from 2004-05 to 2014-15.

During 2014-15, total aeronautical revenue decreased by 1.4 per cent in real terms to \$186.6 million. This is the first decrease in aeronautical revenue in real terms since 2001-02 and Perth Airport was the only airport to report a decrease during 2014-15. Since 2004-05, aeronautical revenue has increased by an average of 10.9 per cent per year in real terms which is the largest of all monitored airports. Total airport revenue increased by 10.6 per cent in real terms during 2014-15.

While aeronautical income decreased during 2014-15, total aeronautical operating expenses increased by 5.0 per cent in real terms to \$111.7 million. This increase in aeronautical expense was driven by depreciation (15.1 per cent) and services and utilities (4.7 per cent). The largest percentage increase occurred for consultants' expenses which increased by 26.4 per cent in real terms.

Perth Airport was the only monitored airport to report a decrease in aeronautical aggregate margin (down 9.6 per cent in real terms to \$75.0 million). Over the period from 2004-05 to 2014-15, aeronautical aggregate margin has increased by an average of 12.0 per cent per year in real terms. The airport earned a profit of 52.6 cents for each dollar of aeronautical revenue in 2014-15.

**Table 4.2.2: Perth Airport—revenues, operating expenses and aggregate**

**margins for aeronautical services, government-mandated security services, and total airport services in real terms: 2004-05 to 2014-15**

		2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Revenue (\$million)</b>	Total aeronautical	66.6	72.7	80.9	88.6	92.7	99.1	112.7	126.1	167.6	189.2	186.6
	Security services	10.6	12.5	13.8	14.5	15.7	16.7	20.6	20.6	23.2	25.7	27.1
	Security % of total aeronautical	15.9	17.2	17.0	16.4	17.0	16.9	18.3	16.3	13.8	13.6	14.5
	<b>Total airport</b>	<b>184.0</b>	<b>218.8</b>	<b>294.9</b>	<b>245.0</b>	<b>196.0</b>	<b>279.1</b>	<b>323.7</b>	<b>771.3</b>	<b>687.8</b>	<b>388.3</b>	<b>429.3</b>
	Aeronautical % of total airport	36.2	33.2	27.4	36.2	47.3	35.5	34.8	16.4	24.4	48.7	43.5
<b>Operating expenses (\$million)</b>	Total aeronautical	42.3	46.6	51.0	45.3	55.1	60.3	68.1	81.7	96.6	106.3	111.7
	Security services	11.2	12.0	11.6	14.5	15.8	15.8	20.0	21.5	24.3	28.8	30.2
	<b>Total airport</b>	<b>97.2</b>	<b>88.1</b>	<b>102.1</b>	<b>80.9</b>	<b>107.8</b>	<b>118.7</b>	<b>134.9</b>	<b>155.7</b>	<b>181.9</b>	<b>194.1</b>	<b>203.6</b>
<b>Aggregate margin (\$million)</b>	Total aeronautical	24.2	26.1	29.9	43.3	37.6	38.9	44.6	44.4	71.0	82.9	75.0
	Security services	(0.6)	0.5	2.2	0.0	0.0	1.0	0.6	(0.9)	(1.1)	(3.0)	(3.0)
	<b>Total airport</b>	<b>86.8</b>	<b>130.7</b>	<b>192.9</b>	<b>164.1</b>	<b>88.2</b>	<b>160.5</b>	<b>188.8</b>	<b>615.6</b>	<b>505.9</b>	<b>194.1</b>	<b>225.8</b>
<b>Aggregate margin % of total revenue</b>	Aeronautical	36.4	35.9	37.0	48.9	40.6	39.2	39.6	35.2	42.3	43.8	40.2
	<b>Total airport</b>	<b>47.2</b>	<b>59.7</b>	<b>65.4</b>	<b>67.0</b>	<b>45.0</b>	<b>57.5</b>	<b>58.3</b>	<b>79.8</b>	<b>73.5</b>	<b>50.0</b>	<b>52.6</b>
<b>Revenue per passenger (\$)</b>	Total aeronautical	10.00	10.18	9.99	9.65	9.52	9.47	9.84	9.47	11.41	12.69	12.64
	Security services	1.59	1.75	1.70	1.58	1.62	1.60	1.80	1.55	1.58	1.73	1.84
<b>Operating expenses per passenger (\$)</b>	Total aeronautical	6.36	6.53	6.30	4.93	5.66	5.75	5.95	6.14	6.58	7.13	7.56
	Security services	1.68	1.68	1.43	1.58	1.62	1.50	1.75	1.62	1.65	1.93	2.04
<b>Aggregate margin per passenger (\$)</b>	Total aeronautical	3.64	3.65	3.69	4.72	3.86	3.71	3.90	3.33	4.83	5.56	5.08
	Security services	-0.09	0.07	0.27	0.00	0.00	0.09	0.05	(0.07)	(0.08)	(0.20)	(0.21)

Note: Real values in 2014-15 dollars

While Perth Airport’s aeronautical margin decreased during 2014-15, the total airport margin increased by 16.3 per cent in real terms to \$225.8 million.

On a per passenger basis, aeronautical revenue decreased by 0.4 per cent in real terms to \$12.64. Aeronautical revenue per passenger has increased by an annual average of 2.4 per cent per year in real terms since 2014-05.

Aeronautical aggregate margin per passenger decreased by 8.7 per cent in real terms to \$5.08. The aeronautical aggregate margin per passenger has increased by an average of 3.4 per cent per year in real terms since 2014-15.

### 4.2.3 Assets for aeronautical and total airport services

Table 4.2.3 outlines Perth Airport’s tangible non-current assets for aeronautical services and the total airport from 2004-05 to 2014-15.

The value of aeronautical tangible non-current assets increased by 19.8 per cent in real terms to \$874.6 million during 2014-15. The main driver of this increase was property, plant and equipment which increased by 20.3 per cent in real terms in 2014-15. Since 2004-05, the value of aeronautical tangible non-current assets has increased by 240.9 per cent in real terms.

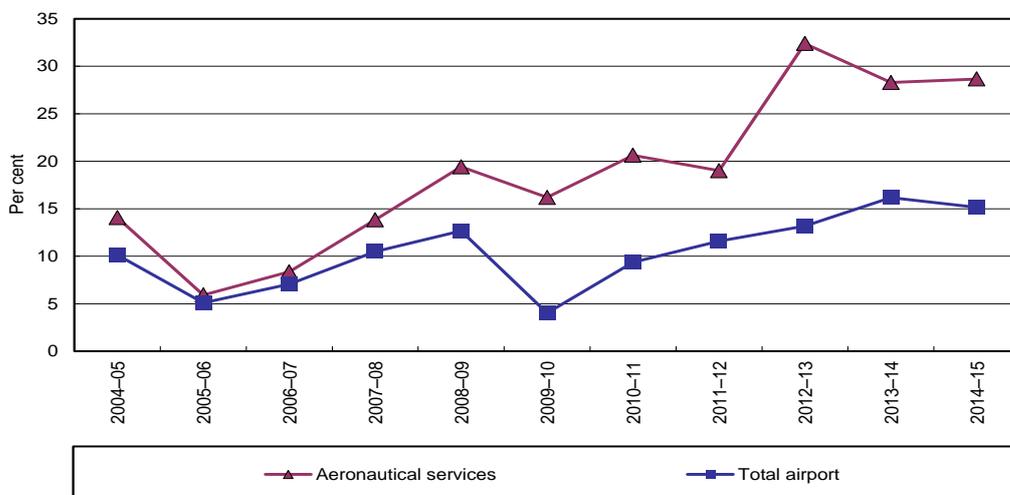
Tangible non-current assets for the total airport increased in value by 25.6 per cent in real terms to \$2.6 billion in 2014-15. This increase was driven by rises in the value of land and property, plant and equipment.

### 4.2.4 Additions as a percentage of tangible non-current assets

Chart 4.2.1 shows that during 2014-15, Perth Airport’s \$250.6 million in additions to aeronautical assets represented about 28.7 per cent of total aeronautical tangible non-current assets. This was the highest of all monitored airports and is the third straight year of elevated investment levels. Significant additions to aeronautical assets include other assets (\$62.4 million) and work in progress (\$183.4 million). The work in progress relates to a number of projects including the T1 International and Domestic Pier and the arrivals and departures upgrades at the same terminal.

Additions to total airport tangible non-current assets represented around 15.1 per cent of total airport tangible non-current assets.

**Chart 4.2.1: Perth Airport—additions as a percentage of tangible non-current assets for aeronautical and total airport services: 2004-05 to 2014-15**



**Table 4.2.3: Perth Airport—non-current assets for aeronautical services and total airport services in real terms: 2004-05 to 2014-15**

		2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Investment property (\$million)</b>	Aeronautical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	<b>Total airport</b>	<b>0.0</b>	<b>200.5</b>	<b>296.0</b>	<b>344.9</b>	<b>363.5</b>	<b>430.4</b>	<b>409.9</b>	<b>807.0</b>	<b>392.7</b>	<b>391.1</b>	<b>438.5</b>
<b>Land (\$million)</b>	Aeronautical	54.3	22.5	21.6	20.7	19.8	19.2	18.4	17.7	17.1	16.5	0.0
	<b>Total airport</b>	<b>217.2</b>	<b>36.1</b>	<b>37.1</b>	<b>37.2</b>	<b>35.7</b>	<b>34.5</b>	<b>36.6</b>	<b>35.5</b>	<b>689.6</b>	<b>614.2</b>	<b>711.2</b>
<b>Property, plant and equipment (\$million)</b>	Aeronautical	202.0	203.8	206.3	223.6	261.9	296.1	351.0	407.3	566.7	713.6	858.5
	<b>Total airport</b>	<b>322.7</b>	<b>296.2</b>	<b>322.7</b>	<b>380.0</b>	<b>462.8</b>	<b>471.2</b>	<b>522.5</b>	<b>650.4</b>	<b>839.6</b>	<b>1 041.9</b>	<b>1 237.1</b>
<b>Intangibles (\$million)</b>	Aeronautical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	<b>Total airport</b>	<b>517.1</b>	<b>579.9</b>	<b>559.2</b>	<b>539.7</b>	<b>524.8</b>	<b>511.9</b>	<b>495.7</b>	<b>482.4</b>	<b>470.1</b>	<b>457.1</b>	<b>449.9</b>
<b>Other tangible non-current assets (\$million)</b>	Aeronautical	0.3	3.1	4.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	16.0
	<b>Total airport</b>	<b>40.9</b>	<b>9.4</b>	<b>34.5</b>	<b>29.1</b>	<b>9.2</b>	<b>12.9</b>	<b>10.7</b>	<b>22.0</b>	<b>6.1</b>	<b>0.0</b>	<b>183.8</b>
<b>Total tangible non-current assets (\$million)</b>	Aeronautical	256.6	229.5	232.7	244.3	281.8	315.2	369.4	425.0	583.8	730.1	874.6
	<b>Total airport</b>	<b>580.9</b>	<b>542.2</b>	<b>690.3</b>	<b>791.2</b>	<b>871.2</b>	<b>948.9</b>	<b>979.7</b>	<b>1 515.0</b>	<b>1 928.0</b>	<b>2 047.2</b>	<b>2 570.6</b>
<b>Total non-current assets (\$million)</b>	Aeronautical	256.6	229.5	232.7	244.3	281.8	315.2	369.4	425.0	583.8	730.1	874.6
	<b>Total airport</b>	<b>1 097.9</b>	<b>1 122.1</b>	<b>1 249.5</b>	<b>1 331.0</b>	<b>1 396.0</b>	<b>1 460.8</b>	<b>1 475.3</b>	<b>1 997.3</b>	<b>2 398.0</b>	<b>2 504.3</b>	<b>3 020.5</b>

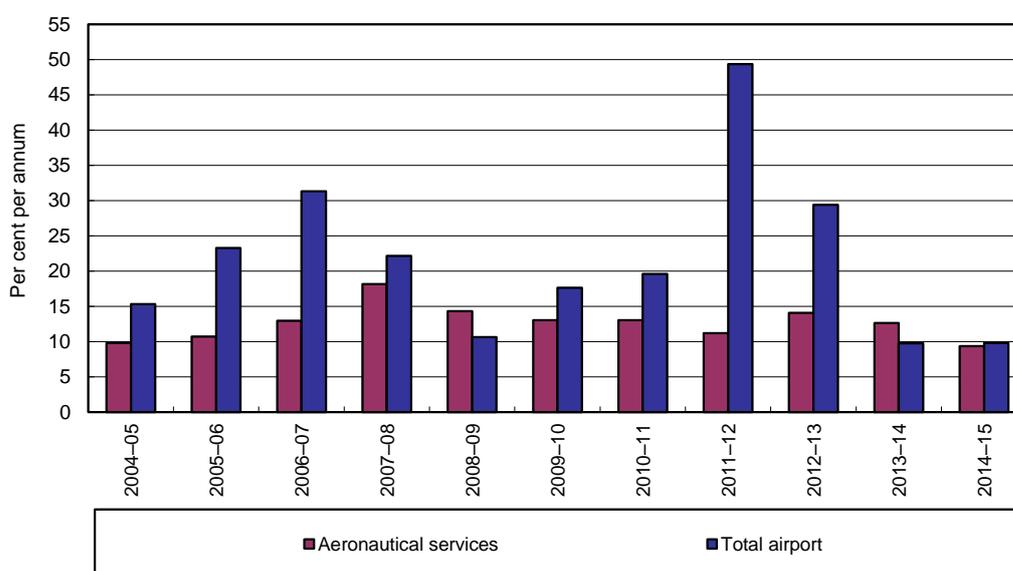
Note: Real values in 2014-15 dollars

### 4.2.5 Rates of return on tangible non-current assets

The rate of return on aeronautical tangible non-current assets is calculated using earnings before interest, tax and amortisation (EBITA) on average assets. Chart 4.2.2 shows that this measure decreased in real terms by 3.3 percentage points to 9.3 per cent in 2014-15. This is the lowest rate of return since 2001-02 for Perth Airport. This decrease is due to the drop in aeronautical margin of 9.6 per cent in real terms and increase in the value of aeronautical non-current assets of 19.8 per cent in real terms during 2014-15.

The rate of return on total airport tangible non-current assets remained the same at 9.8 per cent.

**Chart 4.2.2: Perth Airport—rate of return (EBITA) on tangible non-current assets for aeronautical services and total airport services in real terms: 2004-05 to 2014-15**



## 4.3 Aeronautical services quality of service monitoring results

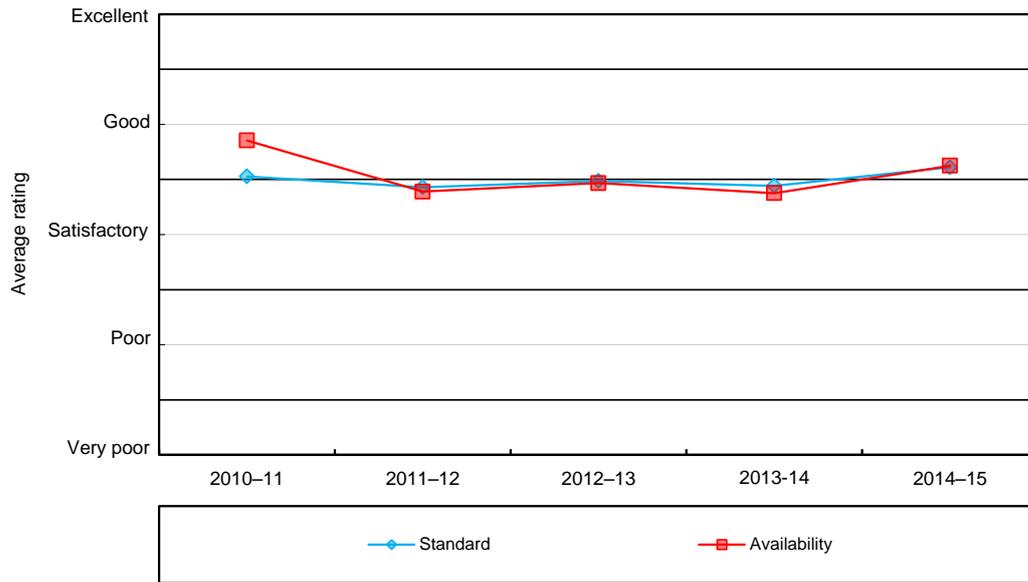
Both passengers and airlines are surveyed to give an insight into the quality of service offered by each airport. This section assesses Perth Airport's quality of service monitoring results for both the international and domestic terminals and also for aircraft related services and facilities.

### 4.3.1 Overall quality of service<sup>116</sup>

Chart 4.3.1 presents Perth Airport's average quality of service ratings for both the availability and standard of total airport services and facilities. Both increased from 'satisfactory' to 'good' during 2014-15.

<sup>116</sup> Passenger and airline survey templates ask respondents to rate their level of satisfaction with services and facilities on a scale of 1 to 5. The ACCC aggregates the survey results and produces average ratings for each indicator, as well as overall average ratings. In the 2014-15 report, the ACCC has changed its interpretation of average rating categories. For further detail on the reasons for this change see Appendix A4

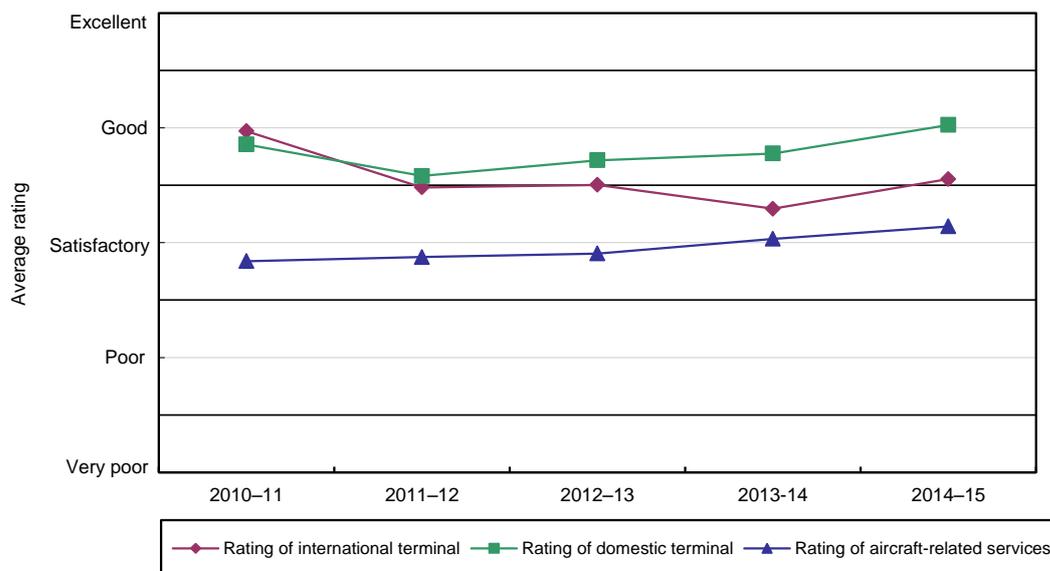
**Chart 4.3.1: Perth Airport—average ratings for standard and availability of total airport services and facilities: 2010-11 to 2014-15**



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

Perth Airport’s average quality of service rating for the international terminal increased from ‘satisfactory’ to ‘good’ during 2014-15 (Chart 4.3.2). Ratings for the domestic terminals increased within the ‘good’ category. The rating for aircraft related activities increased slightly but remained at ‘satisfactory’.

**Chart 4.3.2: Perth Airport—average ratings for international and domestic terminal services, and aircraft-related services and facilities: 2010-11 to 2014-15**



Source: Airline surveys, passenger surveys, and objective indicators obtained from Perth Airport through the ACCC’s monitoring process

### 4.3.2 Aircraft-related services and facilities

Table 4.3.1 shows that the majority of ratings for aircraft related services and facilities increased at Perth Airport.

**Table 4.3.1: Perth Airport—ratings of quality of individual aircraft-related services and facilities: 2014-15, 1-year change, and change since 2010-11**

	Indicator	Rating category 2014-15	1-year change	Change since 2010-11
<b>Runway</b>	Availability	Good	▲*	▲*
	Standard	Satisfactory	—	▼
<b>Taxiways</b>	Availability	Satisfactory	▲	▲
	Standard	Good	▲*	▲*
<b>Aprons</b>	Availability	Good	▲*	▲*
	Standard	Satisfactory	▼*	▲
<b>Aircraft parking</b>	Availability of facilities and bays	Satisfactory	▲	▲*
	Standard of facilities and bays	Satisfactory	▲	▲
<b>Ground handling</b>	Availability of services and facilities	Satisfactory	▲*	▼
	Standard of services and facilities	Satisfactory	▲	—
<b>Management responsiveness</b>	Availability	Satisfactory	▼*	▲
	Standard	Satisfactory	—	▼

Source: Airline surveys

Note: 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.

Notable changes to ratings for aircraft-related services and facilities include runway availability rating which increasing from 'satisfactory' to 'good' during 2014-15. Airline commentary was generally positive with some commenting that runway availability during 2014-15 was good while others suggested that the softening of demand eased capacity related delays.

The apron availability rating increased from 'satisfactory' to 'good' while the standard decreased from 'good' to 'satisfactory' during 2014-15. Commentary from the airlines on apron availability noted that increased apron parking facilities and a reduction in apron works have yielded improvements.

The management responsiveness availability rating decreased slightly but enough to drop from 'good' to 'satisfactory'. Airline commentary was generally positive on management availability. One airline noted that ongoing communication with Perth Airport's management allows for quality of service issues to be addressed in a timely manner. Another commented that the stability of management staffing over the past 12 months has helped the airport to answer questions in a timely fashion.

#### *International terminal*

Table 4.3.2 presents quality of service passenger-related services and facilities for the international terminal. It shows that all of the quality indicators at T1 were again rated by passengers as 'good'. Airline ratings of quality indicators were either 'poor' or 'satisfactory'. Most airlines' ratings improved during 2014-15.

**Table 4.3.2: Perth Airport—indicators of quality of passenger-related services and facilities—international terminal: 2014-15, 1-year change and change since 2010-11**

Category	Indicator	Data source	Indicator result 2014-15	1-year change	Change since 2010-11
<b>Check-in</b>	Check-in availability	Airline survey	Satisfactory	▲*	▼
	Check-in standard	Airline survey	Poor	▲	▼*
	Check-in waiting time	Passenger survey	Good	▲	▲
	<i>Number of departing passengers per check-in desk, kiosk and bag drop facility (peak hour)</i>	<i>Objective indicator</i>	<i>10.6 passengers</i>	▲	▼
<b>Immigration</b>	Waiting time in outbound Immigration area	Passenger survey	Good	—	▲
	<i>Number of departing passengers per outbound Immigration desk (peak hour)</i>	<i>Objective indicator</i>	<i>38.8 passengers</i>	▲	▲
	Waiting time in inbound Immigration area	Passenger survey	Good	—	—
	<i>Number of arriving passengers per inbound Immigration desk (peak hour)</i>	<i>Objective indicator</i>	<i>35.8 passengers</i>	▼	▼
	Waiting time in inbound baggage inspection area	Passenger survey	Good	▼	▼
	<i>Number of arriving passengers per baggage inspection desk (peak hour)</i>	<i>Objective indicator</i>	<i>40.3 passengers</i>	▲	▼
<b>Information</b>	Flight information display screens	Passenger survey	Good	—	—
	<i>Number of passengers per flight information display screen (peak hour)</i>	<i>Objective indicator</i>	<i>19.1 passengers</i>	▼	▼
	<i>Number of passengers per information point (peak hour)</i>	<i>Objective indicator</i>	<i>1110.0 passengers</i>	▲	▼
	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 4.3.2: Perth Airport—indicators of quality of passenger-related services and facilities—international terminal: 2014-15, 1-year change and change since 2010-11 (cont.)**

Category	Indicator	Data source	Indicator result 2014-15	1-year change	Change since 2010-11
<b>Baggage</b>	Baggage processing facilities availability	Airline survey	Satisfactory	▲*	▲*
	Baggage processing facilities standard	Airline survey	Satisfactory	▲*	▲
	<i>Average throughput of outbound baggage system (per hour)</i>	<i>Objective indicator</i>	<i>253.1 items</i>	▲	▲
	Circulation space for inbound baggage reclaim	Passenger survey	Good	—	▼
	Information display for inbound baggage reclaim	Passenger survey	Good	▲	—
	<i>Number of arriving passengers per m<sup>2</sup> of inbound baggage reclaim area (peak hour)</i>	<i>Objective indicator</i>	<i>1.4 passengers</i>	▲	<i>n/a</i>
	Findability of baggage trolleys	Passenger survey	Good	▲	—
<i>Number of passengers per baggage trolley (peak hour)</i>	<i>Objective indicator</i>	<i>1.0 passengers</i>	—	▲	
<b>Gate lounges</b>	Seating in lounge area (quality and availability)	Passenger survey	Good	—	▼
	<i>Number of departing passengers per seat in gate lounges (peak hour)</i>	<i>Objective indicator</i>	<i>0.8 passengers</i>	▼	▼
	Crowding in lounge area	Passenger survey	Good	—	▼
	<i>Number of departing passengers per m<sup>2</sup> of lounge area (peak hour)</i>	<i>Objective indicator</i>	<i>0.3 passengers</i>	▼	▼
<b>Amenities</b>	Standard of washrooms	Passenger survey	Good	—	▼
	<i>Number of departing passengers per washroom (peak hour)</i>	<i>Objective indicator</i>	<i>66.4 passengers</i>	▲	<i>n/a</i>
<b>Aerobridges</b>	Aerobridges availability	Airline survey	Poor	▼	▼
	Aerobridges standard	Airline survey	Poor	▲	▲
	<i>Percentage of international passengers arriving using an aerobridge</i>	<i>Objective indicator</i>	<i>95.6%</i>	▼	▼
	<i>Percentage of international passengers departing using an aerobridge</i>	<i>Objective indicator</i>	<i>95.7%</i>	▼	▼
<b>Security</b>	Quality of security search process	Passenger survey	Good	▲	▲
	<i>Number of departing passengers per security clearance system (peak hour)</i>	<i>Objective indicator</i>	<i>155.0 passengers</i>	▲	▲

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.

## 4.4

Airline and passenger ratings of check-in facilities all improved during 2014-15. The number of departing passengers per check-in desk, kiosk and bag drop facility also showed a slight improvement. In commentary to the surveys, airlines had mixed views on check-in facilities. Some noted that the completion of construction work around T1 and new check-in counters will alleviate availability concerns and satisfy airline requirements. A few airlines noted concerns with the new counters and stated that they are a work in progress.

Airline ratings of baggage processing facilities availability and standard both increased from 'poor' to 'satisfactory' during 2014-15. A number of airlines raised issues around limited space around the baggage processing facilities and some congestion during peak periods. Other airlines said that there were no real concerns with the baggage processing facilities and they work quite well. Passengers' ratings of circulation space remained unchanged at 'satisfactory'.

Airlines' rating of the availability of aerobridges decreased within the 'poor' category while aerobridge standard increased within the same category during 2014-15. Airline commentary on the availability of aerobridges was largely negative with issues including the overall number of aerobridges available and also the non-availability of aerobridges, particularly during peak periods.

Airline commentary around the standard of aerobridges again centred on the issue of accessing aerobridges via a number of stairs and the subsequent effects on the elderly and physically impaired. Some airlines noted quality issues such as water leakage and air conditioning problems. Other airlines suggested that apart from the new aerobridge 51, the other older aerobridges should be replaced. Airlines have raised these issues on aerobridge availability and standard for the past four monitoring reports.

### ***Domestic terminal (T2)***

Table 4.3.3 presents quality of service passenger related services and facilities for the T2 domestic terminal.

Perth Airport's T2 opened in March 2013 and 2013-14 was the first full year of data collected for this terminal. During 2014-15, passenger ratings for T2 indicators generally improved or had no change. Airline ratings for indicators either improved or remained unchanged.

Airlines' ratings of check-in standard increased from 'good' to 'excellent' while their ratings of baggage processing facilities availability and standard remained at 'excellent'.

All passenger ratings for services and facilities at T2 were rated as 'good' during 2014-15.

### ***Domestic terminal (T3)***

During 2014-15, passenger ratings for the domestic terminal indicators mostly improved or had no change. Airline ratings for indicators also mostly improved. No airline rating decreased during 2014-15.

Airlines' ratings of the availability and standard of baggage processing facilities increased from 'satisfactory' to 'good' during 2014-15. Airline commentary on the standard of baggage processing facilities included that the carousels are in good working order. However, for availability, commentary was mixed. One airline noted that the facilities were too small whereas another noted the facilities meet the demands of T3.

Significant changes to passenger ratings include the findability of baggage trolleys which increased within the 'good' category during 2014-15. Passengers continue to rate the following indicators as good: check-in waiting time; information display for inbound baggage reclaim; flight information display screens; signage and wayfinding; quality and availability of seating in lounge areas; and the standard of washrooms.

Table 4.3.3: Perth Airport—indicators of quality of passenger-related services and facilities—domestic terminal (T2): 2014-15

Category	Indicator	Data source	Indicator result 2014-15	1-year change
<b>Check-in</b>	Check-in availability	Airline survey	Good	—
	Check-in standard	Airline survey	Excellent	▲*
	Check-in waiting time	Passenger survey	Good	▲
	<i>Number of departing passengers per check-in desk, kiosk and bag drop facility (peak hour)</i>	<i>Objective indicator</i>	<i>29.8 passengers</i>	▼
<b>Baggage</b>	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	▲
	<i>Number of arriving passengers per m<sup>2</sup> of inbound baggage reclaim area (peak hour)</i>	<i>Objective indicator</i>	<i>0.07</i>	<i>n/a</i>
	Findability of baggage trolleys	Passenger survey	Good	▲
	<i>Number of passengers per baggage trolley (peak hour)</i>	<i>Objective indicator</i>	<i>7.9 passengers</i>	▼
<b>Information</b>	Flight information display screens	Passenger survey	Good	▲
	<i>Number of passengers per flight information display screen (peak hour)</i>	<i>Objective indicator</i>	<i>11.1 passengers</i>	▼
	<i>Number of passengers per information point</i>	<i>Objective indicator</i>	<i>490.0 passengers</i>	▼
	Signage and wayfinding	Passenger survey	Good	—
<b>Gate lounges</b>	Seating in lounge area (quality and availability)	Passenger survey	Good	▲
	<i>Number of departing passengers per seat in gate lounges (peak hour)</i>	<i>Objective indicator</i>	<i>0.8 passengers</i>	▼
	Crowding in lounge area	Passenger survey	Good	—
	<i>Number of departing passengers per m<sup>2</sup> of lounge area (peak hour)</i>	<i>Objective indicator</i>	<i>0.1 passengers</i>	▼
<b>Amenities</b>	Standard of washrooms	Passenger survey	Good	▲
	<i>Number of departing passengers per washroom (peak hour)</i>	<i>Objective indicator</i>	<i>119 passengers</i>	▼
<b>Security</b>	Quality of security search process	Passenger survey	Good	—
	<i>Number of departing passengers per security clearance system (peak hour)</i>	<i>Objective indicator</i>	<i>158.7 passengers</i>	▼

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 4.3.4: Perth Airport—indicators of quality of passenger-related services and facilities—domestic terminal (T3): 2014-15, 1-year change and change since 2010-11**

Category	Indicator	Data source	Indicator result 2014-15	1-year change	Change since 2010-11
<b>Check-in</b>	Check-in availability	Airline survey	Satisfactory	▲	▲*
	Check-in standard	Airline survey	Satisfactory	▲	▲*
	Check-in waiting time	Passenger survey	Good	▲	▲
	<i>Number of departing passengers per check-in desk, kiosk and bag drop facility (peak hour)</i>	<i>Objective indicator</i>	<i>10.5 passengers</i>	▼	▼
<b>Baggage</b>	Baggage processing facilities availability	Airline survey	Good	▲*	▲**
	Baggage processing facilities standard	Airline survey	Good	▲*	▲**
	Circulation space for inbound baggage reclaim	Passenger survey	Good	—	▼
	Information display for inbound baggage reclaim	Passenger survey	Good	▲	▲
	<i>Number of arriving passengers per m<sup>2</sup> of inbound baggage reclaim area (peak hour)</i>	<i>Objective indicator</i>	<i>1.8 passengers</i>	▲	n/a
	Findability of baggage trolleys	Passenger survey	Good	▲	▲
	<i>Number of passengers per baggage trolley (peak hour)</i>	<i>Objective indicator</i>	<i>7.2 passengers</i>	▼	▼
<b>Information</b>	Flight information display screens	Passenger survey	Good	▼	—
	<i>Number of passengers per flight information display screen (peak hour)</i>	<i>Objective indicator</i>	<i>11.3 passengers</i>	▲	▲
	<i>Number of passengers per information point</i>	<i>Objective indicator</i>	<i>699.0 passengers</i>	▼	▲
	Signage and wayfinding	Passenger survey	Good	▼	—
<b>Gate lounges</b>	Seating in lounge area (quality and availability)	Passenger survey	Good	▲	▲
	<i>Number of departing passengers per seat in gate lounges (peak hour)</i>	<i>Objective indicator</i>	<i>0.4 passengers</i>	▼	▲
	Crowding in lounge area	Passenger survey	Good	▲	▲
	<i>Number of departing passengers per m<sup>2</sup> of lounge area (peak hour)</i>	<i>Objective indicator</i>	<i>0.1 passengers</i>	—	▲
<b>Amenities</b>	Standard of washrooms	Passenger survey	Good	—	▲
	<i>Number of departing passengers per washroom (peak hour)</i>	<i>Objective indicator</i>	<i>183.5 passengers</i>	▼	n/a
<b>Aerobridges</b>	Aerobridges availability	Airline survey	Satisfactory	—	▲*
	Aerobridges standard	Airline survey	Satisfactory	—	—
	<i>Number of arriving domestic passengers per aerobridge (peak hour)</i>	<i>Objective indicator</i>	<i>66.4 passengers</i>	▲	▲
	<i>Number of departing domestic passengers per aerobridge (peak hour)</i>	<i>Objective indicator</i>	<i>73.4 passengers</i>	▼	▲
<b>Security</b>	Quality of security search process	Passenger survey	Good	—	▲
	<i>Number of departing passengers per security clearance system (peak hour)</i>	<i>Objective indicator</i>	<i>91.8 passengers</i>	▼	▲

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.

## 4.5 Car parking services monitoring results

This section assesses Perth Airport's car parking and landside services and facilities. It covers car park pricing, revenues and margins, and quality of service outcomes.

### 4.5.1 Activity

Table 4.4.1 outlines the number of car parking spaces available and the throughput of car parking facilities at Perth Airport from 2004-05 to 2014-15

The total number of car parking spaces at Perth Airport increased by 16.7 per cent to 22 166 spaces during 2014-15. This increase was driven by the expansion of long term parking in the T1/T2 precinct which grew by 47.0 per cent to 9367 car park spaces. Short term spaces in the same precinct grew by 18.5 per cent to 1357 spaces during 2014-15.

The average daily throughput of all car park facilities at Perth Airport declined by 1.6 per cent to 6061 cars during 2014-15. For the second consecutive year, both T3/T4 car parks had declines in daily throughput. T3/T4 short term car park declined by 5.1 per cent to 945 cars and the long term car park declined by 4.9 per cent to 2394 cars.

**Table 4.4.1: Perth Airport—number of car park spaces and average daily throughput: 2004-05 to 2014-15**

		2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Number of car park spaces</b>	T3/T4 short-term	1 645	1 207	1 207	1 377	1 377	1 719	1 719	1 769	1 714	1 714	1 714
	T3/T4 long-term	614	1 542	1 907	3 997	5 670	6 055	7 082	8 485	8 796	8 796	8 756
	T1/T2 short-term	1 077	1 007	1 007	663	663	663	663	663	961	1 145	1 357
	T1/T2 long-term	NA	NA	NA	1 778	1 778	1 778	3 792	3 792	4 600	6 374	9 367
	Staff	931	991	991	991	1,311	1,311	1,295	917	972	972	972
	<b>Total airport</b>	<b>4 267</b>	<b>4 747</b>	<b>5 112</b>	<b>8 806</b>	<b>10 799</b>	<b>11 526</b>	<b>14 551</b>	<b>15 626</b>	<b>17 043</b>	<b>19 001</b>	<b>22 166</b>
<b>Annual throughput of car park facilities (thousand)<sup>117</sup></b>	T3/T4 short-term	950	947	997	961	1 019	990	1 054	1 054	1 030	902	857
	T3/T4 long-term	0	75	87	84	121	173	230	343	387	363	345
	T1/T2 short-term	680	667	666	647	685	715	733	720	747	847	874
	T1/T2 long-term	0	0	0	29	32	48	66	67	93	138	137
	<b>Total airport</b>	<b>1 630</b>	<b>1 689</b>	<b>1 750</b>	<b>1 721</b>	<b>1 858</b>	<b>1 926</b>	<b>2 083</b>	<b>2 185</b>	<b>2 257</b>	<b>2 249</b>	<b>2 212</b>
<b>Average daily throughput of car park facilities</b>	T3/T4 short-term	2 602	2 595	2 731	2 626	2 792	2 712	2 888	2 879	2 822	2 472	2 347
	T3/T4 long-term	0	205	237	230	333	475	630	938	1060	994	945
	T1/T2 short-term	1 862	1 828	1 825	1 766	1 876	1 959	2 007	1 968	2 047	2 320	2 394
	T1/T2 long-term	0	0	0	80	89	130	181	184	254	377	375
	<b>Total airport</b>	<b>4 464</b>	<b>4 628</b>	<b>4 793</b>	<b>4 702</b>	<b>5 089</b>	<b>5 276</b>	<b>5 706</b>	<b>5 970</b>	<b>6 182</b>	<b>6 162</b>	<b>6 061</b>

<sup>117</sup> Annual throughput data for staff car parking was unavailable.

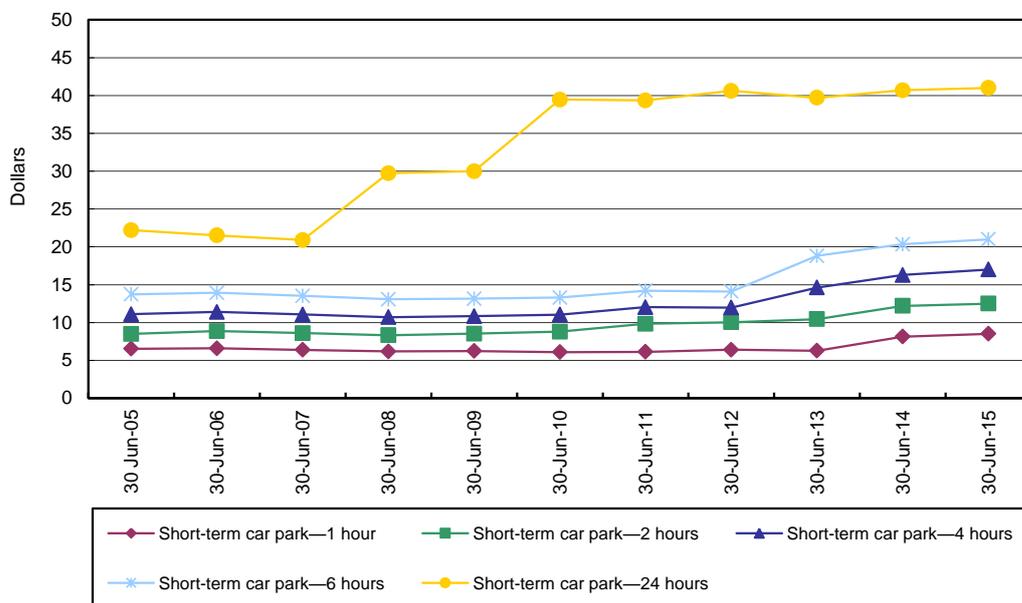
### 4.5.2 Prices

The following section assess the trend in Perth Airport’s ‘drive-up’ car parking charges in real terms from 2004-05 to 2014-15. The ACCC notes that Perth Airport also provided some online car park offers which provide customers with access to charges that are at a discount to Perth Airport’s ‘drive up’ charges. However, Perth Airport declined to provide online data so that the ACCC could compare ‘drive-up’, online, and the average charges that customers paid for car parking facilities during 2014-15.

Chart 4.4.1 shows that Perth Airport increased in real terms all short term car parking charges at the T1/T2 and T3/T4 precincts. Increases in other charges ranged from a low of 0.8 per cent for 8-24 hours to a high of 14.7 per cent in real terms for additional days after 1 to 2 days.

Over the period from 2004-05 to 2014-15, the largest increases occurred with the 8-24 hour and 1 to 2 days charges which both increased by 84.6 per cent in real terms respectively.

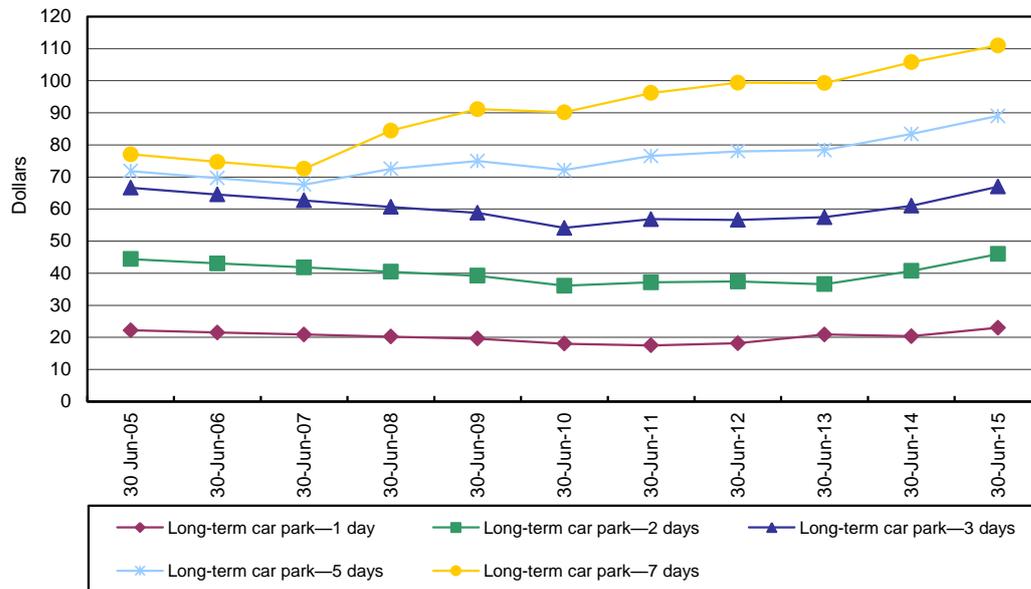
**Chart 4.4.1: Perth Airport—selected prices at short-term car parks in real terms: 30 June 2005 to 30 June 2015**



Note: Real values in 2014-15 dollars

Chart 4.4.2 shows that Perth Airport increased in real terms all long term car parking price charges at both terminal precincts during 2014-15. The ‘additional days’ after charge was unchanged in nominal terms. Real increases in prices ranged from a low of 4.9 per cent for 6 to 7 days and a high of 13.1 per cent for all number of charges between 30 minutes to 2 days.

**Chart 4.4.2: Perth Airport—selected prices at long term car parks in real terms: 30 June 2005 to 30 June 2015**



Note: Real values in 2014-15 dollars

Over the period from 2004-05 to 2014-15, the largest real increase occurred with the 6 to 7 days charge which increased by 44.0 per cent in real terms. The 5 to 6 day charge had the second highest increase of 34.3 per cent real terms since 2004-05. The 2 to 3 day charge reported the lowest real increase over the same period with a rise of 0.6 per cent.

### 4.5.3 Revenues, costs and profits

Table 4.4.2 outlines Perth Airport’s revenues, operating expenses and aggregate margin for car parking and total airport services from 2004-05 to 2014-15.

In 2014-15, Perth Airport’s car parking revenue decreased by 1.2 per cent in real terms to \$65.1 million. Perth Airport was the only monitored airport to report a reduction in car parking revenue. However, since 2004-05, car parking revenue has increased by an average of 14.4 per cent per year in real terms.

Car parking operating expenses increased by 14.9 per cent in real terms during 2014-15. Partly as a result of the increase in expenses, the car parking aggregate margin decreased by 8.5 per cent in real terms to \$41.5 million during 2014-15. Perth was the only airport to report a decrease in car parking aggregate margin. The car parking aggregate margin increased since 2004-05 by an average of 13.3 per cent per year in real terms. The airport made a profit of 63.7 cents for each dollar in car parking revenue in 2014-15.

Revenue per car park space decreased by 15.3 per cent in real terms to \$2937. Operating expenses per car park declined 1.5 per cent in real terms to \$1066. Car parking aggregate margin per car park space decreased by 21.6 per cent in real terms during 2014-15 to \$1871 per car park space. The increase in car parking spaces of 16.7 per cent (as noted in section 4.4.1) was the main cause of the decline in these per car park space measures.

**Table 4.4.2: Perth Airport—revenues, operating expenses and aggregate margins for car parking and total airport services in real terms: 2004-05 to 2014-15**

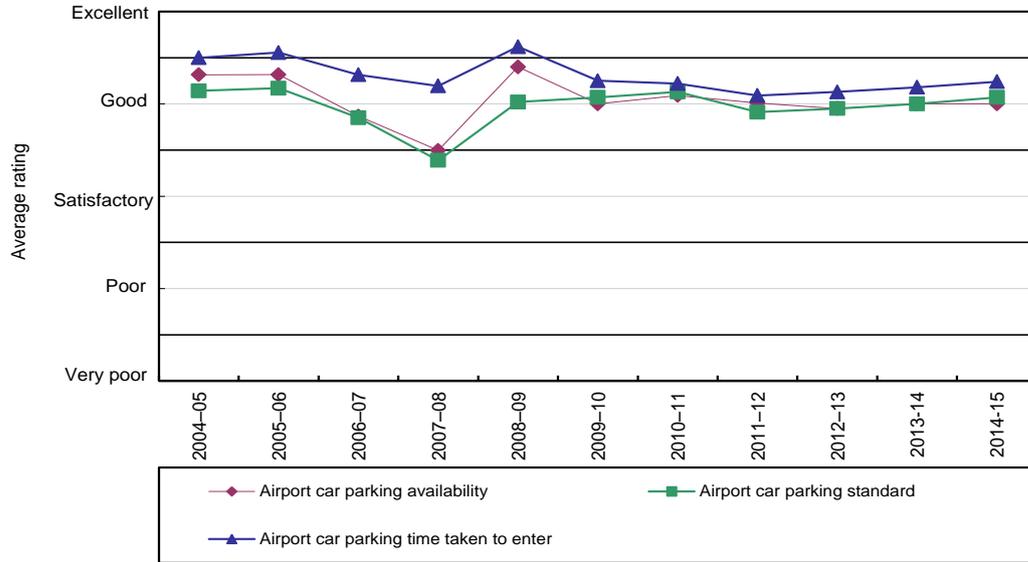
		2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Revenue (\$million)</b>	Car parking	16.9	20.1	22.4	28.6	33.6	37.5	44.9	54.1	61.1	65.9	65.1
	<b>Total airport</b>	<b>184.0</b>	<b>218.8</b>	<b>294.9</b>	<b>245.0</b>	<b>196.0</b>	<b>279.1</b>	<b>323.7</b>	<b>771.3</b>	<b>687.8</b>	<b>388.3</b>	<b>429.3</b>
	Car parking % of total	9.2	9.2	7.6	11.7	17.2	13.4	13.9	7.0	8.9	17.0	15.2
<b>Operating expenses (\$million)</b>	Car parking	5.0	6.1	9.3	8.0	12.1	12.1	14.9	17.6	19.6	20.6	23.6
	<b>Total airport</b>	<b>97.2</b>	<b>88.1</b>	<b>102.1</b>	<b>80.9</b>	<b>107.8</b>	<b>118.6</b>	<b>134.9</b>	<b>155.7</b>	<b>181.9</b>	<b>194.1</b>	<b>203.6</b>
<b>Aggregate margin (\$million)</b>	Car parking	11.9	14.0	13.1	20.6	21.5	25.4	30.0	36.5	41.5	45.3	41.5
	<b>Total airport</b>	<b>86.8</b>	<b>130.7</b>	<b>192.9</b>	<b>164.1</b>	<b>88.2</b>	<b>160.5</b>	<b>188.8</b>	<b>615.6</b>	<b>505.9</b>	<b>194.1</b>	<b>225.8</b>
<b>Aggregate margin % of revenue</b>	Car parking	70.5	69.7	58.5	72.0	63.9	67.8	66.9	67.5	67.9	68.8	63.7
	<b>Total airport</b>	<b>47.2</b>	<b>59.7</b>	<b>65.4</b>	<b>67.0</b>	<b>45.0</b>	<b>57.5</b>	<b>58.3</b>	<b>79.8</b>	<b>73.5</b>	<b>50.0</b>	<b>52.6</b>
<b>Revenue per space (\$)</b>		4 625	6 280	6 991	3 253	3 114	3 254	3 086	3 460	3 586	3 467	2 937
<b>Operating expenses per space (\$)</b>		1 363	1 906	2 903	910	1 125	1 048	1 022	1 124	1 153	1 082	1 066
<b>Aggregate margin per space (\$)</b>		3 262	4 374	4 088	2 343	1 989	2 205	2 065	2 337	2 433	2 385	1 871

Note: Real values in 2014-15 dollars

### 4.5.4 Quality of car parking facilities

Chart 4.4.3 shows that T1/T2 passenger ratings of parking availability, standard and time taken to enter remained at 'good' during 2014-15. There were slight increases within the 'good' category for parking standard and time taken to enter.

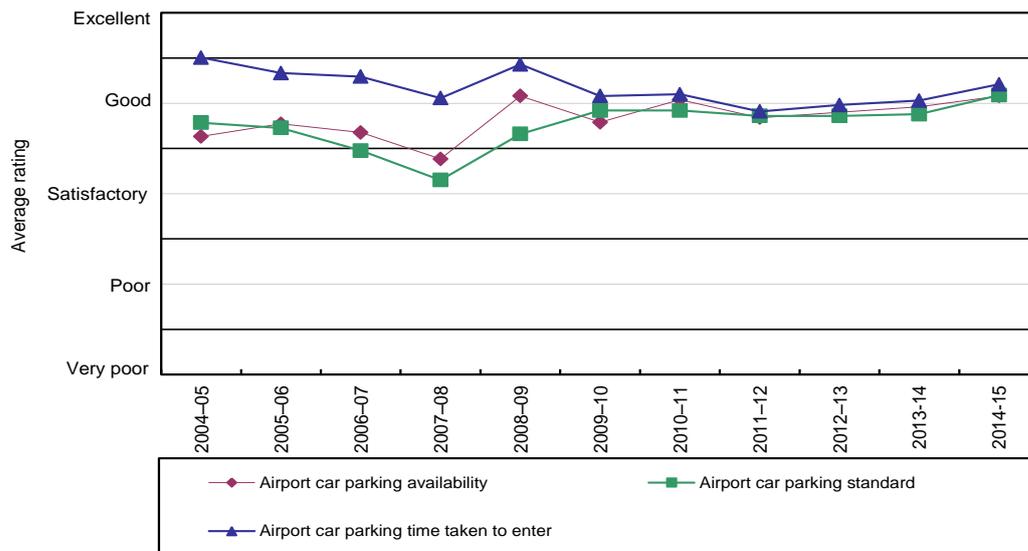
**Chart 4.4.3: Perth Airport—T1/T2 precinct passenger survey ratings of the quality of car parking facilities: 2004-05 to 2014-15**



Source: Passenger surveys

Chart 4.4.4 shows that T3/T4 passenger ratings of car park availability, standard, and the time taken to enter car parks increased slightly within the 'good' category.

**Chart 4.4.4: Perth Airport—T3/T4 precinct passenger survey ratings of the quality of car parking facilities: 2004-05 to 2014-15**



Source: Passenger surveys

#### 4.5.5 Other transport options

Airport passengers have a number of alternative options in addition to airport car parking. These include public and private buses, taxis and private hire cars. Perth Airport imposes a landside access charge on some of these alternative transport options.

Table 4.4.3 outlines the 2014-15 landside access charges, as well as the indexed average list prices between 2010-11 and 2014-15.

**Table 4.4.3: Perth Airport—landside access charges in 2014-15 and indexed average access charges in real terms: 2010-11 to 2014-15**

Transport option	Average list prices (\$) 2014-15	Indexed average list prices (2014-15 base year = 100)				
		2010-11	2011-12	2012-13	2013-14	2014-15
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)	2.00	109.3	106.9	104.5	101.7	100.0
Private car (per entry)	3.00	80.2	106.9	104.5	101.7	100.0

Note: Real prices in 2014-15 dollars

##### *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 where occupied vehicles can wait up to 90 minutes for a gold coin donation.

##### *Private and public buses*

Perth Airport has two public bus routes that service the T3/T4 precinct which originate from Kings Park and the Esplanade Bus Port. Bus fares depend on the number of public transport zones travelled.

<sup>118</sup> Travelling to the airport from Perth's CBD requires a zone 1 and 2 ticket that increased to \$4.50 on 1 July 2015. <sup>119</sup> The T1/T2 precinct is currently not serviced by public buses, although there are plans for a new service. There are also several private bus operators connecting the airport to Perth CBD. For example, the Perth Airport Shuttle charges \$15.00 one way to five locations around the city. <sup>120</sup>

##### *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 \$18.00 to \$35.00 for one day parking and \$35.00 to \$85.50 for three days parking. <sup>121</sup>

<sup>118</sup> Transperth, *Transperth Zone Map*, viewed 10 November 2015, [http://www.transperth.wa.gov.au/Portals/0/Asset/Documents/Tickets%20&%20Fares/Transperth\\_zone\\_map.pdf](http://www.transperth.wa.gov.au/Portals/0/Asset/Documents/Tickets%20&%20Fares/Transperth_zone_map.pdf)

<sup>119</sup> Transperth, *Transperth fares*, viewed 10 November 2015 <http://www.transperth.wa.gov.au/tickets-fares/fares>

<sup>120</sup> Perth Airport Airport Shuttle, viewed 10 November 2015 <http://www.perthairport.com.au/ToTheAirport/Shuttles.aspx>

<sup>121</sup> Skypark Valet parking, viewed 10 November 2015 <http://skypark.com.au/long-term-parking/>

Hamer Airport Parking, viewed 10 November 2015 <http://www.airport.com.au/>

Gateway Airport Parking, viewed 10 November <http://www.gatewayairportparking.com.au/parking-rates/rates.aspx>

*Taxis*

Perth Airport charges a \$2.00 fee on taxis departing the airport. In nominal terms, this charge has been unchanged since 2009-10. Perth Airport does not charge for dropping off passengers.

*Private cars*

Private car operators, such as limousines, are charged a fee of \$3.00 for access to the airport. This has remained unchanged in nominal terms since 2011-12.

**Quality of landside access services and facilities provided by Perth Airport**

Airport operators control access to airport land, including landside access areas. Further, the landside areas of monitored airports are bottleneck facilities essential in the supply of services to passengers and companies seeking access. Passengers, off-airport car parking operators, taxis, buses and private cars all require access to landside areas for the pick-up and drop-off of passengers. Airport operators have the incentive to restrict access and impede competition from alternatives to on-airport parking by imposing excessive charges or restrictive terms and conditions.

This section contains quality of service results for Perth Airports' 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 4.4.4 shows that ratings for all landside access for services and facilities improved for all indicators apart from kerbside pick-up and drop-off facilities at T1/T2 which remained unchanged.

**Table 4.4.4: Perth Airport— passenger ratings of quality of landside access services and facilities: 2014-15, 1-year change, and change since 2010-11**

Terminal	Indicator	Rating category 2014-15	1-year change	Change since 2010-11
<b>International &amp; General Aviation (T1/T2)</b>	Kerbside pick-up and drop-off facilities	Good	—	▼
	Taxi facilities waiting time	Good	▲	▼
	Kerbside space congestion	Good	▲	▼
<b>Domestic (T3/T4)</b>	Kerbside pick-up and drop-off facilities	Good	▲	▲
	Taxi facilities waiting time	Satisfactory	▲	▼
	Kerbside space congestion	Good	▲	▼

Source: Passenger surveys

Note: 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.

*Landside operator ratings*

Perth Airport provided 123 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 overall average rating of landside operator responses at Perth Airport dropped from 'satisfactory' in 2013-14 to 'poor' during 2014-15. Due to confidentiality issues, all commentary from associations and off-airport car park operators will be combined. Commentary from landside users was mixed on ratings for Perth Airport during 2014-15.

## **Perth Airport monitoring results**

The T1/T2 precinct for kerbside space for pick-up and drop-off appears to have been affected by the construction work that occurred during 2014-15. Landside users commented that this work impacted on the quality and availability of pick-up and drop-off areas. However, some acknowledged that this was a temporary issue, while others said that the availability for pick up and drop off was satisfactory for T1. Issues identified with T2 included a lack of lay-over area and the distance passengers have to walk to buses.

Commentary on the T3/T4 precinct included the claim that there is a lack of parking area for buses. Further, the kerbside space (which is shared with cars) caused congestion and time constraints on how long they can dwell. One user noted that not much had changed since 2013-14.

In terms of management responsiveness, some stakeholders stated that Perth Airport is generally available and responsive to concerns raised.

## 5. Sydney Airport

### Key points—2014-15

- Passenger numbers at Sydney Airport increased by 1.2 per cent to 39.2 million passengers.
- Total aeronautical revenue increased by 1.8 per cent in real terms to \$643.0 million while aeronautical aggregate margin increased 2.3 per cent in real terms to \$322.2 million. This equates to a profit of 50.1 cents per dollar of aeronautical revenue, the highest of any airport over the eleven year time series.
- Total aeronautical capital expenditure was \$126.8 million.
- The rate of return on tangible aeronautical non-current assets increased by 0.3 percentage points to 12.4 per cent.
- Sydney Airport's average overall quality of service rating was unchanged at 'satisfactory'. Sydney Airport was rated equal lowest with Melbourne.
- Total car parking aggregate margin increased by 2.2 per cent in real terms to \$91.5 million. It made a profit of 71.6 cents per dollar of car parking revenue.

### 5.1 Airport overview and major investments

This section looks at Sydney Airport's aeronautical activities including volume of passengers, tonnes landed and aircraft movements (Section 5.1.1). Other areas assessed include terminal configurations and car parking facilities (Section 5.1.2) and major investments (Section 5.1.3).

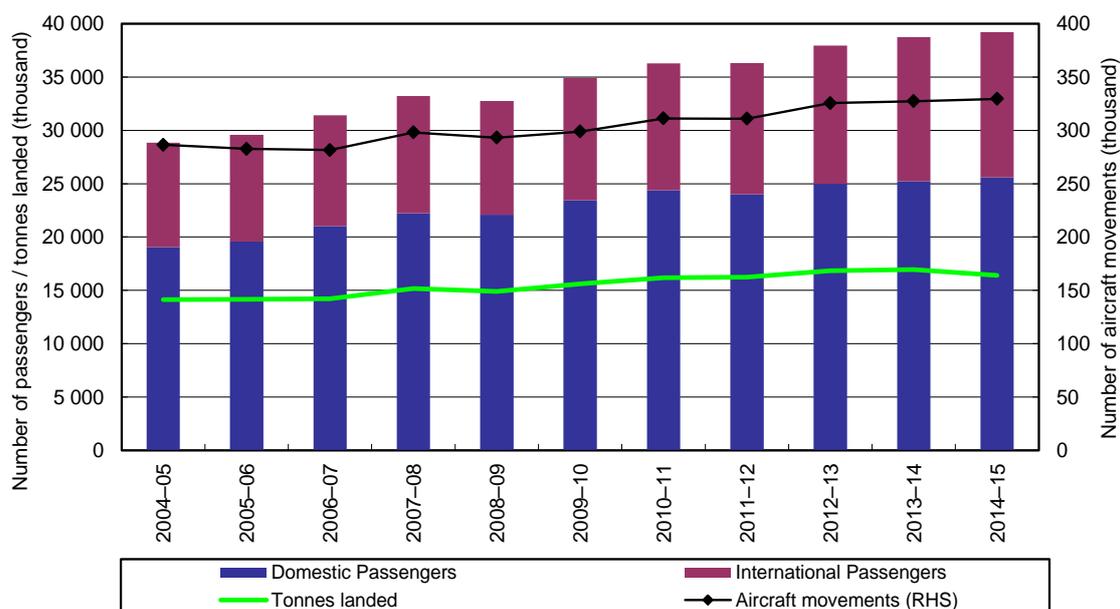
#### 5.1.1 Activity levels

Chart 5.1.1 shows that total passenger volume increased by 1.2 per cent at Sydney Airport during 2014-15 to 39.2 million.

Domestic passenger numbers (including on carriage) grew by 1.4 per cent to 25.6 million while international passenger (including transit) growth was 1.0 per cent to 13.6 million passengers. The growth in international passengers at Sydney Airport during 2014-15 was the lowest since 2008-09 when it reduced by 3.0 per cent.

Total tonnes landed decreased by 3.2 per cent while total aircraft movements grew by 0.7 per cent. This measure has not decreased at Sydney Airport since 2002-03.

**Chart 5.1.1: Sydney Airport—volume of passengers, tonnes landed and aircraft movements: 2004-05 to 2014-15<sup>122</sup>**



## 5.1.2 Terminal configurations and car parking facilities

### Terminal configurations

Sydney Airport has one international terminal and two domestic terminals that are located within two precincts:

- The international terminal (T1) is a common user terminal that is utilised by all airlines flying internationally to and from Sydney Airport. It is located within the international precinct.
- Terminal 2 (T2) and 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 Jetstar, Virgin Australia, Regional Express and Tigerair.
- The Qantas domestic terminal (T3) was owned and operated by Qantas under a domestic terminal lease and therefore is not subject to ACCC monitoring during 2014-15. However, during August 2015 Sydney Airport agreed to purchase and operate T3 from Qantas. Qantas will remain the priority user of T3 until 2025.<sup>123</sup> T3 will be subject to monitoring in the 2015-16 monitoring report.

### Car parking facilities

Sydney Airport has three major car parking facilities. The international precinct has a 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.

The domestic precinct has multi-level car parks that provide both short-term and long-term car parking. Sydney Airport has a separate long-term car park located off Ross Smith Avenue on the Eastern side of the airport. This car park services the domestic precinct with a complimentary shuttle bus.

<sup>122</sup> Unless otherwise stated, the source for tables and charts in this chapter is data obtained from Sydney Airport through the ACCC's monitoring process

<sup>123</sup> Freed, J. (2015), 'Lease deal nets \$535m for Qantas', in the Sydney Morning Herald Newspaper, 19 August, <http://www.smh.com.au/business/aviation/sydney-airport-buys-qantas-terminal-lease-for-535m-20150817-gj0qz0.html>

### 5.1.3 Major airport investments

Table 5.1.1 provides a summary of major aeronautical investments that have been completed, commenced or planned during 2014-15. Sydney Airport’s Master Plan was approved on 17 February 2014.

**Table 5.1.1: Sydney Airport—major investments in aeronautical services and facilities**

Description of investment	Value (\$m)	Started	Completed
T1 early bag store and additional make up positions	20-50	Q2 2013	Q2 2015
T1 two new baggage reclaim	20-50	Q2 2013	Q4 2014
Airfield low visibility lighting	5-10	Q2 2014	Q2 2015
Gates 8, 9 & 10 expansion T1	20-100	Q2 2014	Q3 2015
Taxiway strengthening for larger aircraft	20-50	Q4 2014	Q4 2015
Two additional aprons in SE sector	20-50	Q1 2015	Q1 2016
Construction of new aprons	100+	Q1 2016	Q2 2019
T1 check-in and baggage	100+	Q2 2015	Q2 2017
Runway and taxiway asphalt program	50-100	Q1 2016	Q4 2018

The major aeronautical projects completed during 2014-15 include the T1 early bag store system which will allow passengers to check in earlier and increase the capacity of the baggage handling system. The construction of two new baggage reclaim belts in T1 was also completed in 2014-15. Significant airfield projects completed included upgrades to lighting on runway 16L and taxiways.

The most significant aeronautical project underway during 2014-15 included the asphaltting, widening and strengthening of several taxiways to accommodate A380 aircraft and new generation aircraft. Other significant projects commenced include the construction of new aprons in the south east sector and the expansion of the emigration and security processing facilities T1 departures level. The major planned aeronautical project that Sydney Airport is seeking to progress is the construction of new apron capacity. Other significant planned projects include the asphalt re-sheeting program for runway and taxiway areas and the T1 arrivals forecourt redevelopment.

Table 5.1.2 shows that major car parking and landside investments completed during 2014-15 include the T1 ground access works which delivered a new express pick-up facility, a dedicated city bound exit gate and the opening of the new Centre Road. Significant projects commenced include the T2/T3 ground access improvements including the demolition of aircraft hangers and other facilities for a new five lane road exiting the precinct.

**Table 5.1.2: Sydney Airport—major investments in car parking and landside access services**

Description of investment	Value (\$m)	Started	Completed
T1 ground access improvements	10-20	Q3 2014	Q1 2015
T2/T3 ground access major development plan	2-5	Q3 2013	Q1 2015
Website update of precinct parking maps	1-2	Q3 2014	Q2 2015
T1 ground access improvements	20-50	Q2 2015	Q2 2017
T2/T3 ground access improvements	20-50	Q1 2015	Q4 2015
Parking customer service improvements	1-2	Q2 2014	Q4 2015
T1 ground access improvements	50-100	Q3 2015	Q4 2018
T1 parking improvements	20-50	Q1 2016	Q4 2016
T2/T3 ground access improvements	20-50	Q2 2016	Q4 2018

Planning and construction of the remaining T1 and T2/T3 ground access improvements will be progressively delivered between 2015 and 2018. This work is planned to improve the ground access in both precincts and includes plans to increase taxi holding areas, the building of ramps, bridges and roads and the construction of a multi-level ground transport interchange in the T2/T3 precinct.

## 5.2 Aeronautical price monitoring and financial performance results

This section presents Sydney Airport's aeronautical price monitoring and financial reporting results. These results are categorised into prices (Section 5.2.1), revenues, costs and profits (Section 5.2.2), and assets (Section 5.2.3), including capital additions (Section 5.2.4) and rate of return on tangible non-current assets (Section 5.2.5).

### 5.2.1 Prices

Sydney Airport has recently commercially negotiated agreements with airlines that cover periods varying between five and 17 years. In June 2015, Sydney Airport reached agreement with international airlines (facilitated by the Board of Airline Representatives Australia) on the provision and pricing of airport services. This agreement includes a reduction in the international per passenger charge for the period 1 July 2015 to 30 June 2016 by around 0.7 per cent.<sup>124</sup> This agreement also provides a framework for working with airlines to provide an improved passenger experience including monitoring of terminal cleanliness and maintenance needs.<sup>125</sup>

Table 5.2.1 presents the average aeronautical charges at Sydney Airport during 2014-15. Further, it provides an indexed average list price for each charge in real terms between 2010-11 and 2014-15. Commercial agreements mean that airlines may pay less than the list prices.

**Table 5.2.1: Sydney Airport—schedule of average aeronautical charges in 2014-15 and indexed average list prices (including GST) in real terms from 2010-11 to 2014-15**

	Average charge per unit \$	Indexed average list prices (2014-15 base year = 100)				
		2010-11	2011-12	2012-13	2013-14	2014-15
<b>Aeronautical services - aircraft movement facilities and activities</b>						
International passenger service charge (per passenger) <sup>(a)*</sup>	26.20	96.5	95.9	96.1	96.4	100.0
Domestic passenger service charge (per passenger) <sup>(b)*</sup>	4.39	95.1	95.3	96.1	96.6	100.0
Runway charge—non-passenger movements and GA (per MTOW)*	5.48	94.4	95.1	95.9	96.6	100.0
Runway charge—regional services (per MTOW)**	3.78	109.3	106.9	104.5	101.7	100.0

<sup>124</sup> Sydney Airport Limited, (2015), *International aeronautical agreements*, Press Release, 30 June [https://www.sydneyairport.com.au/investors/-/media/files/investors/news%20and%20events/syd%20asx%20releases/2015/240630\\_international%20aero%20agreement%20final.pdf](https://www.sydneyairport.com.au/investors/-/media/files/investors/news%20and%20events/syd%20asx%20releases/2015/240630_international%20aero%20agreement%20final.pdf)

<sup>125</sup> Freed, J. (2015), 'Sydney Airport reaches fee deal with international airlines', in The Sydney Morning Herald, 30 June <http://www.smh.com.au/business/aviation/sydney-airport-reaches-fee-deal-with-international-airlines-20150629-gi13rl.html>

	Average charge per unit \$	Indexed average list prices (2014-15 base year = 100)				
		2010-11	2011-12	2012-13	2013-14	2014-15
Landing charge—rotary-wing (per movement)	33.00	109.3	106.9	104.5	101.7	100.0
Apron charge—major aprons (per 15 minutes)	38.50	109.3	106.9	104.5	101.7	100.0
Apron charge—GA aprons—regional services (per day)	66.00	109.3	106.9	104.5	101.7	100.0
Apron charge—GA aprons—0 to 20 tonnes (per day)	143.00	84.1	82.2	88.4	93.9	100.0
Apron charge—GA aprons—20 to 40 tonnes (per day)	198.00	91.1	89.0	92.9	96.1	100.0
Apron charge—GA aprons—greater than 40 tonnes (per day)	297.00	97.2	95.0	96.7	97.9	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
<b>Aeronautical services – passenger processing facilities and activities</b>						
International security charges—including passenger screening, checked bag screening and additional security measures (per passenger) <sup>(c)</sup>	4.62	114.8	106.1	106.0	105.1	100.0
T2 domestic passenger facilitation charge (per passenger) <sup>(d)</sup>	9.44	94.4	92.3	97.4	101.7	100.0
T2 regional passenger facilitation charge (per passenger) <sup>(d)</sup>	4.95	109.3	106.9	104.5	101.7	100.0
T2 domestic security charges—including passenger screening, checked bag screening and additional security measures (per passenger) <sup>(e)</sup>	1.97	111.1	97.9	95.7	101.1	100.0
T2 regional security charges—including passenger screening and checked bag screening (per passenger) <sup>(f)</sup>	0.96	109.3	106.9	104.5	101.7	100.0
T2 new investment charge (per passenger) <sup>(g)</sup>	0.44	109.3	106.9	104.5	101.7	100.0
International check-in counters (per hour)	25.20	97.8	98.6	98.0	98.1	100.0
Terminal access roads (per vehicle) <sup>(h)</sup>	4.00	82.0	93.3	97.9	95.3	100.0
<b>Minimum charges</b>						

	Average charge per unit \$	Indexed average list prices (2014-15 base year = 100)				
		2010-11	2011-12	2012-13	2013-14	2014-15
Minimum charge for runway use (per movement)	66.00	109.3	106.9	104.5	101.7	100.0
Minimum charge for regional services (0-5 tonnes)	22.00	109.3	106.9	104.5	101.7	100.0
Minimum charge for regional services (5-10 tonnes)	45.38	109.3	106.9	104.5	101.7	100.0
Minimum charge for regional services (over 10 tonnes)	55.00	109.3	106.9	104.5	101.7	100.0

Notes: Real indexed prices in 2014-15 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 remained the same in nominal terms during 2014-15. However, when assessed in real terms, the majority of charges listed in table 5.2.1 decreased.

The largest decrease over the past 12 months was for international security charges for passenger screening and baggage security screening, which reduced by 4.9 per cent in real terms to \$4.62. The other charges that decreased in real terms were all unchanged in nominal terms.

The international and domestic passenger service charges both increased by 3.8 and 3.5 per cent respectively in real terms during 2014-15. Since 2004-05, the international and domestic passenger service charges have increased by an average of 1.7 and 0.6 per cent per year in real terms respectively.

For the second consecutive year, general aviation apron charges for 0 to 20 tonnes recorded the largest increase of all aeronautical charges with a rise of 6.5 per cent in real terms. Other general aviation apron charge categories also increased with 20 to 40 tonnes and greater than 40 tonnes reporting rises of 4.1 and 2.1 per cent in real terms respectively.

### **Aeronautical services to regional air services**

Declaration 93 under section 95X of the Competition and Consumer Act 2010 (CCA) declares the provision of aeronautical services and facilities to regional air services by Sydney Airport to be notified services.<sup>126</sup> 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 for regional air service, Direction 34 requires the ACCC to give special consideration to the Australian Government's policy. This policy includes that the total revenue weighted percentage increase

<sup>126</sup> Declaration No. 93 took effect on 1 July 2013 for a period of three years. It replaced Declaration No. 92, which was in effect for three years.

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.<sup>127</sup>

Sydney Airport did not notify the ACCC of any proposed price increases for regional services in 2014-15. However, Sydney Airport approached the ACCC during 2015 to seek the ACCC's view on how the regime may apply to certain property leasing activities between airlines and Sydney Airport. The ACCC reached the view that the relevant leasing activities were within the scope of Declaration 93, and certain increases that had been applied by Sydney Airport in accordance with commercially agreed terms should have been notified to the ACCC. The ACCC determined that no further action was required given Sydney Airport had proactively taken action to address the matter. This included reimbursing the affected airlines of the price increase and committing to full compliance in the future.

## 5.2.2 Revenues, costs and profits for aeronautical and total airport services

Table 5.2.2 outlines the revenues, operating expenses and aggregate margins for aeronautical services, government mandated security services and the total airport in real terms from 2004-05 to 2014-15.

Sydney Airport reported total aeronautical revenue of \$643.0 million in 2014-15, the largest of the monitored airports. This figure grew by 1.8 per cent in real terms in 2014-15, which is the smallest increase since 2008-09. Growth has averaged 4.6 per cent since 2004-05.

Total aeronautical expenses increased moderately by 1.3 per cent in real terms to \$320.8 million. However, a number of individual expenses such as depreciation and security costs increased by 9.2 and 15.6 per cent in real terms respectively.

Aeronautical aggregate margin increased by 2.3 per cent in real terms to \$322.2 million. This is the largest aggregate margin reported from the monitored airports. However, this is the smallest real increase in aeronautical aggregate margin since 2008-09 when the increase was 0.5 per cent in real terms. Over the period from 2004-05 to 2014-15, aeronautical aggregate margin has increased by an annual average of 5.1 per cent per year in real terms.

Sydney Airport made a profit of 50.1 cents for each dollar in aeronautical revenue in 2014-15. This was also the highest figure reported by a monitored airport over the eleven years of monitoring.

On a per passenger basis, aeronautical revenue increases were relatively flat, with rise of 0.6 per cent in real terms to \$16.40 per passenger. This figure has increased by an annual average of 1.5 per cent in real terms over the last decade. Sydney Airport's revenue and aggregate margin per passenger are the largest of the monitored airports.

<sup>127</sup> Direction No. 34 took effect on 1 July 2013 for a period of three years. It replaced Direction No. 32, which was in effect for three years.

**Table 5.2.3: Sydney Airport—revenues, operating expenses and aggregate margins for aeronautical services, government-mandated security services, and total airport services in real terms: 2004-05 to 2014-15**

		2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Revenue (\$million)</b>	Total aeronautical	409.6	424.2	461.3	512.1	514.8	552.2	573.6	580.7	614.1	631.7	643.0
	Security services	49.4	59.9	75.8	83.4	84.3	83.1	82.2	81.7	84.8	84.4	81.4
	Security % of total aeronautical	12.0	14.1	16.4	16.3	16.4	15.0	14.3	14.1	13.8	13.4	12.7
	<b>Total airport</b>	<b>833.0</b>	<b>919.4</b>	<b>1 046.2</b>	<b>1 224.1</b>	<b>1 300.4</b>	<b>1 016.1</b>	<b>1 052.5</b>	<b>1 072.8</b>	<b>1 122.1</b>	<b>1 165.1</b>	<b>1 190.0</b>
	Aeronautical % of total airport	49.2	46.1	44.1	41.8	39.6	54.3	54.5	54.1	54.7	54.2	54.0
<b>Operating expenses (\$million)</b>	Total aeronautical	212.7	237.6	249.2	280.3	281.8	306.0	300.4	296.2	309.9	316.7	320.8
	Security services	38.4	43.1	75.8	83.4	84.3	83.1	82.2	81.7	84.8	84.4	81.4
	<b>Total airport</b>	<b>303.2</b>	<b>324.9</b>	<b>349.9</b>	<b>387.3</b>	<b>389.5</b>	<b>419.0</b>	<b>414.3</b>	<b>411.3</b>	<b>421.3</b>	<b>422.2</b>	<b>434.4</b>
<b>Aggregate margin (\$million)</b>	Total aeronautical	196.9	186.6	212.1	231.8	233.0	246.2	273.3	284.5	304.2	315.0	322.2
	Security services	11.0	16.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	<b>Total airport</b>	<b>529.8</b>	<b>594.5</b>	<b>696.3</b>	<b>836.8</b>	<b>910.9</b>	<b>597.1</b>	<b>638.2</b>	<b>661.5</b>	<b>700.8</b>	<b>743.0</b>	<b>755.6</b>
<b>Aggregate margin % of total revenue</b>	Aeronautical	48.1	44.0	46.0	45.3	45.3	44.6	47.6	49.0	49.5	49.9	50.1
	<b>Total airport</b>	<b>63.6</b>	<b>64.7</b>	<b>66.6</b>	<b>68.4</b>	<b>70.0</b>	<b>58.8</b>	<b>60.6</b>	<b>61.7</b>	<b>62.5</b>	<b>63.8</b>	<b>63.5</b>
<b>Revenue per passenger (\$)</b>	Total aeronautical	14.20	14.34	14.69	15.42	15.72	15.82	15.81	15.99	16.19	16.31	16.40
	Security services	1.71	2.02	2.41	2.51	2.58	2.38	2.27	2.25	2.23	2.18	2.08
<b>Operating expenses per passenger (\$)</b>	Total aeronautical	7.37	8.03	7.94	8.44	8.61	8.77	8.28	8.15	8.17	8.18	8.18
	Security services	1.33	1.46	2.41	2.51	2.58	2.38	2.27	2.25	2.23	2.18	2.08
<b>Aggregate margin per passenger (\$)</b>	Total aeronautical	6.82	6.31	6.75	6.98	7.12	7.05	7.53	7.83	8.02	8.13	8.22
	Security services	0.38	0.57	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Note: Real values in 2014-15 dollars

**Line in the sand— aeronautical revenue, operating expenses and aggregate margin values**

Table 5.2.3 shows Sydney Airport’s starting LIS asset base aggregates. 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.<sup>128</sup> 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 5.2.2: 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	556 015	1 517 662	2 073 677

Note: Real values in 2014-15 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 \$154.9 million. As noted in last year’s airport monitoring report, 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 5.2.4 present the revenues, operating expenses and aggregate margins for aeronautical services under the LIS approach.

**Table 5.2.4: Sydney Airport—revenues, operating expenses and aggregate margin for aeronautical services under the LIS approach, both excluding and including the value of landfill in leasehold land in real terms: 2008-09 to 2014-15**

		2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Revenue (\$million)</b>	Excluding landfill	514.8	552.2	573.6	580.7	614.1	631.7	643.0
	Including landfill	514.8	552.2	573.6	580.7	614.1	631.7	643.0
<b>Operating expenses (\$million)</b>	Excluding landfill	273.7	305.3	296.5	287.9	289.4	303.5	319.1
	Including landfill	275.9	307.6	297.9	289.9	291.4	305.4	321.0
<b>Aggregate margin (\$million)</b>	Excluding landfill	241.2	246.8	277.1	292.8	324.7	328.2	323.9
	Including landfill	238.9	244.6	275.7	290.8	322.7	326.3	322.0
<b>Aggregate margin as a % of revenue</b>	Excluding landfill	46.8	44.7	48.3	50.4	52.9	52.0	50.4
	Including landfill	46.4	44.3	48.1	50.1	52.6	51.7	50.1

<sup>128</sup> The ACCC’s requirement for airport operators to provide this additional information put into effect the Government’s response to the PC’s review of price regulation of airport services in 2006. It was noted by the PC that some airports revalued assets for a range of non-price reasons. However, the PC recognised that the intention of revaluations is ‘to provide a justification for higher charges at some stage in the future’. As such, the PC stated that it was inappropriate to base increases in aeronautical charges on asset revaluations. The PC proposed that a ‘line in the sand’ be established for future monitoring purposes to help eliminate the effect of revaluations by airports. The LIS approach removes the effect of revaluations of aeronautical assets by airports for monitoring purposes.

Note: Real values in 2014-15 dollars

Excluding the value of landfill, the LIS operating expenses for aeronautical services were 0.5 per cent lower than the non-LIS expense aggregate. With the inclusion of the value of landfill in leasehold land, operating expenses were 0.1 per cent higher than the non-LIS expense figure.

### **5.2.3 Assets for aeronautical and total airport services**

Table 5.2.5 presents Sydney Airport's tangible non-current assets for aeronautical services and the total airport from 2004-05 to 2014-15. Sydney Airport's tangible non-current assets for aeronautical services and total airport services under the LIS approach are presented in Table 5.2.6.

The value of aeronautical tangible non-current assets decreased by 3.2 per cent in real terms to \$2.6 billion during 2014-15. The main drivers of this decrease in an aggregate sense was the asset categories land and property, plant and equipment which decreased by 2.8 and 3.0 per cent in real terms respectively. Since 2004-05, the value of aeronautical tangible non-current assets has increased by 23.0 per cent in real terms.

Tangible non-current assets for the total airport increased in value by 1.6 per cent in real terms to \$14.0 billion in 2014 15. This increase was driven by rises in other tangible non-current assets and property, plant and equipment..

**Table 5.2.5: Sydney Airport—non-current assets for aeronautical services and total airport services in real terms: 2004-05 to 2014-15**

		2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Investment property (\$million)</b>	Aeronautical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	<b>Total airport</b>	<b>855.6</b>	<b>1259.4</b>	<b>3 045.1</b>	<b>4 909.4</b>	<b>5 435.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Land (\$million)</b>	Aeronautical	556.0	957.2	948.7	907.6	870.8	842.0	807.6	780.8	754.9	819.3	796.0
	<b>Total airport</b>	<b>2 094.3</b>	<b>1 377.3</b>	<b>1 365.8</b>	<b>1 307.0</b>	<b>1 253.4</b>	<b>1 210.0</b>	<b>1 160.0</b>	<b>1 120.7</b>	<b>1 082.9</b>	<b>1 041.7</b>	<b>1 011.8</b>
<b>Property, plant and equipment (\$million)</b>	Aeronautical	1 517.7	1 828.6	1 853.7	1 824.0	2 032.4	2 085.2	1 944.1	1 863.6	1 824.9	1 780.9	1 727.0
	<b>Total airport</b>	<b>2 023.2</b>	<b>2 578.4</b>	<b>2 514.6</b>	<b>2 572.7</b>	<b>2 765.1</b>	<b>2 752.5</b>	<b>2 625.9</b>	<b>2 604.4</b>	<b>2 561.0</b>	<b>2 548.2</b>	<b>2 577.3</b>
<b>Intangibles (\$million)</b>	Aeronautical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	<b>Total airport</b>	<b>0.0</b>	<b>1 820.0</b>	<b>1 748.2</b>	<b>1 672.5</b>	<b>1 603.7</b>	<b>1 549.5</b>	<b>1 485.5</b>	<b>1 435.1</b>	<b>1 386.7</b>	<b>1 334.0</b>	<b>1 295.7</b>
<b>Other tangible non-current assets (\$million)</b>	Aeronautical	0.0	27.1	32.6	40.4	41.6	49.5	47.1	40.0	35.8	34.4	28.2
	<b>Total airport</b>	<b>1 027.7</b>	<b>824.5</b>	<b>2 438.3</b>	<b>4 040.3</b>	<b>4 366.5</b>	<b>4 254.0</b>	<b>5 175.7</b>	<b>5 934.4</b>	<b>6 604.3</b>	<b>10 204.1</b>	<b>10 426.2</b>
<b>Total tangible non-current assets (\$million)</b>	Aeronautical	2 073.7	2 813.0	2 835.1	2 771.9	2 944.8	2 976.8	2 798.9	2 684.4	2 615.5	2 634.6	2 551.2
	<b>Total airport</b>	<b>6 000.9</b>	<b>6 039.6</b>	<b>9 363.8</b>	<b>12 829.4</b>	<b>13 820.4</b>	<b>8 216.4</b>	<b>8 961.5</b>	<b>9 659.6</b>	<b>10 248.2</b>	<b>13 794.0</b>	<b>14 015.3</b>
<b>Total non-current assets (\$million)</b>	Aeronautical	2 073.7	2 813.0	2 835.1	2 771.9	2 944.8	2 976.8	2 798.9	2 684.4	2 615.5	2 634.6	2 551.2
	<b>Total airport</b>	<b>6 000.9</b>	<b>7 859.6</b>	<b>11 112.0</b>	<b>14 501.9</b>	<b>15 424.1</b>	<b>9 765.9</b>	<b>10 447.0</b>	<b>11 094.7</b>	<b>11 635.0</b>	<b>1 5128.0</b>	<b>1 5311.0</b>

Note: Real values in 2014-15 dollars

**Line in the sand asset values**

Table 5.2.6 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 \$2.7 billion in 2014-15. This amount is 4.5 per cent higher than the non- LIS value (shown in table 5.2.5). The value of land was 46.9 per cent higher under the LIS methodology whereas the value of property, plant and equipment was 15.0 per cent lower.

**Table 5.2.6: 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 2014-15**

		2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Investment property (\$million)</b>		0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Land (\$million)</b>	Excluding landfill	1 251.8	1 402.0	1 166.1	1 127.2	1 089.9	1 203.7	1 169.4
	Including landfill	1 443.0	1 596.9	1 343.7	1 298.8	1 255.7	1 363.2	1 324.4
<b>Property, plant and equipment (\$million)</b>		1 651.7	1 718.2	1 597.1	1 536.6	1 529.4	1 511.1	1 468.0
<b>Intangibles (\$million)</b>		0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Other tangible non-current assets (\$million)</b>		41.6	49.5	47.1	40.0	35.8	34.4	28.2
<b>Total tangible non-current assets (\$million)</b>	Excluding landfill	2 945.1	3 169.7	2 810.3	2 703.8	2 655.1	2 749.3	2 665.6
	Including landfill	3 136.3	3 364.7	2 987.9	2 875.4	2 820.8	2 908.8	2 820.6

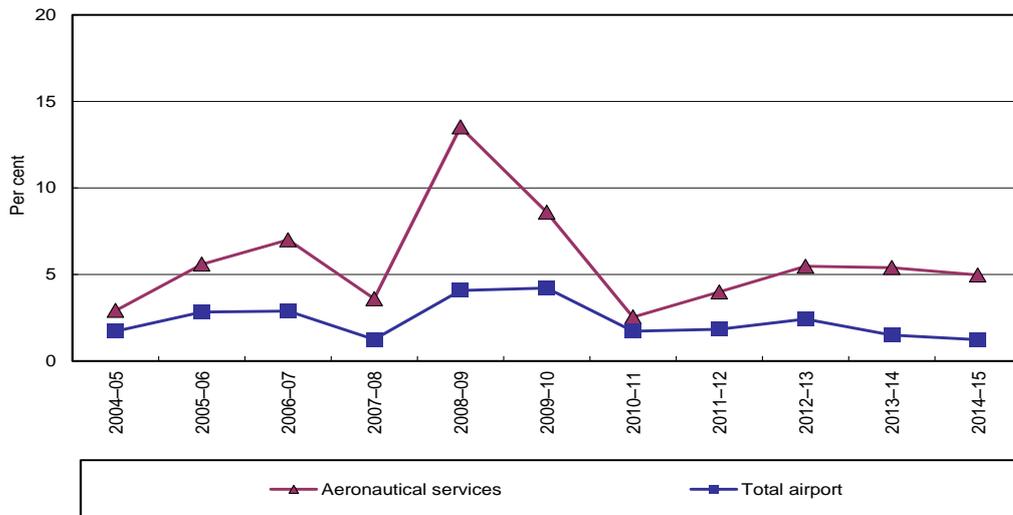
Note: Real values in 2014-15 dollars

Under the LIS methodology and including the value of landfill in leasehold land, the value of aeronautical tangible non-current assets was around \$2.8 billion in 2014-15. This amount is 10.6 per cent higher than the non- LIS value. Land value (when landfill was included) was 66.4 per cent higher than non- LIS land values.

**5.2.4 Additions as a percentage of tangible non-current assets**

Chart 5.2.1 shows that during 2014-15, Sydney Airport's \$126.8 million in additions to aeronautical assets represented 5.0 per cent of total aeronautical tangible non-current assets. Additions to aeronautical assets included land improvement (\$49.3 million), buildings (\$39.6 million) and plant and machinery (\$30.1 million). Additions to total airport tangible non-current assets represented around 1.2 per cent of total airport tangible non-current assets.

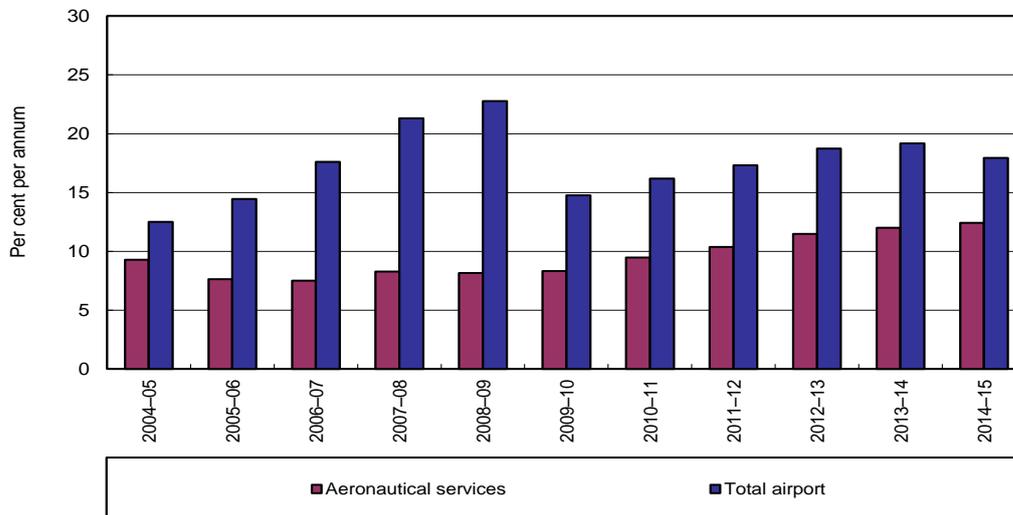
**Chart 5.2.1: Sydney Airport—additions as a percentage of tangible non-current assets for aeronautical and total airport services: 2004-05 to 2014-15**



**5.2.5 Rates of return on tangible non-current assets**

Chart 5.2.2 presents the rate of return on aeronautical tangible non-current assets. This is defined as earnings before interest, tax and amortisation (EBITA) on average aeronautical tangible non-current assets. This measure increased marginally in real terms by 0.4 percentage points to 12.4 per cent in 2014-15.

**Chart 5.2.2: Sydney Airport—rate of return (EBITA) on tangible non-current assets for aeronautical services and total airport services in real terms: 2004-05 to 2014-15**



Note: Real values in 2014-15 dollars

For the total airport, the rate of return on tangible non-current assets was 17.8 per cent in real terms for 2014-15. The slight decrease (1.4 percentage points) is the first in five years.

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

During 2013-14, the rate of return on average aeronautical tangible non-current assets under the LIS approach (and excluding landfill) was 12.0 per cent. This is 0.4 percentage points lower than the non-LIS value (shown in chart 5.2.2).

When landfill is included in the asset base, the rate of return on aeronautical tangible non-current assets decreases to 11.2 per cent, or 1.2 percentage points below the non-LIS value.

The rate of return on average tangible non-current assets for total airport services under the LIS approach and excluding landfill was 16.8 per cent, which is around 1.1 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 16.2 per cent.

## 5.3 Aeronautical services quality of service monitoring results

Both passengers and airlines are surveyed to give an insight into the quality of service offered by each airport. These survey results are combined with data collected from monitored airports into overall ratings. This section presents Sydney Airport's quality of service monitoring results for the overall average ratings (Section 5.3.1), aircraft related services and facilities (Section 5.3.2), and passenger related services and facilities for Sydney Airport's terminals (Section 5.3.3).

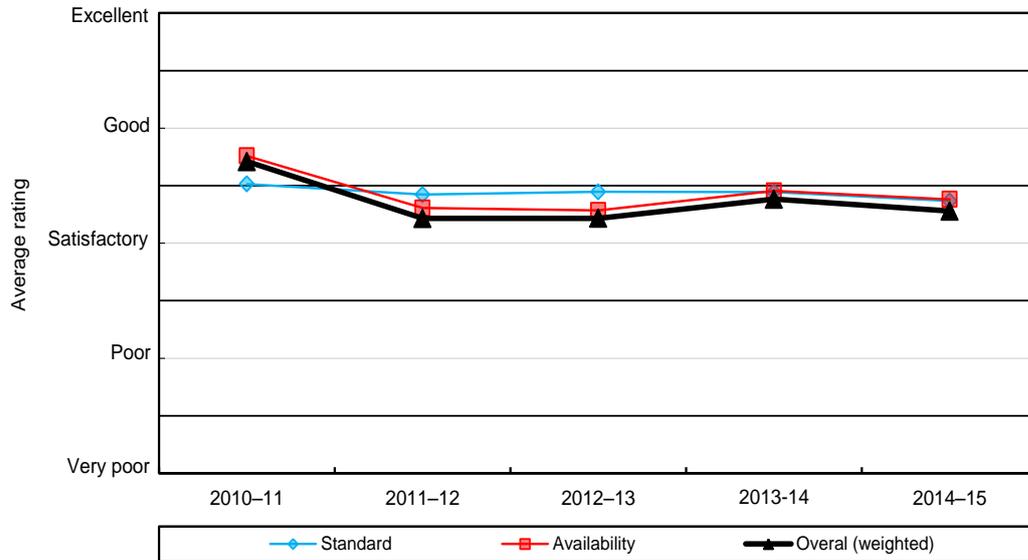
### 5.3.1 Overall quality of service<sup>129</sup>

Chart 5.3.1 presents Sydney Airport's overall quality of service rating and also the average quality of service ratings for both the availability and standard of total airport services and facilities. Sydney Airport's average overall quality of service rating was unchanged at 'satisfactory'. Ratings for the availability and standard of total airport services and facilities both have remained relatively constant at the high end of 'satisfactory' for the past four years.

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<sup>129</sup> Passenger and airline survey templates ask respondents to rate their level of satisfaction with services and facilities on a scale of 1 to 5. The ACCC aggregates the survey results and produces average ratings for each indicator, as well as overall average ratings. In the 2014-15 report, the ACCC has changed its interpretation of average rating categories. For further detail on the reasons for this change see Appendix 4.

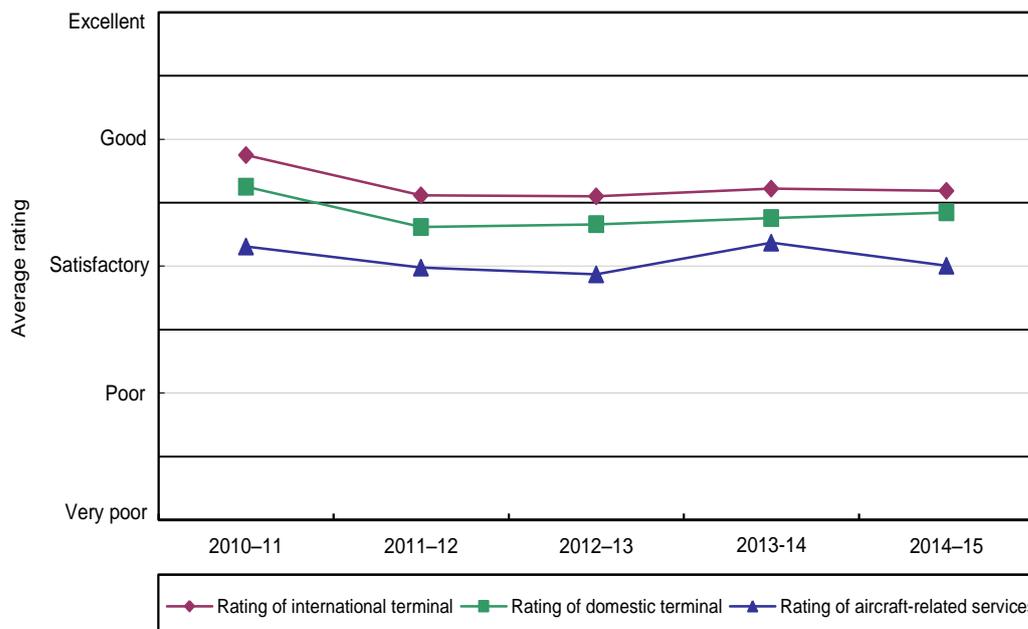
**Chart 5.3.1: Sydney Airport – overall weighted rating and average ratings for standard and availability of total airport services and facilities: 2010-11 to 2014-15**



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

Chart 5.3.2 shows that Sydney Airport’s average quality of service rating for the international terminal remained at ‘good’ while the domestic terminal remained unchanged at ‘satisfactory’ during 2014-15. The rating for aircraft-related services and facilities dropped slightly but also remained at ‘satisfactory’ during 2014-15.

**Chart 5.3.2: Sydney Airport—average ratings for international and domestic terminal services, and aircraft-related services and facilities: 2010-11 to 2014-15**



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

### 5.3.2 Aircraft-related services and facilities

Table 5.3.1 shows that the majority of ratings for aircraft-related services and facilities declined during 2014-15. Notable changes to ratings for aircraft related services and facilities include airport aprons' availability and standard which both declined within the 'satisfactory' category during 2014-15. A number of airlines noted that the aprons are congested during peak times and there is a lack of designated space at T1. In relation to the standard of aprons, airlines views were mixed. A few airlines noted that foreign object debris is a problem and often left unattended. However, a number of other airlines noted that the standard of aprons was acceptable or had no issues.

**Table 5.3.1: Sydney Airport—airline ratings of quality of individual aircraft-related services and facilities: 2014-15, 1-year change, and change since 2010-11**

	Indicator	Rating category 2014-15	1-year change	Change since 2010-11
<b>Runway</b>	Availability	Satisfactory	▼	—
	Standard	Good	—	▼
<b>Taxiways</b>	Availability	Satisfactory	▼	▼
	Standard	Satisfactory	—	▼*
<b>Aprons</b>	Availability	Satisfactory	▼	▼
	Standard	Satisfactory	▼	▼
<b>Aircraft parking</b>	Availability of facilities and bays	Satisfactory	▼	▲*
	Standard of facilities and bays	Satisfactory	▼	▼
<b>Ground handling</b>	Availability of services and facilities	Satisfactory	▼	▼
	Standard of services and facilities	Satisfactory	▼	▼
<b>Management responsiveness</b>	Availability	Good	▲	▲*
	Standard	Satisfactory	—	—

Source: Airline surveys

Note: 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; \*\*Rating changes by two categories over the period.

Aircraft parking facilities and bays availability and standard also both declined within the 'satisfactory' category during 2014-15. Several airlines commented that during the peak period there are insufficient parking bays. Other airlines noted that they often have to wait for or change parking bays.

### 5.3.3 Passenger-related services and facilities

#### *International terminal*

Table 5.3.2 presents quality of service passenger-related services and facilities for the international terminal. During 2014-15, all airline ratings for services and facilities at T1 declined. Passenger ratings were more varied with the majority of responses showing no movement. Most outcomes for objective indicators showed declines in quality outcomes.

Airlines' rating of check-in availability and standard decreased within the 'satisfactory' category during 2014-15. In commentary to the survey, a number of airlines noted that during peak period there are constraints on counter availability (similar commentary was noted for 2013-14). Commentary on the standard of check-in was mixed. A number of airlines noted cleanliness issues with the counters while some were satisfied with the quality.

Airline ratings on the availability and standard of baggage processing facilities decreased from 'satisfactory' to 'poor' during 2014-15. A number of airlines commented that the baggage processing facilities at T1 were unable to cope with the quantity of bags going through the facilities, particularly at peak times. Several airlines commented on frequent breakdowns of equipment, particularly at peak times. Also a number of airlines commented on the unreliability of baggage transfer between T1 and the domestic terminals. The ACCC understands that Sydney Airport has committed to expanding its baggage handling system in T1. This is on top of its investment in 2014-15 in technology that better manages baggage that is checked in well before the relevant flight.

Airline ratings of the availability and standard of aerobridges also decreased from 'satisfactory' to 'poor' during 2014-15. Commentary from airlines regarding aerobridge availability was generally negative. A number said that availability was a concern during peak periods and either caused delays or more bussing of passengers. As was the case in 2013-14, a number of airlines mentioned that aerobridges leak during rainy days and had issues with general cleanliness. Three airlines commented on the reliability of the aerobridges with frequent breakdowns or malfunctions.

Passenger ratings of waiting time in outbound immigration areas declined within the 'good' range, while their ratings of waiting time in inbound immigration areas was unchanged at 'good' during 2014-15.

**Table 5.3.2: Sydney Airport—indicators of quality of passenger-related services and facilities – international terminal: 2014-15, 1-year change and change since 2010-11**

Category	Indicator	Data source	Indicator result 2014-15	1-year change	Change since 2010-11
Check-in	Check-in availability	Airline survey	Satisfactory	▼	▲
	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)</i>	<i>Objective indicator</i>	<i>9.4 passengers</i>	▼	▼
Immigration	Waiting time in outbound Immigration area	Passenger survey	Good	▼	▼
	<i>Number of departing passengers per outbound Immigration desk (peak hour)</i>	<i>Objective indicator</i>	<i>63.4 passengers</i>	▼	▼
	Waiting time in inbound Immigration area	Passenger survey	Good	—	—
	<i>Number of arriving passengers per inbound Immigration desk (peak hour)</i>	<i>Objective indicator</i>	<i>22.4 passengers</i>	▲	▲
	Waiting time in inbound baggage inspection area	Passenger survey	Good	—	▲
	<i>Number of arriving passengers per baggage inspection desk (peak hour)</i>	<i>Objective indicator</i>	<i>19.4 passengers</i>	▲	▲
Information	Flight information display screens	Passenger survey	Good	—	—
	<i>Number of passengers per flight information display screen (peak hour)</i>	<i>Objective indicator</i>	<i>5.2 passengers</i>	—	▲
	<i>Number of passengers per information point (peak hour)</i>	<i>Objective indicator</i>	<i>669 passengers</i>	▼	▲
	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 not change.  
 \* Rating changed by a category over the period. \*\* Rating changed by two categories over the period.

**Table 5.3.2: Sydney Airport—indicators of quality of passenger-related services and facilities – international terminal: 2014-15, 1-year change and change since 2010-11 (cont.)**

Category	Indicator	Data source	Indicator result 2014-15	1-year change	Change since 2010-11
Baggage	Baggage processing facilities availability	Airline survey	Poor	▼*	▼*
	Baggage processing facilities standard	Airline survey	Poor	▼*	▼*
	<i>Average throughput of outbound baggage system (per hour)</i>	<i>Objective indicator</i>	<i>1189 items</i>	▼	▲
	Circulation space for inbound baggage reclaim	Passenger survey	Good	—	▼
	Information display for inbound baggage reclaim	Passenger survey	Good	▲	▼
	<i>Number of arriving passengers per m<sup>2</sup> of inbound baggage reclaim area (peak hour)</i>	<i>Objective indicator</i>	<i>0.1 passengers</i>	—	n/a
	Findability of baggage trolleys	Passenger survey	Good	—	▲
	<i>Number of passengers per baggage trolley (peak hour)</i>	<i>Objective indicator</i>	<i>0.9 passengers</i>	—	▲
Gate lounges	Seating in lounge area (quality and availability)	Passenger survey	Good	—	—
	<i>Number of departing passengers per seat in gate lounges (peak hour)</i>	<i>Objective indicator</i>	<i>0.5 passengers</i>	▼	▼
	Crowding in lounge area	Passenger survey	Good	—	▲
	<i>Number of departing passengers per m<sup>2</sup> of lounge area (peak hour)</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)</i>	<i>Objective indicator</i>	<i>126.8 passengers</i>	▼	n/a
Aerobridges	Aerobridges availability	Airline survey	Poor	▼*	▼*
	Aerobridges standard	Airline survey	Poor	▼*	▼*
	<i>Percentage of international passengers arriving using an aerobridge</i>	<i>Objective indicator</i>	<i>97.7%</i>	▲	▼
	<i>Percentage of international passengers departing using an aerobridge</i>	<i>Objective indicator</i>	<i>97.1%</i>	▲	▼
Security	Quality of security search process	Passenger survey	Good	—	—
	<i>Number of departing passengers per security clearance system (peak hour)</i>	<i>Objective indicator</i>	<i>120.7 passengers</i>	▼	▼

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.

### *Domestic terminal*

Table 5.3.3 presents quality of service passenger-related services and facilities for the domestic terminal.

During 2014-15, passenger ratings for the domestic terminal indicators either improved or had no change within their categories. However, the majority of airline ratings for indicators either remained unchanged or declined within their categories.

Passengers' rating of flight information display screens improved within the 'good' category during 2014-15. Passenger ratings of the quality of the security search process also increased within the 'good' category during 2014-15.

Airlines' ratings of check-in availability were unchanged whereas ratings of the standard increased within the 'satisfactory' category during 2014-15. Although the check-in standard rating slightly increased, airline commentary was mixed. Some airlines had no significant issues whereas others commented on the cleanliness of counters and noted that they were poorly maintained.

Airlines' ratings of baggage processing facilities availability remained unchanged. However, airlines' ratings of baggage processing facilities standard decreased within the 'satisfactory' category during 2014-15. Commentary from airlines on the standard included that the infrastructure was old and baggage processing facilities often failed during peak periods.

**Table 5.3.3: Sydney Airport—indicators of quality of passenger-related services and facilities – domestic terminal: 2014-15, 1-year change and change since 2010-11**

Category	Indicator	Data source	Indicator result 2014-15	1-year change	Change since 2010-11
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)</i>	<i>Objective indicator</i>	<i>18.8 passengers</i>	▼	▲
Baggage	Baggage processing facilities availability	Airline survey	Satisfactory	—	—
	Baggage processing facilities standard	Airline survey	Satisfactory	▼	▼
	<i>Number of arriving passengers per m<sup>2</sup> of inbound baggage reclaim area (peak hour)</i>	<i>Objective indicator</i>	<i>0.5 passengers</i>	▲	n/a
	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)</i>	<i>Objective indicator</i>	<i>12.4 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)</i>	<i>Objective indicator</i>	<i>11.1 passengers</i>	▲	▲
	<i>Number of passengers per information point (peak hour)</i>	<i>Objective indicator</i>	<i>1121.3 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)</i>	<i>Objective indicator</i>	<i>0.5 passengers</i>	—	▲
Amenities	<i>Number of departing passengers per m<sup>2</sup> of lounge area (peak hour)</i>	<i>Objective indicator</i>	<i>0.3 passengers</i>	▼	—
	Standard of washrooms	Passenger survey	Good	▲	▲
Aerobridges	<i>Number of departing passengers per washroom (peak hour)</i>	<i>Objective indicator</i>	<i>178.9 passengers</i>	▼	n/a
	Aerobridges availability	Airline survey	Satisfactory	—	▲
	Aerobridges standard	Airline survey	Satisfactory	▼	▲*
	<i>Number of arriving domestic passengers per aerobridge</i>	<i>Objective indicator</i>	<i>78.8 passengers</i>	n/a	n/a

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. included in average airline survey ratings elsewhere in this chapter.

## 5.4 Car parking services monitoring results

This section assesses Sydney Airport's car parking and landside services and facilities. Areas covered include activity (Section 5.4.1), car park pricing (Section 5.4.2), revenues and margins (Section 5.4.3) and quality of service outcomes (Section 5.4.4).

### 5.4.1 Activity

Table 5.4.1 outlines the number of car parking spaces available, and throughput of those facilities at Sydney Airport from 2004-05 to 2014-15.

The total number of car parking spaces at Sydney Airport decreased by 2.2 per cent to 16 492 spaces during 2014-15. This decrease is related to the construction of new roads in the international and domestic precincts. Car parking spaces at T1 decreased by 4.7 per cent to 6008 car park spaces. The domestic terminal car park also decreased during 2014-15 by 1.8 per cent to 4367 spaces.

The average daily throughput of all car park facilities at Sydney Airport grew by 1.4 per cent to 12 660 cars during 2014-15. The domestic car park throughput grew by 1.8 per cent while growth at T1 was 1.1 per cent.

### 5.4.2 Prices

The following section assesses the trend in Sydney Airport's 'drive-up' car parking charges in real terms from 2004-05 to 2014-15. The ACCC notes that Sydney Airport also provides an online car park booking system, which provides customers with access to charges that are typically at a discount to the 'drive up' charges. The ACCC has compared 'drive-up', and the average charges that customers paid at Sydney Airport's car parking facilities for selected price points for 2014-15. 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.

#### *International terminal – short-term parking*

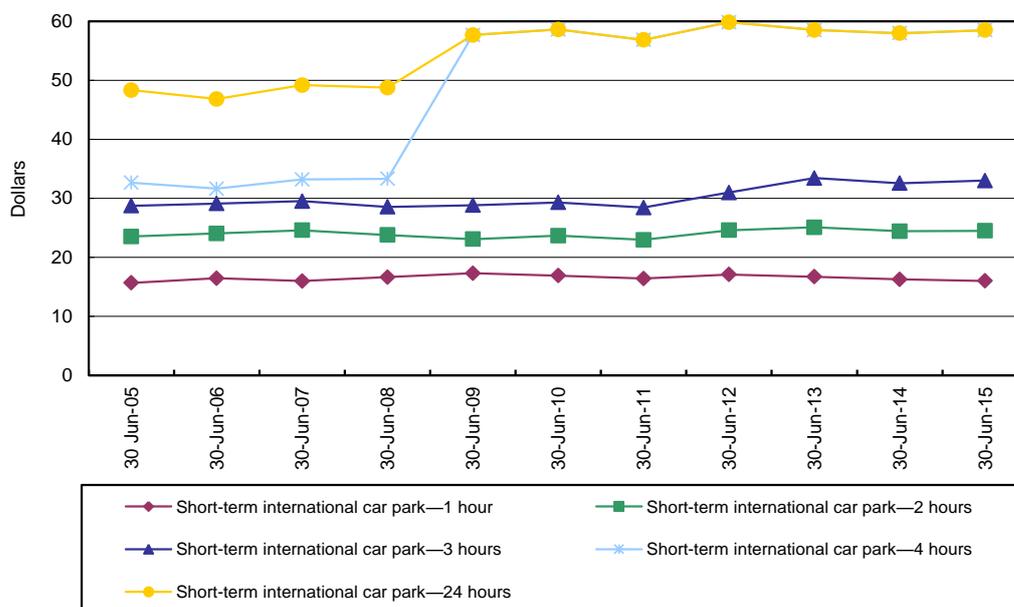
Chart 5.4.1 shows real prices for Sydney Airport's international terminal car park increased for all of its short term parking charges displayed apart for one hour as at 30 June 2015. The largest increase occurred for the three hour charge, increasing by 1.4 per cent in real terms during 2014-15. The one hour charge decreased by 1.7 per cent in real terms and was unchanged in nominal terms.

**Table 5.4.1: Sydney Airport—number of car park spaces and average daily throughput: 2004-05 to 2014-15**

		2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Number of car park spaces</b>	Domestic terminal	3 045	3 420	3 662	3 662	3 688	3 458	3 244	3 207	3 599	4 446	4 367
	International terminal	1 560	1 817	1 374	1 356	2 234	2 170	2 306	1 882	3 257	6 301	6 008
	Long-term (Blu Emu)	4 361	4 593	4 577	4 577	4 577	4 194	4 307	5 694	5 817	6 117	6 117
	Staff	1 202	1 256	1 256	1 256	1 911	2 326	2 414	2 333	3 149	NA	NA
	<b>Total airport</b>	<b>10 168</b>	<b>11 086</b>	<b>10 869</b>	<b>10 851</b>	<b>12 410</b>	<b>12 148</b>	<b>12 325</b>	<b>13 116</b>	<b>15 822</b>	<b>16 864</b>	<b>16 492</b>
<b>Annual throughput of car park facilities (thousand)<sup>130</sup></b>	Domestic terminal	1 165	1 156	1 195	1 203	1 128	1 146	1 561	1 513	1 548	1 926	1 960
	International terminal	1 659	1 629	1 626	1 665	1 648	1 761	1 888	1 983	2 179	2 388	2 414
	Long-term (Blu Emu)	169	169	180	218	212	229	232	228	246	240	246
	<b>Total airport</b>	<b>2 993</b>	<b>2 954</b>	<b>3 001</b>	<b>3 085</b>	<b>2 988</b>	<b>3 136</b>	<b>3 680</b>	<b>3 724</b>	<b>3 972</b>	<b>4 555</b>	<b>4 621</b>
	<b>Average daily throughput of car park facilities</b>	Domestic terminal	3 191	3 168	3 273	3 286	3 091	3 139	4 278	4 133	4 240	5 277
International terminal		4 546	4 463	4 455	4 549	4 515	4 824	5 171	5 418	5 969	6 543	6 615
Long-term (Blu Emu)		464	462	494	594	581	628	634	624	673	659	675
<b>Total airport</b>		<b>8 201</b>	<b>8 094</b>	<b>8 222</b>	<b>8 429</b>	<b>8 187</b>	<b>8 591</b>	<b>10 083</b>	<b>10 176</b>	<b>10 882</b>	<b>12 479</b>	<b>12 660</b>

<sup>130</sup> Annual throughput data for staff car parking was unavailable.

**Chart 5.4.1: Sydney Airport—prices at international terminal car park in real terms: 30 June 2005 to 30 June 2015**



Note: Real values in 2014-15 dollars

Over the period from 30 June 2005 to 30 June 2015, prices for all categories displayed in Chart 5.4.1 increased in real terms. The largest increase over this period was for the four hours which increased by 79.1 per cent in real terms. The lowest increase over this period was for the one hour which increased by 2.1 per cent in real terms.

As noted, Sydney Airport also provides online pre-booking of car parking spaces, which provides customers with discounted charges at their T1 car park. Table 5.4.2 below compares the 'drive-up' charges with the overall average car parking price.<sup>131</sup>

**Table 5.4.2: Sydney Airport—drive-up, online and average parking charges at the international terminal car park: 2014-15**

Length of stay	Drive-up (\$)	Average online (\$)	Weighted average of drive-up and online (\$)
1 hour	16.00	-	15.99
2 hours	24.50	-	23.88
3 hours	33.00	-	31.23
4 hours	58.50	-	50.74
24 hours	58.50	-	50.74

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

**Domestic terminal – short-term parking**

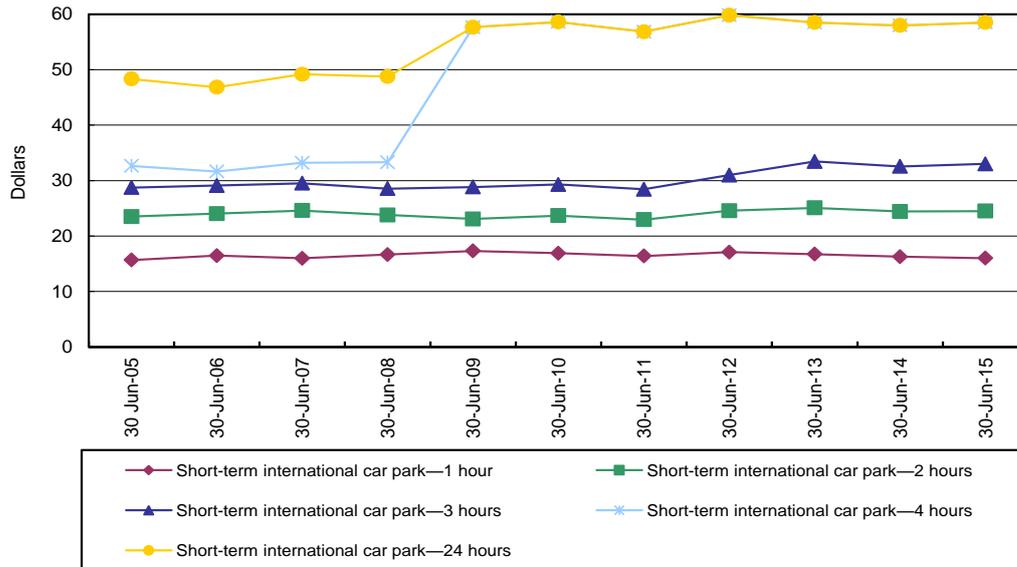
Chart 5.4.2 shows the trends in real prices for parking at the domestic terminal. Real prices for all durations increased apart from the one hour charge which decreased as at 30 June 2015. Similar to the T1 car park, the largest increase was for the three hours which grew by 1.4 per cent in real terms. The one hour duration decreased by 1.7 per cent in real terms during 2014-15.

<sup>131</sup> Average car parking charges are calculated as the weighted average of drive-up and online charges

Over the period from 30 June 2005 to 30 June 2015, prices for all categories increased in real terms. The largest increase occurred for the four hour charge which grew by 79.1 per cent in real terms. Other increases ranged from a low of 2.1 per cent for 60 minutes to 65.9 per cent in real terms for the five hours.

A new domestic car park, P3, was opened in 2013 and provides for longer parking stays at a discount to the equivalent rates in the other domestic car park. This car park is about an eight minute walk to the domestic terminals

**Chart 5.4.2: Sydney Airport—prices at domestic terminal car park in real terms: 30 June 2005 to 30 June 2015**



Note: Real values in 2014-15 dollars

As noted, Sydney Airport also provides online pre-booking of car parking spaces, which provides customers with discounted charges at their domestic car park. Table 5.4.3 below compares the ‘drive-up’ charges with the overall average car parking price. It indicates that online booking is not leading to significant savings to many consumers.

**Table 5.4.3: Sydney Airport—drive-up, online and average parking charges at the domestic terminal car park: 2014-15**

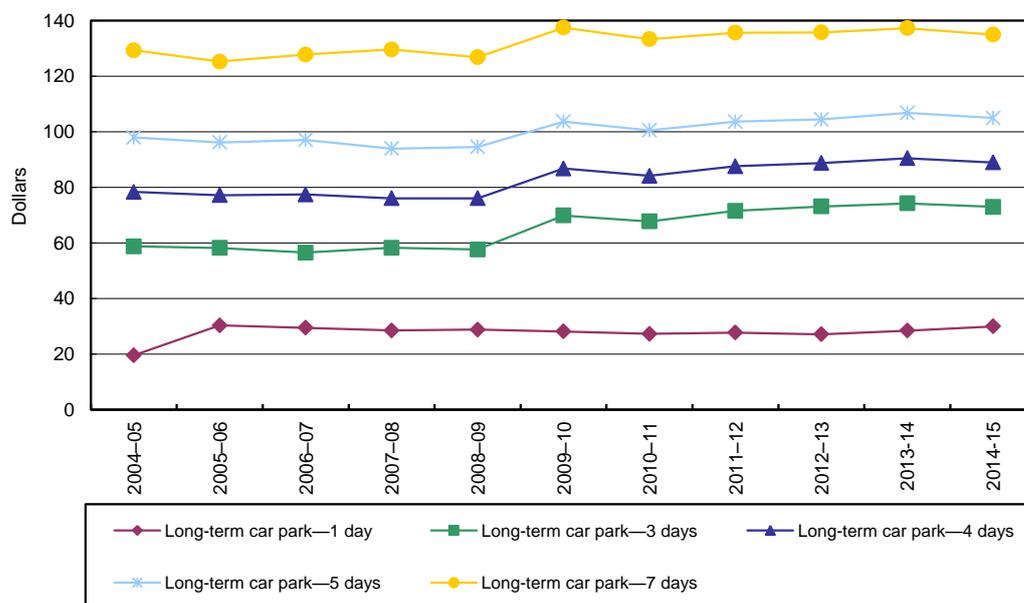
Length of stay	Drive-up (\$)	Average online (\$)	Weighted average of drive-up and online (\$)
1 hour	16.00	-	16.26
2 hours	24.50	-	24.32
3 hours	33.00	-	32.50
4 hours	58.50	-	57.36
24 hours	58.50	-	57.36

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

**Long-term parking—Blu Emu car park**

Chart 5.4.3 shows the trends in parking prices for the long term car park. All durations apart from one day remained the same in nominal terms during the year and therefore decreased in real terms. The one day duration increased by 5.3 per cent while all other prices decreased by 1.7 per cent in real terms

**Chart 5.4.3: Sydney Airport—prices at long-term (Blu Emu) car park in real terms: 30 June 2005 to 30 June 2015**



Note: Real values in 2014-15 dollars

Over the period from 30 June 2005 to 30 June 2015 all prices increased in real terms at Sydney Airport’s long term car park. The largest increase was for one day which increased by 53.1 per cent in real terms. Other increases ranged from 24.2 per cent for the three days to 4.4 per cent in real terms for the seven days.

Table 5.4.4 below compares the ‘drive-up’ charges compares the ‘drive-up’ charges with the overall average car parking price. The weighted average of ‘drive-up’ and online only becomes noticeably cheaper for those parking for seven days.

**Table 5.4.4 Sydney Airport—drive-up, online and average parking charges at the long-term (Blu Emu) car park: 2014-15**

Length of stay	Drive-up (\$)	Average online (\$)	Weighted average of drive-up and online (\$)
1 day	30.00	-	31.96
3 days	73.00	-	72.01
4 days	89.00	-	86.82
5 days	105.00	-	105.85
7 days	135.00	-	111.88

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

### 5.4.3 Revenues, costs and profits

Table 5.4.5 outlines Sydney Airport’s revenues, operating expenses and aggregate margin for car parking and the total airport from 2004 05 to 2014-15. In 2014 15, Sydney Airport’s car parking revenue increased by 4.7 per cent in real terms to \$127.8 million. Since 2004 05, car parking revenue has increased by an average of 4.0 per cent per year in real terms.

Car parking operating expenses increased by 11.4 per cent in real terms during 2014 15 while total car parking aggregate margin increased by 2.2 per cent. This is the smallest increase in car parking margin since 2011-12. Since 2004 05, car parking aggregate margin has increased

by an average of 3.1 per cent per year in real terms. Sydney Airport made a profit of 71.6 cents for each dollar of car parking revenue in 2014-15.

Revenue per car park space increased by 7.0 per cent in real terms, while operating expenses per car park space declined by 13.9 per cent in real terms. Aggregate margin per car park space increased by 4.5 per cent in real terms during 2014 15 to \$5551 per car park space.

#### **5.4.4 Quality of car parking facilities**

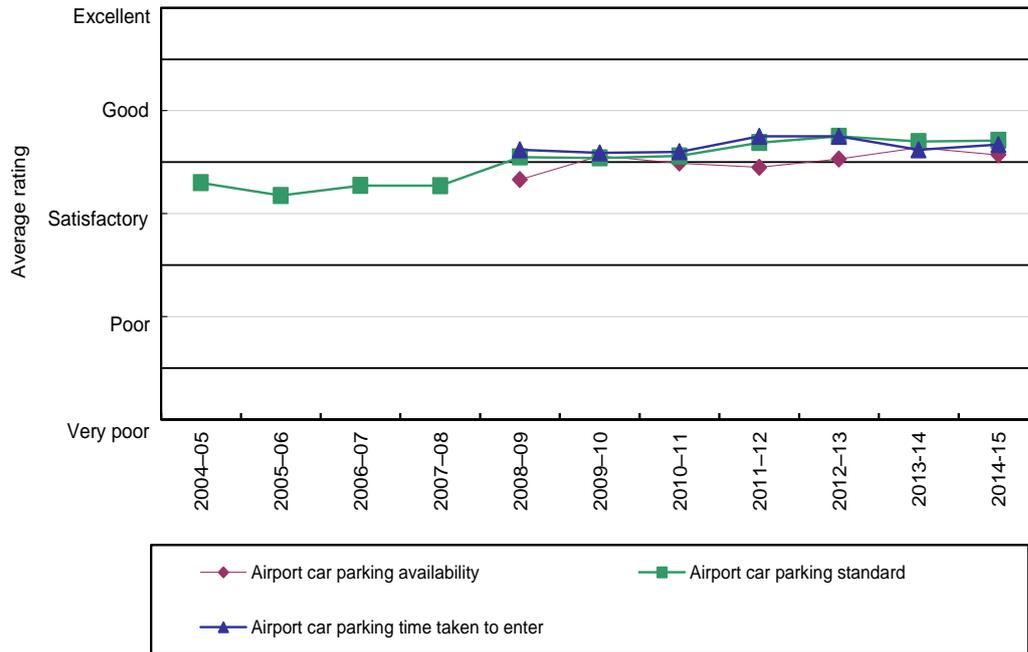
Chart 5.4.4 shows that T1 passengers' ratings of parking availability, standard and time taken to enter remained at 'good' during 2014-15. Both standard and time taken to enter slightly improved while availability slightly declined.

**Table 5.4.5: Sydney Airport—revenues, operating expenses and aggregate margins for car parking and total airport services in real terms: 2004-05 to 2014-15**

		2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Revenue (\$million)</b>	Car parking	86.3	90.5	96.4	102.7	101.9	107.2	107.1	107.3	116.5	122.1	127.8
	<b>Total airport</b>	<b>833.0</b>	<b>919.4</b>	<b>1 046.2</b>	<b>1 224.1</b>	<b>1 300.4</b>	<b>1 016.1</b>	<b>1 053.6</b>	<b>1 072.8</b>	<b>1 122.1</b>	<b>1 165.1</b>	<b>1 190.0</b>
	Car parking % of total	10.4	9.8	9.2	8.4	7.8	10.6	10.2	10.0	10.4	10.5	10.7
<b>Operating expenses (\$million)</b>	Car parking	19.0	19.1	21.5	29.6	27.6	30.3	31.5	33.1	36.4	32.5	36.2
	<b>Total airport</b>	<b>303.2</b>	<b>324.9</b>	<b>349.9</b>	<b>387.3</b>	<b>389.5</b>	<b>419.0</b>	<b>414.3</b>	<b>411.3</b>	<b>421.3</b>	<b>422.2</b>	<b>434.4</b>
<b>Aggregate margin (\$million)</b>	Car parking	67.3	71.5	74.9	73.1	74.3	76.9	75.5	74.1	80.1	89.6	91.5
	<b>Total airport</b>	<b>529.8</b>	<b>594.5</b>	<b>696.3</b>	<b>836.8</b>	<b>910.9</b>	<b>597.1</b>	<b>638.2</b>	<b>661.5</b>	<b>700.8</b>	<b>743.0</b>	<b>755.6</b>
<b>Aggregate margin % of revenue</b>	Car parking	78.0	79.0	77.7	71.2	72.9	71.7	70.6	69.1	68.8	73.3	71.6
	<b>Total airport</b>	<b>63.6</b>	<b>64.7</b>	<b>66.6</b>	<b>68.4</b>	<b>70.0</b>	<b>58.8</b>	<b>60.6</b>	<b>61.7</b>	<b>62.5</b>	<b>63.8</b>	<b>63.5</b>
<b>Revenue per space (\$)</b>		8 485	8 166	8 868	9 461	8 209	8 828	8 726	8 179	7 363	7 241	7 749
<b>Operating expenses per space (\$)</b>		1 869	1 719	1 978	2 729	2 223	2 498	2 570	2 527	2 301	1 930	2 198
<b>Aggregate margin per space (\$)</b>		6 615	6 448	6 889	6 732	5 986	6 330	6 157	5 652	5 063	5 311	5 551

Note: Real values in 2014-15 dollars

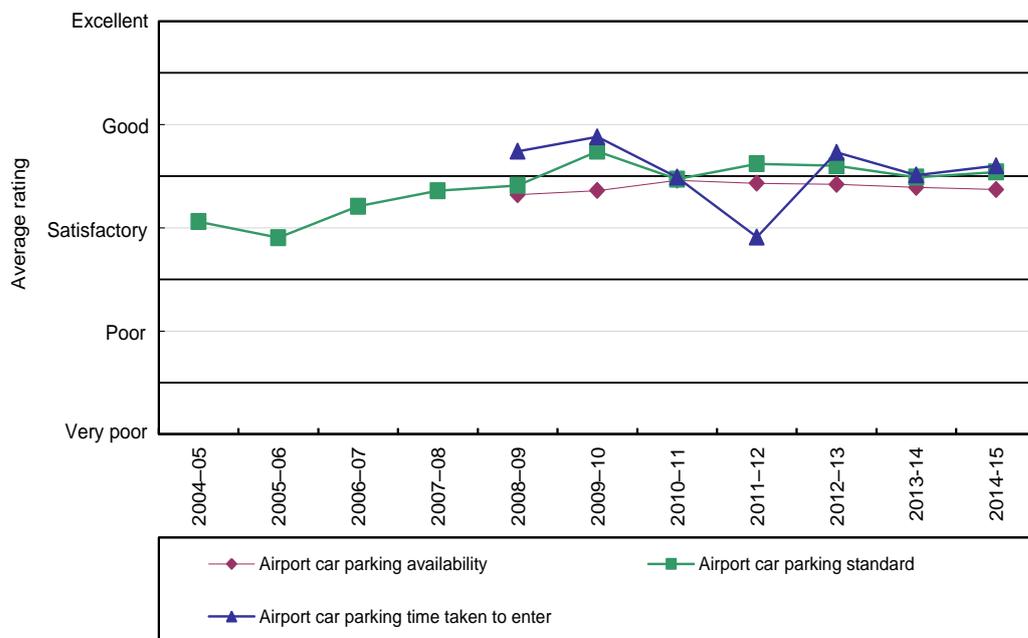
**Chart 5.3.4: Sydney Airport—international passenger survey ratings of the quality of car parking facilities: 2004-05 to 2014-15**



Source: Passenger surveys

Chart 5.4.5 shows that domestic passengers' ratings of parking standard increased from 'satisfactory' to 'good' during 2014-15. The ratings for car parking availability decreased slightly but remained at 'satisfactory' while time taken to enter the car park remained at 'good'.

**Chart 5.4.5: Sydney Airport— domestic passenger survey ratings of the quality of car parking facilities: 2004-05 to 2014-15**



Source: Passenger surveys

### 5.4.5 Other transport options

In addition to car parking at Sydney Airport, there are a number of alternative transport options to and from the airport, including buses, taxis, train and private cars. Sydney Airport imposes a landside access charge on some of these alternative transport options. Table 5.4.6 outlines the landside access charges for 2014-15, as well as the indexed average list prices between 2010-11 and 2014-15 in real terms.

**Table 5.4.6: Sydney Airport—landside access charges in 2014-15 and indexed average access charges in real terms: 2010-11 to 2014-15**

Transport option	Average list prices (\$) 2014-15	Indexed average list prices (2014-15 base year = 100)				
		2010-11	2011-12	2012-13	2013-14	2014-15
Public bus	No charge	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)	4.00	82.0	93.5	91.4	95.4	100.0
Limousine (per entry)	5.00	76.5	96.2	94.0	96.6	100.0

Note: Real prices in 2014-15 dollars

#### *Terminal drop-off and pick-up*

Sydney Airport provides drop-off areas on the departure levels at both the domestic and international terminals. Sydney Airport does not provide kerbside pick-up facilities at either the domestic or international terminals but does provide free parking at designated pick-up areas for periods of 10-15 minutes depending on the terminal.

#### *Private and public buses*

There is one public bus service (route 400) which runs between Bondi Junction and Burwood with stops at the international and domestic terminals. This service operates approximately every 20 minutes, seven days a week.

<sup>132</sup> There are also several private bus operators connecting the airport to Sydney CBD. For example, Airport Connect charges \$16 one way from the CBD to the airport.<sup>133</sup>

#### *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 \$30 to \$35 for one day parking and \$50 to \$115 for three days parking (all prices are for outdoor parking).<sup>134</sup>

#### *Taxis*

Sydney Airport charges a \$4 fee on taxis departing the airport with passengers. This charge increased by 4.9 per cent in real terms since 2013-14.

<sup>132</sup> Sydney Buses, Timetables & route maps: Bus 400, viewed 16 November 2015, <http://www.sydneybuses.info/>

<sup>133</sup> Airport Connect, viewed 16 November 2015 <http://www.airportconnect.com.au/BookOnline.aspx>

<sup>134</sup> Park and Fly, viewed 16 November 2015 <https://www.parknfly.com.au/booknow.aspx>

Park and Jet, viewed 16 November 2015 <http://parkandjet.com.au/home/>

Sydney Airport, viewed 16 November 2015 <http://www.sydneyairpark.com.au/Sydney-Airport-Parking-Prices.php>

*Hire cars (i.e. rental vehicles) and limousines*

Sydney Airport charges hire car operators various fees on a commercially agreed basis. Limousines are charged differing rates depending on the time period stay at the airport. For example, periods between 0 to 75 minutes were charged \$5 per limousine in 2014-15, representing an increase of 3.5 per cent in real terms since 2013-15.

Train

The NSW State Government operates rail services through Sydney Airport using privately owned and operated train stations. There is a station at both the domestic terminals and T1. These stations are not owned nor operated by Sydney Airport. The service costs \$17 for a single trip and around \$34 for a return trip to Kings Cross.<sup>135</sup>

**Quality of landside access services and facilities provided by Sydney Airport**

Airport operators control access to airport land including landside areas. Further, the landside area of monitored airports is a bottleneck area essential in the supply services to passengers and companies seeking access. Passengers, off-airport car parking operators, taxis, buses and private cars all require access to landside areas for the pick-up and drop-off of passengers. Airport operators have the incentive to restrict access and impede competition from alternatives to on-airport parking by imposing excessive charges or restrictive terms and conditions.

This section contains 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 5.4.7 shows that passenger ratings for international and domestic terminal landside services and facilities generally increased slightly within their existing ratings in 2014-15.

**Table 5.4.7: Sydney Airport—ratings of quality of landside access services and facilities: 2014-15, 1-year change, and change since 2010-11**

Terminal	Indicator	Rating category 2014-15	1-year change	Change since 2010-11
<b>International</b>	Kerbside pick-up and drop-off facilities	Good	▲	▼
	Taxi facilities waiting time	Good	▲	▲
	Kerbside space congestion	Satisfactory	▲	▼
<b>Domestic</b>	Kerbside pick-up and drop-off facilities	Good	—	▼
	Taxi facilities waiting time	Good	▲	▲
	Kerbside space congestion	Satisfactory	▲	▼

Source: Passenger surveys

Note: 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.

<sup>135</sup> Transport Sydney Trains, Fare calculator, viewed 16 November 2015, [http://www.sydneytrains.info/tickets/fare\\_calculator.htm](http://www.sydneytrains.info/tickets/fare_calculator.htm)

*Landside operator ratings*

The overall average rating of landside operator responses at Sydney Airport during 2014-15 increased from 'satisfactory' to 'good'.

# 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 an aeronautical charge. 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 to all 22 FAC through leasing arrangements to improve the efficiency of airport investment and operations, and to facilitate innovative management.<sup>136</sup>

The sale was completed with 'phase one' in 1997 and 'phase two' in 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 phase one and phase two airports was accompanied by a transitional regulatory framework designed to limit the potential for the airports to exercise their market power. The regime (administered by the ACCC<sup>137</sup>) consisted of:

- price notification for aeronautical services
- a Consumer Price Index minus X price cap on aeronautical services
- prices 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.<sup>138</sup> Additionally, the PC recommended that the ACCC should monitor prices at Adelaide, Brisbane, Canberra, Darwin, Melbourne, Perth and Sydney airports for a five-year

<sup>136</sup> Department of the Parliamentary Library, Australia (2003), *Turbulent Times: Australian Airline Issues 2003*, Research Paper No. 10, May 2003 <http://www.aph.gov.au/binaries/library/pubs/rp/2002-03/03rp10.pdf>

<sup>137</sup> This was under Part VIIA of the then Trade Practices Act 1974.

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 its next 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 the next 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 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.

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<sup>138</sup> Productivity Commission (2002), *Price regulation of airport services*, report no. 19, Canberra, January 2002.

## A2. Regulatory framework

The ACCC's regulatory role involves monitoring the performance of the airports under directions pursuant to the *Competition and Consumer Act 2010* (CCA) as well as the *Airports Act 1996* and associated regulations.

Regional air services at Sydney Airport are also subject to the price notification regime under Direction 93 under 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, directs 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 an earlier version.

Separately, a direction made pursuant to s. 95ZF of Part VIIA of the CCA issued on 12 June 2012, directs 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 its price, costs and profits 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 in writing
- 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.

The ACCC's approach to its quality of service monitoring role is outlined in its *Airport quality of service monitoring guideline June 2014*.

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).

## 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 under s. 95X of the CCA requires 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 93 was issued 12 June 2013, commenced on 1 July 2013 and will cease 30 June 2016.

# 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. 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.

## A3.2 Non-aeronautical services

The ACCC's monitoring role does not extend to non-aeronautical services and facilities such as retail outlets, hotels, corporate parks and factory outlets these services and facilities.

Car parking is a non-aeronautical service and is monitored by the ACCC under a separate direction made pursuant to s. 95ZF of Part VIIA of the CCA, issued on 12 June 2012. This directs 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.



# A4. Methodology

This appendix sets out 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.

## A4.1 Prices, costs and profits

The monitoring results presented in Chapters 2 to 5 of this report cover the annual financial performance of the monitored airports as well as information on the level and trends in the airports' 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 operating margins and returns on aeronautical assets as an indicator of the airports' profitability.

The ACCC is not required to monitor non-aeronautical services

<sup>139</sup> and therefore does not report on the prices, costs and profits related to the supply of non-aeronautical services. However, the ACCC reports on total airport revenue, costs and profits partly because the difficulties in allocating costs and revenues between aeronautical and non-aeronautical services and the complementarity between airport services.

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 in airports regulatory accounts now being included.<sup>140</sup> This demonstrates the complexities in comparing data across airports and over time.

Where appropriate the ACCC also excludes security charges from aeronautical revenues, operating expenses and margins to provide a better indication of the charges imposed by the airports as government security requirements do not reflect decisions made by airport operators.

### Prices

The ACCC's primary measure of the change in 'average' airport prices is aeronautical revenue per passenger. 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

<sup>139</sup> As noted above, car parking is the exception. This is under a separate direction made pursuant to s. 95ZF of Part VIIA of the *Competition and Consumer Act 2010*, issued on 12 June 2012.

<sup>140</sup> 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.

passenger basis or by aircraft weight. Also, airports might offer discounts for certain periods or to certain users, or there might be minimum and maximum charges in place which affect some users but not others.

In addition, the price changes for particular airport users might vary depending on the composition of the airport services they utilise, the times at which they use them and so on. For example, the costs to an airline of a domestic flight are likely to be different to those associated with an international one due to differing security and processing requirements. Similarly, changes in price structure by an airport might affect users in different ways—even to the point of effectively lowering the costs for one user while raising them for another. The regulatory accounts for individual airports are available on the ACCC's website<sup>141</sup>. The schedules of charges for each airport are included in the individual airport chapters (Chapters 2 to 5). Where possible, the ACCC has reported on the percentage change in list prices for aeronautical services in real terms, with 2014-15 taken as the base year.

### ***Costs and profits***

This ACCC reports a number of measures of profitability in this report. The use and interpretation of these measures are discussed below.

#### ***Aggregate margins***

Aeronautical aggregate margin per passenger is defined as aeronautical revenue per passenger less aeronautical operating expenses per passenger (more specifically, aeronautical expenses excluding interest, tax and amortisation expenses, but including depreciation, divided by total passengers). Total airport aggregate margin was also calculated and is defined as total airport revenue less operating expenses (more specifically, total expenditure excluding interest, tax and amortisation expenses but including depreciation). Aggregate margins can be represented as a percentage of revenue.

The ACCC has reported on changes in aeronautical operating expenses per passenger and aeronautical aggregate margin per passenger since 2002-03. Aeronautical aggregate margin excluding security is not discussed 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.

Aggregate margins provide a measure of airport operating performance, as distinct from financial performance. In this respect, it can provide a consistent approach to revealing trends in operating performance over time. However, using operating margin as a measure of profitability 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. Within these two broad groups are a number of alternative measures. For example, the returns may be pre- or post-tax or they may include or exclude interest expenses and/or depreciation and amortisation. In this report, the ACCC has used a return on assets measure, as outlined below.

#### ***Return on equity***

Return on equity (calculated as profit after tax divided by total shareholder equity) is an indicator of the rate of return that an entity is providing to shareholders. However, the ACCC considers this measure currently to be of limited value in relation to the monitored airports

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<sup>141</sup> <https://www.accc.gov.au/regulated-infrastructure/airports-aviation/airports-monitoring>

because of the specific shareholder arrangements in place at the majority of Australian airports. Shareholders at Australian airports are, generally speaking, also significant debt-holders. This means that the shareholder return may take the form of interest (return) on debt, rather than the form of return on equity (i.e. dividends or capital growth).

The results generated from the return on equity measure at the monitored airports appear 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**

Earnings before interest, tax and amortisation (EBITA) on the average value (of opening and closing balances) of tangible non-current assets is an indicator of the rate of return earned from all 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.

Only tangible non-current assets are used in this measure 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.<sup>142</sup> Under this approach, the value of an airport's aeronautical asset base is the value of tangible non-current assets as at 30 June 2005, 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).

<sup>142</sup> 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 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 prices monitoring section of this report and comments regarding its effects. So far, only Brisbane Airport and Sydney Airport have revalued their assets since 30 June 2005. It should also be noted that airport revaluations that occurred prior to the 30 June 2005 cut-off date remain in the LIS asset base. This means that the LIS asset values do not completely remove the effect of asset revaluation undertaken historically by the airports.

### A4.1.2 Airport car parking

The ACCC monitors and reports on airport car parking prices, revenue, costs and profits (in real terms<sup>143</sup>) under a direction issued pursuant to s. 95ZF of Part VIIA of the CCA on 12 June 2012. The ACCC also reports on changes in the supply of airport car parking, and the quality of airport car parking services.

The ACCC has also commenced collecting of online prices (as distinct from drive-up rates) for airport car parking for this year's report following consultation with the monitored airports. As a result of the confidentiality claims made by the airports regarding the online rates data for 2014-15, this data has not been disclosed in this report. However, the average rates, which are volume weighted average of the drive-up and online rates, are included in the report.

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. In addition, trends in various price points need careful interpretation to inform an assessment of changes in overall price levels for car parking.<sup>144</sup>

### *Landside access charges and revenues*

The ACCC also collects information on landside access charges and revenues although it is not required to do so. It collects this information 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.

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

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<sup>143</sup> All price and data outcomes are reported in real terms with 2014-15 as the base year.

<sup>144</sup> For example, an airport could lower the price for, say, four hours in a short-term car park and increase the price for two hours by the same amount. This might give the impression that, on average, prices have not changed. However, if significantly more customers use the two hour service then, overall, users would be paying higher prices for car parking.

The results for quality of service monitoring are presented in this report on a service-by-service basis. Quality of service monitoring is a complement to prices monitoring because rather than by increasing prices, an airport may take advantage of market power by saving money through the lowering of service standards.<sup>145</sup>

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.

#### **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 operators<sup>146</sup>, 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 and in Appendix A2 for each airport for the 2010-11 to 2014-15 reporting period. The data on which these objective indicators are based can be found in a separate 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

<sup>145</sup> ACCC (2008), *Airport quality of service monitoring guideline*, October 2008, Canberra, p. 3.

<sup>146</sup> Landside operators include taxis and buses industry bodies and off-airport car parking operators.

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'. In this year's report, we have corrected how average scores are rounded up or down to correlate to a rating, as shown in Table A7.2.1 below. This correction 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 ensure consistency when comparing across 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**

2014-15 report	1-1.49	1.50-2.49	2.50-3.49	3.50-4.49	4.5-5
Previous reports	1-1.99	2-2.99	3-3.99	4-4.99	5
	Very poor	Poor	Satisfactory	Good	Excellent

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. A limitation of this survey is that passengers' perceptions may not fully reflect the quality of service that the airport operators provide as they can be influenced by the services provided by airlines and border agencies.

### *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 for the availability and standard of each facility that they have rated.

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.<sup>147</sup>

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 for the availability and standard of each facility that they rate.

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 gleaned 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 sufficient 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 revaluation 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 apparent 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 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 would only be expected to 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 those 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 such as the Qantas domestic terminals at Melbourne, Perth and Sydney airports, as well as the Qantas and Virgin Australia domestic terminals at Brisbane Airport

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, as well as some 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 to ensure accuracy of the data presented in chapters 2 to 5. Where appropriate, the ACCC has incorporated these comments into the report, particularly where these comments provide a possible explanation for changes in ratings.

