

22/08/2018

RM/18/16478

Airport Regulation Inquiry

Productivity Commission

Locked Bag 2

Collins Street East

VIC 8003

Dear Mr Lindwall,

**Re: Economic Regulation of Airports**

We welcome the opportunity to provide our views to the Productivity Commission's inquiry into the economic regulation of airports. Our submission relates primarily to landside access fees charged by Melbourne Airport.

As Victoria's economic regulator, one of our responsibilities is to determine the maximum fares that may be charged by unbooked taxis. Taxis are the second most frequently used method of travelling to and from Melbourne Airport. Each year taxis make roughly two million trips from Melbourne Airport. Melbourne Airport charges an access fee for all taxi drivers picking up passengers from its taxi ranks. As part of our fare determinations, we must decide whether unbooked taxi drivers should be able to pass these access fees on to their passengers in an airport rank fee.

On two separate occasions, Melbourne Airport has asked us to increase the airport rank fee that taxis may charge passengers. On both occasions, Melbourne Airport said it would increase the access fee regardless of our decision. This means that, if the airport rank fee were not increased, taxis would need to absorb these additional costs. In 2014, the airport increased its access fee from \$1.32 to \$2.70<sup>1</sup> and in 2016 it increased it again to \$3.58.<sup>2</sup>

This put us in a difficult position as we have no jurisdiction over the access fees Melbourne Airport charges its users, but we were required to make a determination on the efficient prices for taxi

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<sup>1</sup> Essential Services Commission, *Taxi Fare Review 2013-14: Final Report*, March 2014, p. 117.

<sup>2</sup> Essential Services Commission, *Taxi Fare Review 2016: Final Report*, June 2016, p. 38.

services. We requested information on the basis of the increase in the access fee but Melbourne Airport refused as we have no jurisdiction over airport access charges.<sup>3</sup>

As taxis must pay the access fee to service the airport, our final determination was to allow taxis to pass through Melbourne Airport's access fees to passengers through corresponding increases in the airport rank fee. However, to increase transparency of who was responsible for setting access fees, we determined that the rank fee would be equivalent to the charge published by Melbourne Airport on its website and in a daily newspaper generally circulating in Victoria.

As the taxi industry is made up of thousands of small businesses, taxi service providers are not in a strong position to negotiate with Melbourne Airport on the scope or price of the services the Airport provides them. Melbourne Airport's decision to unilaterally change the price of the services it provides to taxis is evidence of the relative strength of its market position and therefore should form part of the Productivity Commission's investigation.

Relatedly, we note that Avalon Airport has informed us that it intends to start charging an access fee to taxis using its facilities, within the next six months.

If you would like any further information about this submission, please do not hesitate to contact Jonathan Roberts, from our transport team

Yours sincerely,

**Dr Ron Ben-David**  
Chairperson

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<sup>3</sup> Essential Services Commission, *Taxi Fare Review 2013-14: Final Report*, March 2014, p. 119.