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Economists

# Car parking and ground access – market power assessment

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A report for Perth Airport

29 August 2018

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## Executive summary

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The Australian Competition and Consumer Commission (ACCC) is required to monitor car parking and other ground access services at Sydney, Melbourne, Brisbane and Perth airports. These monitoring arrangements were put in place in light of a concern that the airports may be exercising market power in relation to those services.

This report considers whether Perth Airport Pty Ltd (PAPL) has substantial market power in relation to the provision of either car parking or landside access services (such as access land, pick-up and drop-off points, taxi holding areas, and so on), and whether it has exercised any such power.

In particular, we assess the extent to which PAPL:

- has the ability to sustain revenues that exceed significantly the underlying economic cost of its car parking services, with this assessment being undertaken by reference to the competitive constraints faced by PAPL from:
  - > off-airport car parking facilities; and
  - > other modes of transport, such as pick-up and drop-off, taxi, rideshare and public transport options; and
- whether PAPL has exercised market power by successfully engaging in at least one of the following forms of conduct, ie:
  - > increasing car parking or landside access charges to levels that exceed the underlying economic cost of providing the relevant services (including the opportunity cost of land);
  - > reducing the quality of its car parking or landside access services without a corresponding reduction in prices; and/or
  - > restricting unduly its competitors' access to the airport.

Our analysis shows that PAPL does not have substantial market power in car parking services. Further, there is no evidence that PAPL has exercised market power in respect of car parking or landside access services.

### PAPL does not hold substantial market power in car parking services

Several factors suggest strongly that PAPL does not have substantial market power in relation to its car parking arrangements.

First, there are at least seven 'off-airport' car parking providers in close proximity to the terminals, and which offer a door-to-door service for passengers. These operators provide an alternative to parking at the airport for people wishing to leave their car for one day or more and they constrain PAPL because:

- PAPL's long term car parks offer a very similar service to the off airport parking operators, including that they both use buses to transport passengers, and many of the off airport car parks are in close proximity to the T3/T4 long term car park;
- PAPL car parking prices are comparable to off-site options and the airport car parking offers at least one option that is priced below the average off-airport price across every time band; and
- PAPL explicitly considers off-airport car parking prices in setting its own car park prices.

Second, there are many alternative ways of accessing Perth Airport with varying comfort, speed and cost, and a train option is currently under construction. Each service offers particular advantages and disadvantages that will be attractive to different people in different circumstances.

Third, there has recently been a substantial fall in the use of parking at Perth Airport, eg, there was a 7.9 per cent reduction in throughput in 2016-17, without such a large fall in the number of passengers using the airport. It follows that passengers are switching away from using paid car parking at Perth Airport. PAPL's pricing strategy for 2017-18 specifically observes that overnight and hourly parking penetration continues to decline, as passengers switch to other modes.

On balance, it may be that PAPL holds a degree of market power in car parking, on account of the convenience premium associated with car parking options located in close proximity to terminals. However, the evidence set out above suggests it is unlikely that this market power is substantial and enduring.

## Market power has not been exercised in car parking services

Several factors suggest that, notwithstanding our finding that PAPL does not hold substantial market power, there is no evidence that any form of market power has been exercised.

The ACCC has said that PAPL earns high levels of profits from its car parking services. Such measures take no account of a key element of the economic cost of car parks, being the opportunity cost of the relevant land.

The evidence suggests that the locational rents at Perth Airport (ie, the opportunity cost of the land used for car parks) are likely to be significant and have recently increased, ie:

- Perth Airport would be able to rent out the car parking land for other purposes for substantial sums;
- airports are becoming more like small cities with a wide range of services, giving PAPL a wide range of alternatives for the land used for car parks;
- the land used for car parks has increased substantially in value over the last five years; and
- the value of locational rents are very substantial in Perth CBD, with car parks closer to the centre of the CBD having much higher prices than those just 1km away.

It follows that the prices set by PAPL for car parking are likely to be explained to a significant extent by locational rents.

Further, PAPL has a strong incentive to maximise total visitor traffic, regardless of how the visitors arrive, given the small proportion of total PAPL revenue that parking represents, some 11.6 per cent. PAPL can therefore be expected to seek to maximise patronage of the airport (and the range of commercial opportunities such visitors present), rather than car parking revenue.

The evidence and analysis set out in this report is also not consistent with PAPL exercising substantial market power in the supply of car parking services by other non-price means, ie:

- there is no indication that PAPL has restricted capacity to create scarcity rents; and
- there is no evidence that the quality of car parking is below that of a competitive market.

Last, market outcomes have not deteriorated since the Productivity Commission's last review five years ago.

None of these factors are suggestive of a firm seeking to exercise its market power by charging excessive prices, reducing quality or hindering access. This is unsurprising in light of our earlier observation that PAPL is unlikely to possess substantial market power.

## PAPL has not exercised market power in relation to landside access charges

Access to terminals is an essential component of the services provided at an airport and it is inherent in the physical configuration of its facilities that each airport controls (or has the ability to control) access to its



terminals. It follows that PAPL is likely to have some market power in the provision of landside access services.

However, there is no evidence that PAPL has exercised market power, given that:

- PAPL does not presently charge access fees to private vehicles, hotel shuttles, tourist buses, coaches, public buses or other similar operators – PAPL has announced plans to introduce a system at Terminal 2 to ensure that its forecourt is used as a drop-off and pick-up zone, rather than a short-stay car park. Access remains free for compliant users who remain on the forecourt for 5 minutes or less. People in vehicles that remain in the pick-up area for longer than this will be charged a fee. PAPL expects these arrangements to encourage motorists who wish to remain longer than the five minutes allowed for a drop-off or pick-up to use the one hour free parking facilities provided at the long term car park;
- off-airport car parking operators, the closest competitor to PAPL's own (long term) car parking facilities, are also exempt from the charges;
- PAPL chooses to locate facilities for a variety of no to low yielding access modes – such as private vehicle pick-up and drop-off, and taxi ranks and supporting holding areas – on high value land located proximate to terminals, thereby prioritising the efficient movement of passengers and vehicles over higher commercial returns that could otherwise be generated from this land, and over locating PAPL's own car parking facilities closest to terminal;
- to manage peak demand and alleviate congestion for access modes like private vehicle pick-up and drop-off, PAPL provides free parking options in its short term and long term parking facilities, prioritising quality for customers and the efficient movement of passengers and vehicles over the potential commercial returns from these assets; and
- PAPL has continued to invest in landside access. This is reflected in the ratings of quality for landside access as reported by the ACCC. Indeed, in 2016-17, all services were rated as 'good' by passengers, with all improving since 2013-14.



# 1. Introduction

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This report has been prepared for Perth Airport Pty Ltd (PAPL) to support its participation in the recently commenced Productivity Commission inquiry into the economic regulation of airport services.

Aeronautical services, car parking and ground access services at Perth Airport are currently subject to price, financial reporting and quality of service monitoring by the Australian Competition and Consumer Commission (ACCC) under Part VIIA of the *Competition and Consumer Act* (2010). The performance of the airports' regulatory regime has been the subject of two substantial reviews undertaken by the Productivity Commission, in 2007 and 2012, with these reviews following an earlier 2002 Productivity Commission review which recommended the removal of price controls on aeronautical services. The Productivity Commission is currently undertaking a further detailed review of the performance of the regulatory regime for airports, with the final report due to be presented to the government in June 2019.

This report addresses the provision of car parking and ground access services provided at Perth Airport from the financial year ended 30 June 2013 (2012-13) onwards. It considers whether PAPL has a substantial degree of market power in relation to the provision of both car parking and landside access services (such as access roads, taxi holding area, and so on), and whether it has exercised any such power.

Our report is structured as follows:

- in section two we describe the car parking and other ground access services provided at Perth Airport, including relevant trends in the price and quality of those services since 2013;
- section three summarises the key findings of the ACCC Airport Monitoring Report 2016-17 as it relates to activities at Perth Airport;
- section four considers whether PAPL has substantial market power in relation to car parking and ground access services;
- in section five we assess whether PAPL has an incentive to exercise market power in relation to car parking and ground access services, and whether there is any evidence that suggests it has exercised market power; and
- finally, section six concludes on the existence or use of market power by PAPL in car parking and ground access services provided at Perth Airport.

## 2. Car parking and ground access services

Perth Airport is divided into two main terminal precincts, namely the T1/T2 precinct and the T3/T4 precinct, ie:<sup>1</sup>

- Terminal 1 (T1) domestic and international and Terminal 2 (T2) domestic are in the T1/T2 precinct – all international services (excluding Qantas international) and Virgin Australia domestic services operate out of T1, whereas all other domestic carriers (excluding Qantas and Jetstar) provide domestic services via T2; and
- Terminal 3 (T3) domestic and international and Terminal 4 (T4) domestic are in the T3/T4 precinct – Jetstar operate their domestic services and Qantas their international services from T3, and Qantas also operates their domestic services from T4.

In addition, Perth Airport also has a general aviation precinct from which a number of airlines provide regional and ‘fly-in fly-out’ (FIFO)<sup>2</sup> services – such airlines include Cobham, Maroomba, Skippers and Network.<sup>3</sup>

The remainder of this section details the car parking and ground access services available at Perth Airport, including:

- the car parking services at Perth Airport;
- the usage and investment in Perth Airport’s car parking facilities;
- the pricing of PAPL’s car parking facilities;
- ground access services at Perth Airport; and
- PAPL’s revenue from car parking and other ground access services.

### 2.1 Car parking services

PAPL provides four types of car parking facilities, namely:

1. Fast track parking – a premier parking facility, offering shaded, wide bay parking nearest to terminal. Fast track is only offered at the T3/T4 precinct and is located directly outside of T3/T4.
2. Short term parking – there are three short term parking locations across Perth Airport, with a short term parking facility located directly outside of each of T1 and T2, and within walking distance of T3/T4.
3. Long term parking – Perth Airport has eight long term parking locations, with four located in the T1/T2 precinct and four in the T3/T4 precinct. Customers that park in PAPL’s long term car parks can catch a free bus to the terminals, which runs every ten minutes throughout the day – bus routes and stops are indicated in figures 2.1 and 2.2 below.<sup>4</sup>
4. Regional terminals parking – parking located next to the general aviation precinct. The regional terminals parking is designed to provide parking to those passengers travelling intrastate, with PAPL noting that the prices for parking in the regional terminals parking are priced specifically for FIFO workers.<sup>5</sup>

<sup>1</sup> Perth Airport website, <https://www.perthairport.com.au/at-the-airport/which-terminal>, accessed 8 May 2018.

<sup>2</sup> Fly-in fly-out workers have their permanent residence away from their place of work, and fly-in to (typically remote) location for work, usually stay in short-term accommodation, then fly-out back to their place of permanent residence.

<sup>3</sup> Perth Airport website, <https://www.perthairport.com.au/parking/regional-terminals-parking>, accessed 8 May 2018.

<sup>4</sup> Perth Airport website, <https://www.perthairport.com.au/parking/long-term>, accessed 8 May 2018.

<sup>5</sup> Perth Airport website, <https://www.perthairport.com.au/parking/regional-terminals-parking>, accessed 8 May 2018.

All of PAPL's car parking facilities are protected by CCTV and 24 hour patrols. Figures 2.1 and 2.2 depict the location of PAPL's car parking facilities in the T1/T2 precinct and the T3/T4 precinct respectively.

Figure 2.1: Car parking located in the T1/T2 precinct



Source: PAPL

Figure 2.2: Car parking located in the T3/T4 precinct



Source: PAPL

## 2.2 Capacity and investment in the car parking facilities

The capacity and utilisation of car parking facilities at Perth Airport are described below, as well as recent investments made in those facilities.

### 2.2.1 Expectations for car parking at Perth Airport

A critical characteristic of demand for airport parking is that passengers and other visitors at Perth Airport generally expect car parking to be available onsite at any time. Passengers accessing the car park may also be time sensitive and may not have factored in a long wait for a car park in planning to catch their flight. PAPL must therefore ensure its car park capacity is able to meet peak demand on the busiest days of the year, without heavy congestion at busy times. This does not suggest that airport car parks never become congested, but rather that PAPL is likely to be more mindful of capacity than would a commercial car park operator in, for example, a city's central business district (CBD).

Maintaining sufficient capacity to meet consumer expectations imposes a high opportunity cost of intermittent usage, since average utilisation must be well below peak demand to accommodate this level of service availability. Put differently, capacity must significantly exceed average use. As noted, this form of service 'requirement' is unlikely to be shared to the same extent by off-airport or CBD car parks.

### 2.2.2 Capacity and occupancy of PAPL's parking facilities

PAPL can accommodate 22,600 public and staff vehicles across its parking facilities at any one time. Of these parking bays, 20,819 bays are available to the public<sup>6</sup>. In addition, there are:

- 386 public parking bays that have a maximum stay duration of two hours to assist with pick-up and drop-off;
- 217 public ACROD (disability) bays;
- 518 dedicated motorcycle public parking bays location in three separate parking areas across the airport; and
- 972 staff parking bays in two dedicated staff car parks in the T3/T4 precinct.

The capacity of PAPL's car parking facilities is set out in table 2.1 below.

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<sup>6</sup> The 20,819 bays include bays at each of Perth Airport's car parks, including fast track, short term, long term and regional terminals parking. These are referred to as standard public parking bays.



Table 2.1: Capacity of PAPL's car parking facilities 2012-13 to 2016-17

Capacity	2012-13	2013-14	2014-15	2015-16	2016-17	Increase in capacity 2013-2017 (%)
Fast track	220	220	220	220	220	-
T1 short term	941	1,361	1,361	1,489	1,489	<b>58</b>
T2 short term	232	232	426	426	426	<b>84</b>
T3/T4 short term	1,431	1,431	1,431	1,431	1,431	-
T1/T2 long term	4,532	4,532	6,266	9,188	9,188	<b>103</b>
T3/T4 long term	6,188	6,188	6,188	6,188	6,188	-
General aviation	2,499	2,499	2,499	2,499	2,499	-
<b>Total</b>	<b>16,043</b>	<b>16,463</b>	<b>18,391</b>	<b>21,441</b>	<b>21,441</b>	<b>34</b>

Notes and sources: 1) Excludes ACROD bays, parent bays and child bays or bays licensed to operators. Data provided by PAPL

Over the period from 2012-13 to 2016-17, the total number of spaces across the car parks has increased by approximately 5,400 spaces, or 34 per cent. Major investments at T1 and T2 short term and long term parking have materially increased capacity at these car parks, as shown in table 2.1 above.

### 2.2.3 Occupancy

Table 2.2 below shows average occupancy and average peak occupancy in 2016-17. These data show that capacity well exceeds occupancy at the majority of PAPL's parking facilities. This is consistent with the minimum service expectations for airport car parking and ensures that peak demand on busy days can be accommodated.

Fast Track average peak occupancy is high, in part because multiple short term users can park in the same space during the same one hour period, eg, if customers park for 20 minutes per visit.

The other notable exception is the T1 short term car park, which has higher occupancy, owing to international hourly parking demand and online upsell from long term parking. Like Fast Track, the short term nature of car parking demand in the car park facilitates higher average occupancy rates.

Table 2.2: Average occupancy of car parks in 2016-17

Parking type	Capacity	Average occupancy	Average peak occupancy
Fast Track	220	48%	106%
T1/T2 Long Term	9,188	33%	50%
T1 Short Term	1,489	69%	82%
T2 Short Term	426	24%	49%
T3/T4 Long Term	6,188	35%	47%
T3/T4 Short Term	1,431	28%	60%
<b>Regional Terminals Parking</b>	<b>2,499</b>	<b>31%</b>	<b>49%</b>

Notes and sources: Data provided by PAPL

Despite the relatively low rates of occupancy, PAPL has continued to invest in additional car parking capacity to ensure it can meet future peak demand. These investments are detailed in section 2.2.4 below.

#### 2.2.4 Recent and planned investments in car parking services by PAPL

The T1/T2 car park expansion is the most significant car parking investment since 2013. Stage one of the T1 car park expansion was completed in June 2016, which added 1,200 parking bays and improved car parking access at Terminal 1. PAPL also finalised the expansion of a new long term car park at T1/T2.

The ACCC monitoring report for 2015-16 notes that, over the past decade, PAPL has made the most substantial increases in the number of car parking spaces of all the four major airports. Car parking capacity at Perth Airport is more than four times larger than it was in 2006.<sup>7</sup> PAPL spent over \$57 million on improving car parking services between 2012-13 and 2016-17.

To accommodate increased demand for ridesharing, the Park and Wait facility was converted into a rideshare holding area. To compensate for the loss of this short term facility, PAPL introduced one hour of free parking in all long term car parks, to provide an additional no cost alternative to its parking facilities.

The terminal consolidation plan is to relocate all commercial air services to Airport Central (ie, relocation of Terminal 3 and 4 passenger activity) by the mid 2020s. PAPL has already completed several developments to facilitate this future full consolidation, including the opening of the new Terminal 2 in 2013, the new Terminal 1 domestic pier in 2015 and supporting parking and ground transport infrastructure, and expansion of the international arrivals and departures areas in Terminal 1. PAPL plans that the car parks servicing the new consolidated terminal precinct will be broadly located in the same place, but progressively replaced with multi-story car parks over time to meet demand.

## 2.3 Pricing of PAPL's parking facilities

Current prices for parking at Perth Airport are set out in table 2.3 below.

<sup>7</sup> ACCC, *Airport monitoring report 2015-16*, March 2017, p 34.



Visitors to Perth Airport can pay for parking by either paying on departure from the airport or when booking online. Parking users that book online in advance typically pay reduced rates – up to 65 per cent on the drive-up rates. PAPL parking charges are levied on either an hourly or daily (24 hour) basis.

Table 2.3: PAPL current parking prices

Duration	Drive up				Online discount			
	Short Term	Long Term	Fast Track	Regional Terminals	Short Term	Long Term	Fast Track	Regional Terminals
0-0.5 hrs	\$7.80	\$0.00	\$20.00	\$7.80	NA	NA	NA	NA
0.5-1 hr	\$13.00	\$0.00	\$20.00	\$13.00	NA	NA	NA	NA
1-2 hrs	\$19.00	\$19.00	\$22.00	\$19.00	NA	NA	NA	NA
2-3 hrs	\$22.00	\$22.00	\$62.50	\$22.00	NA	NA	NA	NA
up to 8 hrs	\$30.00	\$26.00	\$62.50	\$26.00	NA	NA	NA	NA
1 day	\$48.00	\$26.00	\$62.50	\$26.00	\$48.00	\$26.00	\$62.50	\$26.00
2 days	\$96.00	\$52.00	\$125.00	\$48.00	\$96.00	\$52.00	\$125.00	\$48.00
3 days	\$144.00	\$77.00	\$168.00	\$68.00	\$144.00	\$63.65	\$168.00	\$68.00
4 days	\$184.00	\$89.00	\$203.00	\$79.00	\$184.00	\$72.23	\$203.00	\$79.00
5 days	\$226.00	\$101.00	\$242.00	\$85.00	\$99.54	\$81.75	\$99.25	\$77.00
6 days	\$266.00	\$113.00	\$281.00	\$95.00	\$110.94	\$90.25	\$115.99	\$87.00
7 days	\$306.00	\$124.00	\$319.00	\$104.00	\$122.83	\$98.80	\$123.30	\$98.00

Notes and sources: 1) Online prices were calculated for stays beginning 12pm Thursday 1 March 2018. 2) Short Term and Long Term online prices calculated for flights departing T1 International, Fast Track for flights departing T3 Domestic. 3) Customers booking stays less than 24 hours online are charged the full day rate. Data from <https://www.perthairport.com.au/parking/standard-parking-prices> and <https://www.perthairport.com.au/parking>, retrieved 21 February 2018

PAPL considers a range of factors in setting its prices, including its costs incurred in offering the service, expected demand, the price of other transport methods, the prices for parking at other airports offering a similar service, and the price of parking at off-airport parking businesses.

### 2.3.1 Car parking price increases over time

Charges for parking at Perth Airport have increased over the past five years, except for Fast Track car parking.

Table 2.4 below sets out the average year on year nominal price changes across PAPL's parking facilities over the period spanning November 2011 to June 2017.

Table 2.4: Price changes from November 2011 to June 2017

Parking facility	PY12 - PY13	PY13 - PY14	PY14 - PY15	PY15 - PY16	PY16 - PY17	Total Increase	Average Annual Increase
Fast Track Daily	-30%	2%	14%	5%	2%	-12.7%	-2.7%
Fast Track Hourly	-69%	0%	7%	12%	6%	-60.4%	-16.9%
Regional Terminals Daily	11%	24%	7%	1%	0%	49.0%	8.3%
Regional Terminals Hourly	11%	40%	39%	8%	5%	147.6%	19.9%
Long Term Daily	2%	10%	6%	1%	1%	21.3%	3.9%
Short Term Daily	0%	1%	14%	6%	3%	25.3%	4.6%
Short Term Hourly	23%	14%	5%	6%	5%	63.7%	10.4%

Notes and sources: Daily averages of price increases across 1 day to 15 days. Data from PAPL

We understand that recent price increases have been driven by:

- increased costs due to investment in expanding car parking capacity and ongoing consolidation of services to the airport central precinct; and
- management of scarce short term parking capacity – short term hourly car park prices have increased to reflect the relative capacity constraint of this carpark.

## 2.4 Other ground access services

PAPL needs to offer access to its terminals by means of land access for private vehicles dropping or collecting passengers, taxis, rideshare, charter vehicles and buses. Landside infrastructure facilities include:

- terminal access roads;
- forecourts for vehicle pick-up and drop-off;
- areas for hire car operators;
- taxi, rideshare, charter vehicle, commercial vehicle and bus zones; and
- covered walkways and lighting in landside areas.

Through these facilities, visitors to Perth Airport have many options for travelling to the airport, including (as at July 2018, although not necessarily exhaustive) city shuttle services, buses, taxis, rideshare, charter vehicles, pick-up and drop-off, off-site parking and car rental. In order to manage peak demand and reduce vehicle congestion for pick-up and drop-off, PAPL also provides ten minutes free parking in short term parking facilities and one hour free in long term parking facilities, prioritising the efficient movement of vehicles over commercial returns that would be otherwise generated in these car parks.

PAPL levies landside access fees on some vehicles that enter the airport precinct, with these partially covering the costs that PAPL incurs in providing, operating and maintaining the access facilities, such as covered waiting areas and taxi queuing areas.

Table 2.5: Ground access charges at Perth Airport (2017)

Vehicle type	Charge
Charter vehicles (pick-up)	\$3 for 0 to 10 minutes in short term car park for pickup
Taxi and ride share (pick-up)	\$3 per trip
Public bus, tourist bus, coach	No charge
Off airport parking operators	No charge
Private pick-up and drop-off	No charge
Hotel shuttles	No charge
Taxi drop-off	No charge
Ride share drop-off	No charge

PAPL does not charge off airport car parking operators for access to the terminals. Similarly, ground access charges are not applied to private vehicles, hotel shuttles, tourist buses, coaches, public buses or other similar operators. By contrast, most other Australian capital city airports do charge off-airport car parking operators for access.

PAPL has announced plans to introduce a system at Terminal 2 to ensure that its forecourt is used as a drop-off and pick-up zone, rather than a short-stay car park.<sup>8</sup> Access remains free for compliant users who remain on the forecourt for five minutes or less. People in vehicles that remain in the pick-up area for longer than this will be charged a fee. PAPL expects these arrangements to encourage motorists who wish to remain longer than the five minutes allowed for a drop-off or pick-up to use the one hour free parking facilities provided at the long term car park.

#### 2.4.1 Recent and planned investment in maintaining ground access

Over the past five years, PAPL has made significant investments to improve the ground access services it offers, including:

- the T2 forecourt development, which provided 350m of kerb length for pick-up and drop-off, including covered areas for weather protection to and from the terminal;
- development of dedicated bus and taxi lanes and holding facilities for T1/T2 domestic;
- the T1 forecourt redevelopment, which doubled the effective area available for pick-up and drop-off, including covered areas for weather protection to and from the terminals – this is the largest investment in progress, at estimated cost of \$31.8 million;
- development of Airport Drive to improve vehicle access to T1 and T2;
- the airport west access road upgrade, which involved construction of a new interchange to improve vehicle access to T3 and T4 – PAPL contributed \$10 million and 39 hectares of land to the project;
- Central Avenue Construction, on behalf of Perth Transport Authority; and
- a road network resurfacing program.

<sup>8</sup> <https://www.perthairport.com.au/Home/corporate/articles/2018/07/13/05/18/express-to-unlock-gridlock>, accessed 20 August 2018.

Some significant planned investments are in the pipeline at Perth Airport, including:

- works in preparation for the Forrestfield Airport Link (see section 4.1.3 for details of the new train link), including construction of a pedestrian link bridge to facilitate passenger flows from the train to the terminals – this project is jointly funded by PAPL and the Perth Transport Agency and is estimated to cost \$31.7 million;
- road network renewal programme 2018- 2029: renewal of the roads to reduce the risk of road failures and unplanned road closures, ensuring a safe and reliable network is maintained at an estimated cost of \$9.3m; and
- as part of the consolidation of airport west to airport central (see section 2.2.4), investment projects on a new domestic consolidated terminal, parking and ground transport consolidation and expansion projects including multi-storey car parks road network expansions and upgrades and supporting infrastructure upgrades will take place.

## 2.5 Revenue from car parking and ground access

As noted by the ACCC, car parking revenue fell by four per cent in constant price terms in 2015-16 and a further 2.5 per cent in 2016-17.<sup>9</sup> 2016-17 was the third successive year with a decline in car parking revenue in constant price terms.

These results are driven by 7.9 per cent lower throughput in 2016-17, alongside 4.6 per cent increase in car parking expenses due to the material investments described above.

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<sup>9</sup> ACCC, *Airport monitoring report 2015-16*, March 2017, p 109 and ACCC, *Airport monitoring report 2016-17*, April 2018, p 137.

### 3. ACCC Airport Monitoring Report 2016-17

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This section summarises the key findings of the ACCC Airport Monitoring Report 2016-17 (the ACCC report) that was released in April 2018, as it relates to activities at Perth Airport.

The principal observations from the ACCC report as they relate to Perth Airport appear to be:

- Perth Airport overtook Brisbane Airport on metrics for overall quality of service to be the highest rated airport for the first time – all airports were rated as either ‘good’ or ‘satisfactory’ for overall quality of service;
- despite increasing passenger volumes at other airports, Perth Airport experienced a decline in passengers for the third year in a row;
- profit margins for car parking ‘remained very high across all airports’,<sup>10</sup> but with Perth Airport reporting a moderate fall in car parking revenue in 2016-17 and a small drop in its operating margin for car parking services; and
- independent car parks and online booking options offer passengers lower cost alternatives to on-airport drive up car parking services.

#### 3.1 Perth Airport has the highest rated overall quality of service in 2016-17

The ACCC notes that the high service ratings at Perth Airport are likely due to its efforts and continuous investment stream:<sup>11</sup>

Perth Airport's investment program has likely contributed to the notable improvements in its quality of performance measures over the past three years. The airport's overall quality of service rating continued to improve within the ‘good’ category and is the highest of the monitored airports for the first time.

We set out in sections 2.2.4 and 2.4.1 above the recent investments PAPL has undertaken in relation to car parking and ground access services, respectively.

#### 3.2 Perth Airport experienced a continuing decline in passenger volumes

Total passenger numbers at Perth Airport fell by 1.4 per cent to 14.3 million in 2016-17.<sup>12</sup> This drop was driven by a 3.5 percent decrease in domestic passengers, despite growth in international passenger numbers.

PAPL continues to plan for long term growth, projecting that the numbers using Perth Airport each year will more than double over the next 20 years.<sup>13</sup>

#### 3.3 PAPL recorded its lowest car parking profit margin in the past decade

In the face of declining passenger numbers at Perth Airport, it is unsurprising that car parking revenue also fell in 2016-17. Falling revenue and increasing operating costs resulted in an 8.1 per cent reduction in car parking operating profit in 2016-17, the lowest since 2011-12.

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<sup>10</sup> ACCC, *Airport monitoring report 2016-17*, April 2018, p 2.

<sup>11</sup> ACCC, *Airport monitoring report 2016-17*, April 2018, p 4.

<sup>12</sup> ACCC, *Airport monitoring report 2016-17*, April 2018, p 3.

<sup>13</sup> <https://www.perthairport.com.au/Home/corporate/planning-and-projects/vision>, accessed 20 August 2018.

The measure of profit margin adopted by the ACCC is earnings before interest, tax and amortisation (EBITA), as a percentage of revenue. However, EBITA is an accounting measure of profit that does not take into account the opportunity cost of the capital assets employed in providing car parking services.

It follows that observations made by the ACCC using EBITA are apt to mislead, if the opportunity cost of the capital assets is substantial. In the context of car parking, an important element of the opportunity cost of the capital assets is the opportunity cost of the land itself, ie, the revenue foregone by not using the land for another purpose.

### 3.4 Independent car parks and online booking offer lower cost alternatives

The ACCC has observed the rise of independent off-airport car parks, which offer an alternative to on-airport car parking facilities:<sup>14</sup>

The ACCC found that motorists could save between 30 and 70 per cent for 3 days of parking, compared to paying drive-up rates for the airports' own car parks at a distance from the terminals.

The ACCC also alludes to the impact of the close substitutability of other transport options on car parking service demand, stating that:<sup>15</sup>

Car parking throughput has been on a gradual decline in recent years as passengers find other ways to get to and from the airport.

We explore the competition from other transport options in section 4.1.3 of this report.

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<sup>14</sup> ACCC, *Airport monitoring report 2016-17*, April 2018, p 12.

<sup>15</sup> ACCC, *Airport monitoring report 2016-17*, April 2018, p 39.

## 4. Does PAPL have substantial market power?

This section considers whether PAPL can be said to possess a substantial degree of market power in relation to either car parking or landside access arrangements.

### 4.1 Car parking

In this section, we show that PAPL's car parking services face competition from both off-airport car parking operators and from other means of accessing Perth Airport.

#### 4.1.1 ACCC's view

The ACCC has historically contended that airports have 'a monopoly position' in airport car parking. The ACCC bases its view on the observations that:<sup>16</sup>

- airports have discretion in determining landside access provisions, which influence the ability of car parking alternatives such as taxi and off-airport car parking facilities, to compete;
- airports have control over the number of car parking spaces supplied in proximity to the terminals; and
- airports typically charge 'high prices' for car parking.<sup>17</sup>

However, the ACCC acknowledges that there are a range of options for travel to and from airports,<sup>18</sup> which may limit the degree to which PAPL has market power.

#### 4.1.2 Competition from off-airport car parking operators

There are at least seven other providers that offer parking services to passengers and other users of Perth Airport.<sup>19</sup> The majority (five) of these other car parking service providers are located off-airport on nearby land, typically within ten kms of either the T1/T2 precinct or the T3/T4 precinct. Two independent car parking service providers are located at Perth Airport, namely Airport Security Parking and Qantas Valet. Figure 4.1 below shows the location of these independent car parking service providers. Appendix A1 provides more details on each of these competitors.

<sup>16</sup> See, for example, ACCC, *Submission to the Productivity Commission's inquiry into the economic regulation of airport services*, March 2011, p 26.

<sup>17</sup> The Productivity Commission noted in its 2011 report on airport regulation that airport users – particularly those who infrequently use the airport – may experience 'sticker shock' when parking at airports, which may lead to efficient prices being perceived as 'high'. See Productivity Commission, *Economic regulation of airport services*, December 2011.

<sup>18</sup> For example, ACCC, *Airport monitoring report 2016-17*, April 2018, pp 23-24.

<sup>19</sup> Based on the publicly available information as at 12 February 2018. These car parking service providers include AirportParking4Less, Hamer Airport Parking, Park and Fly Perth, Skypark Valet Parking, and The Car Port and Spa. Qantas Valet and Airport Security Parking independently operate at Perth airport.



Figure 4.1: Map of car parking service providers for Perth Airport customers



Table 4.1 below sets out the prices of independent car parking providers.

Table 4.1: Off-airport and external car parking provider prices

	Off-airport parking providers											PAPL			
	The Car Port and Spa	The Car Port and Spa	Airport Parking 4 Less	Airport Parking 4 Less	Qantas Valet	Hamer Airport Parking	Hamer Airport Parking	Airport Security Parking	Skypark Valet Parking <sup>1,2</sup>	Skypark Valet Parking <sup>1,2</sup>	Average off-airport <sup>3</sup>	PAPL <sup>1</sup>	PAPL <sup>1</sup>	PAPL online <sup>1</sup>	PAPL Online <sup>1</sup>
	Covered	Outdoor	Covered	Outdoor	Unknown	Outdoor	Covered	Unknown	Outdoor	Covered		Short term	Long term	Short term	Long term
0-0.5 hrs	\$30	\$25	\$36	\$30	\$55	\$15	\$25	\$26	\$24	\$33	\$28	\$7.80	\$0.00	NA	NA
0.5-1 hr	\$30	\$25	\$36	\$30	\$55	\$15	\$25	\$26	\$24	\$33	\$28	\$13.00	\$0.00	NA	NA
1-2 hrs	\$30	\$25	\$36	\$30	\$55	\$15	\$25	\$26	\$24	\$33	\$28	\$19.00	\$19.00	NA	NA
2-3 hrs	\$30	\$25	\$36	\$30	\$55	\$15	\$25	\$26	\$24	\$33	\$28	\$22.00	\$22.00	NA	NA
up to 8 hrs	\$30	\$25	\$36	\$30	\$55	\$15	\$25	\$26	\$24	\$33	\$28	\$30.00	\$26.00	NA	NA
1 day	\$30	\$25	\$36	\$30	\$55	\$15	\$25	\$26	\$24	\$33	\$28	\$48.00	\$26.00	\$48.00	\$26.00
2 days	\$60	\$50	\$71	\$59	\$100	\$30	\$50	\$48	\$48	\$67	\$53	\$96.00	\$52.00	\$96.00	\$52.00
3 days	\$64	\$52	\$75	\$59	\$135	\$45	\$75	\$71	\$72	\$100	\$73	\$144.00	\$77.00	\$144.00	\$63.65
4 days	\$86	\$59	\$86	\$59	\$180	\$55	\$87	\$90	\$82	\$120	\$89	\$184.00	\$89.00	\$184.00	\$72.23
5 days	\$97	\$68	\$95	\$65	\$200	\$65	\$99	\$114	\$100	\$145	\$109	\$226.00	\$101.00	\$99.54	\$81.75
6 days	\$108	\$78	\$104	\$71	\$240	\$75	\$111	\$130	\$118	\$170	\$124	\$266.00	\$113.00	\$110.94	\$90.25
7 days	\$119	\$89	\$113	\$76	\$280	\$85	\$123	\$130	\$134	\$195	\$132	\$306.00	\$124.00	\$122.83	\$98.80
Number of car parks <sup>4</sup>	105	105	88	88	66	79	79	900	132	132		3629	15654	3629	15654
Off-Site Capacity (%)	6%	6%	5%	5%	4%	4%	4%	51%	7%	7%					

Notes and sources: 1) Charges on an hourly basis, as opposed to calendar day basis, eg, two days means 24-48 hours. 2) Online discount prices were used. 3) Average off-airport price is weighted by estimated capacity. 4) Where providers offer both covered and outdoor parking, a 50 per cent split in capacity is assumed between each type of parking. 5) Where providers have an online quote feature, fees were calculated for stays beginning 12pm Thursday 1 March 2018. Data for off-airport parking prices from <https://thecarportandspa.com.au/parking-rates>, <https://www.airportparking4less.com.au/parkingRates>, <https://www.qantas.com/travel/airlines/perth-airport-parking-valet/global/en>, <http://www.airport.com.au/faq>, <https://www.airportsecurityparking.com.au>, <http://skypark.com.au>, accessed 20 August 2018. Data for PAPL pricing from <https://www.perthairport.com.au/parking/standard-parking-prices> and <https://www.perthairport.com.au/parking>, accessed 20 August 2018.

### Advantages and disadvantages of other car parking operators

Off-airport providers do not face the same necessity as PAPL to maintain sufficient capacity to meet peak demand. Instead, off-airport operators are prepared to turn people away if the car park is full, and often require pre-booking. Operators also tend to set prices on a per calendar day basis and are not obliged to offer hourly rates.

Off-airport operators face potential disadvantages, including:

- the additional cost of operating a shuttle or similar service to deliver passengers to the terminals, although we note that;
  - > PAPL's long term car parks also offer such a service, albeit over shorter distances; and
  - > PAPL does not charge such operators for access to the terminals;
- the existence of a convenience/time premium associated with on-airport car parks; and
- that operators often require customers to leave the keys to the vehicle with a parking attendant who may relocate the vehicle while the customer is away, and some people may feel uncomfortable with this.

Off-airport operators offer low cost alternatives

The ACCC has emphasised the increasing constraint of these independent, off-airport car parks, noting that:

While many independent operators did offer discounted rates compared to each airport, there were also some big differences in prices observed between operators. This could reflect convenience levels, with some car parks located further away from the airport than others. Independent car park operators have the potential to provide significant savings for customers<sup>20</sup>

In summary it appears that PAPL competes with off-airport car parks because:

- PAPL's long term car parks offer a very similar service to the off airport parking operators, including that they both use buses to transport passengers, and many of the off airport car parks are in close proximity to the T3/T4 long term car park;
- PAPL car parking prices are comparable to off-site options and the airport car parking offers at least one option that is priced below the average off-airport price across every time band; and
- PAPL explicitly considers off-airport car parking prices in setting its own car park prices.

#### 4.1.3 Competition from other transport options

Other forms of accessing the airport represent a close substitute for the parking of a private vehicle for many users of Perth Airport.

##### Drop-off and pick-up

Private vehicles can drop-off and pick-up passengers at Perth Airport at no cost, as detailed in table 4.2 below.

<sup>20</sup> ACCC, *Airport monitoring report 2016-17*, April 2018, pp 23-24.

Table 4.2: Free public drop-off and pick-up facilities at Perth Airport

Location	Facilities
Terminal forecourts	<ul style="list-style-type: none"> <li>• Free two minute public pick-up and drop-off at all forecourts;</li> <li>• vehicles may not be left unattended; and</li> <li>• vehicles may recirculate.</li> </ul>
Short term car parks	<ul style="list-style-type: none"> <li>• Free ten minutes public parking in all short term car parks for pick-up and drop-off;</li> <li>• vehicles may be left unattended; and</li> <li>• vehicles may recirculate.</li> </ul>
Long term car parks	<ul style="list-style-type: none"> <li>• Free one hour parking in all long term car parks;</li> <li>• private vehicles may wait in a long term car park before proceeding to forecourt or short term car park as described above;</li> <li>• car park bus shuttle available to transport customers to and from the terminals;</li> <li>• vehicles may be left unattended; and</li> <li>• vehicles may recirculate.</li> </ul>

This represents an attractive alternative for friends and family who might otherwise pay to park for a few hours to ‘meet and greet’ passengers inside the terminal.

PAPL is not obliged to offer free access for pick-ups and drop-offs. Internationally, there are many examples of airports charging for access closest to terminal – such as Birmingham,<sup>21</sup> Luton (London),<sup>22</sup> Belfast,<sup>23</sup> and Edinburgh<sup>24</sup> airports. Such charges reflect that while many airports such as PAPL may offer this option to passengers at no charge, it is not a costless service from PAPL’s perspective.

#### Does drop-off and pick-up compete with car parking?

Free parking for pick-ups and drop-offs provide a constraint for short term parking:

- ‘meeters and greeters’ may substitute from short term parking to this fly-by approach if the prices for short term parking at the airport exceed their willingness to pay; and
- passengers that would like to use the airport’s car parking facilities may instead ask family or friends to drop them at the airport, if the cost of parking over the duration of their trip are too high.

Put differently, PAPL can be said to be ‘competing with itself’ by offering free pick-up and drop-off as a substitute for airport car parking. The most likely incentive for doing so is that the core driver of long term profits for PAPL is people using the airport.

#### Taxi

The two main taxi service providers at Perth Airport are Swan Taxis and Black & White Cabs. PAPL provides taxi ranks in front of each terminal, with signs indicating the way for passengers.

<sup>21</sup> <https://www.birminghamairport.co.uk/airport-parking/dropping-off-and-picking-up/>, accessed 20 August 2018.

<sup>22</sup> <https://www.london-luton.co.uk/to-and-from-lla/want-to-drop-off-for-free/>, accessed 20 August 2018.

<sup>23</sup> <http://www.belfastinternationalairportparking.com/news/drop-off-charges/>, accessed 20 August 2018.

<sup>24</sup> <https://www.edinburghairport.com/edinburgh-airport-parking/drop-off-and-pick-up>, accessed 20 August 2018.

In addition to the fare charged by the taxi service, a \$3 airport fee is applied to all taxi pick-ups at the airport. This fee assists PAPL to provide, operate and maintain infrastructure to support taxi facilities, including waiting areas, monitoring equipment and kerb-side facilities. The fee was introduced by PAPL in 1999 at \$1, and has been increased only twice in the following 19 years, to \$2 in 2005 and the current \$3 in 2015.

Estimated fares for Swan Taxi rides from Perth Airport are displayed in table 4.3 below.

Table 4.3: Swan Taxi estimated fares from Perth Airport

Location	Location to airport	Airport to location	Return
Perth CBD	\$37 - \$47	\$35 - \$44	\$72 - \$91
Fremantle	\$58 - \$74	\$57 - \$70	\$115 - \$144
Mandurah	\$158 - \$176	\$169 - \$177	\$327 - \$353
Hillarys	\$74 - \$86	\$76 - \$90	\$150 - \$176

*Notes and sources: 1) Fares are estimates only and may vary based on time of day and pick-up and drop-off locations. 2) Fares were calculated from Swan Taxi fare estimated for a standard four-seater car. Data from [http://www.swantaxis.com.au/members/fare\\_estimator.php](http://www.swantaxis.com.au/members/fare_estimator.php), accessed 28 February 2018.*

#### Rideshare

The ridesharing service Uber currently operates at Perth Airport. Passengers can request a car from their mobile phone using the Uber app once they have collected their luggage. Uber offers a selection of services to passengers:

- UberX, a low-cost option with space for up to four passengers;
- UberSELECT, a higher-end option;
- UberXL, a larger vehicle seating up to six passengers;
- UberASSIST, an option with space for wheelchairs, walkers and scooters; and
- UberBLACK, a luxury option.

In addition to the standard fare charged by Uber, a \$3 airport fee applies to all pick-ups at the airport. Again, this fee assists PAPL in providing the infrastructure necessary to support rideshare activities. PAPL sets this charge at the same level as the taxi charge to ensure competitive neutrality between these two, closely substitutable services.

PAPL provides a dedicated rideshare pick-up bay within walking distance of each terminal, and passengers will be directed to their nearest pick-up bay in the Uber app and by signage at the terminals.

Estimated fares for UberX rides from Perth Airport (including the \$3 airport fee) are displayed in table 4.4.



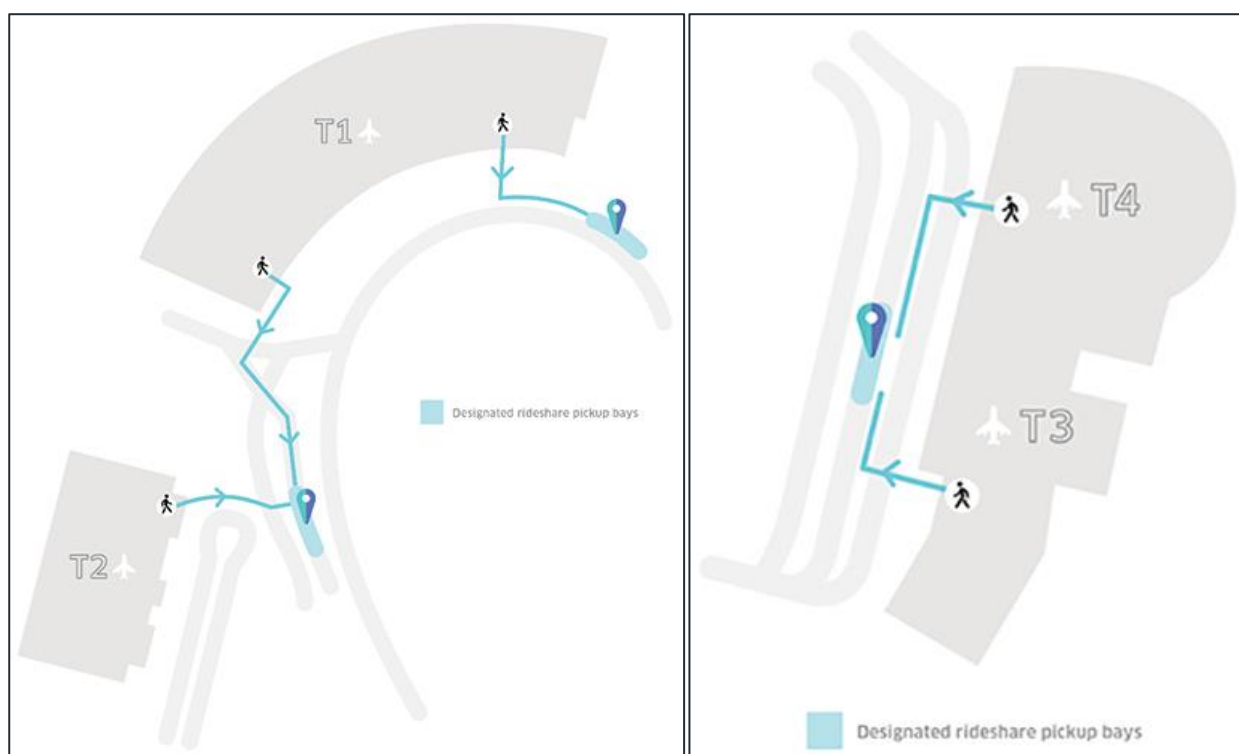
Table 4.4: UberX estimated fares from Perth Airport

Destination	Location to airport	Airport to location	Return
Perth CBD	\$27 - \$36	\$32 - \$41	\$59 - \$77
Fremantle	\$41 - \$56	\$45 - \$59	\$86 - \$115
Mandurah	\$96 - \$128	\$98 - \$130	\$194 - \$258
Hillarys	\$48 - \$64	\$53 - \$70	\$101 - \$134

Notes and sources: 1) Fares are estimates only and may vary based on time of day and pick-up and drop-off locations. Data from <https://www.uber.com/en-AU/airports/per>, accessed 22 February 2018.

Maps of the dedicated rideshare bays showing their location relative to the terminals are displayed in figure 4.2.

Figure 4.2: Rideshare pick-up bays at Perth Airport



Source: <http://www.perthairport.com.au/to-and-from-the-airport/transport-options/rideshare>

### Charter vehicles

PAPL facilitates chauffeured vehicles and pre-booked taxis via a Small Charter Vehicle (SCV) Access Card system. Chauffeured vehicles and pre-booked taxis operating from Perth Airport are required to obtain an access card (at a cost of \$30, which is partially redeemable as credit for use), which enables authorised cardholders to swipe in and out of designated areas.

Ground access fees apply to SCVs using the designated areas. These are set out in table 4.5 below.

Table 4.5: Small charter vehicle ground access charges

Designated area	Fee (including GST)	Parking time
All Terminals	\$3.00	0-10 minutes
	\$4.50	10 minutes-1 hour
	\$5.50	1-1.5 hours
	\$6.50	1.5-2 hours
	\$11.00	2-3 hours
Short term car park	Standard short term parking fees	Over 3 hours
Terminal 3 / Terminal 4 and Fast Track Car Park	\$8.00	0-1 hour
	\$9.00	1-1.5 hours
	\$10.00	1.5-2 hours
	Standard fast track fees	Over 2 hours
Terminal 1 International SCV Parking Area	\$3.00	0-10 minutes
	\$4.50	10 minutes – 1 hour
	\$5.50	1-1.5 hours
	\$6.50	1.5- 2hours
	\$11.00	2-3 hours
	Standard short term car park fees	Over 3 hours
Long term car parks	\$0	0-1 hour
	Standard long term car park fees	Over 1 hour

Source: PAPL

In addition to accessing these designated areas, access card holders are granted access to the common user forecourts to conduct passenger drop-offs (no ground access fee applies).

#### Public bus

Transperth operates public bus services seven days a week to both the T1/T2 and T3/T4 precincts at Perth Airport. Bus route 380 has luggage racks and runs between Elizabeth Quay Bus Station and T1/T2 precinct, with connections to other services available at Victoria Park Transfer Station, Burswood Train Station and Belmont Forum Shopping Centre. Bus 380 runs approximately every 30 minutes in each direction between approximately 5am and midnight. The current price for a journey between Perth CBD and Perth Airport is a standard two zone cash fare of \$4.70.<sup>25</sup>

Bus 40 operates between Elizabeth Quay Bus Station and T3/T4 via Great Eastern Highway. Bus 40 runs approximately every 30 minutes in each direction between 6am (7am on weekends) and 11:30pm. Bus 935

<sup>25</sup> See the Transperth website. <http://www.transperth.wa.gov.au/timetables/details?Bus=380>, accessed 20 August 2018.



runs between Kings Park and T3/T4 precinct via Victoria Park, approximately every 30 minutes in each direction. The current price for a journey between Perth CBD and Perth Airport is a standard two zone cash fare of \$4.70.<sup>26</sup>

PAPL has noted that the public bus, while being significantly less expensive than parking options, is in general less convenient given the limited route and frequency options. In the past, the services were associated with low utilization and poor public sentiment. PAPL has been working alongside Perth Transport Agency to improve the service, and the 380 service has significantly better patronage and carries approximately 350 passengers from the airport towards the city and 209 passengers to the airport each day.

#### Train

No train service currently runs to and from Perth Airport, although a planned development is underway.

The Forrestfield-Airport Link is a rail development project currently under construction that will provide Perth Airport customers an additional convenient method of transport to the airport.<sup>27</sup> The project was approved in August 2014, with construction starting in late 2016. The \$1.86 billion cost is jointly funded by the Australian and Western Australian governments. Three new stations will be built as part of the Forrestfield-Airport Link, with the Airport Central station to be built on site at Perth Airport. It will be located adjacent to terminals 1 and 2, the site of the proposed consolidated terminal for domestic and international travel.

Construction on the Airport central station began in May 2017, and the line is expected to open in 2020. By the following year, the line is predicted to generate 20,000 passenger trips on the train network each day, and this is forecast to increase to 29,000 passenger trips per day by 2031. The new link extends past Perth Airport to Forrestfield, providing a vital link to Perth's eastern suburbs. It will also connect an increased number of regional bus services to the airport, including access from over 200 regional towns in Western Australia.

Passengers on the train will have an 18 minute journey to Perth CBD from airport central for the cost of a 2-zone train fare, currently \$4.70. Trains are scheduled to run up to every 15 minutes at off-peak times, and every ten minutes at peak times. This will offer Perth Airport customers an additional and cost-effective means of transportation between Perth Airport, Perth CBD and the greater Western Australia region.

#### 4.1.4 Summary

There are many ways of accessing Perth Airport with varying comfort, speed and cost. There is also a wide range of people that want to access the airport with varying preferences as to the ground access options, depending on where they are coming from, the length of time for which they will be leaving Perth, their income, etc.

The degree of substitution between the various means of accessing the airport will vary depending on the person and their requirements. Each service offers particular advantages and disadvantages to different people in different circumstances. A summary of the options available to visitors is provided in table 4.6 below. This does not include the train option that will soon become available at a relatively cheap price.

The cost of parking increases with the length of the stay, and so becomes a less attractive option as the length of stay increases. For example, the cost of accessing the airport by taxi for someone living in Perth's CBD and travelling for three days will be about the same as using PAPL's long term car park. A taxi will be cheaper as compared with parking for longer stays and more expensive for shorter stays.

<sup>26</sup> See the Transperth website. <http://www.transperth.wa.gov.au/timetables/details?Bus=40>, <http://www.transperth.wa.gov.au/timetables/details?bus=935>, accessed 20 August 2018.

<sup>27</sup> See the Forrestfield-Airport Link website, <https://www.forrestfieldairportlink.wa.gov.au/>, accessed 20 August 2018.

Table 4.6: Price comparisons for return trips from Perth CBD to Perth Airport

Trip Duration	Pick-up / Drop-off	Taxi <sup>1</sup>	Uber <sup>2</sup>	Bus	Drive up PAPL long term <sup>3</sup>	Off-airport parking (average) <sup>4</sup>
1 day	<i>Minimal – petrol, convenience / time costs incurred by friends / family</i>	\$72 - \$91	\$59 - \$77	\$9.40	\$26	\$28
2 days		\$72 - \$91	\$59 - \$77	\$9.40	\$52	\$53
3 days		\$72 - \$91	\$59 - \$77	\$9.40	\$77	\$73
5 days		\$72 - \$91	\$59 - \$77	\$9.40	\$101	\$109
7 days		\$72 - \$91	\$59 - \$77	\$9.40	\$124	\$132
14 days		\$72 - \$91	\$59 - \$77	\$9.40	\$194	\$183

Notes and sources: 1) Price for taxi is based on estimated range for Swan Taxi rides. 2) Price for Uber is based on an estimated one way fare from Perth Airport to Perth CBD of \$32. 3) PAPL charges on a 24 hour basis; see section 2.3. Car parkers who pre-book can receive discounts of up to 30 per cent compared to the drive up rates given here 4) Off-airport parking average is weighted by estimated capacity of off-airport providers; see section 4.1.2 4) Drive up prices are used for PAPL long-term. Car park users who pre book can receive discounts of up to 30 per cent compared to the drive up rates depending on the car park selected, the length of stay and the time in advance of arrival that the booking is made.

There has recently been a substantial fall in the use of parking at Perth Airport, eg, there was a 7.9 per cent reduction in throughput in 2016-17, without such a large fall in the number of passengers using the airport. It follows that passengers are switching away from using paid car parking at Perth Airport.

PAPL's pricing strategy for 2017-18 specifically observes that overnight and hourly parking penetration continues to decline, as passengers switch to other modes. PAPL considers mode switch to have been driven by declining resources industry activity, a softening of macroeconomic conditions, higher price sensitivity and increased competition from alternatives such as ridesharing services.

The existence of such a range of potential substitute services – many of which are not provided by PAPL – is itself likely to constrain PAPL's ability to charge excessive prices for parking, since customers have the ready ability to switch between alternative modes.

On balance, it may be that PAPL holds a degree of market power in car parking, on account of the convenience premium associated with car parking options located in close proximity to terminals. However, the evidence set out above suggests it is unlikely that this market power is substantial and enduring.

## 4.2 Landside access

Access to terminals is an essential component of the services provided at an airport and it is inherent in the physical configuration of its facilities that each airport controls (or has the ability to control) access to its terminals. It follows that PAPL is likely to have some market power in the provision of landside access services.

## 5. Has PAPL exercised market power?

In this section we consider whether there is any evidence of PAPL exercising a degree of market power in relation to car parking or landside access services.

### 5.1 Car parking

We consider below whether PAPL has:

- the incentive to charge monopolistic prices for car parking;
- derived monopoly rents on car parking activities;
- reduced the quality of its car parking services; and/or
- reduced the quantity of car parking spaces available below the competitive level.

Finally, we examine whether these market outcomes have deteriorated since 2013.

#### 5.1.1 Incentives to set excessive charges

Airport operators' revenue is primarily generated by people coming to the airport, regardless of whether they park a car or generate access fees. As noted by the ACCC, PAPL's car parking revenue in the last five years represents a maximum of 17 per cent of total airport revenue, at 11.6 per cent in 2016-17.<sup>28</sup>

Airport operators are therefore likely to have incentives to charge efficient prices that attract visitors to the airport, since doing so will maximise the revenue and profit associated with the commercial activities inside the terminal.<sup>29</sup>

In short, it is unlikely to be in the long term interests of an airport to discourage visitors by setting high prices on car parking and landside access. PAPL's ongoing investment in car parking and other landside access facilities appears to be consistent with this long term interest.

#### 5.1.2 Locational rents

The ACCC has consistently reported that the margins (ie, profit expressed as a percentage of sales) derived by the major airports in relation to car parking services are high.

We noted in section 3.3 above that the ACCC's measure of accounting profit is of limited relevance for assessing the extent of any economic profit derived by airports on car parking services.

An economic framework for interpreting profit margins

In order to establish by means of profit-based observations whether an airport has exercised substantial market power through setting car parking charges above competitive levels, it is essential to distinguish between two forms of economic rent that may be present. These are locational rents, and rents arising from use of market power, or 'monopoly rents'. The distinction between these is that:

- locational rents arise if the space or land available at a preferred location is limited, and users are prepared to pay a premium (though not because of artificial restrictions); whilst
- monopoly rents come about through the use of market power, which arises when a facility owner has the ability to set a price that exceeds the cost of supply (including any locational rent that may exist) or the

<sup>28</sup> Based on both Perth Airport management information and ACCC, *Airport Monitoring Report 2015-16*, March 2017, p 132.

<sup>29</sup> See Starkie, David, *Reforming UK Airport Regulation*, *Journal of Transport Economics and Policy*, vol 35(1), 2001.

price that would prevail under workable competition, or to reduce its quality below that which would prevail under workable competition, thus reducing its costs and increasing its margins.

There are many examples of locational rents, including residential land values that increase with proximity to city centres, good schools or beaches. Locational rents reflect that the land in premium locations is scarce, and that people are willing to pay more for the land as a result, ie, the opportunity cost of the land. Unless users of premium land are charged prices that reflect its locational attributes, over-crowding or congestion is inevitable.

The same principle applies to airports, which are centres of commerce in their own right. Land proximate to the terminal tends to be scarce, and so a premium must be paid to secure such prime locations. The critical, in principle distinction between a locational rent and a monopoly rent is that the former covers the opportunity cost of the land, and no more. This distinction is important, because it has implications for efficiency and for whether market power can reasonably be said to have been exercised, ie:

- locational rents are consistent with efficient pricing, since they represent the opportunity cost of space or land which is in scarce supply; and
- monopoly rents come about because the owner has set prices above an efficient level, thereby reducing output below the efficient level, creating a dead weight loss.

Locational rents do not justify regulatory intervention since they represent an important component of efficient, cost-reflective prices. In practice, the distinction between monopoly and locational rents is a challenging one to draw. The opportunity cost of land can be very high, difficult to measure and vary considerably by location.

The absence of any evidence on the location value of airport land is an intrinsic shortcoming in the way in which the ACCC monitors car parking and ground access charges. Because the reported operating margin does not factor in the opportunity cost of land, it provides no indication of whether prices are excessive. Past contentions by the ACCC that airports have been charging excessively have therefore had no basis.

In the case of Perth Airport, if PAPL did not provide car parking facilities, it could, for example:<sup>30</sup>

- enter into a long term lease with a property developer to make a convenient airport hotel; or
- use the land for further retail outlets.

#### Locational rents at Perth Airport

We have identified two potential benchmark estimates for the extent of locational rents at Perth Airport, ie:

- a recent land valuation estimated the average market value at \$28.59 net per square metre per year, as at 31 June 2017<sup>31</sup> – with the exception of the general aviation terminal, these properties tend to be further from the terminals than PAPL's car parks, and so this market value is likely to be conservative in estimating the market value of land currently occupied by PAPL's car parks, since the convenience premium that passengers may be willing to pay will not be reflected in this estimate; and
- the revenues that PAPL obtains from its lease of Airport Security Parking (for a commission of 45 per cent of gross revenues), suggesting an average (mean) opportunity cost of land of \$41.74 per square metre per year.

Given the difficulties in separating monopoly and locational rents, and in estimating locational rents, any quantitative assessment of locational rents should be supported by a qualitative assessment.

<sup>30</sup> See Forsyth Peter, *Locational and monopoly rents at airports: creating them and shifting them*, Journal of Air Transport Management, vol 10, 2004, pp 51–60.

<sup>31</sup> We selected 18 properties from the ground lease portfolio, for which sufficient information on physical location was available to determine that the location and characteristics of the land were broadly comparable to car parking land.

Roughly 14 million passengers travelled through Perth Airport in 2017. High foot traffic in combination with the fact that airline passengers typically have higher than average incomes, gives rise to a strong commercial value proposition. It should not therefore be surprising that land value in and around airports is typically high.

In addition, there has been an international trend towards what has been coined ‘airport cities’, where an airport offers a much broader range of services and facilities to its passengers, including health, fitness and entertainment facilities, gourmet restaurants, and high-end boutique shopping. In light of the changing norms for airport facilities, options for alternative uses (ie potential demand) for land at Perth Airport continue to increase.

Consistent with this, according to PAPL, the value of land on which its car parks are located has increased by 59 per cent between 2006 and 2010, and between 2013 and 2017 the value increased again by a further 39 per cent.

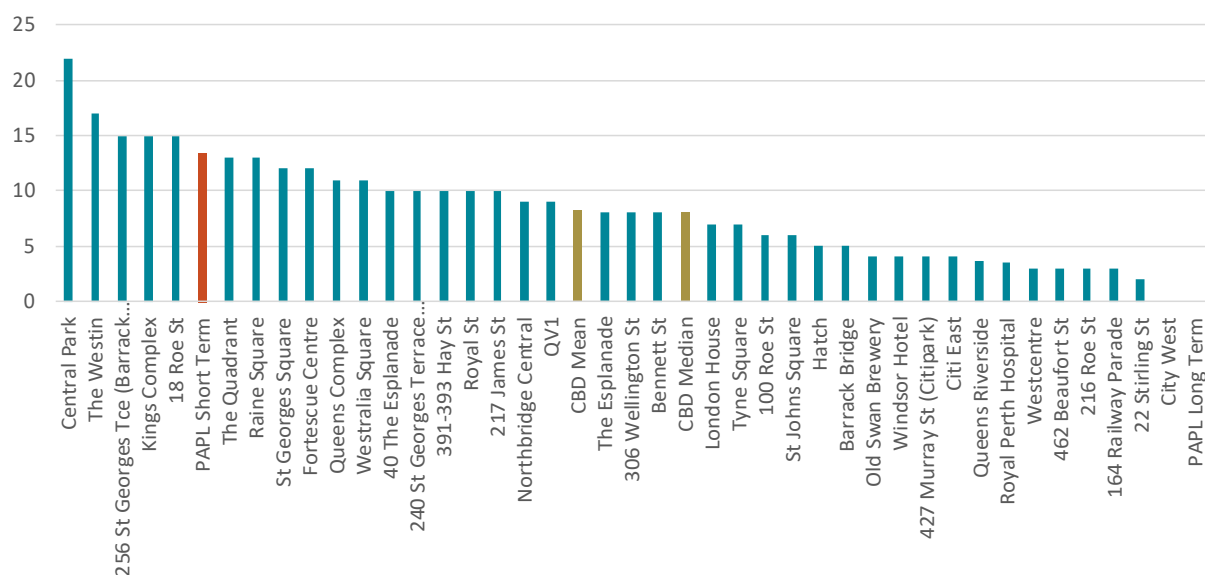
#### Locational rents in Perth CBD

It can be instructive to explore the nature of locational rents in other areas, such as Perth’s CBD. Car parks located in Perth’s CBD can be expected to include an element of locational rent, unlike non-CBD car parks such as shopping centres and stadiums, that may also face close competition from free parking on surrounding streets, and which (in particular, for shopping centres) may cross-subsidise car parking to encourage patronage.

The existence of many public car parks in Perth’s CBD allows for an illustration of the existence of locational rents. Since the services provided are largely the same, differences in prices may be used to examine the existence and range of locational rents. Our analysis focuses on short term pricing, since the land closest to the terminals is likely to command the greatest degree of locational rent, and PAPL faces significant competition from off-airport providers for longer term stays.

Figure 5.1 below highlights that there is a wide range of prices for short term parking in Perth, and so the locational rents are likely to be very significant. The price for one hour of car parking at Perth Airport is within the range of prices charged in the CBD.

Figure 5.1: Comparison of one hour car parking rates at Perth Airport vs CBD



Source: <https://www.wilsonparking.com.au/Pages/default.aspx>, accessed 25 June 2018, <https://www.secureparking.com.au>, accessed 4 July 2018

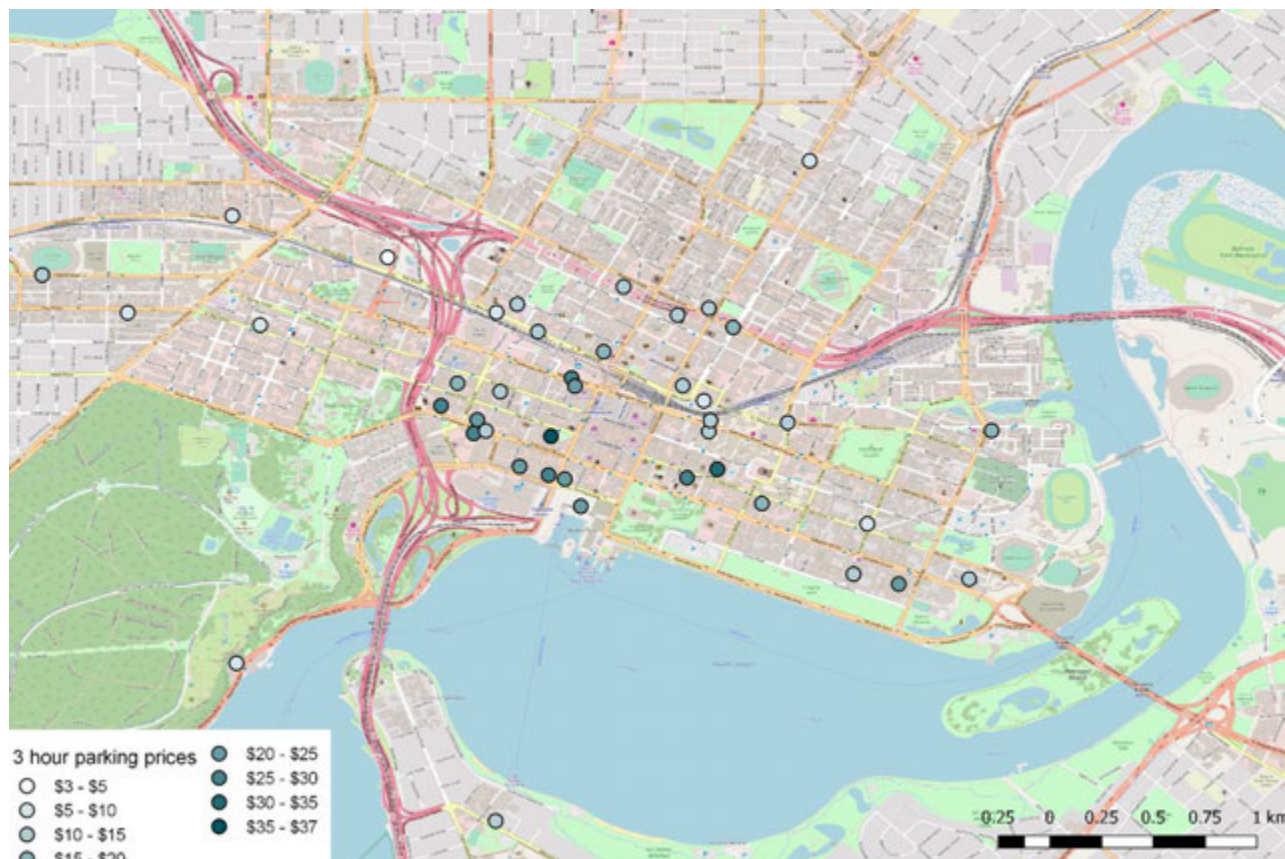
Figure 5.2 below shows car parking prices for a three hour stay at a range of Wilson and Secure car parks near Perth's CBD. In particular, it shows that car parks towards the geographic centre of Perth tend to charge higher prices (shown by darker shading) than those further out, because these locations have a higher opportunity cost of providing car parking services.<sup>32</sup>

It follows that the locational rents in Perth's CBD appear to be very significant, because prices at very central locations are around \$30 for three hours, whilst prices are around \$10 for the same service, only 0.5-1km from the very centre of the CBD.

<sup>32</sup> This analysis is included to show the *general* trend that car parks close to the city centre charge higher prices than those further out, but prices may also vary with the services provided, for example undercover compared to outdoor parking, or with other factors including the number of parks provided, proximity to shopping centres and security levels. It is not intended to be an in-depth analysis of CBD parking prices.



Figure 5.2: Three-hour car parking prices at Wilson and Secure car parks in Perth CBD



Source: <https://www.perthairport.com.au/parking/standard-parking-prices>, accessed 9 July 2018, <https://www.wilsonparking.com.au>, accessed 25 June 2018, <https://www.secureparking.com.au>, accessed 4 July 2018

### 5.1.3 Quality

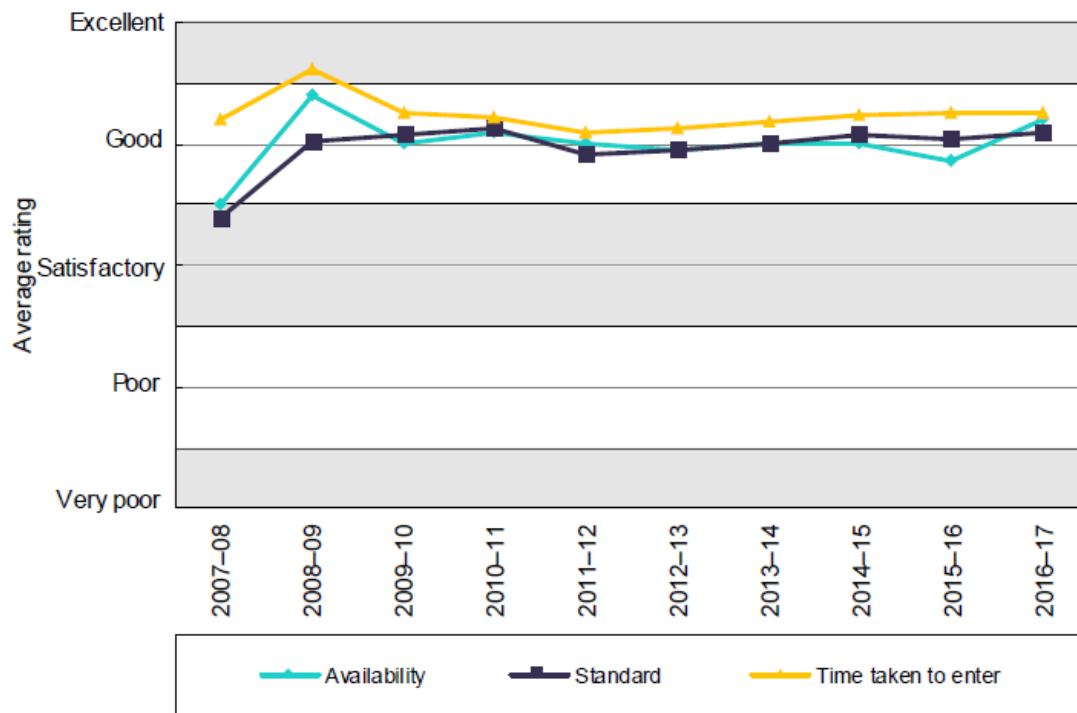
PAPL may also be able to exercise market power through reducing the quality of its services below the level that would otherwise apply in a workably competitive market. The most likely form of such conduct would be under-investment in capacity or by allowing service quality to deteriorate in other ways that reduce costs.

As discussed in section 2.2.4, PAPL has invested significantly in car parking infrastructure, with the aim to improve the quality of service provided to users.

There is no evidence or suggestion that PAPL has allowed its quality of service to deteriorate. Aspects of quality are difficult to measure, although any changes could be expected to flow through into the customer satisfaction metrics reported by the ACCC. Figures 5.3 and 5.4 below illustrate the continued rating of the quality of PAPL's parking facilities as 'good', in particular, showing significant improvement within the 'good' category over the last five years, and all metrics in the higher band of the 'good' category as at 2017.

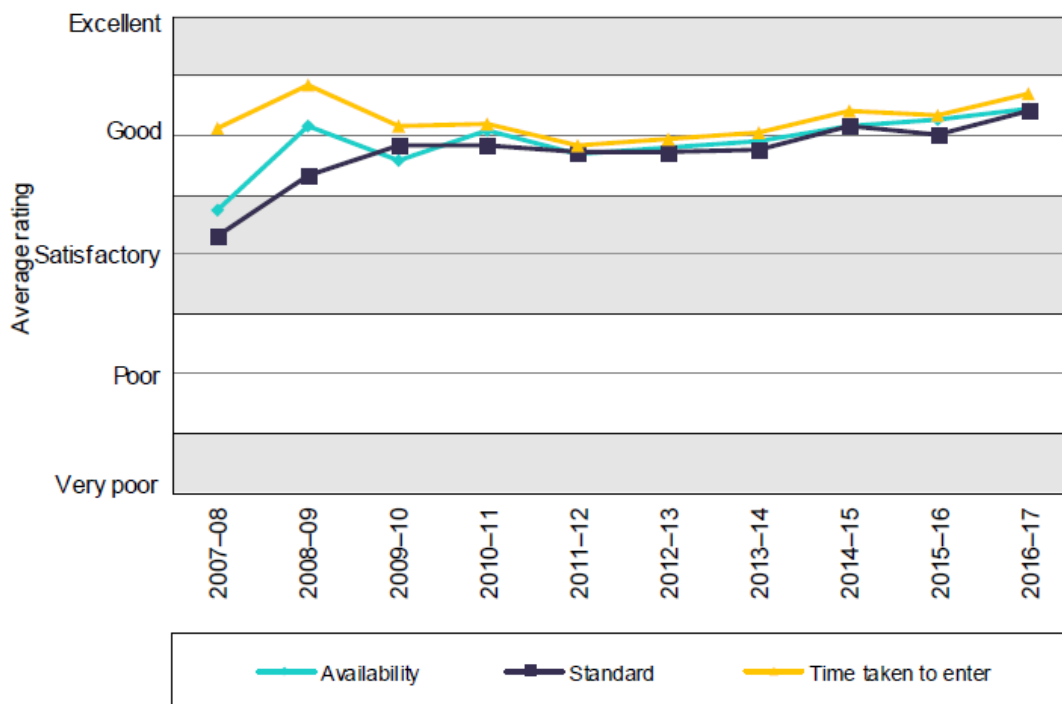


Figure 5.3: T1/T2 precinct passenger survey ratings of car parking facility quality



Source: ACCC, Airport monitoring report 2016-17, p 140

Figure 5.4: T3/T4 precinct passenger survey ratings of car parking facility quality



Source: ACCC, Airport monitoring report 2016-17, April 2018, p 141

### 5.1.4 Capacity

PAPL has continued to invest in expanding car parking capacity at its terminals. There is no evidence of PAPL acting to induce any artificial shortage of car parks in order to increase prices. By contrast, multiple, significant investments in new parking facilities continue to be undertaken, as described in section 2.2.4 above. These investments have taken place despite average occupancy remaining below capacity.

Capacity is most constrained in the short-term car park at T1, owing to international hourly parking demand and online upsell from long term parking. PAPL's short term car parks have experienced the highest price increases over the period. Taken together, these facts suggest that the pricing structure for PAPL's car parks is consistent with efficient price signalling and capacity rationing, since the intrinsically limited extent of available short-term car parks are priced so that they are allocated to users who value the service most. The ACCC has previously accepted that:

High prices can be an efficient rationing mechanism that apportions the limited available car spaces amongst users who are willing to pay for them. Otherwise there would be excessive demand for the most convenient car spaces, which would result in queuing and, consequently, delay costs to users.<sup>33</sup>

The Productivity Commission has echoed these sentiments:<sup>34</sup>

At a minimum, car parking prices at airports reflect the fixed and variable costs of the service, the inbuilt over-capacity inherent in catering to peak demand and the opportunity cost of the land. Added to this is the imperative to ensure that passengers are guaranteed the convenience and amenity associated with a short-term car park when needed, and the necessity to enable demand management strategies to use price as a mechanism to shift long-term car parkers away from short-term places.

### 5.1.5 Changes since 2013

#### Prices

In section 2.3, we set out that prices for parking at Perth Airport have increased over the past five years, except for Fast Track car parking. We understand that recent price increases have been driven by:

- increased costs due to investment in expanding car parking capacity and ongoing consolidation of services to the airport central precinct; and
- management of scarce short term parking capacity – short term hourly car park prices have increased to reflect the relative capacity constraint of this carpark.

However, PAPL's operating profit margin from car parking services has fallen significantly over the last five years.<sup>35</sup> Rising prices without corresponding increases in profit are not typically consistent with the possession or exercise market power. Rather, market power-related concerns typically centre on firms that are profitably able to raise and maintain prices above competitive levels, due to a lack of competitive constraints.

#### Prices relative to land values

It is relevant to compare the movement in PAPL's car parking prices to the movement in land values in various locations near the airport. If the land surrounding the airport (and in Perth in general) has increased in value, it is reasonable to infer that the land on which PAPL's car parks are located will have increased as

<sup>33</sup> ACCC, *Airport monitoring report 2009-10*, p 73.

<sup>34</sup> Productivity Commission, *Economic regulation of airport services*, December 2011, Finding 11.3, p LIII.

<sup>35</sup> ACCC, *Airport monitoring report 2016-17*, p 43.

well. As such, the opportunity cost of PAPL's car parking land will have increased and it should be expected that it would earn more revenue from car parking to reflect that increased opportunity cost.

We showed in section 2.3.1 that car parking prices increased from 2013 to 2017 by between -16.9 and 19.9 per cent. All but one of the car parks had an increase in prices that was less than the average increase in land values, which was 17.7 per cent, as given in Table 5.1: . As such, the price of car parking has not generally increased by more than the increase in land value.

Table 5.1: Movement in benchmark property values over time

Benchmark	Site area	2013 value	2017 value	% change
50 Affleck Road	3,615	\$31.00	\$31.00	0.00%
40 Sugarbird Lady Rd	18,600	\$22.00	\$27.00	22.73%
Customs House, Fricker Rd (Int'l)	9,750	\$27.50	\$29.00	5.45%
Fricker Rd (International)	5,525	\$30.77	\$30.00	-2.50%
Detention Centre, Baker Rd	2,354	\$31.50	\$31.00	-1.59%
Workshop, Baker Rd	946	\$32.00	\$31.00	-3.13%
Perth Flight Centre, Fautleroy Ave	9,309	\$27.00	\$29.00	7.41%
Cobham Aviation Car Park	5,588	\$26.00	\$30.00	15.38%
Skippers Carpark Area, Valentine Rd (Domestic)	7,936	\$29.00	\$30.00	3.45%
Dog Kennels, Kleinig Ave (Domestic)	2,500	\$31.00	\$31.00	0.00%
Gold Refinery, Horrie Miller Drive	37,541	\$15.00	\$22.00	46.67%
<b>Average</b>	<b>9,424</b>	<b>\$22.49</b>	<b>\$26.47</b>	<b>17.7%</b>

Source/notes: Average of benchmark properties is weighted by site area. The properties shown are those from the 18 properties described above for which values were available in 2013 (11 properties as above)

#### Movement in implied return on land

We examine below how the implied rate of return on Perth Airport's car parking land changed from 2013 to 2017. The ACCC airport monitoring reports set out car parking revenues and operational expenditure as shown in the table below.

Table 5.2: Perth Airport car parking revenues, expenses and EBITA profit

Item	2012-13	2013-14	2014-15	2015-16	2016-17
Revenue (\$ millions)	58.5	64.8	65.1	63.6	63.0
Expenses (\$ millions)	18.8	20.2	23.6	28.2	30.0
<b>EBITA profit (\$ millions)</b>	<b>39.7</b>	<b>44.6</b>	<b>41.5</b>	<b>35.4</b>	<b>33.0</b>

Source: ACCC, *Airport monitoring report 2012-13*, April 2014, p 187; ACCC, *Airport monitoring report 2013-14*, April 2015, p 150; ACCC, *Airport monitoring report 2014-15*, April 2016 p 123; ACCC, *Airport monitoring report 2015-16*, March 2017, p 132; ACCC, *Airport monitoring report 2016-17*, April 2018, p 139

The table above reveals that in 2012-13, PAPL received \$58.5 million in revenue from car parking and incurred \$18.8 million in operating costs, resulting in a \$39.7 million operating margin. The operating margin can be thought of as a return on the assets in situ at that time, including the relevant land. In other words, it provides a high-level indication of the implied return on car parking land at that time.

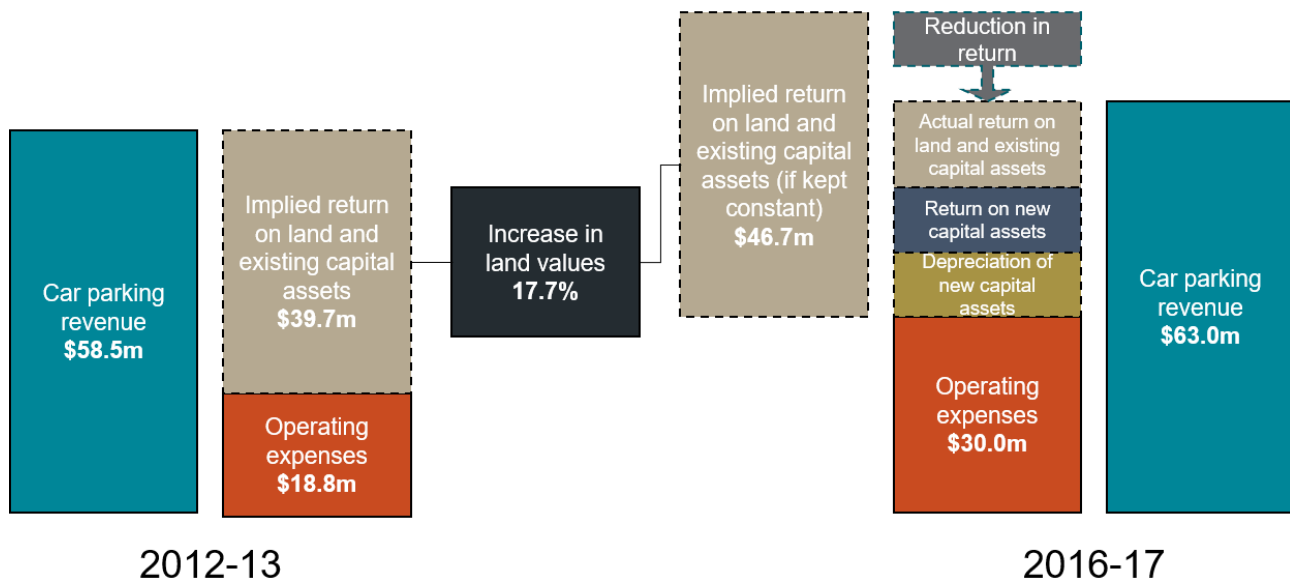
Using Table 5.1: , we estimate that the value of PAPL's land has increased by 17.7 per cent from 2013 to 2017, on average. Assuming that this increase in land values also applies to the value of the capital assets as a whole, we find that PAPL would have needed an operating margin of \$46.7 million in 2016-17 to earn the same return on car parking assets as in 2012-13.<sup>36</sup>

This significantly exceeds the actual operating margin in 2017 of \$33 million. Further, the implied return of \$46.7 million does not include the return on and of any new capital expenditure by PAPL, which was significant during the period.

Figure 5.5 below illustrates that the required implied return in 2016-17 exceeds the actual return in that year, even before taking into account the new capital expenditure. It follows that Perth Airport is likely to have earned a lower return on land used for car parks in 2016-17, as compared to 2012-13.

<sup>36</sup> We also assume that the weighted average cost of capital has not changed from 2012-13 to 2016-17.

Figure 5.5: Movement in implied return on land



### Quality

Figure 5.3 and Figure 5.4 above show that the quality of ratings of car parking services given by passenger surveys have been increasing over the past five years. Therefore, there is no evidence of the quality of car parking services declining over the last five years.

### Capacity

As set out in section 2.2, PAPL has increased the number of car parks available to the public in recent years, even as throughput was falling. As such, PAPL has not reduced the quantity of car parks available over the past five years.

In summary, the above analysis indicates that PAPL has not increased the extent to which it has used market power in the supply of car parking services over the past five years.

### 5.1.6 Summary

The ACCC's assessment of profitability at airports focuses on accounting measures of profitability. Such measures take no account of a key important element of the economic cost of car parks, being the opportunity cost of the relevant land or other locational attribute.

The evidence suggests that the locational rents at Perth Airport are likely to be significant and have recently increased, ie:

- Perth Airport would be able to rent out the car parking land for other purposes for substantial sums;
- airports are becoming more like small cities with a wide range of services, giving PAPL a wide range of alternatives for the land used for car parks;
- the land used for car parks has increased substantially in value over the last five years; and
- the value of locational rents are very substantial in Perth CBD, with car parks closer to the centre of the CBD having much higher prices than those just 1km away.

It follows that the prices set by PAPL for car parking are likely to be explained to a significant extent by locational rents and convenience premiums. The ACCC's assessment would also benefit from assessing

other aspects of opportunity cost (such as return on other capital). In the absence of such analysis, the ACCC's assessment of the economic costs of car parking is significantly compromised, and the reported profitability of car parking services at Perth Airport is overstated. As such, there is no evidence that PAPL has exercised substantial market power by charging high prices for parking.

The evidence and analysis set out above is also not consistent with PAPL exercising substantial market power in the supply of car parking services by other non-price means, ie:

- there is no indication that PAPL has restricted capacity to create scarcity rents; and
- there is no evidence that the quality of car parking is below that of a competitive market.

There is no evidence that market outcomes have deteriorated since the Productivity Commission's last review five years ago, ie:

- price changes over time are consistent with the increased costs faced by the airport in providing the service;
- the price of car parking has not generally increased by more than the increase in land value;
- PAPL is likely to have earned a lower return on land used for car parks in 2016-17, as compared to 2012-13;
- there is no evidence of the quality of car parking services declining over the last five years; and
- PAPL has not reduced the quantity of car parks available in the last five years.

## 5.2 Landside access

The ACCC has repeatedly voiced the concern that airports are in a position to reduce competition by placing restrictions on landside access to terminals.<sup>37</sup> Such restrictions might include excessive levies, setting inconvenient locations for pick-up and drop-off points, and under-investment in the quality of roads and waiting areas for passengers using such routes. Despite such actions having the potential to contravene section 46 of the *Competition and Consumer Act 2010* (Cth) we are not aware of the ACCC undertaking any enforcement actions in such circumstances.

Although it is clear that PAPL has considerable discretion over its terms and conditions of landside access, the available evidence suggests that PAPL has set those terms so as to facilitate access, with the ultimate objective of maximising long term foot traffic at Perth Airport.

### 5.2.1 Landside access fees

We described in section 2.3 that PAPL charges fees to some users for accessing the terminals. However, there are substantial costs involved in maintaining the landside access infrastructure, including roads, pick-up and drop-off bays, taxi stands, and so on. The recovery of the costs for such facilities through access charges does not in itself suggest that market power is being exercised. The Productivity Commission has previously acknowledged this basic point, ie:<sup>38</sup>

As a first step, the price of ground transport access must reflect the cost of providing the service.

Access fees are not charged to private vehicles, hotel shuttles, tourist buses, coaches, public buses or other similar operators. Off-airport car parking operators, the closest competitor to PAPL's own (long term) car parking facilities, are also exempt from the charges.

PAPL chooses to locate facilities for a variety of no to low yielding access modes – such as private vehicle pick-up and drop-off, and taxi ranks and supporting holding areas – on high value land located proximate to

<sup>37</sup> ACCC, *Airport monitoring report 2015-16*, p xii.

<sup>38</sup> See, for example, Productivity Commission, *Economic regulation of airport services*, 14 December 2011, p 286.



terminals, thereby prioritising the efficient movement of passengers and vehicles over higher commercial returns that could otherwise be generated from this land, and over locating PAPL's own car parking facilities closest to terminal.

To manage peak demand and alleviate congestion for access modes like private vehicle pick-up and drop-off, PAPL provides free parking options in its short term and long term parking facilities, prioritising quality for customers and the efficient movement of passengers and vehicles over the potential commercial returns from these assets.

Facilitating access is a strategy consistent with a profit maximising airport whose primary revenue stream depends on foot traffic inside the terminals, regardless of the mode of transport by which passengers and visitors arrive at the airport.

### 5.2.2 Quality

PAPL has continued to invest in landside access as discussed in section 2.4.1. This is reflected in the ratings of quality for landside access as reported by the ACCC. Indeed, in 2016-17, all services were rated as 'good' by passengers, with all improving since 2013-14 as shown in Table 5.3.

Table 5.3: Quality of landside access ratings at Perth Airport

Terminal	Indicator	Rating category 2016-17	1-year change	Change since 2013-14
<b>International, Domestic &amp; General Aviation (T1/T2)</b>	Kerbside pick-up and drop-off facilities	Good	▲	▲
	Waiting time for taxis	Good	▲	▲
	Kerbside space congestion	Good	▲	▲
<b>Domestic (T3/T4)</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.  
 ▲ indicates an improvement; ▼ indicates a decline; — indicates no change.

Source: ACCC, *Airport monitoring report 2016-17*, April 2018, p 143

In summary, PAPL does not appear to have the incentive to restrict landside access to its terminals, and there is no evidence that it has done so.

## 6. Conclusion

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This report has assessed the extent to which PAPL can be regarded as having a degree of market power in relation to either car parking or landside access services at Perth Airport, and whether it has taken advantage of any such power.

Our analysis shows that, in relation to car parking:

- PAPL is unlikely to have substantial market power, on account of competition from other transport options for accessing Perth Airport, such as drop-off and pick-up, taxi and rideshare, as well as competition from off-airport car parking operators, each of which constrain the prices that PAPL is able to set for car parking;
- we find no evidence of PAPL exercising any market power in the supply of car parking services, given that:
  - > the locational rents at Perth Airport are likely to be significant and have recently increased, and so explain a large part of the prices for car parking services set by PAPL;
  - > there is no indication that PAPL has restricted the capacity or the quality of car parking services; and
- there is no evidence that market outcomes have deteriorated since the Productivity Commission's last review five years ago.

In relation to ground access:

- access to terminals is an essential component of the services provided at an airport and it is inherent in the physical configuration of its facilities that each airport controls (or has the ability to control) access to its terminals. It follows that PAPL is likely to have some market power in the provision of landside access services; however
- there is no evidence that PAPL has exercised market power, given that:
  - > access fees are not charged to private vehicles, hotel shuttles, tourist buses, coaches, public buses or other similar operators;
  - > off-airport car parking operators, the closest competitor to PAPL's own (long term) car parking facilities, are also exempt from the charges;
  - > PAPL chooses to locate facilities for a variety of low to no yielding access modes, such as private vehicle pick-up and drop-off and taxi ranks and supporting holding areas on high value land located proximate to terminals, prioritising the efficient movement of passengers and vehicles over the superior commercial returns that could otherwise be generated from this land, over locating PAPL's own car parking facilities closest to terminals;
  - > to manage peak demand and alleviate congestion for access modes including private vehicle pick-up and drop-off, PAPL provides free parking options at its short and long term parking facilities, prioritising quality for customers and the efficient movement of passengers and vehicles over the expected commercial returns from these assets; and
  - > PAPL has continued to invest in landside access. This is reflected in the ratings of quality for landside access as reported by the ACCC. Indeed, in 2016-17, all services were rated as 'good' by passengers, with all improving since 2013-14.

In our opinion, this amounts to compelling evidence that PAPL is not exercising market power, but is instead seeking to *facilitate* access. As noted above, facilitating access is a strategy consistent with a profit maximising airport whose primary revenue stream depends on foot traffic inside the terminals, regardless of its visitors' mode of transport.

## A1. Off-airport parking operators

In this section we describe the various off-airport car operators for which information is readily available as at February 2018, including the services they offer, the location of the car parks and prices of the services.

### A1.1 AirportParking4Less

AirportParking4Less<sup>39</sup> is located at 167 Abernethy Road, Belmont, approximately 8 km from the T1/T2 precinct and 5 km from the T3/T4 precinct.<sup>40</sup>

AirportParking4Less provides open air and undercover parking with 24 hour security. AirportParking4Less is open seven days per week and the shuttle runs between 3:30am to 1:00am each day.

AirportParking4Less offers a free shuttle to take customers to Perth Airport – customers are required to book the shuttle a minimum of 12 hours in advance. For an additional cost, AirportParking4Less also offers automotive cleaning and detailing services, as well as mechanical servicing and minor repairs – eg, AirportParking4Less can organise windscreen and tyre replacement/repairs and minor panel repairs.

AirportParking4Less recommends that customers book at least 24 hours in advance, and customers can make bookings either online or via the telephone. AirportParking4Less charges per calendar day or part thereof, as per the table set out below.

Table A 1.1: AirportParking4Less parking rates

Days	Outdoor parking	Undercover parking
1st day (total cost)	\$29.52	\$35.70
2nd day (additional cost)	\$29.47	\$35.70
3rd day (additional cost)	\$0	\$4.08
4th day (additional cost)	\$0	\$10.02
5th day (additional cost)	\$6.45	\$9.18
6th day (additional cost)	\$5.36	\$9.18
7th day (additional cost)	\$5.36	\$9.18
Each additional day (or part thereof)	\$9.01/day	\$14.79/day

<sup>39</sup> ACCC, *Airport monitoring report 2016-17*, p 43.

<sup>39</sup> See AirportParking4Less website, [www.airportparking4less.com.au](http://www.airportparking4less.com.au), accessed 23 January 2018.

<sup>40</sup> Distances calculated using Google Maps.

## A1.2 Airport Security Parking

Airport Security Parking<sup>41</sup> have two locations, both of which are located at the airport. Specifically, Airport Security Parking has a car park approximately 200m from the Terminal 1 and another car park approximately 500m from the Terminal 3 and Terminal 4 – Airport Security Parking is typically located closer to the terminals than the long term parking provided by PAPL.<sup>42</sup> PAPL rents out the car parks to Airport Security Parking. In return, PAPL receives 45 per cent of Airport Security Parking's monthly turnover, but has no control over prices charged or operations.

Airport Security Parking offers under cover parking as well as open bays. All car parks are staffed 24 hours per day, are fully fenced, and flood lit with CCTV camera surveillance. The T1/T2 facility operates between 4am and midnight daily whereas the T3/T4 facility operates 24 hours per day each day.

Airport Security Parking provide a free chauffeur drop-off to Terminal 3 and Terminal 4 using the customer's vehicle. In addition, Airport Security Parking offer a return delivery service for \$9, where it delivers the customer's vehicle to the terminal upon their return. Airport Security Parking also provides washing and cleaning services for an additional cost.

Customers can make a booking online or via the telephone. Airport Security Parking requires customers to make a booking to park at the T1/T2 facility and, although it notes that bookings are not essential for the T3/T4 facility, Airport Security Parking recommends that customers make a booking if they wish to park at this facility.

Airport Security Parking does not set out its prices online, however its rates start from \$27 per 24 hours (or part thereof) or \$135 per week. Customers can obtain a quote by entering their pick-up date and drop-off date on the online form.

## A1.3 Hamer Airport Parking

Hamer Airport Parking<sup>43</sup> are located at 20-22 Redcliffe Road, Redcliffe, approximately 10 km from the T1/T2 precinct and 2 km from the T3/T4 precinct.<sup>44</sup>

Hamer Airport Parking offers both secure open air and under cover parking. The parking facility has numerous security measures in place including security patrols, video surveillance, alarms and guard dogs. Hamer Airport Parking operates as a valet service where customers drop-off their keys upon arriving at the parking facility. Hamer Airport Parking is open between 4:30am and 10pm on weekdays and between 8am and 6pm on weekends.

Hamer Airport Parking provides a free on-demand shuttle between the T3/T4 precinct and offers transfers to the T1/T2 precinct at set times.

Customers can make a booking online or via the telephone, however Hamer Airport Parking states that it is not necessary for customers to make a booking. Charges are levied per day, with undercover parking attracting higher rates. The rates per day for undercover and outdoor parking are set out in the table below.

<sup>41</sup> See Airport Security Parking website, <https://www.airportsecurityparking.com.au/>, accessed 24 January 2018.

<sup>42</sup> Distance to Terminal 1 specified on Airport Security Parking website, <https://www.airportsecurityparking.com.au/contact-us>, accessed 23 January 2018. Distance to Terminal 3 and Terminal 4 calculated using Google Maps.

<sup>43</sup> See Hamer Airport Parking website, <http://www.airport.com.au>, accessed 24 January 2018.

<sup>44</sup> Distances calculated using Google Maps.

Table A 1.2: Hamer Airport Parking rates

Days	Outdoor parking	Undercover parking
Days 1 to 3 (rate per day)	\$15	\$25
Each additional day (rate per day)	\$10	\$12

## A1.4 Park and Fly Perth

Park and Fly Perth<sup>45</sup> are located at 14 Reggio Rd, Kewdale, approximately 5 km from the T1/T2 precinct and 7 km from the T3/T4 precinct.<sup>46</sup>

Park and Fly Perth offers secure warehouse under cover parking. The parking facility has numerous security measures in place including security patrols, electronic surveillance and bollards. Park and Fly Perth does not state on their website whether customers are required to drop-off their keys upon arriving at the parking facility. Park and Fly Perth is open between 6am and 6pm every day.

Park and Fly Perth provides a free on-demand shuttle to both the T3/T4 and T1/T2 precincts. In addition, Park and Fly Perth also offers detailing, servicing and other services for additional costs.

Customers can complete a booking enquiry form online or book via the telephone. Park and Fly Perth does not set out its costs online.

## A1.5 Qantas Valet

Qantas Valet<sup>47</sup> is located at the airport, adjacent to the T3/T4 terminals, approximately 8 km from the T1/T2 precinct.<sup>48</sup>

Qantas Valet states that bookings are not required.

Qantas Valet is a valet service and does not specify on its website whether the parking is open or undercover. Qantas Valet is open every day of the week, operating between one hour before the first flight until one hour after the last flight. Qantas Valet also offers car cleaning and detailing services for an extra cost. Charges are levied per day, with rates detailed in the table below.

<sup>45</sup> See Park and Fly Perth website, <http://www.parkandflyperth.com.au/>, accessed 30 January 2018.

<sup>46</sup> Distances calculated using Google Maps.

<sup>47</sup> See Qantas Valet Perth website, [http:// https://www.qantas.com/travel/airlines/perth-airport-parking-valet/global/en](http://https://www.qantas.com/travel/airlines/perth-airport-parking-valet/global/en), accessed 31 January 2018.

<sup>48</sup> Distance calculated using Google Maps.

Table A 1.3: Qantas Valet parking rates

Days	Total
1 calendar day	\$55
2 days/1 night	\$100
3 days/2 nights	\$135
4 days/3 nights	\$180
5 days/4 nights	\$200
6 days/5 nights	\$240
7-14 days/6-13 nights	\$280
Each additional day (rate per day)	\$30

Qantas Valet charges \$20 for an additional two hours parking, for longer periods customers are charged for the full day.

## A1.6 Skypark Valet Parking

Skypark Valet Parking<sup>49</sup> (Skypark) is located at 493 Great Eastern Highway, Redcliffe, approximately 10 km from the T1/T2 precinct and 3 km from the T3/T4 precinct.<sup>50</sup>

Skypark offers both open parking and undercover parking, with all car parks monitored 24-hours per day via mobile patrols, CCTV and electronic surveillance. Car parks are provided as a valet service and customers are required to leave their keys with the operator. Skypark is open every day of the week, operating between 4am and midnight on weekdays and 5am and midnight on weekends.

Skypark provides a free shuttle to drop and collect passengers at any terminal at Perth Airport. In addition, Skypark also offers various washing and detailing services for an extra cost.

Skypark offers a discount of up to 30 per cent on online bookings, however it does not set out pricing details on its website. Instead, Skypark provides a quote after customers enter their pick-up date and drop-off date on the online form. For example, the online price for booking an open car park for 24 hour period spanning 1 March 2018 12:00pm to 2 March 2018 12:00pm is \$24 whereas the online price for booking an undercover park for the same period is \$33.25 – Skypark notes on the quotation that the standard price (when not booked online) is \$30 and \$35 dollars respectively. We note that Skypark appears to charge on a time period basis as opposed to per calendar day, as per the majority of the other off-airport car park operators.

## A1.7 The Car Port and Spa

The Car Port and Spa<sup>51</sup> is located at 504 Great Eastern Highway, Redcliffe, approximately 9 km from the T1/T2 precinct and 3 km from the T3/T4 precinct.<sup>52</sup>

<sup>49</sup> See Skypark Valet Parking website, <http://skypark.com.au/>, accessed 23 January 2018.

<sup>50</sup> Distances calculated using Google Maps.

<sup>51</sup> See The Car Port and Spa website, [www.thecarportandspa.com.au](http://www.thecarportandspa.com.au), accessed 23 January 2018.

<sup>52</sup> Distances calculated using Google Maps.



The Car Port and Spa offers both undercover and outdoor parking. All parking is provided as a valet service, and as such, customers are required to leave their keys with their car. The Car Port and Spa is open every day of the week.

In addition to car parks, the Car Port and Spa offers a free luxury valet service to and from any of the Perth Airport terminals. The Car Port and Spa also provides car wash and wax services for an additional cost.

Customers can make a booking online or via the telephone. Charges are levied per day, with undercover parking attracting higher rates. The rates per day for undercover and outdoor parking are set out in the table below.

Table A 1.4: The Car Port and Spa parking rates

Number of days	Undercover parking	Outdoor parking	Days	Undercover parking	Outdoor parking
1	\$30.00	\$25.00	16	\$212.40	\$135.00
2	\$60.00	\$50.00	17	\$215.00	\$137.00
3	\$64.17	\$52.00	18	\$220.00	\$140.00
4	\$85.56	\$58.50	19	\$225.00	\$142.00
5	\$96.72	\$68.40	20	\$230.00	\$145.00
6	\$107.88	\$78.30	21	\$235.00	\$147.00
7	\$119.04	\$88.80	22	\$240.00	\$149.00
8	\$130.20	\$95.00	23	\$245.00	\$151.00
9	\$141.36	\$100.00	24	\$250.00	\$153.00
10	\$152.52	\$105.00	25	\$255.00	\$155.00
11	\$163.68	\$110.00	26	\$260.00	\$157.00
12	\$174.84	\$115.00	27	\$265.00	\$159.00
13	\$186.00	\$122.00	28	\$270.00	\$161.00
14	\$197.16	\$127.00	29	\$275.00	\$163.00
15	\$208.32	\$132.00	30	\$280.00	\$164.00

The Car Port and Spa currently provides discounts of up to 40 per cent for online prepaid bookings for parking, however, it is unclear as to whether the rates specified on the website already account for this discount.



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