

5th April 2011

Economic Regulation of Airport Services
Productivity Commission
GPO Box 1428
CANBERRA ACT 2601

Dear Commissioners

**Re: Productivity Commission
Inquiry into the Economic Regulation of Airport Services**

We refer to the Productivity Commission's Issues Paper, dated January 2011, concerning the Inquiry into the Economic Regulations of Airport Services.

We note that the Commission seeks comment on this matter, and forward this submission on behalf of Airport Link Company.

More specifically, our Submission is aimed to provide the Commission with insight into three aspects of the Inquiry's Scope. We have allocated these three components into two parts:

Part A

- 1. The inquiry is to focus on the provision of passenger transport services at and surrounding main passenger airports operating in Australia's major cities.*
- 2. The Commission is to examine the provision and quality of land transport facilities providing access to the airports.*

Part B

- 3. Whether existing arrangements for the planning and operation of land transport linkages to the airports are effective.*

***Airport Link Company Submission to the Productivity Commission
Economic Regulation of Airports***

Part A

Airport Link's comment on:

1. *The inquiry is to focus on the provision of passenger transport services at and surrounding main passenger airports operating in Australia's major cities.*
2. *The Commission is to examine the provision and quality of land transport facilities providing access to the airports.*

Background to Airport Link Company

Airport Link Company is the private owner and operator of the Sydney Airport International and Domestic Train Stations, and the non-airport suburban stations at Mascot and Green Square.

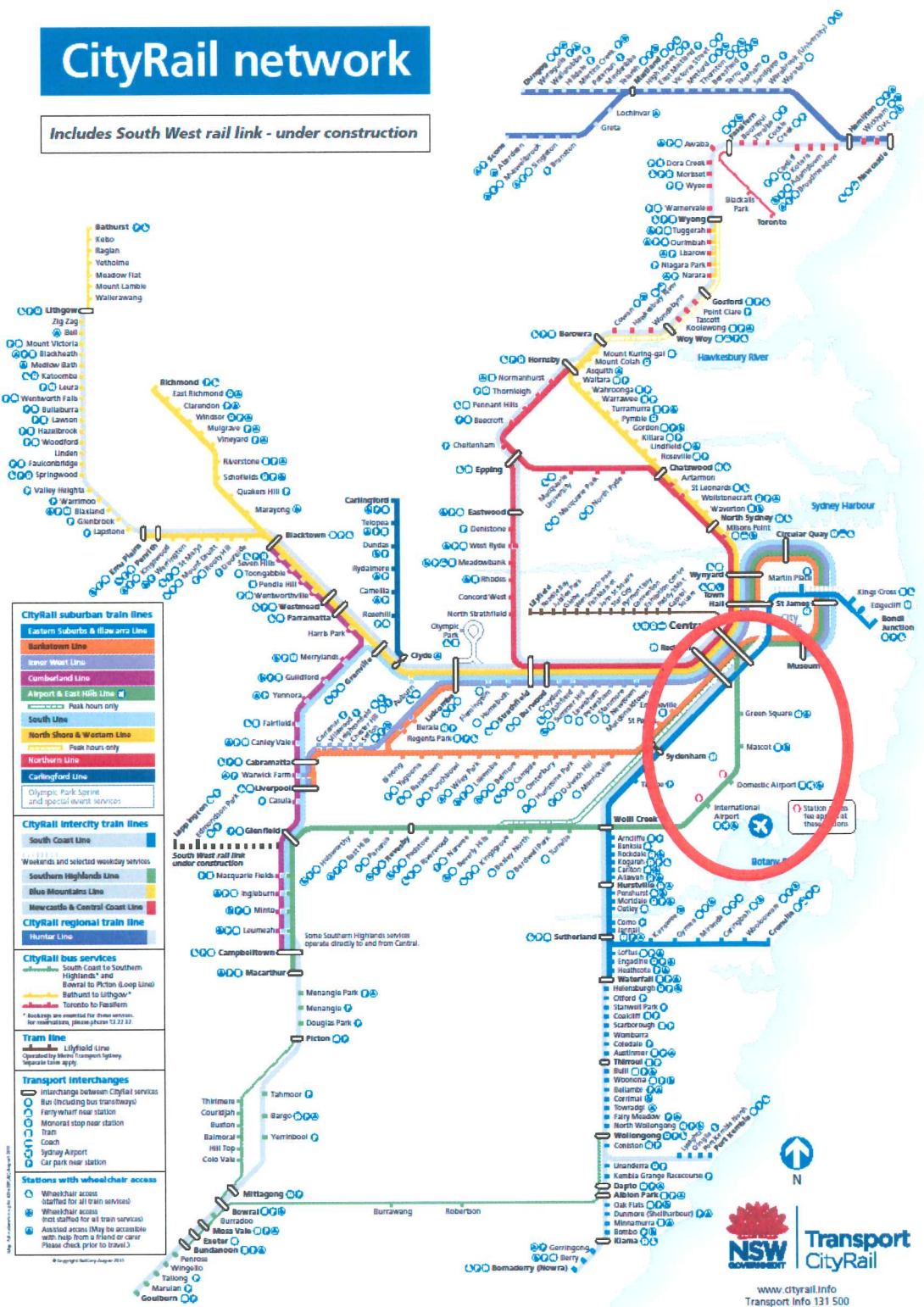
These stations are part of *Airport Link*.

Airport Link is the 9.5 kilometre tunnel and train station network which connects Sydney Airport and the Sydney Central Business District and beyond. Airport Link is also known as the Airport Line, which was constructed during the late 1990s, and opened in May 2000, in preparation for the Olympic Games.

Airport Link Company Pty Ltd (ALC), as a private organisation, holds a concession with the New South Wales Government's Railcorp, to build, finance and operate the train stations on the line, and market and develop the rail service. This concession extends to May 2030, and involves a relationship with Railcorp, whereby they provide the rolling stock and train services, as part of the CityRail network (See Figure 1). The standard of the trains ranges from very good, to quite moderate, depending on the age of the train. In 2011, it is anticipated that the first of 600 new trains will be placed into the network. These new trains will replace the older train models, and greatly improve the overall train standard.

The public and private combination of Railcorp's and ALC's activities form *Airport Link*, which is a vital part of Sydney's public transport network.

Figure 1 – Airport Link connection, as identified in the red circle

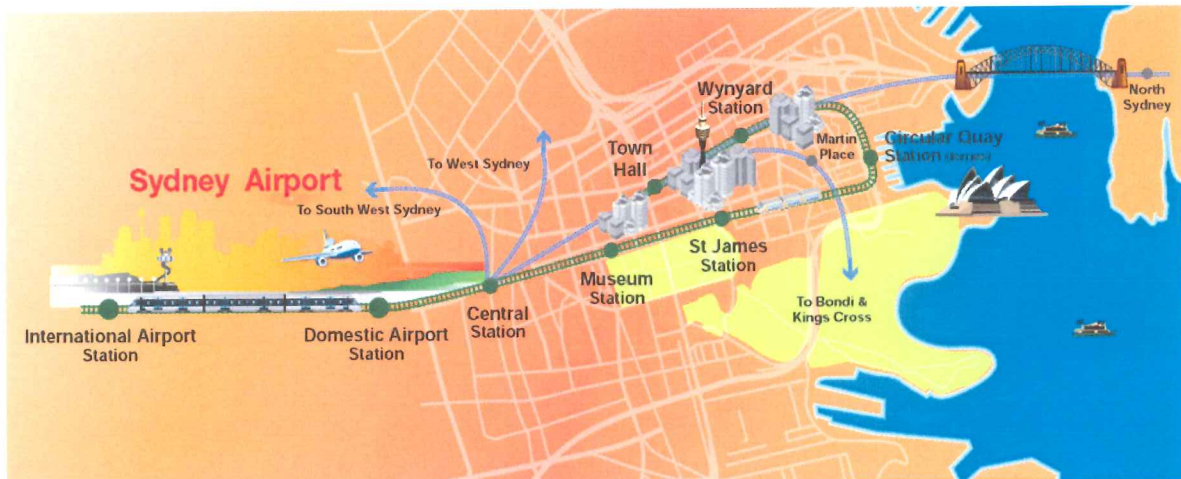


Airport Link

ALC holds the view that Airport Link is the best airport connection infrastructure and service in Australia and comparable to many other international cities, on a world scale.

In the first instance, the Airport Link rail connection provides 15-20 minute access from Sydney Airport (or vice versa) into six immediate destinations within the Sydney Central Business District – Central, Museum, St James, Circular Quay, Wynyard and Town Hall stations. As a general guide, approximately 60% of Airport Link passengers travel to or from these six stations. These six stations are identified in Figure 2.

Figure 2 – Indication of the rail connection into the Sydney CBD (and from Central Station)



Also, as indicated in Figure 1, Airport Link forms part of the entire City Rail network.

This means that the Airport Link connection provides direct access to all of the 301 train stations within the Greater Sydney area. Many of these services depart from Central Station. Using Airport Link, travel can extend as far as the Blue Mountains, Lithgow and Bathurst in the west; Gosford, Newcastle, Scone and Dungog in the north; Goulburn to the south-west and Wollongong, Kiama and Nowra to the South. It is a very extensive rail network. And to clarify – Airport Link tickets to all of these 300 destinations can be purchased at Sydney Airport's Domestic and International Train Stations.

An important component of this rail network is Sydney's Circular Quay Station. For the airport traveller, this access point provides a direct link to the Sydney Ferry network; connecting the passenger to Balmain, Double Bay, Rose Bay, Watsons Bay and especially to the north shore locations of Neutral Bay, Taronga, Mosman and Manly.

This further indicates the extensive public transport network that can be provided to or from the airport, via Airport Link.

Figure 3 – Indication of the Airport Link rail connection from Sydney Airport to Circular Quay and the ferry services



Train Services

Each year, approximately 85,000 train services operate on Airport Link. All of these train services stop at both Sydney Domestic and Sydney International Airport Stations.

More specifically, each weekday there are 254 daily train services, or 127 each way. This averages one train stopping at the airport, each way, approximately

every nine minutes for 19 consecutive hours. Train services operate from 5am until midnight.

On Saturdays and Sundays, there are 177 train services, being one at the airport each 13 minutes. Train services operate from 5am until midnight.

Train Punctuality & Reliability

Train punctuality on Airport Link (to Railcorp's credit) is consistently to a high standard. Train punctuality is closely monitored. The punctuality is calculated to specify the degree to which all train services operate according to the time table, with a deviation of not more than five minutes.

A second recording specifies Train Service Reliability. This records the number of actual train services compared to the train timetable. In other words, this calculates train service cancellations.

Over the past fourteen months, these two measures have met with very high statistical standards.

	Punctuality	Reliability
January 2010	97.49%	99.70%
February 2010	96.03%	99.50%
March 2010	97.78%	99.73%
April 2010	97.28%	99.93%
May 2010	94.79%	99.24%
June 2010	96.16%	99.59%
July 2010	97.79%	99.34%
August 2010	96.05%	99.54%
September 2010	96.42%	99.51%
October 2010	97.23%	99.48%
November 2010	96.08%	99.50%
December 2010	95.74%	99.65%
January 2011	95.21%	99.48%
February 2011	96.62%	99.54%

Passenger Activity

In total, during the 2010 calendar year, 4,695,125 people used the Airport Link train services to access Sydney Airport.

Of these, 3,170,293 passengers used the train to or from the Sydney Airport Domestic Station. This was an increase of 19.51% on the previous year.

The remaining 1,524,832 passengers used the train to or from Sydney Airport International Station. This was an increase of 7.81% on the previous year.

These strong patronage results have now continued for more than four years. We can consider the following *airport*¹ train passenger volumes since 2007:

2007 compared to 2010

Total Airport train passengers in 2007 – 3,569,523

Total Airport train passengers in 2010 – 4,695,125

Growth during the three years of 1,125,602 passengers, being 31.53%.

2008 compared to 2010

Total Airport train passengers in 2008 – 4,008,386

Total Airport train passengers in 2010 – 4,695,125

Growth during the two years of 686,739 passengers, being 17.13%.

2009 compared to 2010

Total Airport train passengers in 2009 – 4,067,718

Total Airport train passengers in 2010 – 4,695,125

Growth during the one year of 627,407 passengers, being 15.42%.

Facilities & Infrastructure for the Travelling Public

The airport link tunnel and stations were opened in May 2000. The stations were built at no cost to the taxpayer, and have been funded entirely by private capital. The company continues to exist as a going concern, funded by its own endeavours, and without burden to the taxpayer.

The train station facilities remain relatively new, and are of high quality.

ALC's train stations are some of the best, cleanest and most efficient train stations in Australia. The infrastructure is maintained to a high standard by in-house maintenance, electrical and operational employees. An ongoing capital expenditure program is in place, to enable the ongoing provision of quality infrastructure and facilities, suitable for a gateway entrance to Sydney.

¹ These exclude Airport Link's passengers at Green Square and Mascot Stations.

To assist the Inquiry's understanding of these Airport Link facilities, we enclose Figures 4, 5, 6, 7 & 8. These indicate the high quality facilities which are provided to, and experienced by, the travelling public.

**Figure 4 - Facilities example
Domestic Station, Sydney Airport
Modern, Clean and Well Lit**



**Figure 5 – Facilities example
Domestic Station, Sydney Airport
Modern, Clean and Well Lit**



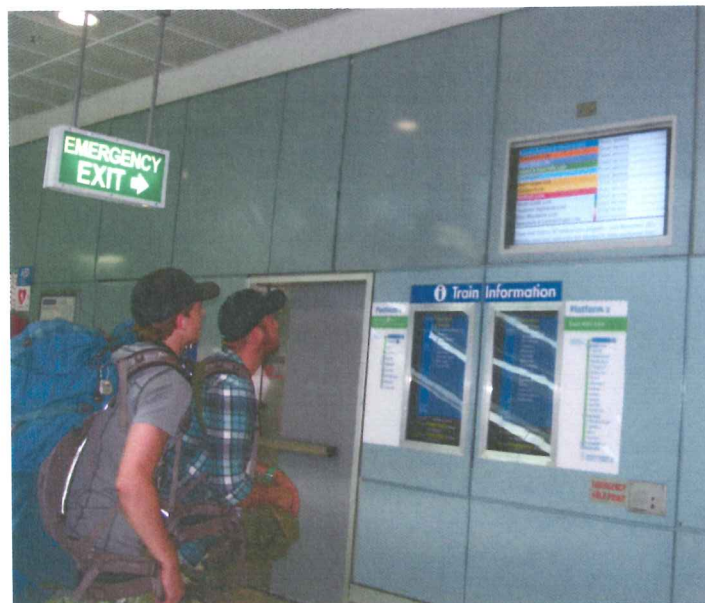
**Figure 6 – Infrastructure example
High Quality Public Amenities
Domestic Station, Sydney Airport**



Figure 7 – Facilities and service example
Five ticket offices
Domestic Station, Sydney Airport



Figure 8 – Facilities and service example
Passenger viewing train and track information
International Station, Sydney Airport



Airport Link's Summary of Part A of this Submission

The inquiry's scope asks the Commission to *"focus on the provision of passenger transport services at and surrounding main passenger airports"* and *"examine the provision and quality of land transport facilities providing access to the airports"*.

We trust that Part A of our Submission indicates that, in combination with NSW's Railcorp, *Airport Link* provides good quality, high volume and reliable rail services to and from Sydney Airport.

In conjunction with these train services, we also wish to indicate our view that ALC provides high quality transport facilities.

More specifically, we have detailed that:

- There are approximately 85,000 train services each year, linking the Sydney Central Business District, and Sydney Airport;
- On a weekday, there is one train service (on average) every nine minutes for 19 consecutive hours;
- On a weekend, there is one train service (on average) every 13 minutes, for 19 consecutive hours;
- A very high degree of measured punctuality - being 96.47% average punctuality, was experienced during the past 14 months; and
- A very high degree of measured reliability, being 99.55% average punctuality, was experienced during the past 14 months.

The combination of these attributes, and the benefits to the travelling public, are best indicated by the present train patronage, and ongoing patronage growth-trends, including:

- 4,695,125 people used Airport Link to travel to or from Sydney Airport during calendar year 2010;
- Patronage has increased by 31.53% since 2007; and
- Annual growth is approximately 15%.

We have also included a range of photographs indicating the high quality facilities which accommodate these high volumes of passenger movements.

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Part B

Airport Link's comment on:

3. Whether existing arrangements for the planning and operation of land transport linkages to the airports are effective.

Response

Airport Link Company holds the concession to own and operate the Domestic and International Train Stations, at Sydney Airport, and the suburban stations at Mascot and Green Square.

This concession is between the Rail Corporation of NSW and Airport Link Company and is called the *Restated Stations Agreement (2005)*.

This agreement, as drafted in 1999, sets, inter alia, the objectives of Airport Link Company to:

- *promote the social and economic welfare of the State of New South Wales, through the provision of a public transport facility linking Sydney's central business district and the Airport;*
- *promote the development of Sydney as a world-class tourist destination, through the provision of such a public transport facility for the use of tourists to and travellers within Australia as well as commuters within the Sydney metropolitan area*
- *expand access to the Network and produce net revenue benefits for Railcorp*
- *provide for private sector investment in the stations on a sound and equitable basis, providing fair and reasonable returns commensurate with the private sector's assumption of design, construction, patronage, revenue and operations risks.*

ALC acknowledges that the years 2001-2005 were operationally challenging for the company. However, overall, ALC holds the view that Airport Link's results, as specified in this Submission, indicate that the planning and operation of this vital transport link have been very effective.

We also consider that the structure of our arrangements, both commercial and operational, will enable ALC to accommodate the on-going growth of Sydney Airport. More particularly, we recognise that the Sydney Airport Master Plan forecasts that 78 million passengers will likely use Sydney Airport by 2030. ALC considers that it will be able to accommodate its market share, and provide the appropriate facilities and services, up to, and at that time.

Comment on Pricing

ALC acknowledges that criticism of the Airport Link ticket price occasionally occurs. It is likely that the Commission will consider this issue, in the context of an “existing arrangement” being “effective”.

For this Submission, we would like to elaborate on this point.

Airport Link Company generates revenue from the charge of a Gate Pass. A Gate Pass is required to access Stations on the Airport Link / Airport Rail Line.

In March 2011 ALC entered into an arrangement with the NSW Government's Railcorp to remove that charge at Mascot and Green Square Stations – although the Gate Charge remains in place at Domestic and International Stations.

At the Airport, ALC charge a Gate Pass of \$11.80 for a single adult ticket, or \$18.00 for a weekly ticket. In addition to a Gate Pass, a rail ticket is required, being a minimum of \$3.20 or \$25.00 respectively.

ALC is a private entity, and is not subsidised by the taxpayer. To our knowledge, ALC remain the only non-subsidised or non-taxpayer funder public transport infrastructure in Sydney. We do not seek funding, but state this fact to clarify the matter.

The company operates extensive station infrastructure, 23 metres under the earth's surface, at high capital and operational cost, and maintains 75 direct staff, plus a further 15 staff, on a contract basis.

As a result of this private, non-taxpayer funded operation, Airport Link's charges remain higher than those throughout the Sydney Rail Network. The Airport Link Gate Pass structure enables the company to meet its loan, financial and operational cost obligations.

However, we also point out, that once certain financial thresholds are met, that RailCorp is entitled to be paid a Train Service Fee equal to 50% of the Excess Cash Flow each month. The Train Service Fee rises to 85% of each month's Excess Cash Flow at the point of a second threshold being reached.

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Conclusion

Airport Link Company appreciates the opportunity to provide this Submission to the Productivity Inquiry.

We are hopeful that we have provided the Commission with a further understanding of Airport Link and the matter of ground transport at Sydney Airport.

I would also be very pleased to attend the Public Hearings to speak to this Submission or answer any questions arising from it.

We trust our Submission helps the Inquiry into the Economic Regulations of Airports and wish the Productivity Commission every success in their deliberations on this matter.

Yours sincerely

Tim Anderson
Chief Executive