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NEWS RELEASE

ACCC ISSUES ANNUAL REPORT ON AIRPORT PERFORMANCE

The Australian Competition and Consumer Commission has submitted its annual Airport monitoring report on Adelaide, Brisbane, Melbourne, Perth and Sydney airports for 2009-10 to the Parliamentary Secretary to the Treasurer, the Hon David Bradbury MP.

Due to concerns that the airports might use their monopoly position in delivering airport services and facilities (such as runways, aerobridges, baggage processing systems and some check-in facilities) to airlines and passengers, the ACCC monitors the airports' prices, costs, profits, investment levels and quality of service. The ACCC also monitors airport car parking prices, costs and profits due to concerns that the airports are in a position to set car parking prices for consumers at monopoly levels. The ACCC's monitoring includes surveys of airlines and passengers about the quality of service they receive at the airports.

"This year's report raises concerns about monopoly pricing at Sydney and Melbourne airports," ACCC chairman Graeme Samuel said.

"At Sydney Airport, the airlines have identified unsatisfactory levels of service over several years, particularly at the international terminal.

"Sydney Airport has recently undertaken an upgrade of its international terminal. While passengers appear to be relatively satisfied with the outcome, the airlines have not reported any significant improvement in the service they receive. Indeed, there appears to have been no improvements to some services that the airlines rely on—such as the number of check-in desks.

"The situation at Sydney Airport is in contrast to the other monitored airports, which appear to have been more responsive to the airlines' needs.

"The airport's monopoly position, the airlines' ongoing dissatisfaction with the service they receive, as well as increasing prices and profits over time, all point to Sydney Airport earning monopoly profits from the services it provides to airlines.

"At Melbourne Airport, it is car parking that is of particular concern.

"Melbourne Airport appears to have reduced the ability of off-airport parking and private bus operators to compete with the airport's own car parking services. For example, the information available suggests that Melbourne Airport imposes excessive access levies and controls the available space for those operators. This affects those operators' own prices, convenience and, therefore, attractiveness to consumers.

"By reducing the ability of alternatives to compete, Melbourne Airport can increase demand for its own car parking services, charge higher prices to consumers and, therefore, earn monopoly profits."

"The issues raised by the ACCC in this report highlight the importance of the current review by the Productivity Commission into the economic regulation of airport services," Mr Samuel said.

Below is further information detailing aspects of the ACCC's report.

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A guide to the ACCC's Airport monitoring report

Aeronautical services

Aeronautical services are those services provided by airports that are essential for airlines, passengers and border agencies (such as customs). They include terminal facilities (such as aerobridges, baggage processing systems and some check-in services) and airside services (such as runways and aircraft parking).

It should be noted, that the ACCC's monitoring relates only to those terminals that are owned and operated by the airports. Some of the airports' domestic terminals, such as the Qantas domestic terminal at Melbourne, Perth and Sydney airports as well as the Qantas and Virgin Blue domestic terminals at Brisbane Airport 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 excluded from the aeronautical services results presented in the ACCC's report.

Passenger throughput is a useful measure of demand for aeronautical services at the airports as passenger demand is likely to be the primary driver of capacity needs. Airports typically charge on a per passenger basis for the use of its aeronautical services.

Around 98.1 million passengers passed through the five major Australian airports in 2009-10, an increase of just over 5 per cent from the previous year. Sydney Airport continued to have the highest passenger throughput, while Perth Airport had the highest growth for the fourth year in a row.

A combination of increased passenger numbers and average prices contributed to the airports reporting increased revenues and operating margins from aeronautical services in 2009-10. Sydney Airport continued to have the highest total aeronautical revenue and operating margin, while Brisbane Airport had the highest growth for the third year in a row.

Key financial indicators for aeronautical services for 2009-10

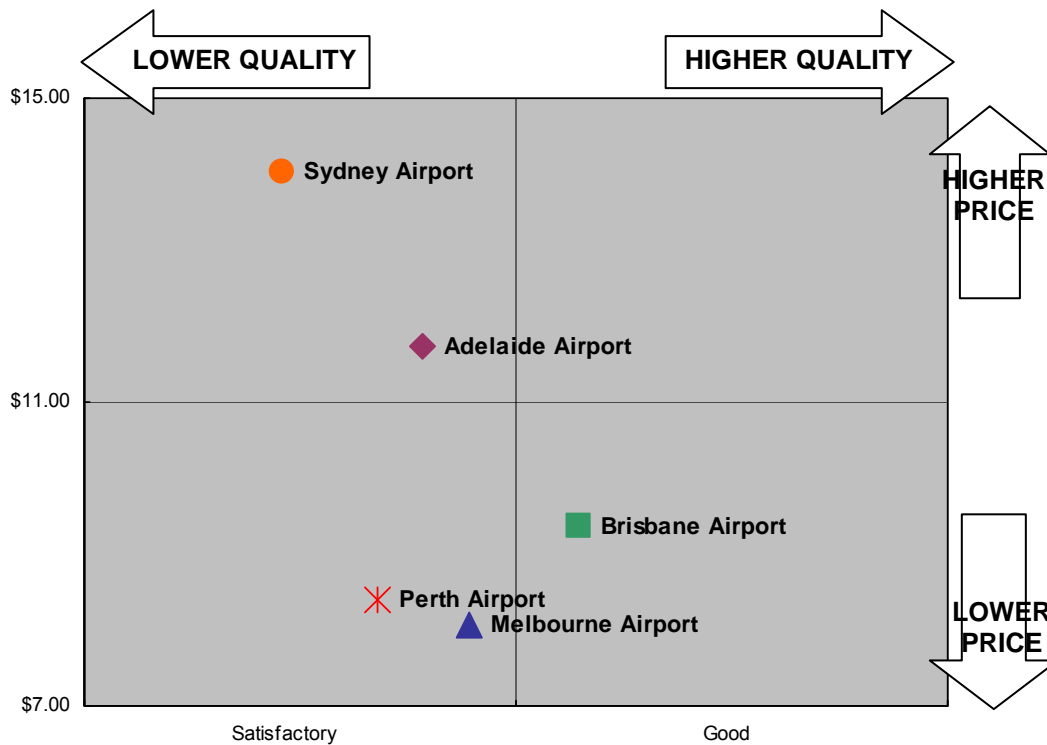
Airport	Passenger numbers (million)	Change in passenger numbers (%)	Total aero revenue (\$million)	Change in total aero revenue (%)	Total aero operating margin (\$million)	Change in total aero operating margin (%)	Aero revenue per passenger (\$)	Change in aero revenue per passenger (%)
Adelaide*	7.2	▲ 3.1%	83.8	▲ 3.3%	37.3	▲ 10.1%	11.72	▲ 0.2%
Brisbane	19.3	▲ 0.8%	180.2	▲ 10.2%	70.4	▲ 21.2%	9.36	▲ 9.4%
Melbourne	26.3	▲ 6.1%	212.0	▲ 7.5%	98.7	▲ 4.6%	8.06	▲ 1.4%
Perth	10.5	▲ 7.6%	88.0	▲ 9.5%	34.5	▲ 5.8%	8.40	▲ 1.8%
Sydney	34.9	▲ 6.6%	489.9	▲ 9.7%	218.4	▲ 8.1%	14.03	▲ 2.9%

Note: * Adelaide Airport operates a single, multi-user integrated terminal which means its revenue and cost figures are on a different basis to the other airports. At the other airports, some terminals are operated by airlines and the associated revenues and costs of operating those terminals are excluded from the aeronautical services results.

As a complement to monitoring prices, costs and profits, the ACCC also uses a range of indicators to determine an overall rating of the airports' quality of service that includes the views of airlines, border agencies and passengers. For example, the availability and standard of check-in facilities for airlines to service passengers and surveys of passengers' experiences in passing through security screening points.

The ACCC ranked the airports using aeronautical revenue per passenger as a proxy for average prices and overall ratings of the airports' quality of service.

Ranking of the airports' aeronautical revenue per passenger and overall quality of service in 2009-10



Sydney Airport had the highest average prices and the lowest overall rating for quality of service in 2009-10. In contrast, Melbourne Airport had the lowest average prices and was second only to Brisbane Airport for overall quality of service. Indeed, Brisbane Airport has been ranked first for overall quality of service over the last five years and was the only airport to achieve an overall rating of 'good' during this time. However, Brisbane Airport also reported the highest increase in average prices for the third consecutive year in 2009-10.

Which airports have potentially used their monopoly position in providing services to airlines?

The monitoring results do not provide conclusive evidence as to whether or not the airports are earning monopoly profits from aeronautical services. More definitive findings would require a more detailed evaluation of the airports' performance, including comparisons with an economically efficient benchmark. Such an evaluation is beyond the scope of monitoring. Nevertheless, some indications about the airports' performance can be made based on observations from the monitoring results over time and within the context of the airports' monopoly position.

The ACCC has examined the relationship between airports and airlines in the provision of aeronautical services. It is the airlines that are the direct users of services under the airports' control. Other services use combined assets of the airports, airlines and border agencies. The surveys of the airlines provide an indicator of whether the standard of service that the airports provide to their airline users is satisfactory.

In their survey responses, airlines have consistently identified Sydney Airport as the least responsive of the airports with respect to service delivery and quality over a sustained period. In particular, its international terminal was rated below satisfactory on average by the airlines, while prices and profits increased over time.

Further, despite Sydney Airport recently undertaking an upgrade of its international terminal, the results do not indicate a significant improvement in the service provided to airlines. This raises questions about whether or not Sydney Airport has undertaken sufficient investment in services provided to airlines.

Although Perth Airport's rating from the airlines for quality of service has declined in recent years, this has not been over a sustained period. The airport has attributed higher profitability and decreased quality of service over this period to rapid and unexpected growth in passengers. Further, Perth Airport appears to be responding to airlines' quality of service concerns through new investment.

Whether the investments made by the airport will address the current quality of service concerns will not be known until those works are completed. However, that Perth Airport is undertaking these works and is moderating price increases in the meantime lessens the likelihood that the airport has used its monopoly position to delay investment in services provided to airlines.

Airport car parking

Comparisons of car parking prices across airports are complicated by the varying parking configurations offered at each airport. Care should be taken in interpreting the differences. For example, long-term car parking at Brisbane Airport is located within walking distance of its terminals, whereas most long-term car parking at Melbourne Airport is less convenient and requires travellers to use a shuttle bus. Therefore, such a comparison would not be on a 'like-with-like' basis.

During the 2009-10 financial year, and since then, at least some car parking charges increased at all of the monitored airports.

Airport car parking prices as 30 June 2010

Airport	Short-term car parking				Long-term car parking	
	1 hour	4 hours	8 hours	24 hours	1 day	7 days
Adelaide	\$4.00	\$14.00	\$26.00	\$30.00	\$25.00	\$70.00
Brisbane	\$13.00	\$22.00	\$50.00	\$50.00	\$35.00	\$140.00
Melbourne	\$12.00	\$36.00	\$50.00	\$50.00	\$29.00	\$77.00
Perth	\$5.40	\$9.80	\$35.00	\$35.00	\$16.00	\$80.00
Sydney	\$15.00	\$52.00	\$52.00	\$52.00	\$25.00	\$122.00

Note: Brisbane, Perth and Sydney airports' short-term and long-term car parking prices are based on the domestic terminal car park at each airport. Melbourne Airport's long-term car parking prices are based on the long-term uncovered car park located at a distance from the terminal precinct.

Airport car parking revenue across all airports totalled \$304 million in 2009-10, an increase of 9.4 per cent from the previous year. All of the airports reported higher car parking revenue in the period.

Car parking revenue ranged from \$14 million (Adelaide Airport) to \$104 million (Melbourne Airport). Melbourne Airport reported the highest car parking revenue as a share of total airport revenue of 20.7 per cent, whereas Adelaide Airport reported the lowest of 9.2 per cent.

Key financial indicators for car parking for 2009-10

Airport	Revenue (\$million)	Change in revenue (%)	Operating expenses (\$million)	Change in operating expenses (%)	Operating margins (\$million)	Change in operating margins (%)
Adelaide	13.7	▲ 10.4%	3.3	▼ 14.7%	10.4	▲ 21.9%
Brisbane	58.1	▲ 11.2%	13.5	▲ 7.6%	44.7	▲ 12.3%
Melbourne	103.9	▲ 9.6%	23.0	▲ 13.6%	80.8	▲ 8.5%
Perth	33.3	▲ 14.1%	10.7	▲ 1.8%	22.6	▲ 21.1%
Sydney	95.1	▲ 7.7%	26.9	▲ 12.5%	68.2	▲ 5.9%

Car parking prices at Melbourne Airport are of particular concern

Car parking prices paid by consumers at Brisbane, Melbourne and Sydney airports are generally the highest of the monitored airports. High prices can be a symptom of market power problems, but price levels alone are far from conclusive. Consideration of market power in airport car parking needs to include observations about the airports' control over competition for its own car parking. The ACCC therefore requested additional information from the airports and consulted with operators of businesses that compete with on-airport car parking, such as off-airport car parks and private buses.

Melbourne Airport appears to have reduced the ability of off-airport parking and private bus operators to compete with on-airport parking by imposing excessive levies, and controlling the availability and allocation of capacity. This would have the effect of shifting demand to on-airport services, which allows the airport to increase car parking prices. These factors point to Melbourne Airport earning monopoly profits from its car parking operations.

Brisbane and Sydney airports levy charges on operators of off-airport car parks and private buses. This could reduce their ability to compete with on-airport car parking. However, compared to Melbourne Airport, it is not apparent that charges to those operators are excessive.

Car parking prices paid by consumers at Adelaide and Perth airports are significantly lower than at other monitored airports, and are unlikely to be of concern.