Australia Pacific Airports Melbourne Pty Limited

Car Parking Services Benchmarking

8 April 2011

What would you like to grow?

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Executive Summary

Introduction

This report contains the findings of PricewaterhouseCoopers (PwC) in relation to our assessment for Australia Pacific Airports Melbourne Pty Limited (APAM) of the ground access market, including car parking services, at Melbourne Airport.

This report covers issues raised by the Productivity Commission (PC) in its Issues Paper, Economic Regulation of Airport Services, of January 2011.

The report sets out the nature of the car parking services at Melbourne Airport, their place within the ground access market, and their comparison to car parking services provided in proximity of the airport, but outside the airport boundary (off-airport car parks).

The demand for ground access services is a derived demand in that it is dependent on the primary demand for aeronautical services. The efficiency of ground access services and, in general, the value placed on a service by users will reflect the extent to which the service provides the user with convenience and time control over the journey to their flight.

Pricing

Pricing of Melbourne Airport car parking services mainly reflects the proximity of the car park concerned to the terminals as well as broader market prices prevailing across the Melbourne CBD. It supports the efficient management of the constrained kerb space in front of the terminal complex and therefore also supports the timely and efficient operation of aeronautical services.

Pricing of car parking at the airport, and attendant charging for terminal forecourt access, is focused on efficiently managing access to the kerb in front of the terminal complex and giving effect to the safe and efficient flow of traffic in the forecourt area. Consistent with this, taxis are provided with a high level of access to the forecourt and vehicle pick-up/drop-off zones are arranged so that vehicles of equivalent sizes are grouped together. In addition to providing for private vehicle pick-up/drop-off zones, Melbourne Airport provides disabled pick-up/drop-off zones in front of the terminals, which provide 15 minute parking. Private vehicles are not charged for access to the forecourt and are subject to a maximum length of stay of one minute.

Parties which obtain a commercial benefit from access to the forecourt are charged an access fee which contributes to the costs of providing and maintaining those facilities. Private vehicles and currently public buses are exempt from forecourt access charges.

Ground Access Services

In the evaluation of the ground access market at Melbourne Airport, we compare the incremental financial costs to airport users of the following ground access services:

- Private vehicle transport, performing pick-up and/or drop-off at the kerbside in front of the terminal complex;
- Private vehicle transport, combined with on-airport car parking;
- Private vehicle transport, combined with off-airport car parking;
- Private vehicle transport, combined valet service provided at the airport;

- Taxi, assuming that the vehicle journey originates/terminates, as applicable, in the Melbourne CBD;
- Hire car, assuming that the vehicle journey originates/terminates, as applicable, in the Melbourne CBD;
- Rental vehicle, with pick-up from the CBD or airport as applicable;
- SkyBus, the express bus service operating between the airport and the Melbourne CBD; and
- Metropolitan public bus services (the example we have used is route 479 between the airport and the CBD).

The services focussed above in this report do not constitute the full suite of services comprising the ground access market, but encompass 95% of the passenger mode share for ground access to the airport.

Monitoring Result Comments

Within its Monitoring Report 2009/10, Price, financial performance and quality of service monitoring, the Australian Competition and Consumer Commission (ACCC) makes comments which imply that Melbourne Airport car parking charges are a concern because they contribute a higher proportion of monitored service revenue to Melbourne Airport than is the case for other monitored airports.

We note that, of the major airports monitored by the ACCC, Melbourne Airport is furthest from the CBD. This fact and the dispersed nature of the Melbourne population means that the main forms of ground access in relation to the airport involve private vehicles (62%, or 77% when private vehicle use of off-airport car parking is taken into account). It also means that demand for car parking at the airport and in the vicinity of the airport is high relative to other Australian capital city airports. The data collected by the ACCC shows that Melbourne Airport's revenue yield from car parking is 15.8% below the average yield across the other monitored airports. In addition, Melbourne Airport provides 852 car parking bays per million passengers, compared to 506 car parking bays per million passengers across the other monitored airports. Accordingly, Melbourne Airport's high proportion of revenue from car parking is a direct consequence of the number of car parking bays provided at the airport. This, in turn, represents a response by the airport in relation to users' preferred modes of accessing the airport, which involve the use of private vehicles. Importantly, it also reflects the fact that Melbourne Airport's aeronautical revenue per passenger is the lowest of the monitored airports.

Based on the above, it is unclear why Melbourne Airport's car parking revenue percentage in relation to total revenue should represent a basis for ACCC concern.

Market Basis

Mode share information on ground access to the airport shows that on-airport car parking is not the dominant element of the ground access market. The predominant form of access to the airport is private vehicle kerbside pick-up/drop-off, at 35% mode share, whereas 27% of passenger mode share relates to private vehicles combined with airport car parking.

There is a high level of substitutability between the services, or modes, within the ground access market. In assessing substitutability, we have evaluated different timeframes in relation to short term, medium term and long term access.

We modelled the cost to a user of utilising different ground access modes to access airport based on the following timeframes:

- Short term – periods up to 3 hours. This reflects the potential high level of substitutability between private vehicle pick-up/drop-off and private vehicle stays in short term car parking at the airport;

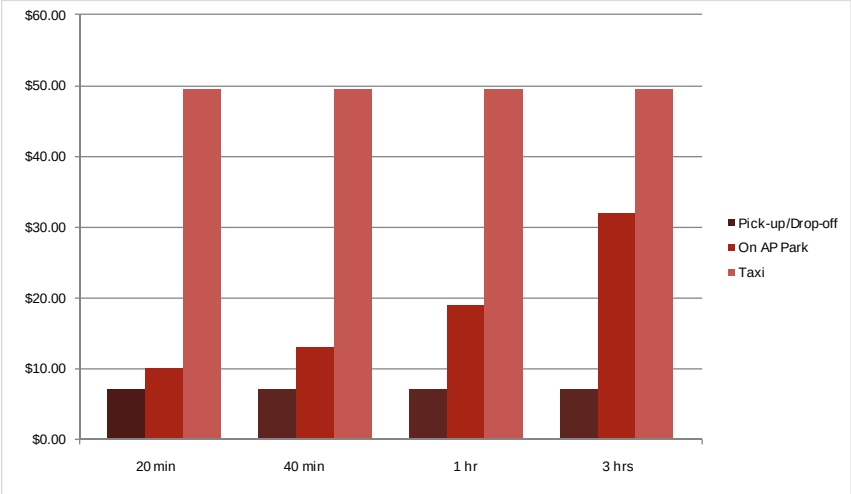
- Medium term – periods up to 24 hours, which conforms to a standard use of the airport for business travel and other uses within a day; and

- Long term - periods up to 7 days, to represent holiday travel, longer term business travel and other long term demand scenarios.

For short term stays, it is shown that there is high substitutability between services, and particularly between private vehicle kerbside pick-up/drop-off and private vehicle access combined with short term car parking. The airport applies particularly low rates in comparison to average Melbourne CBD benchmarks, and generally in comparison to rates applied by off-airport car parks serving the airport, for shorter term car park stays. The low short term rates applied by Melbourne Airport are consistent with its objective of reducing congestion of the constrained kerbside space in front of the terminal complex. Delays due to terminal kerb shortages can in peak times result in long queues of vehicles onto roads in the approach to the airport and, by giving a variety of parking options, Melbourne Airport seeks to mitigate this capacity constraint.

The relative costs of the key short term options are shown in Figure 1a below.

Figure 1a: Comparison of Key Access Options – Short Term (Single Journey



Monopolistic behaviour in relation to the short term market could, for example, involve pricing up to substitute services, and potentially toward the costs of taxi access, given that taxi costs to users are, in large part, fixed by regulation (taxi costs to users of the airport comprise costs based on the regulated rates fixed by the Victorian Taxi Directorate, plus access charges applied by the airport and passed through by taxi operators to their customers). The information in Figure 1a above does not appear to suggest that such a strategy has been adopted by the airport. Pricing of short term parking options at the airport is instead focussed on efficient management of access to the terminal. The Melbourne Airport taxi access fee is the lowest of the five monitored airports.

In the case of medium term stays, a greater level of substitution is likely to apply between on-airport and off-airport car parking given similarities between the services offered and the charges applied in relation to such options in the medium term. Further, although it remains a low cost access option (in terms of direct costs to the vehicle operator), private vehicle pick-up/drop-off may not be

feasible in a wide range of cases (given that reliance on this option could involve 2 return trips to the airport within the medium term timeframe).

Generally, in the case of medium term stays (3 to 24 hours), parking at off-airport sites becomes increasingly cost-competitive with car parking at the airport. The mode cost of private vehicle transport plus a 24 hour stay in the long term car park (LTCP) is $43: this compares to the range of costs in relation to private vehicle transport plus a 24 hour stay in on off-airport car park serving the airport, of $23 (lowest cost car park option) to $49 (highest cost option).

As the length of the stay increases beyond 24 hours, not only off-airport car parking, but fixed cost options, such as taxis and buses, may become more attractive to users. The costs of the latter options may become more attractive because they are not dependant on the duration of the stay (or the timing of the outbound and inbound legs of a passenger's return flight).

As the bus options involve a low nominal cost to users relative to the costs of personalised transportation options, for long term stays, there may be increasing substitution from personalised transportation options to buses, both private and public.

The most attractive personalised transportation option from a cost perspective represents private vehicle pick-up/drop-off. However, there may be significant practical issues associated with that option from the perspective of the person providing the pick-up or drop-off service (eg whether the person providing a drop-off at a time convenient for the passenger is also able to provide a pick-up service at a convenient time) and from the potential congestion effects of private vehicle pick-up/drop-off at the terminal forecourt. As per the medium term timeframe, there is also a high degree of substitution between on-airport car parking and off-airport car parking amongst users who wish to use their private vehicle in relation to long stays.

Locational Factors

The charges for airport car parking reflect the costs associated with the operation of an airport. Melbourne Airport, like many Australian airports, occupies a site that is larger than is required for the direct development of the core aeronautical businesses. These areas are suitable for a range of aeronautical and appropriate non-aeronautical activities, but in a number of respects, are hampered by institutional constraints:

- the planning and development processes of the Airports Act place constraints on airport operators that are not experienced by developers subject to state law; and

- airport operators are required to provide and maintain infrastructure and services often provided by local authorities while, at the same time, are required to pay rates to those authorities.

Similar to the case of commercial parking services in the CBD, demand for car parking services at airports is derived demand, in that it is dependent upon demand for other goods or services. In this case, demand for aeronautical services.

The value attached to the services provided reflects their proximity to these primary demand sources and, as such, the services embody a locational rent.

At Melbourne Airport, locational rent is a consequence of the distant location of the airport from the centre of population it is serving, the nature and size of the landholding leased from the Commonwealth Government, Melbourne Airport's performance of its functions as an airport and the key role played by the airport in the Victorian economy, in managing throughput in respect of the whole transportation supply chain.

Given the value and utility of the on-airport car parking sites located near the airport terminals, and customer preference for timeliness and time control in relation to ground access services, it would be inefficient for these sites to be allocated to less productive uses, or to uses that are less critical to the on time operation of the airport. In the case of Melbourne Airport, its location and the nature of the transportation links to the airport (currently, all are road-based) means that the airport is heavily dependent on private vehicle access modes.

CBD Car Parking Comparison

The services provided by airport car parking sites have a high amenity value in the same way that car parking at CBD locations has a high amenity value and embodies a commensurate locational rent. In the case of commercial car parks in the CBD, prices are determined by the general process of competition between car parking operators in the city centre.

In setting car parking prices, Melbourne Airport considers the costs it incurs in providing services, the amenity provided by the services (in terms of the facilities provided with each service and its proximity to the terminal complex) and the requirement to manage competing modes for access so that scarce forecourt space is used most efficiently.

In pricing medium term and long term options, in particular, Melbourne Airport faces direct competition from off-airport car parks (in addition to general competition from other modes). Melbourne Airport car parking prices in this medium to long term context are, on average, (although not in all cases) higher than off-airport rates, reflecting the greater amenity value and locational rent associated with the proximity of airport car parks to the terminal. This is consistent with the efficient operation of the airport. In the case of short term options, on-airport rates are set to reflect locational costs and value, and in order to offer a cost effective alternative to private vehicle pick-up/drop-off as a means of managing traffic flows in the constrained space of the terminal forecourt.

As set out in Table 1a below, the locational value reflected in on-airport car parking charges is generally below that reflected in CBD commercial car park rates.

Table 1a: Melbourne Airport Car Parking Prices Compared to CBD Rates

Timeframe	20 min	40 min	1 hour	3 hours	8 hours	1 day	2 days	3 days	7 days
Melbourne Airport Car Parks									
short term car park	$3	$6	$12	$25	$50	$50	$100	$150	*$350*
multi-level long term car park	$3	$6	$12	$25	$50	$50	$95	$139	$139
long term car park	$10	$10	$10	$10	$29	$29	$46	$69	$77
business car park	$50	$50	$50	$50	$50	$50	$100	$150	*$350*
express car park	$3	$6	$12	$25	$50	$50	$100	$150	*$350*
Melbourne CBD*									
Highest	$20	$20	$20	$60	$86	$86	$172	$258	$602
Lowest	$3	$10	$10	$30	$35	$35	$70	$105	$245
Average	$15	$17	$17	$49	$65	$65	$130	$194	$454

* Covered parking, not including earlybird rates

The information in Table 1a above is consistent with car parking prices being set based on the factors described above. The generally lower prices at Melbourne Airport car parks relative to Melbourne CBD commercial car parks suggests that the airport's pricing is not indicative of a use of market power in car parking.

Capacity Expansion

Melbourne Airport has expanded its car parking capacity by 23% over the monitored period since 2005/06, in excess of the growth in passengers passing through the airport. These additions to capacity have been made in a timely manner in response to user demand and to provide better quality products to compete with off-airport parking and other modes of ground transport.

In addition, the airport has developed a range of enhancements to the airport forecourt to allow better traffic management such as the development of taxi holding areas and trials of the Victorian Government Smart Bus with close proximity to the terminals. Such initiatives are being undertaken with collaboration with the Victorian Government in an effort to reduce congestion across the road network.

Melbourne airport will continue to invest in increased capacity in the coming years. The key projects include a 37% increase in long term uncovered parking bays, APAC Drive and a new multi-level car park. In contrast to the past and future investments by APAM in car parking capacity, it can be presented that monopolistic behaviour in relation to a service could involve limiting or restricting capacity in order to maximise earnings from the service. This is not the case for Melbourne Airport which has expanded capacity in response to user needs.

1 Introduction

This report contains the findings of PwC on its assessment for APAM of the ground access market in relation to Melbourne Airport encompassing car parking services. The report compares the costs of different ground access options and provides suggested responses to issues raised by the Productivity Commission Issues Paper, Economic Regulation of Airport Services, of January 2011.

The report is structured as follows:

- Chapter 1 sets out the general scope of the ground access market, its component services and the representative services we have selected for the services benchmarking provided in Chapter 5;
- Chapter 2 sets out the services and timeframe basis for our benchmarking of the costs of ground access services;
- Chapter 3 provides the regulatory context for this report, including recent views of the Australian Competition and Consumer Commission (ACCC) in relation to car parking services at the airport;
- Chapter 4 contains background material on Melbourne Airport, in terms of its management of access to the airport infrastructure, the car parking services provided at the airport, the charging bases for those services, and also provides information on the charging bases of off-airport car parks;
- Chapter 5 sets out the results of our cost benchmarking of ground access services in relation to the airport;
- Chapter 6 contains information on the capacity and funding of car parking capacity at the airport (where there has been material recent growth in capacity and commitments to future capacity expansion);
- Chapter 7 considers the locational value of car parking services provided at the airport; and
- Chapter 8 sets out relevant issues from the PC Issues Paper in relation to car parking services and provides a suggested response to each of these issues.

1.1 Ground Access Market

At Melbourne Airport, there are a wide range of options for access using public roads (provided by the airport on its leased premises and other parties to the airport boundary). The ground access options in relation to the airport are set out in Table 1 below.

Table 1: Ground Access Services in relation to Melbourne Airport

Personalised options	Scheduled, group options
1. Private vehicles using the kerb	9. Skybus
2. Private vehicles using airport-provided short and long term carparks	10. Orbital Smart Bus
3. Privately operated buses servicing off-airport carparks	11. Metropolitan public bus services
4. Private vehicles using-airline provided valet carpark	12. Privately operated buses servicing regional centres
5. Taxis	13. Courtesy buses operated by hotels, universities and other organisations
6. Private limousine hire cars licensed by the Victorian Taxi Directorate	14. Tour coaches
7. On-airport car rental operations	
8. Off-airport car rental operations	

Of the transportation access modes in Table 1 above, all modes bar private vehicles using the kerb for pick-up/drop-off and currently public buses pay to access the airport.

Parties which obtain a commercial benefit from access to the forecourt are charged an access fee which contributes to the costs of providing and maintaining those facilities.

As noted above, private vehicles accessing the terminal for pick-ups/drop-offs do not pay access fees. In this case, the vehicles must be attended at all times and the maximum length of stay for a pick-up or drop-off is 1 minute.

In setting prices, Melbourne Airport considers the costs it incurs in providing services, the amenity provided by the service and the relativity of prices for airport services with competing services. Pricing for car parking and terminal access services also seeks to efficiently manage access to the kerb in front of the terminal complex and to give effect to the safe and efficient flow of traffic in the forecourt area.

1.2 Ground Access Market Scope

A market may have many dimensions. On the demand side, different values will be placed on the different options and there will be variations between users as to their willingness and ability to substitute between the options. On the supply side, there will be differences in manner in which competition is expressed in terms of rivalrous behaviour between market participants.

To better understand its customers, Melbourne Airport in 2010 performed web-based research of 956 (sample size) Victorian passengers. The findings of the research are that airport customers need to feel in control and to have certainty in getting to their flight on time in order to consider any particular mode of ground transport.

The research found that the factors such as price, convenience and distance to the terminal are secondary and tend to be a consideration only after the customer is comfortable that the preferred mode will get them to their flight on

time. Customer preferences in relation to ground access options, established from Melbourne Airport's 2010 research, are shown in Table 2.

Table 2: Hierarchy of Customer Behaviour

Mandatory (Time Control Factors)
1. Need to have time control over the journey to their flight
2. Customers need to feel comfortable that a mode of transport will get them to their flight
3. Will not consider an alternative if they aren't confident
Other Factors (in order of importance)
1. Price
2. Ability to easily manage luggage
3. Walking distance
4. Don't want to leave car at origin of journey
5. Personal security, also security of car
6. Effort to get from car to terminal
7. Parking undercover
8. Comfort of using own car

From Melbourne Airport's research, for shorter stays, in relation to the other factors above, there tends to be a lesser emphasis on the price factor, and on security and safety factors. This is considered to reflect a high proportion of business travel in the short stay market.

It is, however, difficult to generalise individual user behaviour, and particular users can evidence different behaviour according to the context eg they may use a taxi for business trips and the long term car park for family trips.

Overall, a premium value, and a high weight by mode share is attached to service modes that are tailored to individual usage (that is, the services 1 to 8 in Table 1), which offer similar levels of flexibility and timeliness (ie around 20 minutes journey time between the airport and the CBD). There will also be ranking between these tailored service modes. For example:

- private vehicles, in many cases, will offer the greatest control over the journey to the flight; and
- in the absence of a private vehicle option, or for various factors where a private vehicle is not convenient, a taxi/limousine may represent the option which offers greatest control over the journey.

Within the private vehicle options, kerbside pick-up/drop-off and short term car parking represent highly substitutable sub-options. This will reflect the high level of amenity offered by short term car parking at the airport, which given close proximity of the short term car park to the terminals, can be considered to be similar to the amenity provided by kerbside pick-up/drop-off.

In many cases, rental vehicles will rank below the private vehicle and taxi options discussed above, given transaction times in contracting for the service, and also the additional costs of the service in relation to other modes. It is noted that there will be circumstances where rental vehicles are cost-effective against other modes (eg where the rental vehicle is hired to allow the user to visit multiple locations in the city or elsewhere).

As can be noted from Table 2, after time control factors, cost tends to be the next important factor in relation to users' ground access mode preferences. The cost factor will influence user preferences in relation to the ranking of individual services in the grouping of 1 to 8 in Table 1 above, and also in relation to preferences for such individually tailored services relative to the (typically less expensive) scheduled or grouped services, represented by the other services in Table 1. That is, more cost-sensitive users may prefer a scheduled bus service instead of personalised hired service, even though the bus service may present

a longer journey time, and may offer a lower level of amenity than the personalised hired service.

Accordingly, based on their particular preferences, individual users will rank the same list of options differently and may apply different factors in arriving at their selections. Further, the mode selection by an individual user may differ according to the context (eg taxi for business, long term car park for private, as commented above).

The findings of Melbourne Airport's market research are that most people use multiple modes and that demographic/situational factors are not the major drivers of mode selection. The market research found that the need to get to the terminal on time is the paramount consideration – that this permeates all other mode choice factors and has the potential to override all other factors. Mode choice will therefore reflect a user's degree of anxiety regarding the timing of different ground access options and may also reflect whether the user is incurring the costs of the trip directly (eg whether the trip is a business or private trip).

Within the ground access market it is possible for substitution to occur across all of the services that may be used to access the airport. Based on the factors identified from market research, there will be general substitution between the different private vehicle access modes, taxis/hire cars and buses based on the weight that each user places on the different mode choice factors which, in turn will reflect the user's particular circumstances (such as whether trip is for business or is a private trip, as commented above). Also, there may be particularly strong substitution effects between services in relation to different lengths of stay at the airport, for example:

- for a short term stay, substitution between private vehicle pick-up/drop-off and private vehicle combined with the short term car park; and
- for a long term stay, substitution between the option of a private vehicle combined with the long term car park and private vehicle access but using off-airport car parks serving the airport.

1.3 Ground Access Services

In this evaluation of the ground access market at Melbourne Airport, we compare the incremental financial costs to airport users of the following ground access services:

- Private vehicle transport, performing pick-up and/or drop-off at the kerbside in front of the terminal complex (private vehicle options assume the vehicle journey originates/terminates, as applicable, in the Melbourne CBD. Costs are fuel and toll charges);
- Private vehicle transport, combined with on-airport car parking (according to different car parking services provided at the airport);
- Private vehicle transport, combined with off-airport car parking (based on the range of the highest and lowest prices quoted by off-airport parking operators surveyed);
- Private vehicle transport, combined with the Qantas valet service at the airport;
- Taxi, assuming that the vehicle journey originates/terminates, as applicable, in the Melbourne CBD (charged at the Victorian Taxi Directorate schedule of rates, plus toll and airport charges);
- Hire car licensed by the Victorian Taxi Directorate, assuming that the vehicle journey originates/terminates, as applicable, in the Melbourne CBD

costed using rates derived from a survey of operators, plus toll and airport charges);

- Rental vehicle, with pick-up from the CBD or airport as applicable (costed based on a survey of car rental company rates, plus fuel and toll charges);

- SkyBus, a shuttle operating between the airport and the Melbourne CBD (cost to the user is the service provider rate quoted); and

- Metropolitan public bus services - the service used is route 479 between the airport and Moonee Ponds, which also includes an extension to the CBD (cost to the user is the service provider rate quoted)

A range of other transportation modes are available in relation to the airport that we have not included in our modelling results as shown in Chapter 5. They include:

- Privately operated buses servicing regional centres; and

- Tour coaches, courtesy buses operated by hotels, universities and other organisations.

The bases for not including these modes are:

- Privately operated buses servicing regional centres. These services do not present ease of comparison against with airport-CBD journeys as used as the basis for modelling different modes; and

- Tour coaches, courtesy buses operated by hotels, universities and other organisations. The different pricing and cost recovery policies of operators of these coaches and buses makes it difficult to compare the total user charges for the services provided (eg the cost of transport in relation to the airport may be recovered through the room rate in the case of a hotel, or by a conference fee or other charge levied by a university or other organisation).

The mode basis of our comparison covers approximately 95% of the passenger mode share at Melbourne Airport.

Of the remaining 5% of the passenger mode share at the airport, this predominantly relates to public and private buses connecting the airport to non-CBD and regional areas.

2 Service Assessment Basis

2.1 Costs Assessed

Our assessment of the different transportation modes in relation to the ground access market at Melbourne Airport is in relation to the directly attributable incremental financial costs to the user in relation to each mode.

This means, for example, for private vehicle access modes, we have not taken into account costs of wear and tear on the vehicle associated with a journey to/from the airport, nor the capital costs of the vehicle that may be allocated to such use. The private vehicle costs included in this analysis relate to the cost of fuel and tolls between the airport and the CBD, plus a car parking charge, or a valet fee, according to the scenario tested.

Similarly, the assessment does not calculate the time costs associated with the different modes, although the different modes will clearly present different degrees of timeliness. Users will have different preferences in relation to timeliness and other factors associated with quality of service. It is not considered feasible to attach a standard time preference value to each mode because of the different time preferences of different users. Instead of including time preference values in the modelling, the assessment of the costs calculated takes into account different potential user preferences in this regard.

The costs assessed are the end-to-end costs of different ground access services. We have separately identified the effect of airport charges within each service mode. The airport charges in this regard comprise:

- car parking charges in the case of the mode of private vehicle access combined with car parking at the airport (noting that no charge is applied for private vehicle pick-up/drop-off at the kerbside);
- access charges paid by off-airport car parking operators for access to the airport forecourt by the courtesy buses of those operators; and
- access charges paid by taxis and limousine and hire car operators.

In the case of access charges paid by off-airport car parking operators, the airport charge is shown as a reduction amount off the bundled car parking service charge applied to the user by those operators. In the case of private vehicle parking at the airport and taxi/limousine access, the access charge is an additive amount to the private vehicle operating costs, and the taxi/limousine hire charge respectively (plus toll fees in both cases).

Although we have included valet services, rental vehicles and SkyBus in our cost calculations and the operators of those services incur access charges levied by Melbourne Airport, we have not separately identified airport access charges in the total costs for these service modes given that access charges to operators of these services are commercially-negotiated rates. Information on these rates has been treated as confidential information for the purposes of this report.

The Melbourne Airport car parking charges are summarised in section 4.3.

Access charges for vehicles using the terminal forecourt are in section 4.4.

All charges and costs in this report are inclusive of GST.

2.2 Assessment Timeframes

Our assessment evaluates the costs and amenity associated with each mode of access, over different access timeframes.

The degree of competition in relation to ground access services at the airport may differ based on the length of time that a vehicle spends at the airport. Based on a high degree of substitutability between private vehicle pick-up/drop-off and private vehicle stays in short term car parking at the airport, we have used car parking stays under 3 hours duration to define the short term period over which these and other access options are assessed. The period of 3 hours also reflects the break-point between the initial charging rates and subsequent hourly rates that are generally applied by commercial car parks in the Melbourne CBD.

We have also modelled the cost to a user of utilising different ground access modes to access airport based on the following timeframes:

- Medium term – periods up to 24 hours, which conforms to a standard use of the airport for business travel and other uses within a day; and

- Long term - periods up to 7 days, to represent holiday travel, longer term business travel and other long term demand scenarios.

3 Regulatory Context

Through Direction 31 under the Competition and Consumer Act 2010 (CC Act), the ACCC monitors prices, costs and profits of car parking services at Sydney, Melbourne, Brisbane, Perth and Adelaide airports. In addition, the Airports Regulations 1997 (Airports Regulations) provide for the ACCC to monitor the quality of service of car parking at these airports.

The terms of reference for the Productivity Commission inquiry require the PC to have regard to matters raised by the ACCC in relation to its monitoring of car parking services. Such matters are listed as including the following:

- land-side access to airport terminals such as car parking and its alternatives, and the cost and quality of car parking facilities; and
- the extent to which monitored airports can act strategically to raise costs of on-airport car parking by controlling the conditions of landside access to terminal facilities.

On pages 12 and 13 of its Issues Paper, the PC raises specific issues in relation to car parking services on which it would like to receive written submissions. It also repeats key elements of the issues raised on those pages in terms of further issues in relation to car parking raised on pages 19 and 22.

These issues constitute issues number 8, 9, 20 and 27 of the total of 27 issues raised by the PC. These issues are set out in Chapter 8. The numbering of the PC issues used in this paper is by PwC.

In its Monitoring Report 2009/10, Price, Financial Performance and Quality of Service Monitoring, the ACCC made the following comments about Melbourne Airport's car parking services:

> "Car parking revenue at each airport ranged from $13.7 million (Adelaide Airport) to $103.9 million (Melbourne Airport)."
>
> Melbourne Airport reported the highest car parking revenue as a share of total airport revenue of 20.7 per cent, whereas Adelaide Airport reported the lowest of 9.2 per cent.
>
> Information provided to the ACCC indicates that car parking prices at Melbourne Airport are of particular concern. It is less clear if car parking prices are excessive at the other monitored airports."[1]

The implication from the above quotation that Melbourne Airport's car parking prices are excessive is not supported by analysis in the ACCC report and is not supported by an analysis of the basic data in relation to car parking at the five specified airports.

As noted in section 4.1, of the airports monitored under Direction 31, Melbourne Airport is furthest from the CBD. This fact and the dispersed nature of the Melbourne population means that the main forms of ground access in relation to the airport involve private vehicles (62%, or 77% when private vehicle use of off-airport car parking is taken into account). It also means that demand for car parking at the airport is high relative to other airports, particularly when also off-airport car parks that serve the airport are factored-in. This, in turn, is reflected

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1 ACCC, Monitoring Report 2009/10, Price, financial performance and quality of service monitoring, page 57.

in high car parking capacity figures at Melbourne. Table 3 below shows the car parking capacity, car parking revenues, expenses and revenue yield per bay at the monitored airports.

Table 3: Revenue Yields Per Car Park Bay – Monitored Airports

Measure	Melbourne	Adelaide	Brisbane	Perth	Sydney
Passenger Numbers (m)	26.3	7.2	19.3	10.5	34.9
Car Parking Bays	22,412	3,085	9,610	11,526	12,148
Bays per million passengers	852	428	498	1,098	348
Car Parking Revenue ($m)	104	14	58	33	95
Revenue Yield, per bay/day ($)	12.70	12.17	16.56	7.92	21.45

Based on the data shown in Table 3 above, the Melbourne Airport revenue yield from car parking is 15.8% below the average yield across the other monitored airports. In addition, Melbourne Airport provides 852 car parking bays per million passengers, compared to 506 car parking bays per million passengers across the other monitored airports.

Accordingly, based on the data in Table 3, as sourced from the ACCC monitoring report, Melbourne Airport's high proportion of revenue from car parking is a consequence of the number of car parking bays provided at the airport. This represents a response by the airport in relation to users' preferred modes of accessing the airport, which involve the use of private vehicles. Importantly, the high proportion of revenue from car parking is also a reflection of the fact that Melbourne Airport's aeronautical revenue per passenger is the lowest of the monitored airports. The summary of the "Key points" of the ACCC's monitoring report contains the following conclusion in relation to aeronautical services:

> "…Melbourne Airport had the lowest aeronautical revenue per passenger and was second only to Brisbane Airport for overall quality of service."[2]

Analysis of this issue illustrates that outputs from the ACCC's monitoring have limited meaning without a proper consideration of the different characteristics of Melbourne Airport relative to the other monitored airports.

Section 4.1 below sets out the basis of Melbourne Airport's car parking revenue, and Chapter 5 sets out our analysis of ground access services in respect of the airport and the role played by on-airport car parking within those services.

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2 ACCC, Monitoring Report 2009/10, Price, financial performance and quality of service monitoring, page 19.

4 Melbourne Airport Background

4.1 Basis of Car Parking Revenue

Of the airports associated with Australian capital cities, aside from the competing airport at Avalon (which is not covered by the same monitoring regime), Melbourne Airport is furthest from the CBD.

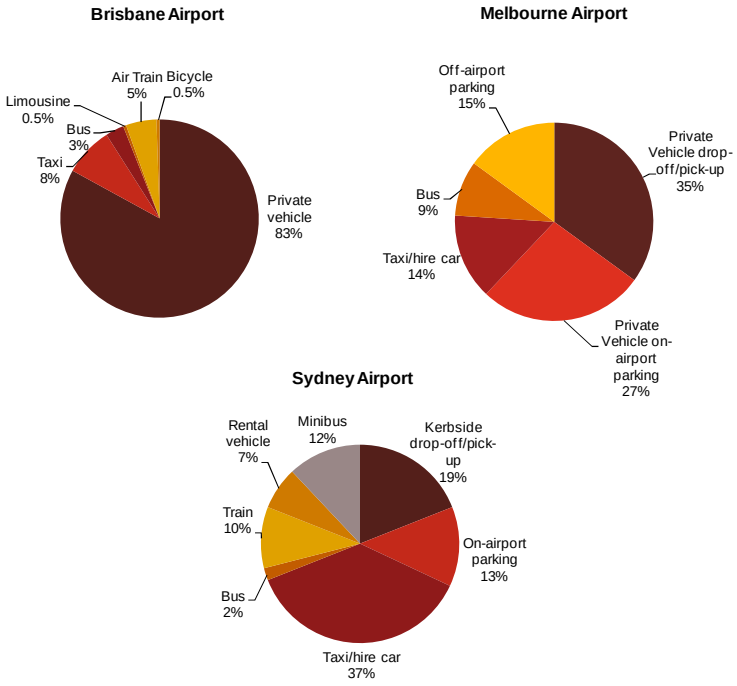
Differences in mode shares for access to the airports shown reflect the fact that Sydney and Brisbane Airports are 8 km and 15 km from the CBD respectively, but Melbourne is 22 km from the CBD.

Melbourne Airport does not have the same level of access to cost effective modes, other than private vehicles, relative to other airports (such as in the form of a short taxi ride) and given the low per kilometre direct cost of private vehicles relative to other modes, this confers a greater relative advantage to this mode. This also means that demand for car parking at the airport is high relative to other airports (particularly where also off-airport car parks that serve the airport are factored-in). This is reflected in the high car parking capacity figures at Melbourne and higher airport revenues (although not average revenues) from car parking than at other airports.

The high use of private vehicles for Melbourne (77% representing private vehicles using both on-airport and off-airport car parks, from Figure 1 below) reflects the distance from the origin of most travellers.

The mode share information for Brisbane Airport and Sydney Airport in Figure 1 below is from the ACCC Monitoring Report 2009/10. The mode share for Melbourne Airport is from Melbourne Airport's 2010 web-based research of Victorian passengers.

Figure 1: Passenger Mode Share for Access to Airports



The percentage of car parking revenue at the airport will, in part, reflect the lower average aeronautical revenue at Melbourne Airport relative to other Australian airports, the distance of the airport from the Melbourne CBD and the high number of car parking bays at the airport relative to other airports as discussed in Chapter 3. It also reflects that Melbourne Airport is an origin airport, which influences the high level of private vehicle access relative to hired vehicle or common carriage access. Based on these factors, there is high proportion of private vehicle access to the airport – 62%, plus a further 15% of private vehicles using off-airport car parks.

The 62% private vehicle access to the airport covers on-airport car parking and private vehicle kerbside pick-up/drop-off. Specifically, these private vehicle mode shares at the airport are broken down as follows:

- private vehicle access combined with airport car parking: 27%
- private vehicle kerbside pick-up/drop-off: 35%
- Subtotal, private vehicle access: 62%.

Accordingly, the highest mode share in relation to private vehicle access is for kerbside pick-up/drop-off. This represents the lowest cost personalised access option to users (based on the incremental financial cost approach applied in Chapter 5), and 27% out of the private vehicle total relates to on-airport car parking, which is the focus of the PC's issues 8, 9, 20 and 27.

In the light of the above, on-airport car parking is not the dominant element of the ground access market and the main form of access to the airport is private vehicle kerbside pick-up/drop-off.

As noted above, the demand for ground access services is a derived demand in that it is dependent on the primary demand for aeronautical services. The efficiency of a ground access service and, in general, the value placed on a service by users relates to how the service supports the timely operation of the transportation supply chain at the airport.

4.2 Melbourne Airport Car Parking Services

Melbourne Airport's operation and management of car parking services, and of access to the kerb in front of the terminal complex, supports the operation of aeronautical services as above.

Operation and management of the terminal forecourt area and kerbside involves providing for the services as set out in Table 4 below.

Table 4: Service Modes Requiring Forecourt Access

Service Mode
1. Private vehicles using the kerb (pick-up / drop-off)
2. Taxis
3. Private limousine hire cars licensed by the Victorian Taxi Directorate
4. Privately operated buses servicing off-airport carparks
5. Skybus
6. Oribtal Smart Bus
7. Metropolitan public bus services
8. Privately operated buses servicing regional centres
9. Courtesy buses operated by hotels, universities and other organisations
10. Tour coaches

These services are supported by overflow initiatives so that the airport ensures that prospective users of the airport are never turned away. They are further supported by messaging inside the terminal complex to inform users of the full range of transportation modes serving the airport (eg displays and announcements “now you have arrived how do you leave” etc). Information on transportation mode options and the applicable airport charges, terms and conditions in relation to the different modes is also set out on the Melbourne Airport website. The basis of charging for the services in Table 4 is set out in section 4.4 below.

Within the car parking services provided, the airport offers a range of different products from short term parking as a direct substitute for private vehicle pick-up/drop-off, long term storage and premium versus value-driven options.

The express car park represents a short term car park that has a very high level of accessibility to T4. The business car park has a very high level of accessibility to T1 and is designed to cater for the short stay business travel market, where typical users generally require a full day stay. Based on this demand characteristic, the business car park, as shown in section 4.3 below, is charged at a flat daily rate.

The 5 car parks operated by the airport are described below.

Melbourne Airport Short Term Car Park (STCP)

This car park is situated 100 metres walk from terminal precinct. It is directly in front of three terminals – T1, T2 and T3. The estimated walk time to the terminal forecourt is 2 to 3 minutes and the car park has 3,800 bay capacity.

A comprehensive range of services and amenity features is provided by this car park, as follows:

- Under cover parking;
- Closed Circuit TV (CCTV) cameras;
- Security staff 24 hours on site;
- Telecommunications throughout the car parks and on entry and exits;

- Free trolleys;
- Vending machines;
- Payment with cash, credit card or debit card;
- Express credit card entry and exit;
- Lifts to each floor; and
- An elevated walkway linking the car park to airport terminals.

Melbourne Airport Express Car Park (Express CP)

The Melbourne Airport express car park is the short term car park for T4. Similar to the short term car park, it is 50 metres walk from the car park to the terminal precinct. The express car park provides 175 bays in shaded cover and a similar range of services and amenity features as the short term car park.

Melbourne Airport Multi-Level Long Term Car Park (MLLTCP)

This car park is situated 200 metres walk from terminal precinct - directly in front of terminals T1, T2 and T3 and has 3,396 bay capacity.

The car park is co-located with the short term car park, although slightly further from the terminal complex and provides the same comprehensive range of services and amenity features as provided by the short term car park.

Melbourne Airport Business Car Park (Business CP)

This car park is situated 50 metres walk at the north end of the terminal precinct (Terminal 1). This means that walk time to the terminal is minimal. It provides 176 bays in shaded cover and its range of services and amenity features are as per the short term car park above, although the business car park (consistent with the nature of travel focussed by this car parking) does not provide vending machines. Payment for use of this car park is by credit card only.

Melbourne Airport Long Term Car Park (LTCP)

The car park entrance is situated 400 metres south of the terminal precinct. The car park provides 12,500 bays and provides access to the terminal by courtesy bus (estimated time to terminals: 5-8 minutes by bus).

The range of services and amenity features provided by this car park is as follows:

- Courtesy bus to the terminals when departing and arriving;
- CCTV cameras, 24 hour operation;
- Bus shelter within 250 meters of any car park bay;
- Airconditioned bus shelters;
- Telecom inside bus shelters and on entry and exits to contact CSO;
- Vending machines inside bus shelters;
- Electronic screens to inform customers of estimated waiting time at bus shelters;
- Payment with cash, credit card or debit card;

- Express credit card entry and exit;
- Customer service office; and
- Car wash at extra cost (currently sourcing a new supplier).

The buses between the long term car park and the terminal run continuously. The 20 minutes frequency of bus services mentioned on the website represents the maximum time between buses - most times, there will be a bus at least every 10 minutes.

Information in the terminal complex, in the long term car park bus shelters and on the Melbourne Airport website explains that the car park is over a kilometre long from end to end and that the maximum distance between any point in the park and a bus shelter is 250 metres. The shelters are all enclosed and air conditioned. The journey from the car park to the terminal can take up to 15 minutes from the first pick up in the car park, depending on traffic conditions at the airport. Accordingly, it may take 20 minutes from the time a customer enters the long term car park to the time they are dropped at the terminal.

Reminders are provided to customers to note when their flights close and the time recommended by their airline to check in.

4.3 Pricing of Melbourne Airport Car Parking Services

Pricing of car parking services according to the different car parks described above and at different timeframes is described in Table 5 below.

Table 5: Melbourne Airport Car Parking Prices by Length of Stay

Timeframe	20 min	40 min	1 hour	3 hours	8 hours	1 day	2 days	3 days	7 days
Melbourne Airport Car Parks									
short term car park	$3	$6	$12	$25	$50	$50	$100	$150	*$350*
multi-level long term car park	$3	$6	$12	$25	$50	$50	$95	$139	$139
long term car park	$10	$10	$10	$10	$29	$29	$46	$69	$77
business car park	$50	$50	$50	$50	$50	$50	$100	$150	*$350*
express car park	$3	$6	$12	$25	$50	$50	$100	$150	*$350*

Rates quoted exclude weekend special rates and other discount rates.

The prices for the Melbourne Airport car parking services reflect the proximity of the individual car parks to the terminals. This is consistent with the efficient operation and management of access to the terminals to support the timely and efficient operation of aeronautical services and the efficient management of the kerb in front of the terminal complex. The prices also reflect the level of capital investment made in relation to each car park.

Although the short term car park has a high amenity value based on its proximity to the terminals, short term pricing in respect of this car park is very low (for example, in relation to car parking rates in the Melbourne CBD, which in the majority of cases surveyed, tend to be at minimum rates per hour or part thereof, and in relation to long term parking options at, or in the proximity of, the airport) in order to encourage direct substitutability with private vehicle pick-up/drop off. This pricing approach is consistent with efficient management of the kerbside.

As discussed in Chapter 5, private vehicle kerbside pick-up/drop off represents the lowest cost personalised access mode to users (public buses are generally lower cost), although for short term stays, private vehicle use of the short term car park can represent the next cheapest personalised transportation option.

It should be recognised that, based on different user preferences in relation to the amenity of ground access services (where, in valuing a service, a user may place a high emphasis on timeliness and convenience), the full suite of transportation modes will be used for short term access (eg taxis and hire cars have material usage in terms of short term access, even though the costs of these modes for such access are significantly above the private vehicle options noted above).

The business car park rate is a flat daily rate reflecting the nature of the short stay business travel market, where users generally require a full day stay. The rate applied reflects the close proximity of the business car park to the terminal and the users tend not to use these services as a direct substitute for private vehicle pick-up/drop-off, and tend to utilise this car park for periods 8 – 24 hours (at which time, the rates for the use of this car park are equalised with other car park rates at the airport, with the exception of the long term car park). The business car park is an alternative to the valet car park provided by Qantas, which is charged $66 for the first calendar day and at a reduced daily rate thereafter.

The long term car park rate is relatively high in the short term compared to other on-airport car parking options (although it is low when compared against rate structures generally applied in the CBD, and compared to off-airport rates, where off-airport parking rates tend to be competitive for longer term stays) to ensure that this car park more distant from the terminals is efficiently used for long term storage.

As noted, in medium term timeframes, rates are equalised across car parks, with the exception of the long term car park rates, which seek to encourage utilisation of this more distant site, which presents the lowest charges as the term of the stay increases.

As discussed above, demand for on-airport car parking is derived demand, in relation to demand for aeronautical services within the Victorian region. The provision of car parking is integral to the effective and efficient operation of airports. This is particularly so in the case of Melbourne Airport, given the distance of the airport from the CBD, the absence of a rail link and high reliance on private vehicle transport. Land on which the car parks are provided at the airport is covered by the 50 year lease (with a 49 year option) entered into between Australia Pacific Airports Corporation (which owns APAM) and the Commonwealth Government for the operation of the airport. Based on the lease, Melbourne Airport, like many Australian airports, occupies a site that is larger than is required for the direct development of the core aeronautical businesses. These areas are suitable for aeronautical and appropriate non-aeronautical developments, but in a number of respects, are hampered by institutional constraints:

- the planning and development processes of the Airports Act place constraints on airport operators that are not experienced by developers subject to state law; and

- airport operators are required to provide and maintain infrastructure and services often provided by local authorities while, at the same time, are required to pay rates to those authorities.

The institutional constraints noted above will, however, give rise to costs to at the airport and in relation to the operation of car parking services that may not be borne by off-airport car parks (whether in the vicinity of an airport, or in the CBD).

Based on the location of car parking services on the leasehold land, and the proximity of such to the aeronautical services provided from the airport terminals, on-airport car parking is a more costly service and offers higher amenity in the ground access market than off-airport car parks that serve the airport.

This is borne out in the comparison of on-airport and off-airport car parking rates as shown in Table 6 below.

Table 6: Melbourne Airport Car Parking Prices vs Off Airport Parking Rates

Timeframe	20 min	40 min	1 hour	3 hours	8 hours	1 day	2 days	3 days	7 days
Melbourne Airport Car Parks									
multi-level long term car park	$3	$6	$12	$25	$50	$50	$95	$139	$139
long term car park	$10	$10	$10	$10	$29	$29	$46	$69	$77
Off-Airport Car Parks*									
Highest	$35	$35	$35	$35	$35	$35	$45	$55	$97
Lowest	$9	$9	$9	$9	$9	$9	$22	$29	$57

* Covered parking rates only

Rates quoted exclude weekend special rates and other discount rates.

We emphasise that significant off-airport capacity is provided by private operators in relation to the airport. Melbourne Airport has provided PwC with capacity information in relation to 14 private operators in the area of the airport. Together, these operators provide a total capacity of 10,950 bays. For the price comparison in Table 6, a subset of these operators – 9 operators providing a total of 8,400 bays – was selected on the basis of the available information. The capacity provided by these operators is contrasted to the long term car parking capacity at the airport of 15,896 bays (comprising the capacities of the long term car park, of 12,500 bays, and the multi-level long term car park, of 3,396 bays).

It can be seen from the information in Table 6 that some off-airport rates are higher than on-airport rates in the short term. This reflects the likely focus of off-airport operators on the medium and longer term market, and also Melbourne Airport's short term pricing strategy designed to facilitate efficient management of the kerb in front of the terminal complex.

Over the long term, on-airport car parks are generally priced higher than off-airport car parks, reflecting the higher amenity value and locational costs associated with the on-airport sites.

As discussed in Chapter 5, car parking prices at Melbourne Airport are mostly below the rates for equivalent services provided in the Melbourne CBD and in that context, it is considered that the car parking charges at the airport do not fully reflect the locational value, or locational rent, available from the airport site.

4.4 Kerbside Access Charges

Parties that obtain a commercial benefit from access to the forecourt are charged an access fee which contributes to the costs of providing and maintaining those facilities.

Private vehicles accessing the terminal for pick-ups/drop-offs do not pay access fees. In this case, the vehicles must be attended at all times and the maximum length of stay for a pick-up or drop-off is 1 minute. Public buses currently also do not pay access fees. The kerbside access charges applied by the airport are set out in Table 7.

Table 7: Access Fee Bases

Kerbside Access Charges	Seat Capacity (max)	Cost/seat ($)
1. Private Vehicle pick-up/drop-off - no charge		
2. Metropolitan public bus - no charge		
3. Taxi access charge - $1.32 per pick-up	4	0.33
4. Limousine / Hire Car access charge - $3.00 per 30 minutes per pick-up	4	0.75
5. Commercial vehicle / Van up to 10 seats - $4.00 per collection	10	0.40
6. Commercial vehicle / Van with Trailer up to 10 seats - $6.00 per collection	10	0.60
7. Small Bus 10 - 24 seats - $6.00 per collection	24	0.25
8. Large Bus more than 24 seats - $12.00 per collection	48	0.25

Some operators using the forecourt pay negotiated access charges in place of the scheduled rates in Table 7 (examples are noted below).

Charging for forecourt access, and the approach to car parking pricing at the airport, is focused on efficiently managing access to the kerb in front of the terminal complex and giving effect to the safe and efficient flow of traffic in the forecourt area. Consistent with this, taxis are provided with a high level of access and vehicle pick-up/drop-off zones are arranged so that vehicles of equivalent sizes are grouped together. In addition to providing for private vehicle pick-up/drop-off zones, Melbourne Airport provides disabled pick-up/drop-off zones in front of the terminals, which provide 15 minute parking.

Charges are levied for access relate to services that:

- utilise a range of other services provided by the airport (for example, taxis have access to parking for many hours, queue and rank management and dispatch services, toilets, shade and prayer rooms) for which they should pay; or
- are in competition with service provides offering similar services (such as car rental and car parking) for which access is paid for in another form.

It is noted that charges are based on the type of vehicle and do not vary according to the nature of the business use. For example, a hotel minibus is charged the same rate as a minibus serving an off-airport car park.

As noted in Chapter 2, this cost assessment relates to the end-to-end costs of different ground access services. Airport access charges contained in the service mode cost calculations comprise the following:

- car parking charges in the case of the mode of private vehicle access combined with car parking at the airport;
- access charges paid by off-airport car parking operators for access to the airport forecourt by the courtesy buses of those operators; and
- access charges paid by taxis and limousines/hire car operators.

In the case of access charges paid by off-airport car parking operators, the airport charge is shown as a reduction amount off the bundled car parking service charge applied to users by those operators. In the case of private vehicle parking at the airport and taxi/limousine access, the access charge is an additive amount to the private vehicle operating costs and the taxi/limousine hire charge, respectively (plus toll fees in both cases).

Although we have included rental vehicles, SkyBus and the Qantas valet service in our cost calculations and the operators of those services incur access charges (land lease fees in the case of Qantas valet) levied by Melbourne Airport, we have not separately identified these access charges or lease fees in the total costs for these service modes, given that the charges applied to these operators have been set by commercial agreement. Information on the applicable airport rates in these cases has been treated as confidential information for the purposes of this report.

5 Cost Benchmarking

This chapter evaluates the costs to users in relation to the different options within the ground access market in relation to Melbourne Airport as identified in Chapter 1. The costs included in this evaluation are the directly attributable incremental financial costs to the users, on the basis outlined in Chapter 2 of this report.

Assessment timeframes are based on the approach set out in Chapter 2.

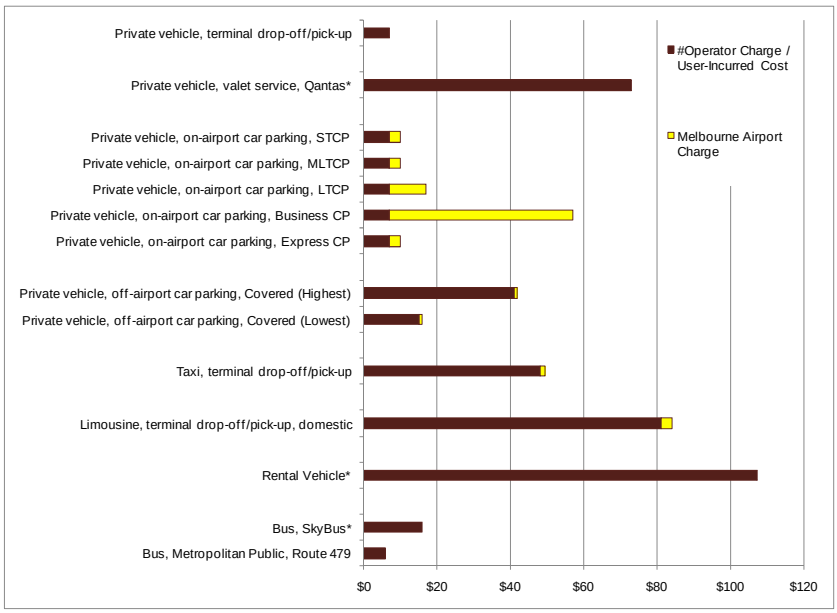
5.1 Short Term Access

The initial perspective on short term access costs is based on the lowest chargeable timeframe unit for Melbourne Airport car parking services, 20 minutes. It also involves an assumption of a single journey (in this case, access from the CBD to the airport).

20 min access

The results of the calculation of the costs of the different transportation modes under this scenario are shown in Figure 2 below.

Figure 2: Cost of Single Journey, Car Park Duration - 20 minutes



** Operators of these services incur airport access charges, but the cost component of airport access charges is not shown separately from the operator charges.*
 # Charge applied by the operator and/or a user-incurred cost (the latter in the case of private vehicle operating costs).

From Figure 2, the following observations can be made.

Private vehicle pick-up/drop-off represents the cheapest personalised transportation option at $7. Although this option incurs costs of fuel and tolls, no charge is applied by Melbourne Airport for kerbside access.

Private vehicle, combined with short term airport car parking (covering short term parking at the short term car park, the multi-level long term car park and the express car park), represents the second cheapest option, at $10 (comprising $7.00 vehicle operating costs and $3.00 car parking costs). This option is cost effective when considered against 1 hour minimum block charging

that is more generally adopted by commercial car parks, in the Melbourne CBD, and in comparison to longer term-based rates applied by off-airport operators. As noted above, the short term charging basis to car parking at the airport is designed to encourage prospective users in relation to private vehicle pick-ups/drop-offs to utilise the car parking facilities at the airport, thus contributing to efficient management of the constrained kerbside space in front of the terminal complex.

The terminal-side location of the short term car parks offers a high degree of convenience to users. These facilities are secure, subject to surveillance, provide automated payment options, offer lift access and provide timely access to the terminals.

As noted above, pricing of the long term car park is designed to ensure that this car park, which is the most distant on-airport car park from the terminals, is used most efficiently for long term storage (and offers the cheapest rates at the airport as the length of the stay increases).

Business car parking is charged a flat rate per day which reflects the close proximity of the business car park to the terminals and that the users concerned tend not to use these services as a direct substitute for private vehicle pick-up/drop-off, and use this car park for periods 8 – 24 hours (at the medium term timeframe of 8 – 24 hours, rates for this car park are equalised with other car park rates at the airport, with the exception of the long term car park). Because of this standard usage basis for the business car park, it has not been included in the analysis of short term stays.

Off-airport car parking is generally more costly than on-airport parking for such short stays, as off-airport operators appear to be focused on providing for longer term stays.

Amongst the personalised transportation options, taxis represent the next cheapest option to private vehicle options, at $49.45. The taxi cost in this scenario is considerably more expensive than the least cost private vehicle options above. However, to a material proportion of users - particularly business users - taxis may offer a level of amenity above private vehicle travel. Also, in respect of users that do not have access to a private vehicle but require a timely, non-scheduled service (ie for whom a bus would not provide the desired level of service), taxis would represent the cheapest service that provides a personalised service to and from the airport.

As noted in section 1.2 on the scope of the ground access market, a user's mode choice will reflect many factors. Based on Melbourne Airport's market research, for most users, the primary factor will be their level of anxiety in relation to the timing of the service to connect to the airport terminal and their flight and may reflect other factors, such as whether the user is paying for their trip directly. Where the user does not incur the cost of the trip, this may influence mode choice on a number of bases: for example, in the case of a business trip, depending on the company's expenses policy, claiming expenses for mileage and tolls on a private vehicle may be more difficult than claiming a taxi fare – this could result in users in that case being biased toward taxi travel rather than private vehicle access.

Further, the mode choices in relation to private vehicle options may also reflect the user's access to a vehicle. For interstate travellers, a private vehicle is not an option. However, for a Melbourne-based passenger, factors such as whether the traveller's family has more than one vehicle (so that a vehicle left in an airport or off-airport car park would not adversely affect the amenity of the family) may also be a driver of mode choice.

Other personalised services shown in Figure 2 represent premium variations on the services discussed above. That is:

- the valet service option ($73 [$66 valet fee plus vehicle operating costs of $7]) can be considered, in effect, to provide a premium version of the business car parking service;
- limousines/hire cars ($84.10) represent a premium on the taxi service; and
- rental vehicles ($104.40), which have a materially different cost structure to users than other services (and offer a materially different type of service than the general single journey services as discussed above).

SkyBus and the public bus example used ($16.00 and $5.80 respectively) offer a different level of amenity than the personalised services above in that they offer a service at scheduled intervals. The journey time of SkyBus to the CBD is 20 minutes, similar to the times of the personalised transportation services above. The public bus route used for this analysis (route 479) has around a 50 minute journey time between the airport and the CBD.

The bus options are cost-effective, although for some users, they may offer a lower level of time control than the personalised transportation options above and, in the case of the public bus option used, a materially longer journey time. They may also present lower levels of amenity in terms of other factors affecting users' mode preferences, such as effort required to manage luggage.

Cost-sensitive users may prefer the bus services to more personalised options. As shown in section 4.1, 9% of passengers at the airport use the bus service access mode, notwithstanding that it would appear to offer a lower degree of time control and flexibility than provided by personalised modes of ground access.

Effectively, substitution can take place between all modes discussed above but, in relation to short term access, there is considered to be a particular direct substitutability between private vehicle pick-up/drop-off and private vehicle access combined with short term car parking. Short term car parking options are close to the terminal forecourt and short term car parking involves only a nominal cost to the user above the direct cost of private vehicle pick-up/drop-off (noting that the airport applies no charge for private vehicles accessing the forecourt).

40 min – 1 hour access

Extending the timeframe of the analysis to cover periods up to 1 hour, to reflect the charging structure of short term car parking at the airport, does not alter the relativities between the costs to users of the different options to access the airport as discussed above – except that the costs of using a private vehicle combined with the cheapest off-airport car park is 1 dollar less than the option of a private vehicle 1 hour stay in the long term car park at the airport.

The general static relativities between options in respect of a 20 minute stay versus a 1 hour stay reflect the fact that the user costs analysed relate to journey costs (these costs do not change with increased duration of the stay) and costs associated with the stay at (or nearby to) the airport. The only costs to the user which vary under these scenarios are the costs of the short term car parking option at the airport. Total costs for this option (inclusive of vehicle costs of $7) change to from $10 for a 20 minute stay, to $13 for a 40 minute stay and $19 for a one hour stay.

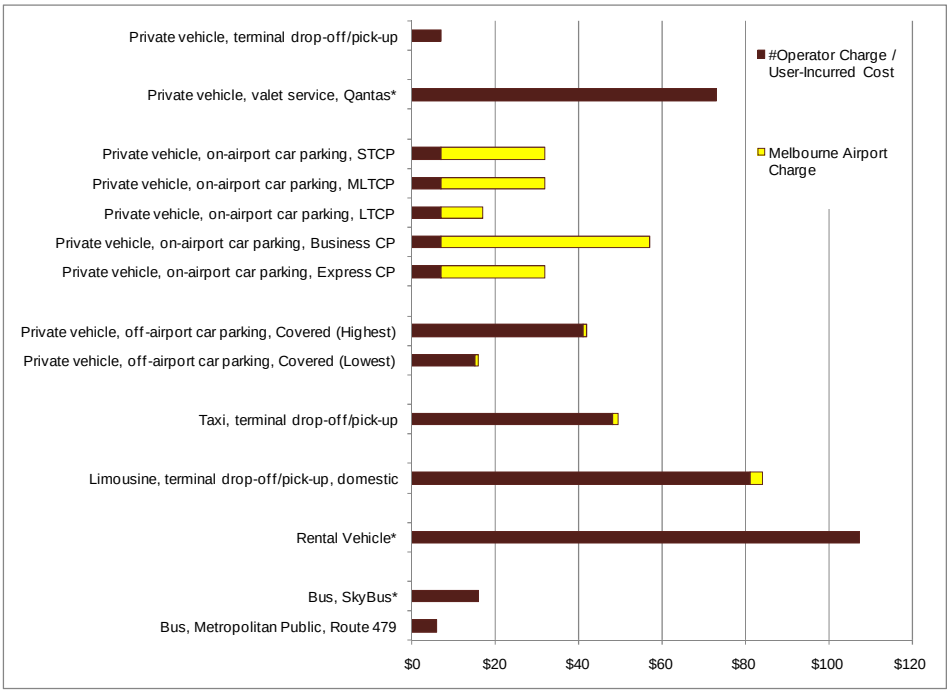
The costs of a stay in the long term car park do not change between a 20 minute stay and a 1 hour stay. The total cost of this option to a user (inclusive of vehicle costs) is $17 over these timeframes (comprising vehicle costs of $7 and a car parking charge of $10).

As the cost relativities of the services do not change in any material degree from the 20 minute stay scenario, and that differences in costs represent small nominal amounts, user preferences between different options are likely to be similar between the 1 hour and 20 minute stay scenarios.

3 hour access

Assuming a 3 hour stay raises costs only of the options associated with on-airport car parking (off-airport car parks tend to charge daily rates, so their rates do not change in response to short term timeframe variations). The on-airport car parking rates for this length of stay, on average, are at a similar level to the off-airport rates, with the on-airport long term car park rate being toward the lower end of the scale of comparable rates. The rate structure of the long term car park ($10 up to 3 hours) means that the costs of this option ($10 car parking plus $7 vehicle operating costs) of $17 is the same as the cost for this option under shorter stay scenarios. This compares to the costs of a private vehicle combined with parking at the cheapest off-airport car park surveyed, of $16 ($9.00 car parking plus $7 vehicle operating costs). The costs of the different 3 hour access options are shown in Figure 3 below.

Figure 3: Cost of Single Journey, Car Park Duration – 3 hours



** Operators of these services incur airport access charges, but the cost component of airport access charges is not shown separately from the operator charges.*
 # Charge applied by the operator and/or a user-incurred cost (the latter in the case of private vehicle operating costs).

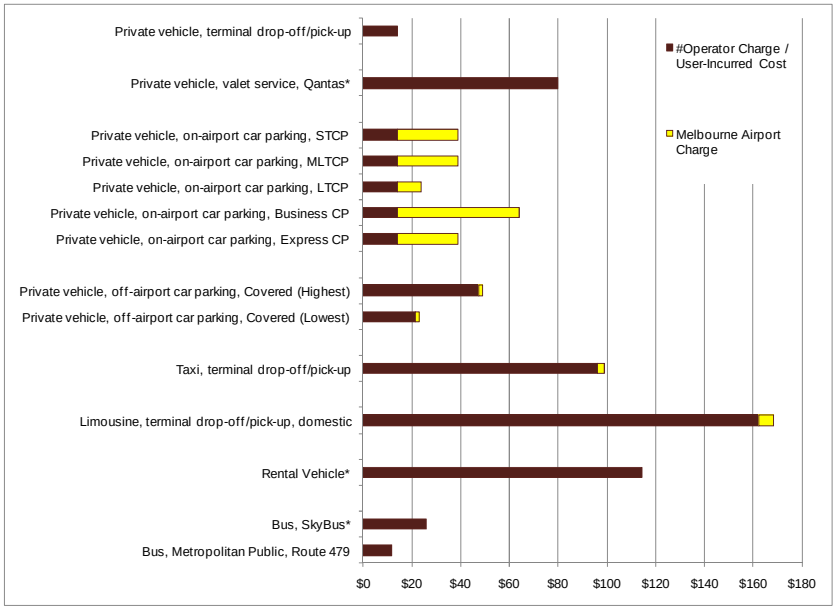
The private vehicle option combined with car parking (on and off-airport) represents the second cheapest personalised transportation option to private vehicle pick-up/drop-off, with taxis representing a materially higher cost to the user of this option.

It is reasonable to present that, given the proximity of on-airport car parks to the terminals, they represent a more favourable option for 3 hour stays than off-airport car parks, where there may be additional costs in terms of accessing these car parks off the freeway and time costs associated with their more distant locations from the airport terminals and aeronautical services. Accordingly, the off-airport car parks may offer a lesser degree of time control to users.

Although we have included private vehicle pick-up/drop-off in this analysis of a single journey to the airport, a 3 hour stay in a car park may not in all cases

represent a direct substitute for the pick-up/drop-off option (noting that a maximum of 1 minute standing time is provided at the kerbside). In this context, we considered the above 3 hour access scenario in terms of return journeys from the CBD. The effects on the costs of different options, based on a return journey assumption, are set out in Figure 4 below.

Figure 4: Cost of Return Journey, Car Park Duration – 3 hours



** Operators of these services incur airport access charges, but the cost component of airport access charges is not shown separately from the operator charges.*
 # Charge applied by the operator and/or a user-incurred cost (the latter in the case of private vehicle operating costs).

The return journey assumption changes only the costs of the journeys to/from the airport (car parking costs do not change). The effect of the assumption therefore is felt in terms of vehicle-related per journey costs. This has a small effect on private vehicle transport (which, in combination with kerbside pick-up/drop-off, remains the cheapest personalised transportation option), but materially increases the costs of the taxi option (and the related option of limousines/hire cars) given that charging for those services is basically on a per journey basis.

The taxi option increases from $49.45 to $98.90 and the cost of the limousine/hire car option increases from $84.10 to $168.20.

Although the costs to users of the bus options assessed increase markedly ($16.00 to $26.00 for SkyBus and $5.80 to $11.60 for the route 479 public bus), these options remain cost-effective, and the public bus option remains the lowest cost option to users of the options assessed ie $11.60 versus $14 (direct financial operating cost estimate) for private vehicle pick-up/drop-off. As discussed in relation to the shorter stay scenarios, the bus options may be chosen by users who place a high order of importance on service pricing, relative to time control and/or journey time.

A comparison of the costs of the major personalised service mode options, across different short term stay options is presented in Figure 5.

Figure 5: Comparison of Key Access Options – Short Term

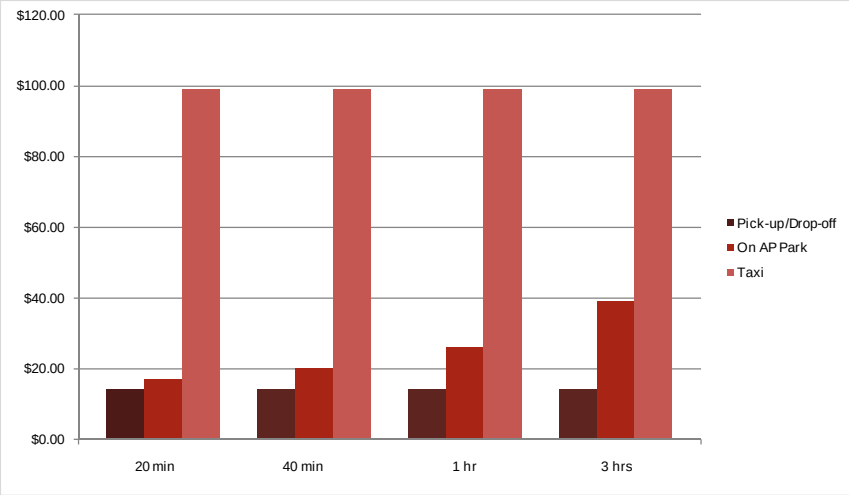
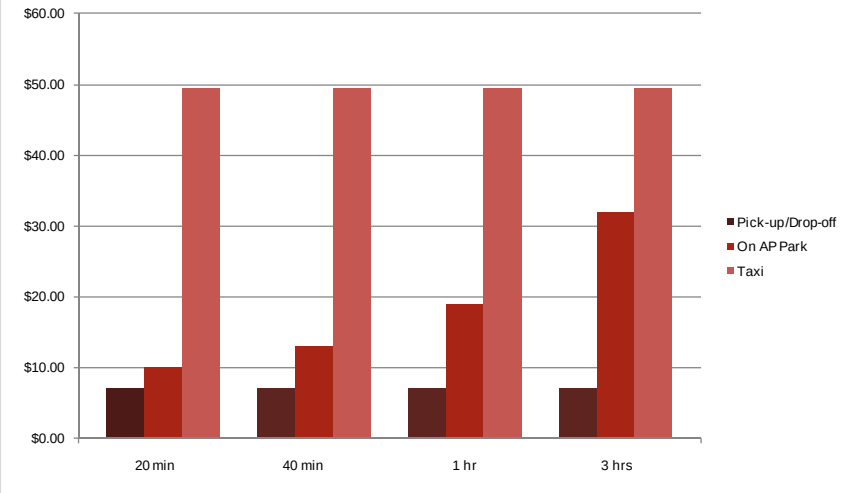


Figure 6 below sets out the comparative costs of the short stay scenarios for the major mode options as per Figure 5 above, but assumes a single journey only (the main effect of this is that the cost of the taxi option reduces from $98.90 for a two way trip to $49.45 for a one way trip to).

Figure 6: Comparison of Key Access Options – Short Term (Single Journey



As shown in the cost comparison of the different personalised transportation modes in Figures 5 and 6 above in relation to stays 3 hours or less, the price behaviour of Melbourne Airport does not include a use of market power in car parking. Monopolistic behaviour by an airport in that context could involve pricing up to substitute services, and potentially toward the costs of taxi access, given that taxi costs are in effect fixed by regulation (all other cost components being directly determined by competitive market processes).

Instead, pricing of short term parking options at the airport reflects the airport's strategy of efficiently managing access to the constrained space at the terminals.

In Chapter 7 car park prices at Melbourne Airport are compared to the prices for equivalent services provided in the Melbourne CBD.

5.2 Medium Term Access

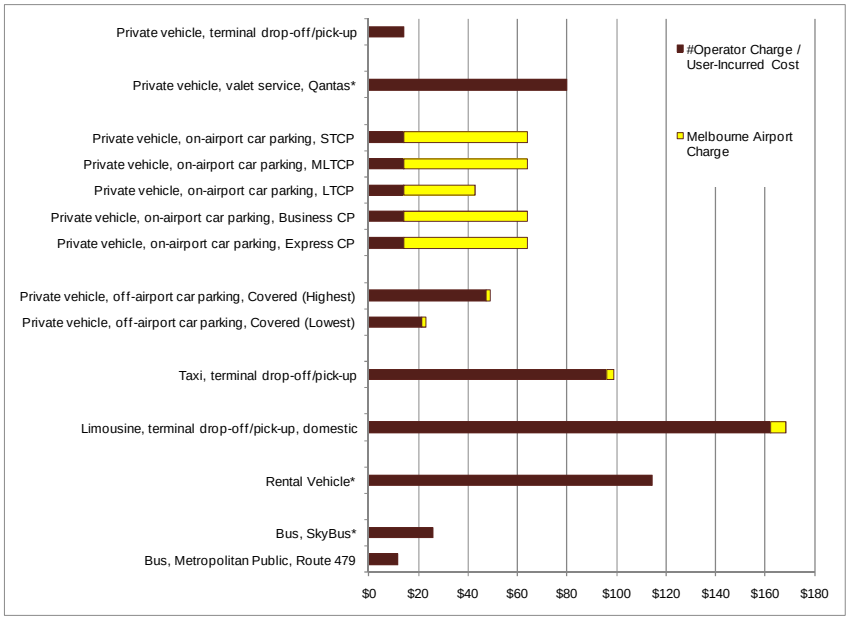
For medium term access, the assumption that the ground access is in the form of a return journey between the CBD and the airport has been uniformly applied.

8 - 24 hour access

In this case, an 8-24 hour stay scenario is assessed. This range has been used given that costs for different modes do not vary within this range (that is, vehicle-only costs are fixed by the journey assumption and car parking charges used in the assessment do not evidence variation within this range). The cost relativities between services under this medium term scenario are essentially as per the 3 hour short term scenario, although there are differences between on-airport and off-airport car parking costs to users.

The results of the calculation of the costs of the different transportation modes under this scenario are shown in Figure 7 below.

Figure 7: Cost of Return Journey, Car Park Duration – 8 hours



** Operators of these services incur airport access charges, but the cost component of airport access charges is not shown separately from the operator charges.*
 # Charge applied by the operator and/or a user-incurred cost (the latter in the case of private vehicle operating costs).

In relation to Figure 7, the following observations can be made.

Private vehicle pick-up/drop-off represents the cheapest personalised transportation option, at $14.

Private vehicle combined with airport car parking is $64 (short term car park) and $43 (long term car park). This compares to the option of leaving the vehicle at an off-airport car park, where the range of the costs for that option, inclusive of vehicle operating costs, is $49 to $23. This indicates that, on a price basis, stays at the long term car park at the airport are competitive with stays at off-airport car parks serving the airport. Because of the greater amenity, though proximity to the terminals, provided by the long term car park (and taking into account the regular bus service between this car park and the terminals every 20 minutes), for many users requiring medium term stays, the long term car park may offer better value than off-airport car parks given the greater time

control and shorter journey time provided by its proximity to the airport terminals.

The cost of 2 taxi fares, as factored-in to the 3 hour short term scenario above, is unchanged, but remains markedly dearer than any of the car parking options considered.

The costs of the valet service and of limousines/hire cars retain their relativities to the benchmark services (the business car park and taxi fares respectively).

The costs of the bus options are unchanged from the other return journey scenarios. In this analysis, the cheapest option to access the airport from the CBD and vice versa is the public bus option (return journey $11.60).

For medium term stays, a greater level of substitution may apply between on-airport and off-airport car parking options and, although it remains a low cost access option (in terms of direct costs incurred by the vehicle operator), private vehicle pick-up/drop-off may not be feasible (ie given that reliance on this option would involve 2 return trips to the airport within the medium term timeframe).

5.3 Long Term Access

2 day access

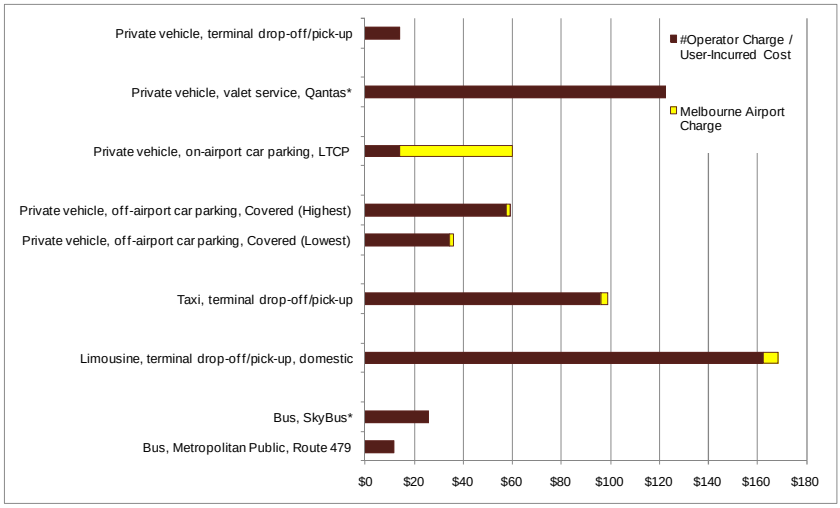
As the term of the stay increases from a medium term to a longer term stay, on average, off-airport car parking costs to users become lower than the on-airport car parking costs. The on-airport rates, however, reflect the greater amenity value and locational costs associated with the proximity of airport car parks to the terminals.

As the length of the stay further increases, from a simple direct cost perspective, taxis start to become affordable relative to private vehicles combined with car parking at the airport or at off-airport locations.

Similar to the costs of taxis/limousines, the costs of bus options are unchanged from the other return journey scenarios. The cheapest option to connect the CBD and the airport is the public bus option (return journey $11.60), although this is not a personalised service and the specific bus option modelled involves a 50 minute 1-way journey time. SkyBus, on the other hand, involves a 20 minute 1-way journey time to the CBD and a return journey cost of $26.00.

Ground access costs to users in respect of a long term stay of 2 days are shown in Figure 8 below.

Figure 8: Cost of Return Journey, Car Park Duration – 2 days

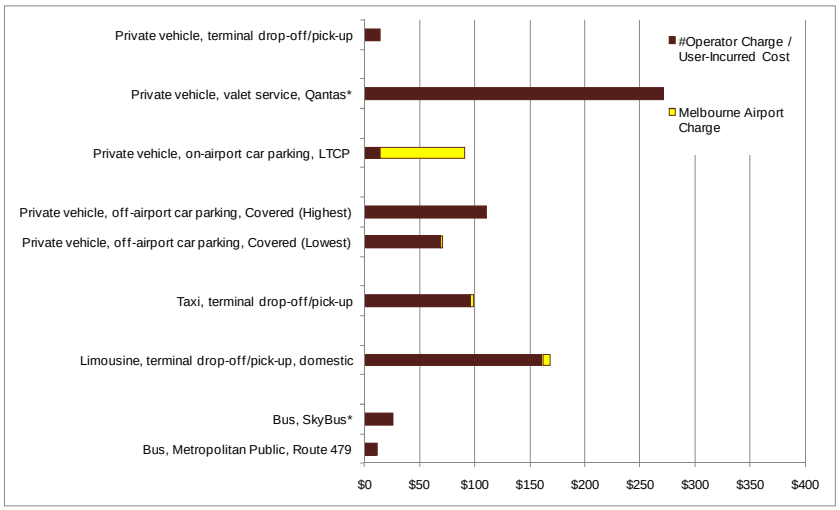


** Operators of these services incur airport access charges, but the cost component of airport access charges is not shown separately from the operator charges.*
 # Charge applied by the operator and/or a user-incurred cost (the latter in the case of private vehicle operating costs).

7 day access

For a 7 day stay, the total direct cost of a return taxi trip to the CBD of $98.90 is only $6.90 more expensive than the total direct cost to a user of the option of a private vehicle plus parking in the airport long term car park, of $91. The return taxi fare is also approximately at the mid-point between the highest and lowest costs calculated for a private vehicle 7 day stay in an off-airport car park (the range of highest to lowest of such bundled costs to users is $111 to $71). These general results are depicted in Figure 9 below.

Figure 9: Cost of Return Journey, Car Park Duration – 7 days



** Operators of these services incur airport access charges, but the cost component of airport access charges is not shown separately from the operator charges.*
 # Charge applied by the operator and/or a user-incurred cost (the latter in the case of private vehicle operating costs).

As the length of stay increases, fixed cost options, such as taxis and buses, may become more attractive to users, given that the costs of these options are

not dependant on the duration of the stay (or the timing of the outbound and inbound legs of a passenger's return flight).

As the bus options involve a low nominal cost to users relative to the costs of personalised transportation options, as the length of the stay increases, there may also be substitution from personalised transportation options to buses, private and public.

The most attractive personalised transportation option from a cost perspective represents private vehicle pick-up/drop-off. However, there may be significant practical issues associated with that option from the perspective of the person providing the pick-up or drop-off service (a key issue will be whether the person providing the drop-off service at a time that is convenient for the passenger, for the return journey is also able to provide a pick-up service at a convenient time) and from the potential congestion effects of private vehicle pick-up/drop-off at the terminal forecourt. As per the medium term timeframe assessed above, there is likely to be a high degree of substitution between on-airport car parking and off-airport car parking amongst users who wish to use their private vehicle in relation to long stays.

As noted in section 5.1 above, mode choices involving the passenger's own private vehicle will reflect the level of access that the traveller has to a vehicle: if the traveller's family has only one vehicle, it may not be feasible for that vehicle to be stored in a car park and therefore be unavailable for the use of other family members.

6 Car Parking Capacity

Since the commencement of the ACCC price monitoring period in 2005/06 annual passenger growth at Melbourne airport increased by 23%. Over that period, APAM has invested significantly in capital works to expand the range of parking options for passengers. These plans have been developed in a timely fashion and presented for public display. This chapter sets out the past capital investments made by APAM which have sought to relieve congestion and increase efficiency of ground transport access and also provides information on APAM's commitments to further expand car parking capacity at the airport.

There were 23,180 on-site parking bays at the airport in 2009/10, 10% more than in 2008/09 and 32% more than the 17,530 available bays during 2005/06. APAM increased supply of total parking on an annual basis over the 2005/06 to 2009/10 regulatory period, with a total of $130 million invested in car parking and related facilities. The increase in supply over that period well exceeded the 23% increase in the number of passengers using the airport.[3]

APAM has expanded supply across a range of its car parking services. This has further diversified the range of services available, particularly the availability of long term car parking. The expansions since 2005/06 include:

- the number of multi-level car parking bays tripled, to 3,396;
- supply of uncovered long term car parking supply increased by 30% to 12,500 bays;
- short term parking bays were increased by 6% to 3,800;
- staff parking bays were increased by 12% to 1,932; and
- continuous upgrading of technology.

These additions to capacity have been made in a timely manner over the regulatory period in response to user demand and to provide better quality products to compete with off-airport parking and other modes of ground transport.

In addition, APAM has developed a range of enhancements to the airport forecourt to allow better traffic management such as the development of taxi holding areas and trials of Victorian Government Smart bus for free access of the forecourt. Such initiatives are being undertaken with collaboration with the Victorian Government in an effort to reduce congestion across the road network.

The capacity expansions effected in the last 5 years, and future capacity plans are set out in Table 8 below.

Table 8: Melbourne Airport Car Parking Capacity Expansions

Number of bays:	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
STCP	3,553	3,553	2,939	2,888	3,800	3,800
MLLT	1,100	1,542	1,917	2,347	3,396	3,396
LTCP	9,615	9,788	11,067	12,500	12,500	12,500
Business	176	176	176	176	176	176
Express	175	175	175	175	175	175
Staff Car parks	1,710	1,710	1,710	1,710	1,932	1,932
Contractors	376	376	376	376	376	376
Car Rentals	825	825	825	825	825	825
Total	**17,530**	**18,145**	**19,185**	**20,997**	**23,180**	**23,180**

3 Commonwealth Government, Department of Infrastructure and Transport, Airport Traffic Data 1985-86 to 2009-10 (Microsoft Excel format).

Melbourne airport will continue to invest in increased capacity in the coming years. The key projects include a 37% increase in long term uncovered parking bays and a new multi-level car park. The future funding plans of the airport in relation to car parking and related capacity expansions and the level of funding applied since the commencement of the current monitoring regime are set out in Table 9 below.

Table 9: Melbourne Airport Car Parking Capacity: Capex and Committed Funding

Capital Developments	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Develop additional LTCP	$5,200,000	$3,000,000	$7,400,000			
Develop additional MLCP	$45,000,000		$4,800,000	$44,200,000	$3,000,000	
Staff car park expansion				$1,500,000		
Miscellaneous capital development		$5,250,000	$1,250,000	$1,000,000		$150,000
Purchased new buses		$5,000,000		$1,000,000		
IT infrastructure development	$1,700,000	$350,000	$150,000			$350,000
Marketing spend						
Total	**$51,900,000**	**$13,600,000**	**$13,600,000**	**$47,700,000**	**$3,000,000**	**$500,000**

The combination of supply additions to parking and capacity enhancements to forecourt access also provide users with greater choice in relation to ground access services.

In contrast to the past and future investments by APAM in car parking capacity, it can be presented that monopolistic behaviour in relation to a service could otherwise involve limiting or restricting its capacity in order to maximise earnings from the service. APAM has instead made substantial investments in capacity and will continue to invest in increased capacity in the coming years. These actions are consistent with responding to user needs.

7 Locational Value

Similar to the case of commercial parking services in the CBD, demand for car parking services at airports is derived demand, in that it is dependent upon demand for other goods or services. In the case of demand for airport facilities, the primary demand is for aeronautical services.

The value attached to the services provided reflects their proximity to these primary demand sources. As such, it can be presented that the services should reflect a locational rent.

The locational rent concept presents that market forces should result in land uses being arranged according to their value based on proximity to the relevant market. Under this concept, high value uses are arranged closest to the market and less valued uses in relation to the market are arranged furthest away from the market. Under the original locational rent concept,[4] the reduction in value with distance from the market is a simple function of transportation cost.

Car parking services at Melbourne Airport embody a locational rent in relation to the amenity they provide users, in terms of access to the airport terminals and aeronautical services.

Given the value and utility of on-airport car parking sites, it would be inefficient for these sites to be allocated to less productive uses, or to uses that are less critical in relation to users' key requirements for access to the airport terminals. These requirements have been determined by market research commissioned by Melbourne Airport as relating to timeliness, time control and certainty of ground access to the airport terminals. As noted previously, the location and nature of ground transport links at Melbourne Airport means that it is heavily dependent on private vehicle access modes.

The services provided by airport car parking sites have a high amenity value in the same way that car parking at CBD locations has a high amenity value and also embodies a commensurate locational rent. In the case of commercial car parks in the CBD, prices are determined by the general process of competition between car parking operators in the city centre. The businesses of commercial car parks in the CBD are similar to car parking services provided at the airport in that, in both cases, the businesses can be operated on a stand-alone basis. This contrasts with shopping centre and entertainment centre car parks which may be subsidised by other business activities in the centre.

In setting car parking prices, Melbourne Airport considers the costs it incurs in providing services and the amenity provided by the service (both to the operator and in respect to the proximity to the terminal complex of pick-up and drop off) in relation to the competing modes for access. In pricing medium term and long term options, in particular, Melbourne Airport faces direct competition from off-airport car parks (in addition to general competition from other modes).

Melbourne Airport car parking prices in this medium to long term context are, on average, (although not in all cases) higher than off-airport rates, reflecting the greater amenity value, and therefore locational rent, associated with the proximity of airport car parks to the terminal. This is consistent with the efficient operation of the airport. In the case of short term options, as discussed in section 4.3 above, on-airport rates are set to reflect locational costs and value, and in order to offer a cost effective alternative to private vehicle pick-up/drop-off as a means of managing traffic flows in the constrained space of the terminal forecourt.

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[4] Johann Heinrich von Thunen, The Isolated State, 1826.

As set out in Table 10 below, the locational value reflected in on-airport car parking charges is generally below that reflected in CBD commercial car park rates.

Table 10: Melbourne Airport Car Parking Prices Compared to CBD Rates

Timeframe	20 min	40 min	1 hour	3 hours	8 hours	1 day	2 days	3 days	7 days
Melbourne Airport Car Parks									
short term car park	$3	$6	$12	$25	$50	$50	$100	$150	*$350*
multi-level long term car park	$3	$6	$12	$25	$50	$50	$95	$139	$139
long term car park	$10	$10	$10	$10	$29	$29	$46	$69	$77
business car park	$50	$50	$50	$50	$50	$50	$100	$150	*$350*
express car park	$3	$6	$12	$25	$50	$50	$100	$150	*$350*
Melbourne CBD*									
Highest	$20	$20	$20	$60	$86	$86	$172	$258	$602
Lowest	$3	$10	$10	$30	$35	$35	$70	$105	$245
Average	$15	$17	$17	$49	$65	$65	$130	$194	$454

* Covered parking, not including earlybird rates

The information in Table 10 above is consistent with car parking prices being set based on the factors described above. The generally lower prices at Melbourne Airport car parks relative to Melbourne CBD commercial car parks suggests that the airport's pricing is not indicative of a use of market power in car parking.

8 Productivity Commission Issues

Below are the specific issues raised by the Productivity Commission in its issues paper in relation to airport car parking services and a suggested response to each of these issues raised by the PC.

Issue 8.1 What percentage of passengers use the airport's car park facilities?

Response

The percentage mode share of private vehicles using the on-airport car parks is 27%, given in section 4.1 of the report.

Issue 8.2 What is the level of competition from other sources of transport?

Response

The level of competition is evidenced in the mode share data in section 4.1. The main form of ground access to the airport is private vehicle pick-up/drop-off at the kerb in front of the terminal complex, at 35% mode share. This is followed by off-airport car parking at 27%, while taxis/hire cars also evidence material mode shares of 15% and 14% respectively.

Issue 8.3 Are off-site car parks a real source of competition to the airport car parks?

Response

Off-airport car parks offer prices that are competitive with, and in many instances lower than, prices for on-airport car park stays, particularly in relation to medium term and long term stays. A material level of capacity is provided by off-airport operations. The 14 private operators in the area of the airport on which Melbourne Airport has obtained information provide a total capacity of 10,950 car parking bays. This compares to the long term car parking capacity at the airport of 15,896 bays (comprising the capacities of the long term car park, of 12,500 bays, and the multi-level long term car park, of 3,396 bays). This is a foundation of competition between on-airport and off-airport car parks.

Issue 8.4 Is there evidence that airports are influencing the level of competition from alternative transport modes?

Response

It is not apparent that the airport is influencing the level of competition from alternative transport modes. There are material differences in the cost and amenity to users of the different modes of ground access (users choose between modes based on their particular preferences and generally place the highest store on modes that provide time control over their journey time to their flight: this is evidenced in a high level of access being based on private vehicles). The airport's services (car parking, kerbside access) are simply components of a broader range of ground access options. Importantly, the main form of ground access at the airport, private vehicle pick-up/drop-off, is not charged.

Issue 9.1 Has the pricing behaviour of airports indicated the use of market power in car parking?

Response

The prices for airport car parking are set according to constraint management objectives (to manage traffic flows in the terminal forecourt) and to reflect the locational rent associated with the proximity of the individual car parks to the terminal complex. The costs to users of the different ground access options at the airport are materially different. For example, compared to use of a private vehicle plus a short stay in an airport car park, a taxi could be a relatively expensive option and a bus a low cost option. The cheapest option in many cases will tend to be private vehicle pick-up/drop-off at the terminal forecourt. This mode is not charged to access the forecourt, and represents the main form of ground access to the airport. There is a high level of substitutability between the different ground access modes at the airport and car parking prices at the airport compare favourably to the general level of prices at commercial car parks in the Melbourne CBD (which similarly reflect a locational rent). On these bases, the pricing behaviour of Melbourne Airport does not appear to indicate the use of market power in car parking.

Issue 9.2 Do the price increases reflect monopoly rent, locational rent (e.g accounting for the opportunity cost of alternative uses of land dedicated to car parking), or both?

Response

Car parking prices and forecourt access charges reflect the locational rent associated with the amenity of the service provided to users. The amenity value will reflect the benefit the proximity and value to users, based on the location of the car parking facilities and kerbside access near to the airport terminals. Melbourne Airport's market research shows that users place greatest value in ground access services that provide them with time control over the journey to their flight.

Issue 9.3 Are monopoly profits evident for short-term, long-term, or all forms, of parking?

Response

Car parking prices at the airport are generally below the prices at commercial car parks in the Melbourne CBD, which similarly reflect a locational rent. They are also competitive with prices applied by off-airport car parks serving the airport in relation to short term stays. Off-airport operations will not be subject to the planning and development processes of the Airports Act and other regulatory arrangements applying to airports. Car parking prices are determined in the competitive context of the broader ground access market.

Issue 20.3 What is the market power of the major airports in relation to car parking prices?

Response

This question is closely related to the issue raised at Issue 9.1 above. Because of the substitutability of the different ground access modes at the airport, Melbourne Airport appears to have limited market power in relation to car parking prices.

Issue 27.1 What transport options exist at the major airports in Australia?

Response

The ground access options in relation to Melbourne Airport are set out in Table 1 of this report.

Issue 27.2 Are these reliable, frequent and cost effective services?

Response

The available transport services reflect the factors described in section 4.1, particularly the relatively high distance between the airport and the CBD. The links between the airport and the market are by road access only. The most cost effective ground access modes are private vehicle pick-up/drop-off (for which the airport applies no charge) and public buses (a one-way journey to the city is $5.80). The availability of taxis and hire cars at the airport and express buses (eg SkyBus) means that, in addition to the private vehicle access mode, there is a generally high frequency of services amongst the modes serving the airport.

Issue 27.3 Are they integrated into the suburban transport network?

Response

The ground access at the airport is via road access. Public buses at the airport are integrated into the metropolitan bus network. All other modes with the exception of regional Victorian bus services are integrated into the suburban transport network.

Issue 27.4 To what extent are they used relative to private cars?

Response

The mode share data is in section 4.1. See Issue 8.1 above.

Issue 27.5 Is there evidence that land transport service providers (such as taxis, shuttles, off-airport car parking providers) are impeded unduly in gaining access to airports?

Response

We have no evidence which shows that land transport service providers are being impeded unduly. Charges and terms and conditions for forecourt access are focused on efficiently managing access to the kerb in front of the terminal complex and on giving effect to the safe and efficient flow of traffic in the forecourt area. Consistent with this, taxis are provided with a high level of access and vehicle pick-up/drop-off zones are arranged so that vehicles of equivalent sizes are grouped together. In addition to providing for private vehicle pick-up/drop-off zones, Melbourne Airport provides disabled pick-up/drop-off zones in front of the terminals which provide 15 minute parking.

Issue 27.6 Are charges and conditions of access to airports (e.g convenient pick-up and drop-off points) appropriate?

Response

The basis of the charges and general conditions of access is provided in Table 7. The charges and terms and conditions of access are signposted at the terminal precinct and all standard terms are published on the Melbourne Airport website. In a number of cases, users (eg SkyBus and other commercial bus operators) have bilaterally agreed to different terms.

Issue 27.7 Is there a need to monitor such terms and conditions?

Response

The standard terms of access for the different ground transportation modes are signposted at the terminal precinct and are published on the Melbourne Airport website. Where users wish to negotiate commercial agreements in relation to such access, the terms and conditions of such agreements simply replace the standard terms. Given this, there does not appear to be a clear basis for monitoring these terms and conditions.

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