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Economic Analysis of Car Parking & Landside Access Charges

A Report for Sydney Airport

NERA
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Public Version

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Executive Summary

The Australian Competition and Consumer Commission (ACCC) is required to monitor car-parking services at Sydney, Melbourne, Brisbane, Adelaide and Perth Airports.[1] These monitoring arrangements have ostensibly been put in place because of concerns it has expressed (particularly in its last three monitoring reports[2]) that airports may be taking advantage of market power in relation to those services.

This report considers whether Sydney Airport does in fact have a substantial degree of market power in relation to the provision of either car parking or landside access services (such as access roads, taxi holding areas and so on) and whether it has taken advantage of any such power. Specifically, it considers whether the airport:

- has the ability to earn revenues that exceed significantly its underlying costs by:
  - increasing its charges to levels that exceed the underlying costs of providing the relevant services (including the opportunity cost of land);
  - reducing the quality of its car parking or landside access facilities without a corresponding reduction in price; or
  - restricting unduly its competitors' access to airport land without reducing its overall profits, including from other aeronautical and non aeronautical services; and
- has exercised that market power by successfully implementing at least one of these strategies.

In our view, Sydney Airport neither possesses nor has exercised substantial market power in relation to the relevant services. The concerns expressed by the ACCC are therefore misplaced. We explain why below.

Sydney Airport does not have Substantial Market Power

Several factors suggest strongly that Sydney Airport does not have substantial market power in relation to its car parking or landside access arrangements. First, there are at least ten 'off-airport' car parking providers in close proximity to the terminals (described in detail in **Appendix B**). These operators provide a clear alternative to parking at the airport for people wishing to park for more than three hours – most notably, travellers, ie:

- the prices offered by these operators for stays of more than three hours in duration are generally similar to the prices charged at Sydney Airport's remote long-term car park (RLTCP); and

[1] *See:* Direction 31, issued pursuant to section 95ZF of the (then) *Trade Practices Act 1974.* The Minister has asked Canberra, Darwin and Gold Coast Airports to publish similar details in respect of their car-parking offerings.

[2] *See for example:* ACCC, *Airport monitoring report 2007-08: Price, financial performance and quality of service monitoring*, March 2009, p.62 (hereafter: 'ACCC 2007-08 Report'); ACCC, *Airport monitoring report 2008-09: Price, financial performance and quality of service monitoring*, March 2010, p.71 (hereafter: 'ACCC 2008-09 Report'); and ACCC, *Airport monitoring report 2009-10: Price, financial performance and quality of service monitoring*, January 2011, p.65 (hereafter: 'ACCC 2009-10 Report').

- they offer products that have different attributes to the RLTCP – some advantageous and some not so, eg:
  - most of the operators offer undercover parking, a free shuttle service and optional services such as car cleaning packages, etc, and some are closer to the terminals than the RLTCP; but
  - these facilities tend not to be open as often as the Sydney Airport car parks and customers are often required to leave their keys with an attendant.

Second, for all visitors, there are a number of other transport options. There are at least five such alternatives (described in more detail in **Appendix C**), including:

- visitors can drop-off and pick-up passengers for free at both the domestic and international terminals, ie:
  - 10 minutes free parking is provided at the domestic terminal pick-up area and 15 minutes free parking is offered at the international terminal; and
  - these facilities have proved to be extremely popular, with 74 per cent (domestic) and 22.3 per cent (international) of vehicles now parking for free;
- customers can travel to and from the airport by taxi, hire car or shuttle bus;
- a public bus service to the airport runs between Bondi Junction and Burwood with stops at the international and domestic terminals; and
- visitors may choose to rent a car at the airport, or at nearby locations.

Third, only a small fraction of Sydney Airport's total revenue (10.6 per cent in 2010) comes from car parking and landside access charges. The remainder is highly dependent upon people coming to the airport, *regardless* of whether they park a car or generate landside access fees. It therefore seems unlikely that Sydney Airport would want to do anything that might discourage visitors, including setting excessive car parking charges or hindering access. Rather, it can be expected to want to *maximise* patronage. This is reflected in the fact that Sydney Airport has:

- provided visitors with information about alternative modes of transport on its website, including offering a 'transport calculator' to enable the prices of those different options to be compared from different locations;
- lobbied continuously for improvements to be made to bus and train links to the airport, despite the fact that any increase in such services can be expected to reduce its car parking and landside access revenues; and
- invested substantial sums in recent years to upgrade its car parks and landside access facilities such as taxi queuing areas so as to improve traffic flows and alleviate congestion throughout the international and domestic precincts.

The availability of off-airport parking and modal alternatives is likely to mean that Sydney Airport does not have a substantial degree of market power in relation to long-term parking, ie, for stays longer than three hours. Although there are fewer alternatives to short-term parking, any market power Sydney Airport might otherwise possess is mitigated by the transport options that do exist – particularly free pick-up and drop-off, taxis and trains – and its incentives to maximise patronage.

The same factors also constrain the terms and conditions by which Sydney Airport provides landside access. In other words, in our opinion Sydney Airport cannot reasonably be said to possess a substantial degree of market power in relation to car parking or landside access arrangements.

Market Power has not been Exercised

Several factors suggest that Sydney Airport has not exercised a substantial degree of market power in relation to its car parking services, or in establishing and levying landside access fees on taxis and shuttle buses. First, its car parking prices do not appear to be excessive, since:

§ its prices are much lower than those of Sydney CBD car parks, where a premium is also paid for parking convenience;

§ the prices charged to park at the RLTCP are comparable to (and often cheaper than) the prices charged by off-airport operators;

§ prices have increased in recent years by significantly less than the uplift in surrounding land values;

§ the rate of return earned on Sydney Airport's car parking land appears to have fallen materially in real terms over the previous two monitoring periods;

§ the return per m^2 that Sydney Airport earns on its international car park is less than the return per m^2 earned on the Customs Building property and other local parcels of land; and

§ there is no indication that prices at the domestic car park reflect anything other than the locational attributes of the relevant land.

Second, there is no indication that Sydney Airport has reduced the quality of its car parking or landside access facilities. Rather, international and domestic passengers have consistently rated Sydney Airport's car parking as more than satisfactory in the ACCC's monitoring reports, and those ratings have been trending upwards over time. Moreover, the airport has invested significantly in its car parking and landside facilities in recent years, including:

§ increasing by approximately 10 per cent the total number of spaces across all of its car parks over the last five years;

§ expanding significantly the dedicated areas at which visitors can pick-up passengers for free and allowing those vehicles to park for longer;

§ increasing the number of taxi bays at both the international and domestic precincts, as well as improving the amenities for drivers; and

§ offering significantly more bus parking bays in the domestic precinct and in the RLTCP – at the expense of car parking spaces (and parking revenue).

Third, Sydney Airport has not restricted unduly its competitors' access to airport land. The landside access fees levied on taxis, shuttle buses and hire cars are not excessive, and cover only a fraction of the underlying costs of providing the relevant infrastructure. The airport has also taken several steps to facilitate access to its land, including:

- investing in a new free pick-up area in the domestic precinct that offers conspicuous advantages over the previous passenger collection arrangements; and
- lobbying for improvements to be made to the public transport links to the airport, despite the fact that this would result in fewer people driving to the airport and paying for parking or travelling by modes that generate landside access fees.

None of the factors set out above are suggestive of a monopolist seeking to exercise its market power by charging excessive prices, reducing its quality of service or hindering landside access. This is unsurprising in light of our earlier observation that Sydney Airport is unlikely even to *possess* substantial market power.

Conclusion

Sydney Airport does not have substantial market power in relation car parking and landside access services and there are no examples of it having exercised any market power. The current monitoring arrangements therefore appear to serve no useful purpose, ie:

- at best, they provide data on prices and products that can be well out of date,[3] when current information is readily obtainable from Sydney Airport's website (which also provides information on alternative modes of transport); and
- at worst, they can (and do) convey misleading impressions about the profits that the airport is making from car parking and landside access charges, which has the potential to harm the airport and its customers.

It follows that we concur with the view reached by the PC in 2006, that there is no need for car parking and landside access arrangements to be monitored[4] – at least at Sydney Airport.

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3 The ACCC monitoring report typically is released in March and assesses prices applicable on 30 June the previous year. Because Sydney Airport generally reviews its prices in July this means that almost 2 years may elapse between a price change occurring and that change being reported. For example, if Sydney Airport increases its car parking prices on, say, 15 July 2011, this will not be reported in the 2010-11 monitoring report. Rather, it will not appear until the 2011-12 monitoring report is released – probably in March 2013, almost two years later. In contrast, drivers will see the price change on the day. The utility to airport users of the information reported by the ACCC is therefore unclear.

4 PC 2006, *Review of Price Regulation of Airport Services*, Report no. 40, Canberra, p.172.

1. Introduction

This report has been prepared on behalf of Sydney Airport for submission to the Productivity Commission (PC). Its subject is the prices charged by Sydney Airport for car parking and landside access services (such as access roads, taxi holding areas and so on). These services are monitored by the Australian Competition and Consumer Commission (ACCC).[5] These arrangements were put in place primarily because of concerns expressed by the ACCC[6] that the prices for those services may reflect the misuse of market power.

We have been asked by Sydney Airport to consider whether those concerns were warranted. Specifically, we consider:

- whether the airport can reasonably be said to possess a substantial degree of market power in relation to the provision of either car parking or landside access services; and
- whether there are any examples of it having taken advantage of any such power.

The remainder of this report is structured as follows:

- **section two** provides an overview of Sydney Airport's car parking and landside access operations;
- **section three** considers whether Sydney Airport possesses a substantial degree of market power in relation to either its car parking or landside access services;
- **section four** explores whether there are any instances of Sydney Airport appearing to exercise a substantial degree of market power since monitoring began; and
- **section five** concludes;
- **appendix A** illustrates the movement in certain car parking prices at Sydney Airport between 2006 and 2010;
- **appendix B** sets out details of the off-airport car parking providers operating in competition with Sydney Airport;
- **appendix C** describes the alternative modes of transportation to the airport that do not involve driving and parking in a Sydney Airport car park;
- **appendix D** provides a summary of prices charged by car parks located in the central business district (CBD) of Sydney;
- **appendix E** contains a quantitative analysis of the returns on various parcels of airport land; and

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5 *See:* Direction 31, issued pursuant to section 95ZF of the (then) *Trade Practices Act 1974.* The ACCC is also required to monitor car-parking services at Melbourne, Brisbane, Adelaide and Perth Airports. The Minister has also asked Canberra, Darwin and Gold Coast Airports to publish similar details in respect of their car-parking offerings.

6 *See for example:* ACCC, *Airport monitoring report 2007-08: Price, financial performance and quality of service monitoring*, March 2009, p.62 (hereafter: 'ACCC 2007-08 Report'); ACCC, *Airport monitoring report 2008-09: Price, financial performance and quality of service monitoring*, March 2010, p.71 (hereafter: 'ACCC 2008-09 Report'); and ACCC, *Airport monitoring report 2009-10: Price, financial performance and quality of service monitoring*, January 2011, p.65 (hereafter: 'ACCC 2009-10 Report').

- **appendix F** presents the results of the ACCC's passenger survey ratings for car parking.

Throughout this report, information that is commercial in confidence to Sydney Airport is identified in the following way: '[CIC].'

2. Current Arrangements

This section provides an overview of Sydney Airport's car parking and ground transportation operations, including the prices charged for and the revenues received from those services in recent years.

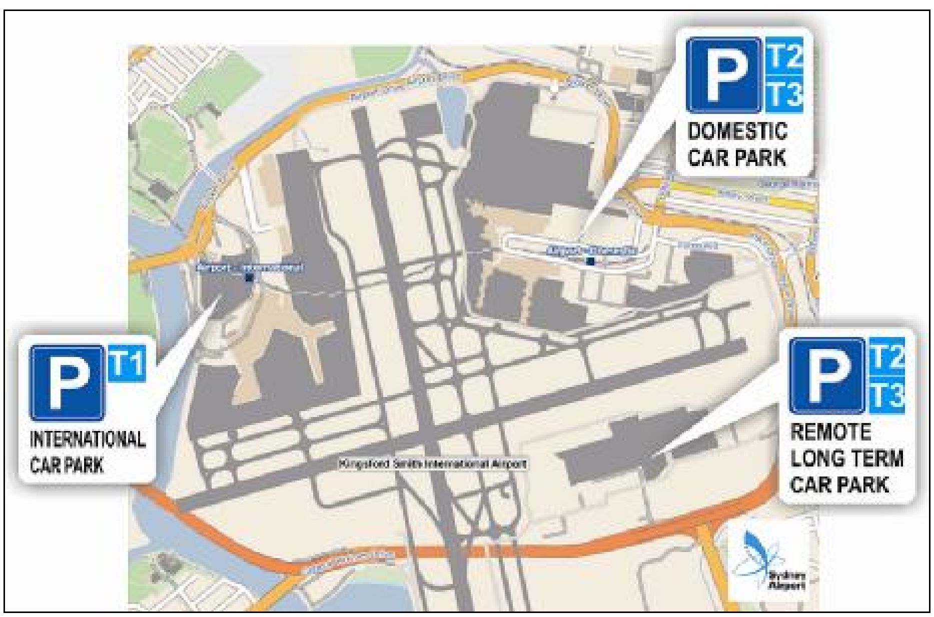
2.1. Description of Operations

Sydney Airport provides three separate car parking facilities for passengers, staff, and friends and family ('meeter/greeters') who come to meet or see off passengers. These are:[7]

- the **international car park** located alongside the international terminal (T1), which allows for both covered and uncovered short- and long-term parking;
- the **domestic car park** located between terminals 2 (T2) and 3 (T3), which allows for both covered and uncovered short-term parking; and
- the **Remote Long-term Car Park (RLTCP)**, which is located 1.5 kilometers south of the domestic terminals and linked by a free shuttle bus that operates every 10 to 15 minutes (with the trip taking approximately 5 to 6 minutes).

Valet and car wash services are also offered at both the international and domestic car parks.[8] Figure 2.1 illustrates the location of these facilities.

Figure 2.1
Map of Sydney Airport Car Parks



Source: Map provided by Sydney Airport.

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[7] *See:* <https://parking.sydneyairport.com.au/Car-Park-Info.html>.

[8] Valet services at the T1 car park include Pronto! Valet and Qantas Valet. Valet services at the domestic car park include Pronto! Valet, T2 Qantas Valet and Virgin Valet.

Because visitors hold the expectation that they will be able to get a car park at the airport at any time, Sydney Airport must build its car park capacity with a view to meeting peak demand on the busiest days of the year. This imposes a high opportunity cost of intermittent usage, since when the airport is not as busy – which is most days (see Figures 2.3 to 2.5 below) – there will be lots of empty spaces not producing revenue. This problem is not faced to the same extent by off-airport (see section 3.2) or CBD (see section 4.3.1) car parks.[9]

Together, the three airport car parks can accommodate 12,227 vehicles at any one time. The capacity of each car park is set out in Table 2.1.

Table 2.1
Capacity of Sydney Airport Car Parks, 30 December 2010

	International Car Park	Domestic Car Park	RLTCP	Total
Public	2,153	2,507	4,307 (1)	8,967
Valet	136	815	0	951
Staff	1,956	353	0 (1)	2,309
Total	**4,245**	**3,675**	**4,307**	**12,227**

Source: Data provided by Sydney Airport.
Note (1): The capacity at the RLTCP is not delineated between public and staff parking (as it is in the international and domestic car parks) – the spaces are available for both purposes.

The total number of spaces across all three car parks has increased by approximately 10 per cent (or 1,141 spaces) over the last five years.[10] The increase has primarily been the result of the construction of the $65 million multi-story car park next to the international terminal (previously, this car park was completely uncovered). Over this period:[11]

- the number of public spaces in the international and domestic car parks has increased from 5,237 to 5,611 (7.14 per cent or 374 spaces);
- the number of staff car spaces increased from 1,709 to 2,309 (35 per cent or 600 spaces), with a substantial proportion of these being relocated much closer to the terminals;[12] and
- the number of public spaces available in the RLTCP has decreased from 4,593 to 4,307 (6.2 per cent or 286 spaces), largely as a result of the conversion of existing spaces into expanded bus terminal facilities.[13]

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9 These operators do not build capacity to meet peak demand and there is no expectation that they will always have capacity available.

10 ACCC 2009-10 Report, p.292.

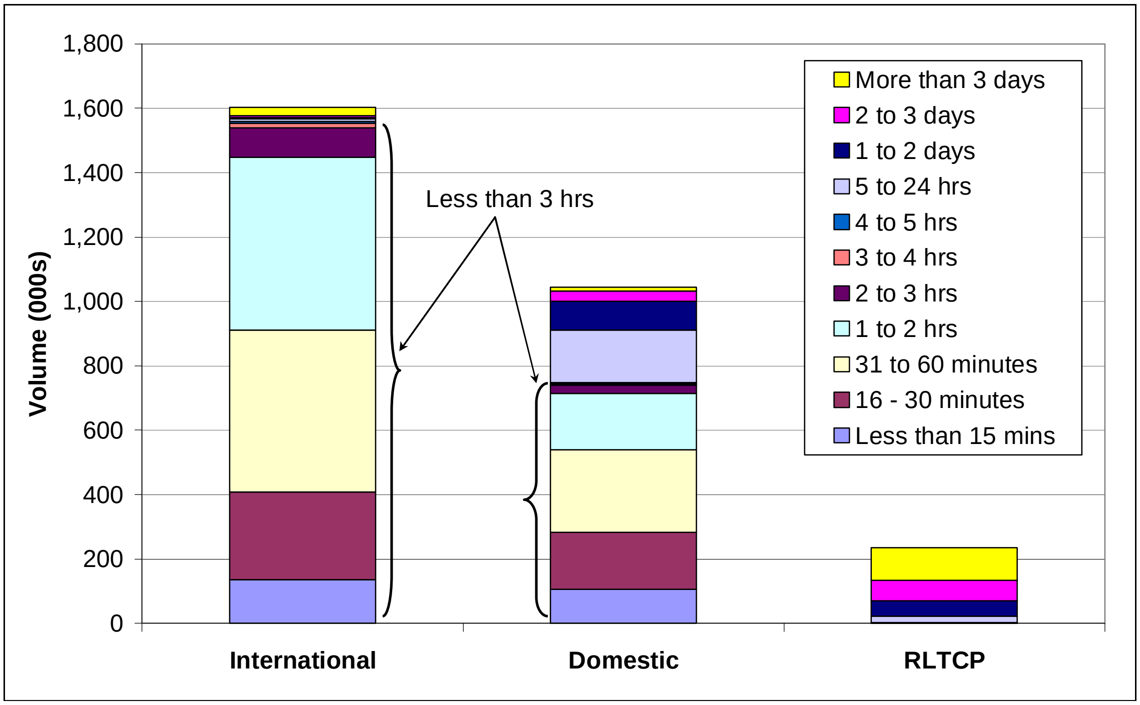
11 *Ibid.*

12 Specifically, Sydney Airport closed a 1,300 space remote staff car parking facility (in 2008/09), but set aside 1,900 spaces in the new international car park. ACCC 2009-10 Report, p.295.

13 ACCC 2009-10 Report, p.292.

Most visitors that park in either the international or domestic car parks stay for less than three hours, suggesting that these facilities are used primarily by passengers being accompanied by 'meeters and greeters'. In calendar year 2010, approximately 97 per cent of those visitors that parked in the international car park and 71 per cent of those that parked in the domestic car park did so for less than three hours. In contrast, 70 per cent of visitors that parked in the RLTCP stayed for longer than two days. Figure 2.2 illustrates.

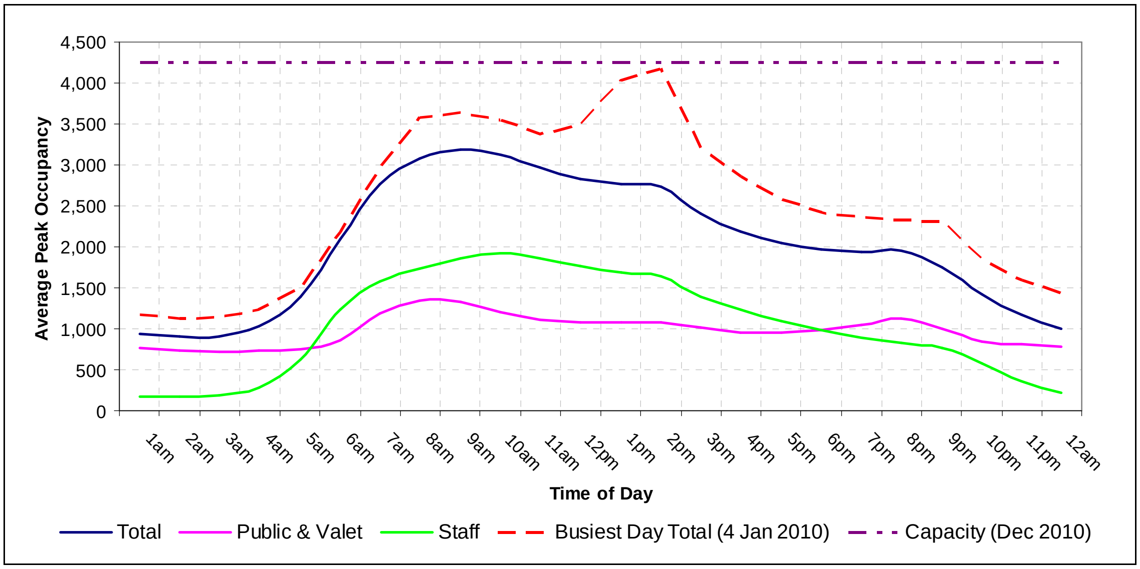
Figure 2.2
Car Parking Volumes, Calendar Year 2010



Source: Data provided by Sydney Airport.
Notes: Excludes Valet services and staff parking.

Figure 2.3 shows the average occupancy by time of day for the international car park in calendar year 2010. It illustrates that demand for spaces by the public (which includes valet parking) is highest in the morning from around 7-9am. There is also a discernible afternoon peak between 7-9pm. Peak demand for staff parking occurs at around 9.30am each morning and declines steadily thereafter. This means that, on average, the international car park is busiest at around 8.30am.

Figure 2.3
International Car Park Average Occupancy & Busiest Day
Calendar Year 2010



Source: Data provided by Sydney Airport.

Figure 2.3 also illustrates that the number of spaces comfortably exceeds (by **33 per cent**[14]) the average peak daily demand for spaces. This means that on all but the busiest days of the year,[15] there will be a significant number of empty spaces not earning revenue. That is not to say that the car park will not frequently experience congestion – this can happen even when there is a significant number of spare spaces. However, there appears to be no indication that Sydney Airport has created an 'artificial shortage' of spaces.

Figure 2.4 shows the average occupancy by time of day for the domestic car park throughout calendar year 2010. It illustrates that on a typical day, demand starts to ramp up at around 7-8am, from which point occupancy remains relatively constant until around 5-6pm, before declining. There is much less demand for staff parking than in the international car park – occupancy is driven predominantly by members of the public (including those visitors using valet parking).

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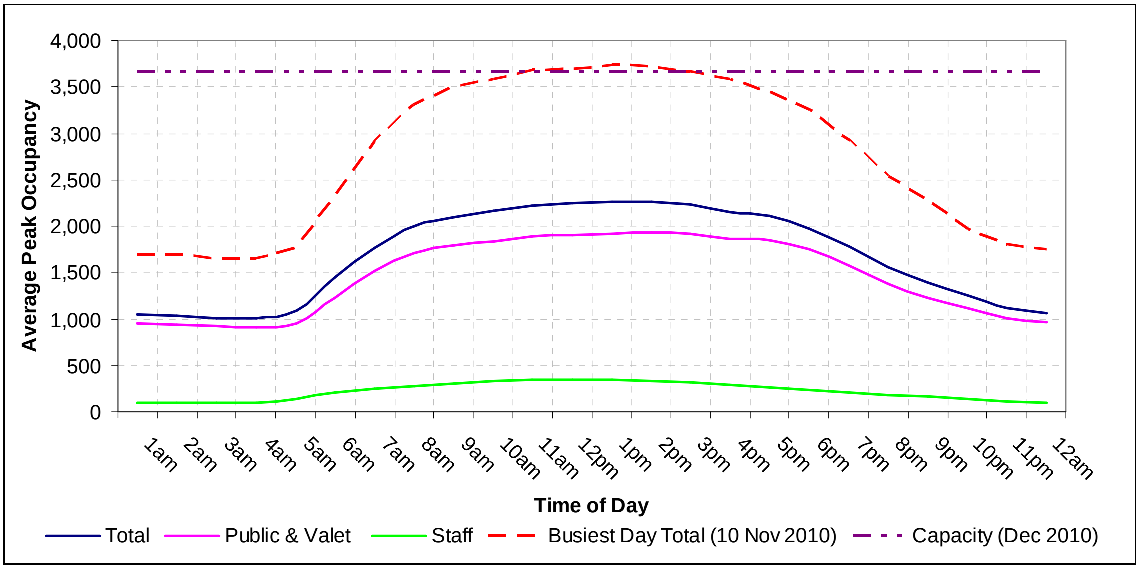
14 The total capacity at the international car park is 4,245 spaces. On average, peak occupancy at the international car park occurs at 9am, at a level of 3,195 vehicles.

15 On the busiest day of the year (4 January 2010), the international car park was nearly full at around 1.30pm.

Figure 2.4
Domestic Car Park Average Occupancy & Busiest Day
Calendar Year 2010



Source: Data provided by Sydney Airport.

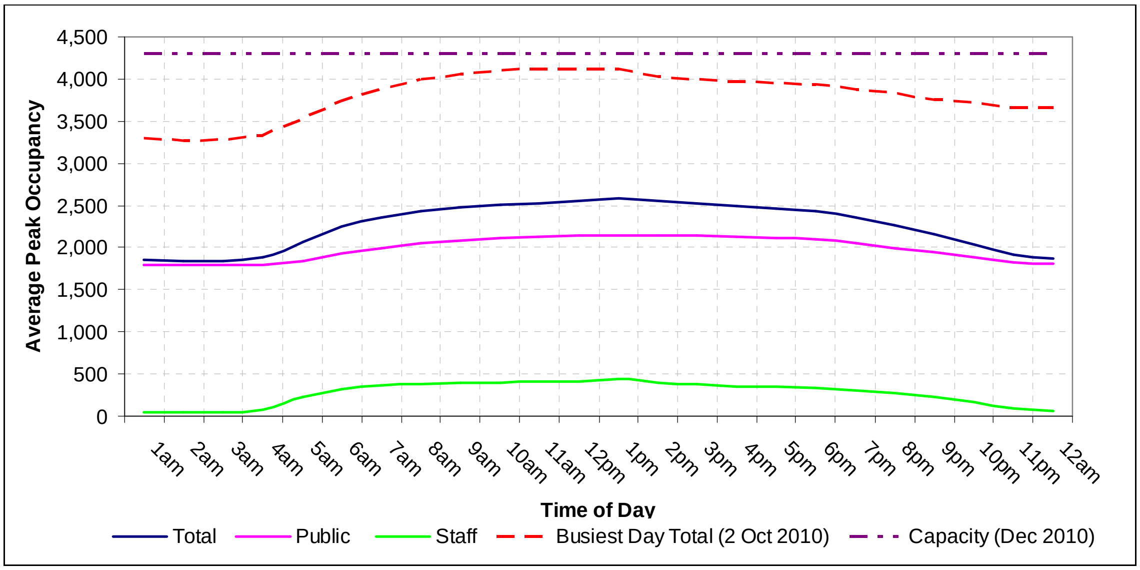
Figure 2.4 shows that, on average, the number of spaces exceeds significantly (by **62 per cent**[16]) the average peak daily demand for spaces. This again means that on all but the busiest days of the year,[17] there will be a significant number of empty spaces not earning revenue. However, even when the car park is not full, visitors can still experience delays finding a park – particularly given the configuration of the parking building (see section 4.3.3). Nonetheless, again there appears to be no indication that Sydney Airport has strategically withheld capacity.

[16] The total available capacity at the domestic car park is 3,675 spaces. On average, peak occupancy at the domestic car park occurs at 1pm, at a level of 2,263 vehicles.

[17] On the busiest day of the year (10 November 2010), the demand for car parks at around midday exceeded the available capacity. In these circumstances, we understand that Secure Parking (the car park operator) 'stacks' valeted cars along driveways and parks them in un-marked spots in order to meet demand.

Figure 2.5 shows the average occupancy by time of day for the RLTCP for calendar year 2010. It illustrates that, typically, the occupancy of the car park is fairly constant from around 6.30am to 6.30pm. The majority of spaces are accounted for by members of the public. The number of spaces exceeds comfortably (by **66 per cent**[18]) average peak daily demand. On the busiest day of the year (2 October 2010), from mid-morning until the early afternoon, the car park was nearly full.

Figure 2.5
RLTCP Average Occupancy & Busiest Day
Calendar Year 2010



Source: Data provided by Sydney Airport.

2.2. Prices

There are several ways that visitors can pay to park at the airport, including payment on exit or pre-payment via the internet (E-Park) or through airlines when booking flights.[19] Charges are levied on an hourly or daily basis. Sydney Airport's current charges are set out in Table 2.2. Currently, discounts for booking online are only available for longer-term parking at the international car park. Extra charges are payable for additional services that are offered, such as valet parking and car wash services.

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18 The total available capacity at the RLTCP is 4,307 spaces. On average, peak occupancy at the RLTCP occurs at 1pm, at a level of 2,588 vehicles.

19 Customers can pre-book and pay for parking via certain airlines, ie, the passenger pays for their flight and car park together and the airline remits the car parking funds, net a commission, to Sydney Airport. Travel Trade is a new channel in the course of development, allowing customers to purchase parking through travel agents.

Table 2.2
Parking Charges at Sydney Airport, 30 June 2010

	International				Domestic		RLTCP
	Stand.	**E-Park**	**Pronto! Valet**	**Qantas Valet**	**Stand. & E-Park**[1]	**All Valet**	**Stand. & E-Park**[2]
0 – 0.25 hrs	$0	NA	$20	$20	$7	$20	$25
0.25 - 0.5 hrs	$7	$7	$20	$20	$7	$20	$25
0.5 - 1 hrs	$15	$15	$20	$20	$15	$20	$25
1 - 2 hrs	$21	$21	$37	$37	$21	$37	$25
2 - 3 hrs	$26	$26	$42	$42	$26	$42	$25
3 - 24 hrs	$52	$52	$66	$70	$52	$66	$25
1 - 2 days	$104	$82	$116	$120	$104	$116	$45
2 - 3 days	$156	$102	$166	$170	$156	$166	$62
3 – 4 days	$176	$122	$216	$220	$208	$216	$77
4 – 5 days	$196	$142	$266	$270	$260	$266	$92
5 – 6 days	$216	$162	$316	$320	$312	$316	$107
6 – 7 days	$236	$182	$366	$380	$364	$366	$122
Additional days/weeks	$20 per extra day	$20 per extra day	$30 per extra day	$140 per extra week	$52 per extra day	$30 per extra day	$10 to $15 per extra day

Source: See: <https://parking.sydneyairport.com.au/Car-Park-Info.html>.
Notes: (1) Car parking rates for parking in excess of 24 hours in the domestic car park are calculated on an hourly basis. The rates shown in the table for 1-2 days onward are for parking in excess of 27, 51, 75, 99, 123 and 147 hours (2) An additional charge of $5 per day is levied for shaded spaces.

When setting its prices, Sydney Airport informs us that it takes into account both the prices being charged by off-airport parking businesses and for other transport modes. Sydney Airport also monitors prices being charged at car parks in Sydney's central business district (CBD), as well as endeavouring to keep its tariff structure relatively simple. Table 2.3 summarises the volume-weighted price increases (using 2010 volumes) since 2006 for the various parking products offered by Sydney Airport.

Table 2.3 shows that there have been only modest increases (less than 5 per cent per annum on average) in the prices charged at the international and domestic car parks for stays of less than 24 hours and the prices charged to staff. Prices at the RLTCP have increased by slightly more than 5 per cent per annum on average but, as section 3.2 explains, this facility faces significant competition from off-airport providers. Prices for long-stay parking at the international and domestic car parks have increased by more, but there is again significant competition in this segment – including from Sydney Airport's own RLTCP.

Table 2.3
Prices Changes, 2006 to 2010

	Total Increase	Average Annual Increase
International < 24 hrs	3%	0.8%
Domestic < 24 hrs	15%	3.5%
RLTCP	24%	5.6%
Staff	13.1%	3.1%
International > 24 hrs	37%	8.2%
Domestic > 24 hrs	23.8%	5.5%

Source: Data provided by Sydney Airport. See ***Appendix A*** *for more detail..*

Figures 2.6 and 2.7 illustrate that short-term parking prices have increased only marginally at the international and domestic car parks over the last five years, particularly for stays less than three hours. As Table 2.3 illustrated, on a volume-weighted basis (using 2010 volumes), average prices across these fee bands increased by **3 per cent** over the last five years at the international car park and **15 per cent** at the domestic car park (or, by **0.8 per cent** and **3.5 per cent** on average per year, respectively). The main price changes over this period were:

- the removal of the three-to-four hour and four-to-five hour price bands at the international car park in July 2008; and
- a more substantial increase in the price of parking for between three and 24 hours in both car parks between July 2006 and July 2008.

Sydney Airport also broadened its free parking options over the period.[20] Since 30 June 2010, 15 minutes free parking has been offered in the international car park.[21] In addition, since 18 September 2009, visitors to the domestic terminals have been permitted to park for free for 10 minutes in a designated pick-up area located nearby.[22] The previous pick-up area contained only seven spaces and drivers were not able to park for more than two minutes or to leave their vehicles unattended (see section 3.3.1 for further discussion).

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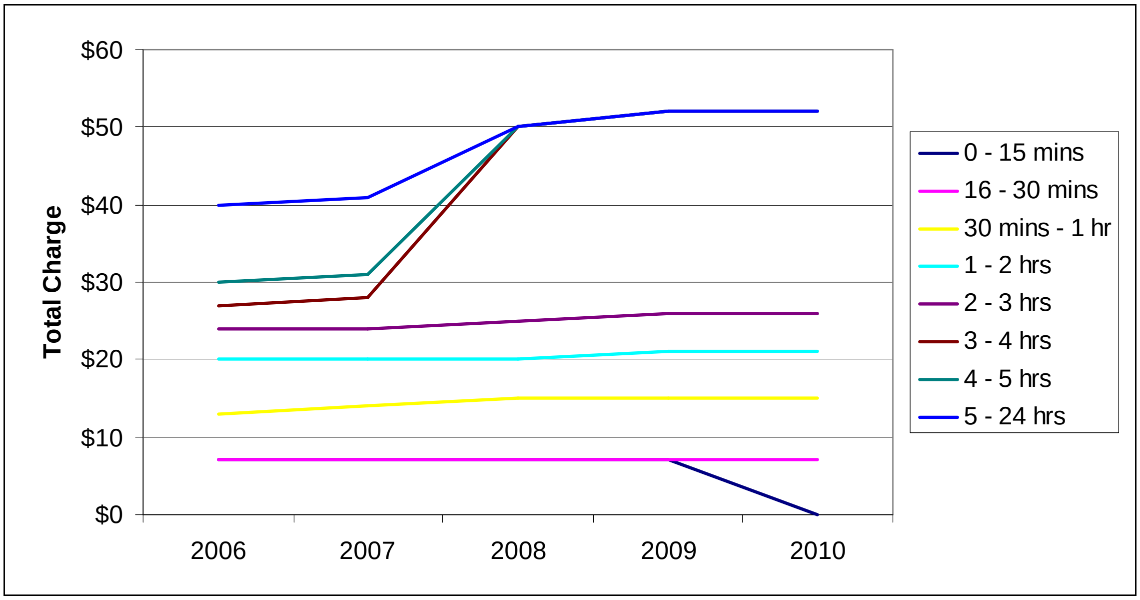
20 *See:* <http://www.sydneyairport.com.au/SACL/Dropping-Off-and-Picking-Up.html>.

21 Sydney Airport, Media Release: Parking at the International Terminal, 30 June 2010.

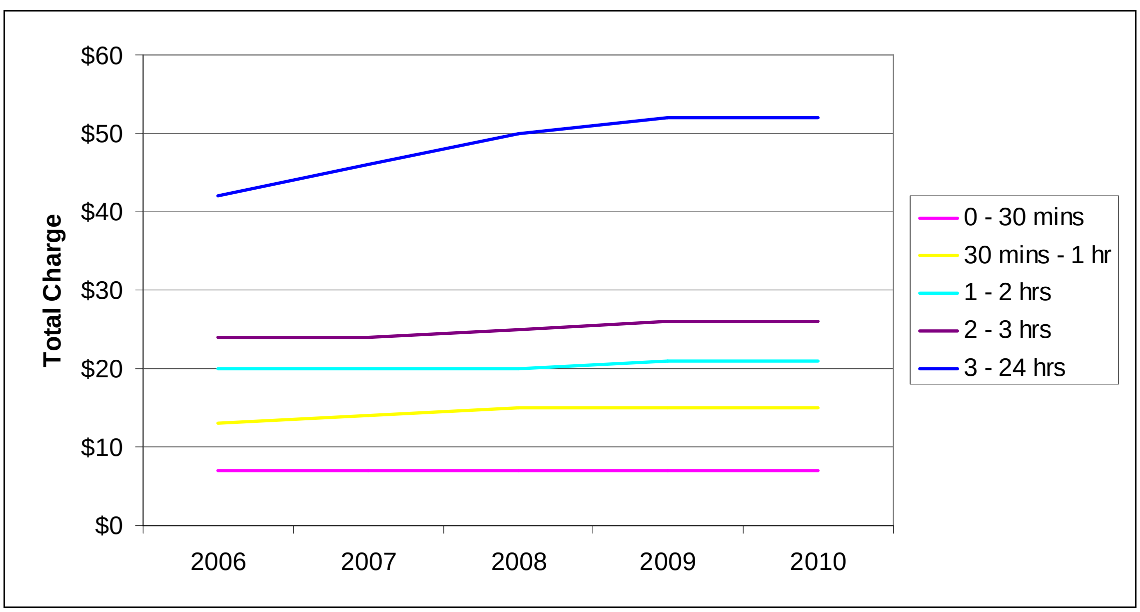
22 Sydney Airport, Media Release: T2 Passenger Pick-ups, 18 September 2009. Note that there is also nothing to stop visitors also using these free pick-up areas to drop-off passengers. Departing passengers would simply have to take the elevator or escalator up one floor to the departure level.

Figure 2.6
International Car Park Prices – Under 24 hrs
July 2006 to July 2010



Source: Data provided by Sydney Airport.

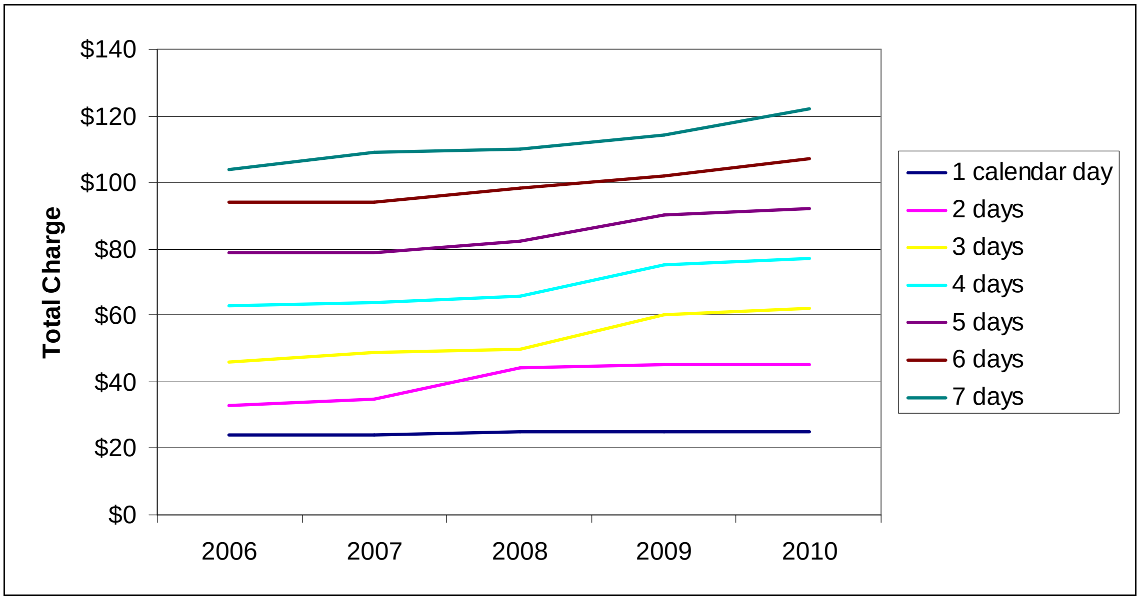
Figure 2.7
Domestic Car Park Prices – Under 24 hrs
July 2006-July 2010



Source: Data provided by Sydney Airport.

The RLTCP is a relatively inexpensive option for customers wishing to park for longer periods of time, eg, multiple days. The charges at the RLTCP have increased by only a modest amount, on average, over the last five years. Figure 2.8 illustrates that the price for parking for one day or less has increased by only $1 or **4.2 per cent** (from $24 to $25) over this period. Price increases throughout the other time bands range from $12 to $18 (**13.8 to 36.4 per cent**). Table 2.3 highlighted that the volume weighted average price across all bands increased by **24 per cent** (or, by **5.6 per cent** each year, on average).

Figure 2.8
RLTCP Prices – Over 24 hrs
July 2006 to July 2010

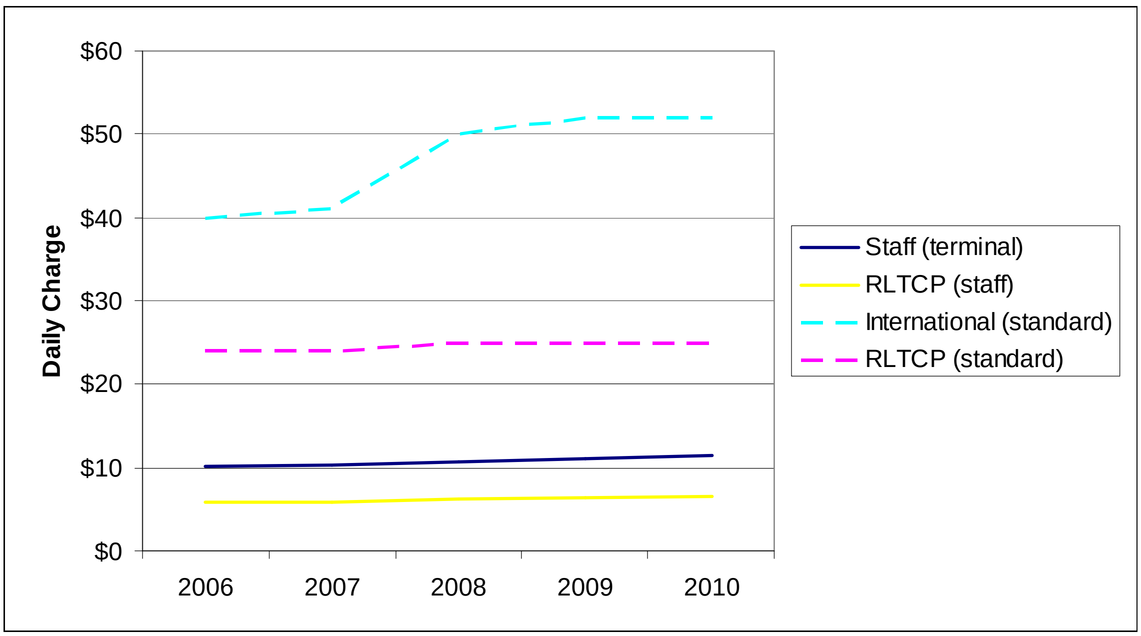


Source: Data provided by Sydney Airport.

Car parking spaces are set aside for staff in both the international and domestic car parks, and in the RLTCP. Spaces are priced on a monthly basis and are offered at a substantial discount to standard rates. Indeed, staff members currently pay $11 per day at the international and domestic car parks, which is **$41 per day** (or **79 per cent**) **less** than the standard daily rate ($52) and is also **$14 per day** (or **56 per cent**) **cheaper** than the standard charge to park in the RLTCP ($25).

Staff that park in the RLTCP pay even less – currently only $7 per day. This represents an $18 per day (or **72 per** cent) saving on the standard rate ($25). Price increases have also been modest in recent years. Specifically, Figure 2.9 illustrates that, since 2006, prices have increased by **13.1 per cent** (or by **3.1 per cent** each year, on average).

Figure 2.9
Staff Car Parking Prices
July 2006 to July 2010

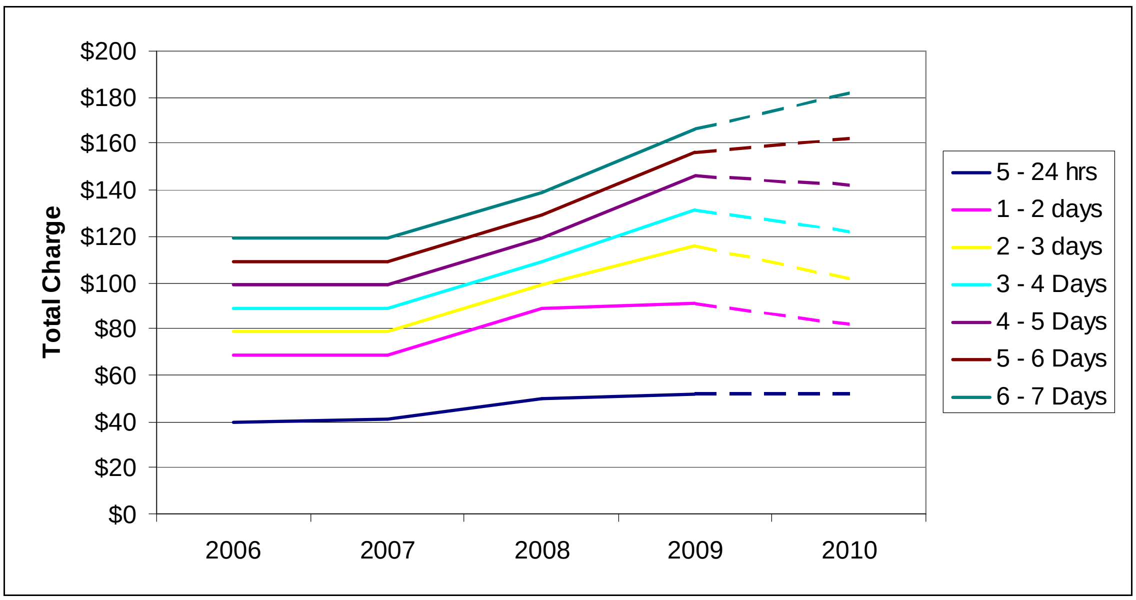


Source: Data provided by Sydney Airport.

Figure 2.10 illustrates that the charges for parking for more than 24 hours at the international car park remained stable between 2006 and 2007 during the construction of the multi-storey building. During this period, most visitors that parked in excess of 24 hours used a valet service whereby their vehicle was taken and parked in the RLTCP. In general, prices have increased since the multi-storey car park was completed in June 2008. Table 2.3 illustrated that, over the period, average prices across all fee bands increased by **37 per cent** on a volume weighted basis (or by **8.2 per cent** per year, on average).

However, the new E-Park rates for 2010 (rates for visitors that pre-book on the internet) are slightly lower than the value rates for 2009 for stays less than 5 days. The current E-Park rates are 18.8 to 52.9 per cent higher than the standard rates that applied in 2006. It should also be noted that Sydney Airport faces strong competition from off-airport parking businesses for those visitors looking to park for longer periods (see discussion in section 3.2).

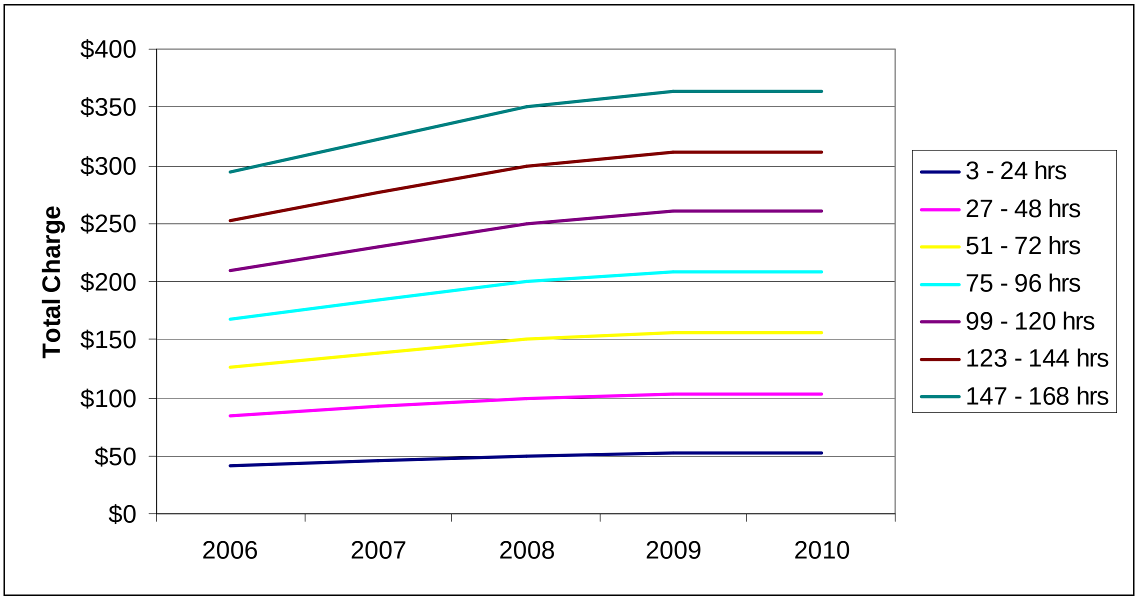
Figure 2.10
International Car Park Prices – Over 24 hrs
July 2006 to July 2010



Source: Data provided by Sydney Airport.
Notes: Rates are 'T1 Self Park at Grade & MSCP' for 2006, the 'T1 Long Stay Value Parking Valet' for 2007 and 2008 (product introduced during construction of the multi-storey car park but ceased in March 2009), 'T1 Long Stay Value Parking Voucher' for 2009 (replaced Valet parking but ceased in June 2010) and 'T1 Long Stay E-Park Special' for 2010 (an internet pre-book rate which was introduced in 2007). Sydney Airport estimates that over the period to June 2010, approximately 70 to 90 per cent of visitors that parked for longer than 24 hours did so under one of the Valet/Voucher or E-Park rates. Since June 2010, approximately 50 per cent of visitors that stay for longer than 24 hours pay the E-Park rate, with remainder paying the standard 'T1 Self Park at Grade & MSCP' rate identified in Table 2.2 above.

Prices to park for more than 24 hours at the domestic car park have increased steadily over the last five years, although not in the last 12 months. Figure 2.11 illustrates that, over the entire period, prices increased by **23.8 per cent** for each time band (**5.5 per** cent each year, on average). Of course, visitors also have the option of parking in the RLTCP at a much lower price (see Figure 2.8), or at one of the many off-airport car parks (see section 3.2).

Figure 2.11
Domestic Car Park – Over 24 hrs
July 2006 to July 2010



Source: Data provided by Sydney Airport.
Notes: Car parking rates for stays of more than 24 hours in the domestic car Park are calculated on an hourly basis. This means that the price to park for between, say, 24 and 27 hours is lower than the price to park for between 27 and 48 hours. For example, the price to park for 24.75 hours would be $67, calculated by adding the price to park for 3 to 24 hours ($52) and the price to park for between 30 minutes and 1 hour ($15). For simplicity we have identified the total charges for successive periods of 3 – 24 hours.

Finally, Sydney Airport levies 'landside access fees' upon certain vehicles that enter the airport precinct. The fees were introduced following extensive consultation with local government and transport user groups, and provide revenue to that contributes to the costs associated with upgrading and maintaining landside facilities such as taxi queuing areas. Landside access fees are applied to taxis ($3) hire cars ($3.50) and private buses (various charges).[23]

[23] Sydney Airport, *Consolidated Regulatory Accounting Statements for the Financial Year 30 June 2010, prepared for the Australian Competition and Consumer Commission,* Statement 7.0, p.33.

2.3. Revenue

Car parking revenue increased from approximately $71.5 million in 2005/06 to $95.1 million in 2009/10, an increase of $23.6 million or 33 per cent. However, because there was also a significant uplift (10 per cent) in the total number of spaces over this period, the increase in revenue was more modest on a 'per space' basis. Specifically, revenue per space increased from approximately $6,450 in 2005/06 to around $7,800 in 2009/10, an increase of $1,350 or 21 per cent over four years.[24]

In part, this increase can be attributed to improvements in product offerings. In particular, there has also been significant new investment in car parking infrastructure over the course of the period including, most noticeably, the $65 million international multi-storey car park. Various other initiatives to improve the quality of Sydney Airport's product offerings have also been undertaken, and are described in section 2.4. Of course, the airport must earn a return on these investments. Nonetheless, car parking and landside access charges continued to contribute only a small fraction (10.6 per cent in 2010) of Sydney Airport's total revenue.[25]

The international and domestic car parks each accounted for around 32 per cent of car parking revenue in 2010, with the remaining 36 per cent split relatively evenly between the RLTCP (16 per cent) and valet and staff parking (20 per cent).[26] Figure 2.12 illustrates that over 70 per cent of the revenue generated from the international car park is derived from visitors that park for *less than* three hours.[27] In contrast, over 70 per cent of the revenue generated from the domestic car park stems from visitors that park for ***more than*** three hours.[28] This is despite the fact that most visitors that utilise the domestic car park do so for less than three hours.

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24 ACCC 2009-10 Report, p.292.

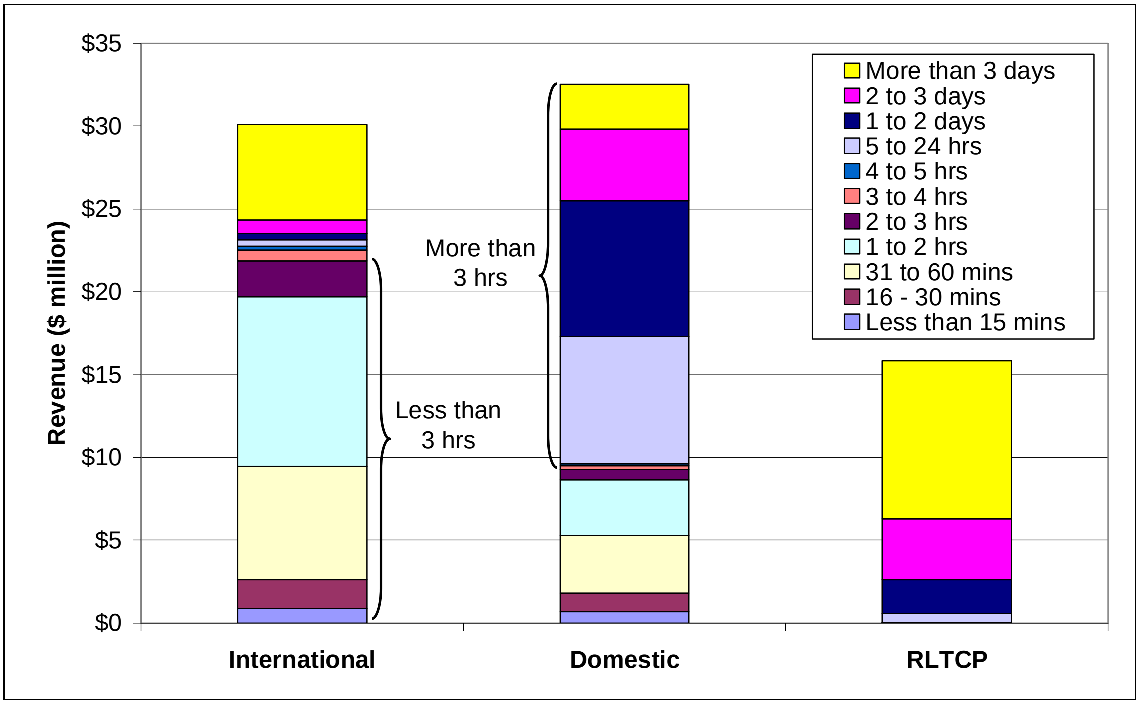
25 *Ibid.*

26 Data provided by Sydney Airport.

27 In 2010, $21.8 million out of $30.1 million of total revenue earned from the international car park was accrued from customers who parked for less than three hours.

28 In 2010, $23.2 million out of $32.5 million of total revenue earned from the domestic car park was accrued from customers who parked for more than three hours.

Figure 2.12
Car Parking Revenue, Calendar Year 2010



Source: Data provided by Sydney Airport.
Notes: Excludes Valet services.

2.4. Recent Investments

Sydney Airport has made significant investments in its car parking facilities over the last five years. The eight storey car park adjacent to the international terminal was constructed over the period April 2007 to July 2008.[29] Upon opening, the car park provided:

§ around 4,100 parking spaces, an increase of 2,790 spaces (over 200 per cent) compared to the previous facility;[30] and

§ capacity has since been expanded by a further 101 spaces following the relocation of bussing facilities.[31]

The parking facilities at the domestic precinct have also been upgraded in a number of respects in recent years, including:

§ a range of improvements to the entries and exits of the domestic car park were implemented during 2006;[32]

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[29] Sydney Airport, Annual Report 2007, p. 32 and Sydney Airport, Key Highlights 2008, p. 15.

[30] ACCC 2008-09 Report, p.265.

[31] Sydney Airport, *Key Highlights 2010*, p.10.

[32] Sydney Airport, *Annual Report 2006*, p.19.

- the number of spaces provided to visitors that park for less than three hours was increased at all entry points, improving access between the car park and the terminals;[33] and
- in 2009, a new 51-space free pick-up area was opened in the domestic precinct, which improved significantly upon the previous facility and eased congestion.[34]

Pronto! Valet services were also introduced in the international car park in 2008[35] and several improvements were made to the service offered at the domestic car park in 2006 and 2007, including:[36]

- the expansion of pick-up and set-down areas; and
- an increase in the number of parking spaces allocated to Valet parking;

Finally, a new premium, long-stay undercover parking product was launched at the south-east sector of the RLTCP in 2006, offering more secure shaded parking for over 120 vehicles.[37] This product was expanded to 250 spaces in 2007 in light of the consistently high occupancy rates following its introduction.[38]

Over that same time period Sydney Airport has also made a number of significant investments in its landside access facilities. Specifically, it has:

- developed and expanded ground transport holding areas in the domestic and international precincts for buses, hire cars and taxis;[39]
- introduced an automated taxi short-fare return priority system[40] and an e-tag system that has automated the payment and processing of landside access fees for taxis;[41]
- improved the amenities provided to taxi drivers, by:
  - providing a new food and beverage outlet in the domestic holding area;[42]
  - providing a shaded seating area[43] and offering expanded toilet amenities in the international holding area;[44] and

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33 *Ibid.*

34 Sydney Airport, *Key Highlights 2009*, p.11.

35 Sydney Airport, *Key Highlights 2008*, p.15.

36 Sydney Airport, *Annual Report 2006*, p.19 and Sydney Airport, *Annual Report 2007*, pp.18 and 32.

37 Sydney Airport, *Annual Report 2006*, p.19.

38 Sydney Airport, *Annual Report 2007*, p.32

39 Sydney Airport, *Annual Report 2006*, p.20; Sydney Airport, *Key Highlights 2008*, p.15 and Sydney Airport, *Key Highlights 2009*, p.11.

40 Sydney Airport, *Annual Report 2006*, p.20.

41 Sydney Airport, *Annual Report 2007*, p.32.

42 Sydney Airport, *Annual Report 2006*, p.19.

43 *Ibid.*

44 *Ibid.*

   - developing a car wash facility to provide an improved level of service for taxi and limousine drivers and operators;[45]
- relocated and expanded the bus and coach holding area to Ross Smith Avenue – this area has parking spaces for 30 coaches and approximately 50 shuttle buses;[46] and
- introduced a new inter-terminal bus between the international and domestic terminals known as the T-Bus.[47]

In short, Sydney Airport has undertaken systematic investment in order to expand and improve its car parking and landside facilities in recent years to cater for growing demand.

2.5. Summary

Sydney Airport has three separate car parking facilities that offer a wide array of products, including self-park, valet, e-Park and staff car parking. The overall number of spaces provided at each of these facilities has increased by around 10 per cent in the last five years, due in significant part to the construction of the $65 million multi-storey car park in the international precinct. Available capacity exceeds comfortably the demand for spaces on an average day, although both short-term car parks – especially the domestic car park – can experience congestion, particularly on busy days.

Prices vary from product to product (eg, the price of valet parking is higher than the price at the RLTCP), and are generally based on the time spent. Staff parking is usually priced on a monthly basis per space, at a substantial discount (up to 79 per cent) on standard rates. Short-term parking prices have increased only marginally at the international and domestic car parks over the last five years, particularly for stays less than three hours. Price increases at the RLTCP have also been modest. Sydney Airport has also broadened its free parking options over this period.

Sydney Airport levies landside access fees upon certain vehicles that enter the airport precinct. The fees provide revenue that contributes to the costs associated with upgrading and maintaining landside facilities such as taxi queuing areas. Sydney Airport has made a significant number of investments in landside facilities and car parking infrastructure in recent years to improve the quality of service provided to airport visitors. Nonetheless, the revenues from such services continue to contribute only a small fraction (10.6 per cent in 2010) of Sydney Airport's total revenue.

[45] Sydney Airport, *Key Highlights 2008*, p.15.

[46] Sydney Airport, *Key Highlights 2010*, p.10.

[47] Sydney Airport, *Annual Report 2006*, p.19.

3. Does Sydney Airport Have Substantial Market Power?

This section considers whether Sydney Airport can reasonably be said to possess a substantial degree of market power in relation to car parking or landside access arrangements. We begin by setting out a number of contentions that have been made by the ACCC in this respect in its recent monitoring reports.

3.1. ACCC Contentions

The ACCC contends in its 2007-08, 2008-09 and 2009-10 Airport monitoring reports that the monitored airports have a 'monopoly position' in airport car parking that they may be able to exploit in order to set higher prices for those services relative to efficient levels.[48] It bases this view on the following:[49]

- there are effective barriers to entry to on-airport car parking that arise from the airports' control over landside access to terminal facilities;
- airports have a considerable amount of discretion in determining the conditions upon which alternatives to its car parking services compete;
- levies imposed by the airports on alternatives to on-airport parking to access airport terminal facilities are not monitored or regulated;
- airports have direct control over the number of car parking spaces supplied that are in close proximity to terminals; and
- despite additional capacity, prices have continued to increase, with revenue increasing faster than operating expenses.

In our opinion, Sydney Airport cannot reasonably be said to possess a substantial degree of market power or a 'monopoly position' (at least in the way that the term is understood in economics) on the basis of these factors alone. Specifically, they do not establish that the airport has the ability (or would have the incentive) to earn car parking or landside access revenues that exceed significantly the underlying costs of providing the relevant services by:

- increasing its charges to levels that exceed the underlying costs of providing the relevant services (including the opportunity cost of land);
- reducing the quality of its car parking or landside access facilities without a corresponding reduction in price; or
- restricting unduly its competitors' access to airport land without reducing its overall profits, including from other aeronautical and non aeronautical services.

In our opinion, the considerations that are particularly relevant to the assessment of whether Sydney Airport has substantial market power include that:

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48 *See:* ACCC 2007-08 Report, p.62; ACCC 2008-09 Report, p.71; and ACCC 2009-10 Report, p.65.

49 *See:* ACCC 2008-09 Report, p.233.

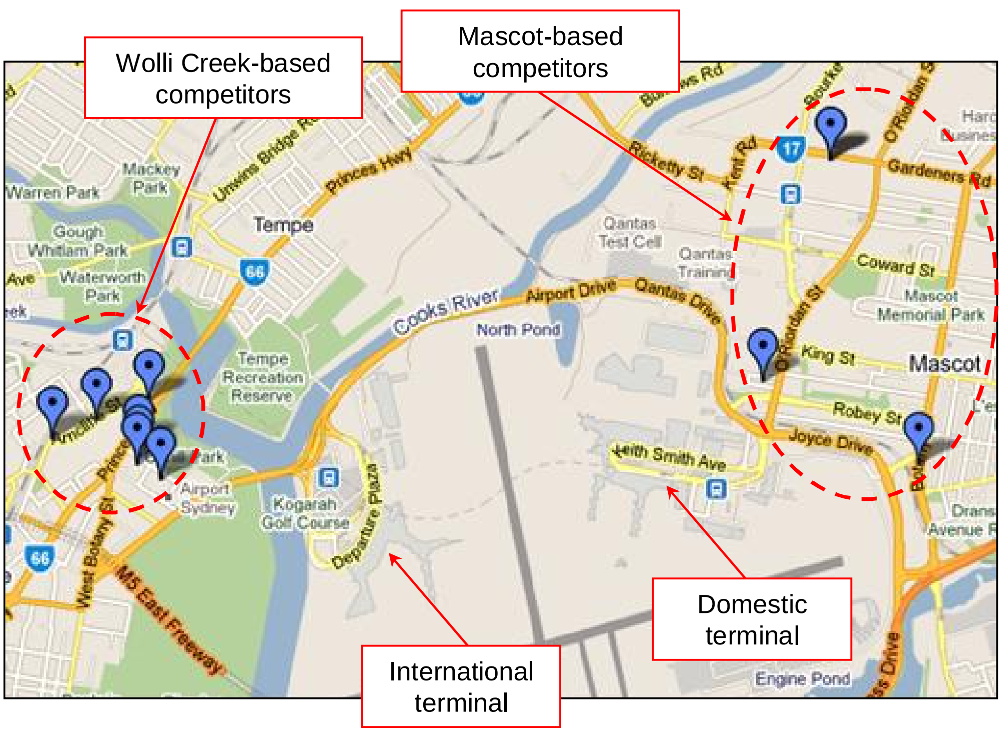
- although Sydney Airport is the only provider of car parking *on airport land*, this does not mean that it has a 'monopoly position' in *airport car parking*, since it faces competition from a number of sources, including:
  - myriad 'off-airport' car parks that customers wishing to park for three or more hours can use instead of parking at Sydney Airport; and that
  - driving and parking a car is only one of many ways to get to and from the airport – visitors can also drop-off and pick-up passengers for free or avail themselves of one of many modal alternatives including the train, a public bus or taxis;
- the majority of Sydney Airport's revenue is not derived from car parking or landside access services and is highly dependent upon people coming to the airport – it is therefore unlikely that it would risk turning people away (and undercutting these revenue streams) by charging excessive prices or unduly restricting access.

In our opinion, an assessment of these factors suggests that Sydney Airport does not possess a substantial degree of market power in relation to airport car parking or landside access services. We undertake such an analysis in the following sections.

3.2. Off-Airport Car Parking Competition

A number of businesses located on nearby land offer car parking services in competition with Sydney Airport. There are at least **seven** such operators **within 2km** and **three** within **3km** of the closest terminal, as Figure 3.1 illustrates. **Appendix B** provides more specific details of each of these competitors.

Figure 3.1
Location of Off-Airport Car Parking Providers



More than 1,800 car spaces are offered in these locations.[50] Although this represents only around 15 per cent[51] of the total capacity at Sydney Airport's car parks (or 18 per cent[52] of the capacity offered to the public), this in part reflects the different business model that is adopted by these operators. Unlike Sydney Airport, off-airport operators (and CBD operators, for that matter – see section 4.3.1) do not build capacity to meet peak demand and there is no expectation that they will always have capacity available.[53]

Rather, the number of spaces at off-airport facilities is limited – often because they are contained in office blocks – and the operators are prepared to turn people away if the car park is full. The objective of those providers is therefore to minimise the opportunity cost of intermittent usage by ensuring that as many of their spaces as possible are occupied at all times. The summary of the various product offerings in **Appendix B** illustrates that this is achieved by catering for customers *wishing to park for longer periods*, ie:

- the majority of operators require their customers to pre-book – those that do not still highly recommend booking and caution prospective parkers that, if they do not, they may be turned away if the car park is full; and
- all operators set their prices on a per calendar day basis, ie, the shortest period of time for which a customer can pay to park in an off-airport car park is one day – hourly rates are not offered by anyone other than Sydney Airport.

The fact that off-airport providers are able to target passengers wishing to park for longer periods places them at a distinct cost advantage to Sydney Airport, which must build its car parking capacity with a view to meeting peak demand by *all customers* – including those looking to park for only a short time.[54] Off-airport operators also offer products that have different attributes to the RLTCP (Sydney Airport's most comparable product). Some are advantageous (see **Appendix B**), including:

- the vast majority of off-airport car parks are undercover, whereas only 244 of the 4,152 spaces in the RLTCP are shaded, and an additional $5 per day must be paid to park in those shaded areas;

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50 The largest competitor, Park n' Fly, has over 1,200 spaces.

51 Sydney Airport has a total capacity of 12,227 spaces, *see:* section 2.1.

52 Sydney Airport offers 9,918 spaces to the public, ie, 8,967 'public' spaces and 951 'valet' spaces. The remaining 2,309 spaces are offered to staff. *See:* section 2.1.

53 Section 2.1 explained that because people have a reasonable expectation that they will be able to get a car park on the airport at any time, it follows that Sydney Airport must build its car park capacity with a view to meeting peak demand in the mornings and evenings. There are consequently periods throughout the day when the airport is not as busy and its car parks utilisation is well below capacity, which imposes a high opportunity cost of intermittent usage.

54 To illustrate, suppose that a customer parks in the car park at 9am, during the morning peak. If the customer parks for just less than three hours the space is unavailable until just before 12pm. If the customer parks for twice as long, the space is unavailable until around 3pm. Whether the space becomes unoccupied at 12pm, 3pm or even some time later, there is a reasonable prospect that nobody else will want to use it until the following morning (the next morning peak). In other words, the opportunity cost of each stay in excess of three hours may be the same or similar, regardless of the precise duration. However, the revenue received is not, ie, a customer that parks for 2-3 hours will pay $21 and a customer that parks for twice that long will pay $52 – more than twice as much much.

- several of the off-airport providers are closer to the terminals than the RLTCP and offer more regular shuttle services, eg, Park n' Fly is 400m closer to the domestic terminal and has a free shuttle that operates on demand;[55] and
- off-airport operators commonly offer extra services (for an extra charge) such as car cleaning packages and minor mechanical repairs.

There are also potential disadvantages associated with parking in an off-airport car park, including:

- unlike Sydney Airport's car parks, most off-airport operators require customers to pre-book and tend not to be open as often; and
- some operators require customers to leave the keys to the vehicle with a parking attendant who may relocate the vehicle at any time during the customer's absence – some people may not be comfortable with this prospect.

Table 3.1 and Figure 3.2 set out the prices offered by off-airport car parks and the rates offered at the RLTCP and the domestic and international terminals (see **Appendix B**). Direct comparisons are made on a capacity-weighted basis, so those off-airport operators with more parking spaces will have more bearing on the outcome than smaller operators.[56] Two trends are immediately evident, ie:

- for stays less than three hours in duration it is cheaper (and presumably more convenient) to use the short-term car parks at Sydney Airport; and
- for stays more than three hours, it becomes cheaper to use either the RLTCP or the various off-airport car parks.[57]

It is noticeable that there is not much difference between the prices charged by off-airport operators (at least on a capacity-weighted basis) and the prices offered at the RLTCP. In fact, the prices charged by off-airport operators are often slightly more expensive. This may reflect the product attributes described above, such as the availability of undercover parking[58] and other 'value-added' services such as car cleaning packages. However, off-airport operators may also be able to charge more because the public *perceives* that they are less expensive than Sydney Airport.

Indeed, Sydney Airport's car parking charges have been the subject of significant adverse media attention in recent years. For example, the release of the ACCC's 2009-10 monitoring

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55 *See:* <http://www.parknfly.com.au/home.aspx>.

56 For example, because Park n' Fly accounts for 64 per cent of off-airport capacity, it has the greatest bearing (64%) on the capacity-weighted average price.

57 One important difference between off-airport car parks, the RLTCP and the international and domestic facilities is also worth noting. At off-airport car parks and at the RLTCP charges are levied on a calendar day basis. This means that a customer that parks at, say, 8pm in the evening and departs at 7am the following morning will pay for two calendar days. At Park n' Fly, this would be $60, ie, $30 daily rate x two days. In contrast, at the international and domestic car parks, charges are levied on a 24 hour basis, and so the customer will pay the '23 hour' rate, which is only $52.

58 Recall that it costs $5 extra per day for a shaded park in the RLTCP, which makes the prices even more analogous to those offered by off-airport providers.

report prompted the ***Sydney Morning Herald*** to print a prominently placed article entitled: 'Watchdog lets fly over airport standards'.[59] The article stated (amongst other things) that:

> 'Sydney Airport also has the most expensive short-term car parking in the country. The charge for four hours of parking - $52 - easily clears the price at Melbourne ($36), Brisbane ($22), Adelaide ($14) and Perth ($9.80).
>
> The airport made $95 million from parking last financial year, against $27 million in costs. At $68 million, the margin Sydney Airport skims from car parking ranks second only to Melbourne.'

Within 12 hours the online version of the article had elicited over 150 comments from readers, overwhelmingly negative in tenor.[60] With Sydney Airport (and other airports) receiving this sort of negative publicity it is conceivable that customers might simply assume that parking in an off-airport car park will be cheaper than parking at the airport, assisting those operators to charge higher prices.

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59 Saulwick J, 'Watchdog lets fly over airport standards', ***The Sydney Morning Herald,*** 8 February 2011, p.2. This article was also the banner headline on the Sydney Morning Herald website on the morning of 8 February 2011.

60 *See:* <http://www.smh.com.au/travel/travel-news/watchdog-lets-fly-over-airport-standards-20110207-1ak90.html?comments=157%23comments%3e>.

Table 3.1
Off-Airport Car Parking Prices

	Off-airport Parking Providers											Sydney Airport	
	Park n' Fly	Mascot Airport Parking	Sydney Airport Security Parking	Airport Car Parking Direct	Discount Airport Parking	Sydney Airpark	Sydney Airport Parking	Park & Jet Sydney Airport	Mascot Parking Services	Sydney Airport Budget Parking	Average off-airport (***)	Domestic RLTCP	Domestic / International Terminal
0-0.5 hrs	$30	$20	$50	$49	$75	$50	$54	$50	$40	$100	$37	$25	$7
0.5-1 hr	$30	$20	$50	$49	$75	$50	$54	$50	$40	$100	$37	$25	$15
1-2 hrs	$30	$20	$50	$49	$75	$50	$54	$50	$40	$100	$37	$25	$21
2-3 hrs	$30	$20	$50	$49	$75	$50	$54	$50	$40	$100	$37	$25	$26
3-24 hrs	$30	$20	$50	$49	$75	$50	$54	$50	$40	$100	$37	$25	$52
1 day	$30	$20	$50	$49	$75	$50	$54	$50	$40	$100	$37	$25	$104
2 days	$52	$36	$50	$49	$75	$50	$54	$50	$40	$100	$51	$45	
3 days	$72	$52	$50	$49	$75	$50	$54	$50	$65	$100	$65	$62	
4 days	$92	$68	$65	$59	$75	$64	$64	$60	$65	$120	$82	$77	
5 days	$112	$84	$80	$69	$75	$78	$74	$70	$65	$140	$99	$92	
6 days	$124	$100	$95	$79	$75	$92	$84	$80	$65	$160	$110	$107	
7 days	$136	$116	$105	$89	$85	$106	$94	$90	$65	$180	$122	$122	
No. of Spaces	1,200	50	100	80	40	150	120	90	50(*)	NA(**)			
Capacity (%)	64%	3%	5%	4%	2%	8%	6%	5%	3%	NA			

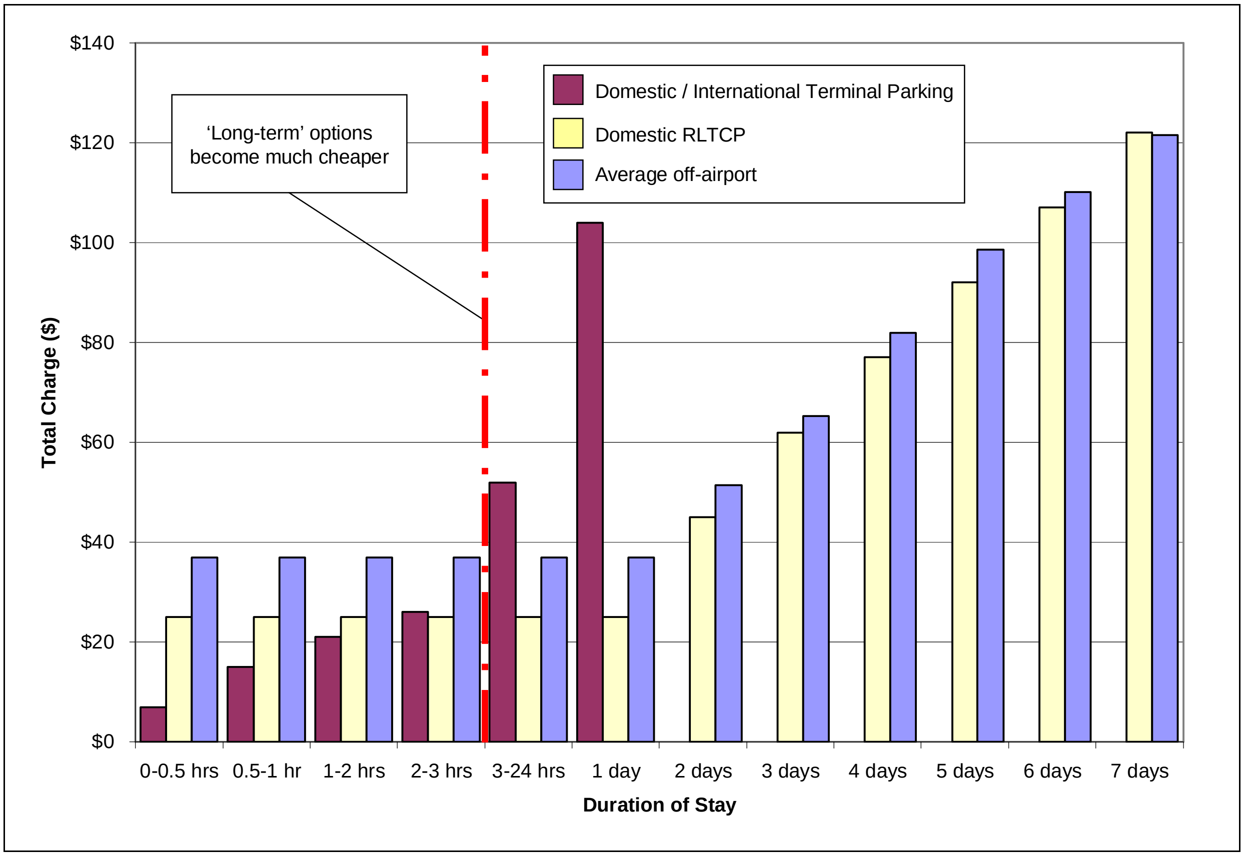
(*) A precise capacity estimate was not available for Mascot Parking Services, but we understand that there are approximately 50 spaces offered.

(**) A capacity estimate was not able to be obtained for Sydney Airport Budget Parking.

(***) The average is weighted by capacity.

(****) Individual off-airport operators may be cheaper. Discounts can also be obtained for pre-booked parking at Sydney Airport.

Figure 3.2
Price Comparison



Source: Sydney Airport data.

The above comparisons show that customers seeking to park for more than three hours – predominantly passengers – have a number of choices.[61] It follows that there are likely to be limits to the extent to which Sydney Airport can increase its prices for such time periods before it begins to lose significant business to off-airport providers. However, those visitors wishing to park for less than three hours – predominantly passengers being accompanied by friends and family – may not consider parking in an off-airport car park to be a viable alternative to parking at the airport.

It follows that visitors seeking to park for less than three hours may either need to pay to park at the airport, take advantage of the free parking areas for drop-off and pick-up, or avail

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[61] Although there is nothing preventing off-airport operators from also targeting customers looking to park for shorter periods by offering hourly rates this does not seem to be very likely for two reasons, namely:

- offering hourly rates is likely to complicate unduly what is in most cases a straightforward approach to capacity management; and
- offering such terms may not result in a significant uplift in demand, since the inconvenience associated with travelling time to and from the terminal from an off-airport site may simply be too great for shorter stays.

These practical constraints are likely to mean that off-airport car parking operators will continue to represent a close substitute principally for those customers looking to park for more than three hours.

themselves of one of the many other transport options (which are also available to customers wishing to park for longer periods). These alternatives are described below.

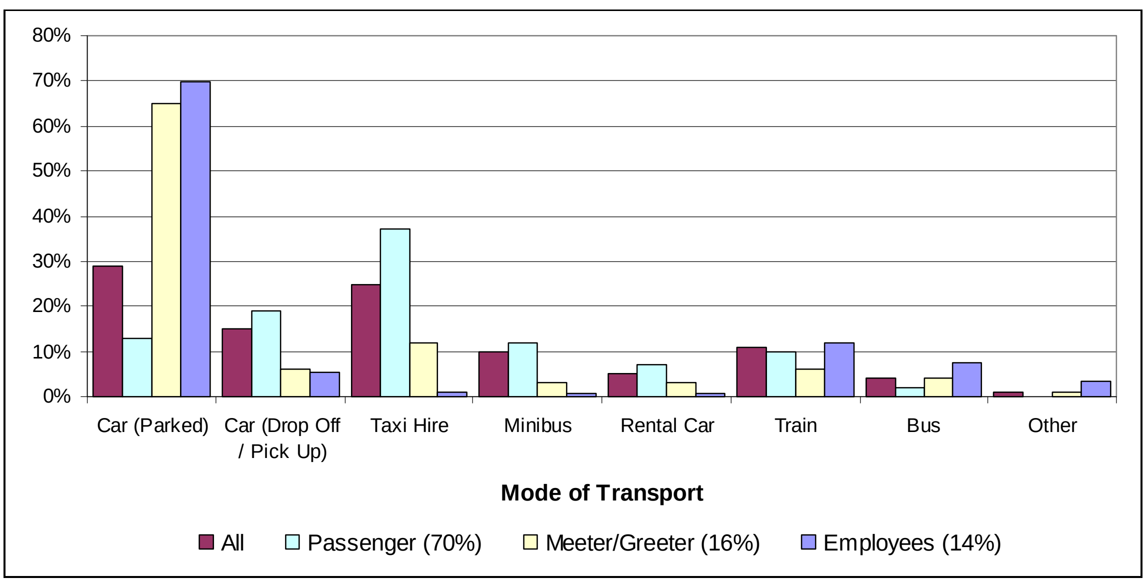
3.3. Other Transport Options

Sydney Airport is very close to the central business district (CBD) of Sydney. This means that, in addition to off-airport parking, visitors to the airport can avail themselves of a range of travel options that do not involve paying to park at the airport. These include:

- the free pick-up and drop-off facilities provided adjacent to the international and domestic terminals;
- taxis, hire cars or shuttle buses; and
- the airport train and public buses.

Research commissioned by Sydney Airport in 2006 suggested that the majority of visitors to the airport use these alternatives instead of parking at the airport.[62] Figure 3.3 illustrates that a large proportion of those visitors that did park were friends and family meeting or accompanying people travelling and employees (who receive a substantial discount, see Figure 2.9), rather than passengers travelling themselves.

Figure 3.3
Modal Split of Visitors to Sydney Airport, August 2006



Source: Sydney Airport, Sydney 2006 Airport Ground Travel Plan, pp.10-11.

Although these modal shares may have shifted somewhat since 2006,[63] these other travel options remain viable and, in some cases preferable, alternatives to parking at the airport for

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62 Note that it is unclear whether the 'car parked' category includes only visitors that parked at Sydney Airport or whether it also includes visitors that parked in an off-airport car park.

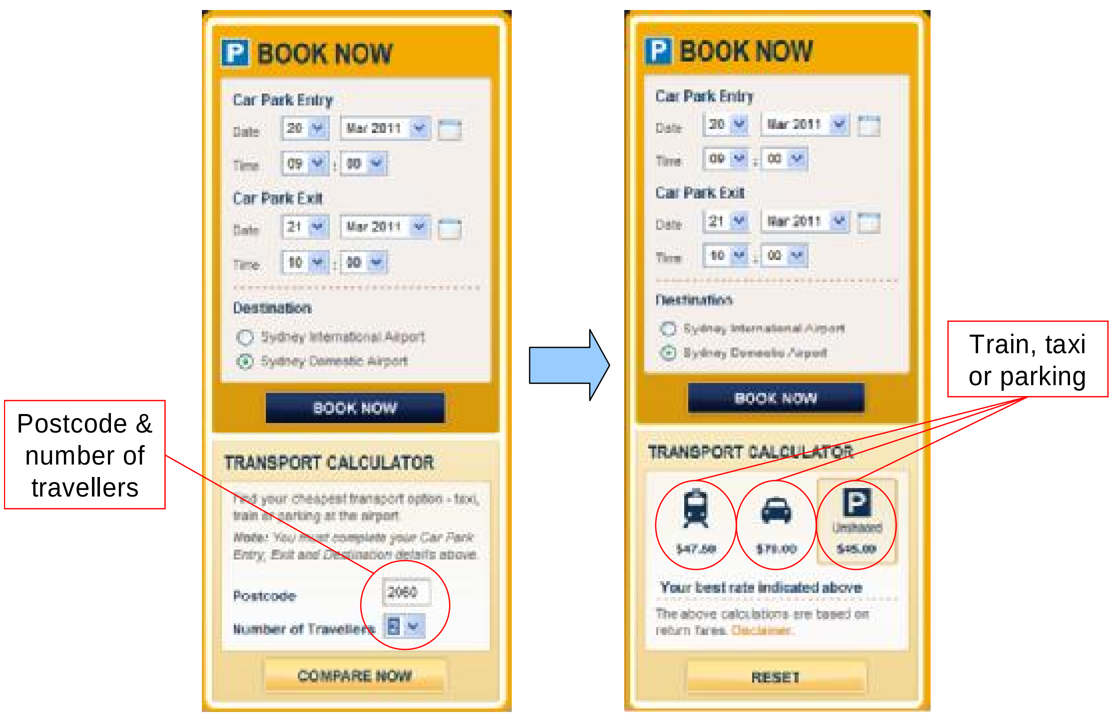
63 Potentially relevant recent developments include:

many visitors. This was acknowledged by the ACCC in its most recent monitoring report, in which it noted that:[64]

> 'Operators of businesses that rely on landside access were of the view that *travellers generally are willing to substitute away from airport parking*, although on-airport parking that is close to airport terminals can have a significant advantage. *The various transport modes also compete against each other and there is a considerable degree of service differentiation.*' [Emphasis added]

Sydney Airport also helps visitors to choose their mode of transport to and from the airport by providing a 'transport calculator' on its website. This tool allows visitors to compare the price of pre-booking 24 or more hours parking (it is not possible to pre-book for shorter stays) with the indicative price of taking a taxi or a train from a particular postcode. Figure 3.4 illustrates the information that is supplied on the website.

Figure 3.4
Transport Fare Calculator



Source: <https://parking.sydneyairport.com.au/Default.aspx>.

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§ the opening of a multi-story car park at the international terminal in July 2008 and the introduction of 15 minutes free parking in June 2010 (*see:* Sydney Airport, *Media Release: Parking at the International Terminal*, 30 June 2010);

§ the relocation and expansion of the domestic passenger pick-up area in September 2009 and extension of the time limit for free parking from two to 10 minutes (*see:* Sydney Airport, *Media Release: T2 Passenger Pick-ups*, 18 September 2009); and

§ the enlargement of both the domestic and international taxi holding areas (*see:* Sydney Airport, *Key Highlights*, 2009, p.11.).

64 ACCC 2009-10 Report, p.69.

In other words, Sydney Airport is actively providing its customers with information on alternatives to parking at the airport. It has also made a public commitment to increase the public transport mode share by a further five per cent by 2024.[65] These other transport options are described in more detail below, with further information provided in **Appendix C**.

3.3.1. Drop-off and pick-up

Visitors to Sydney Airport can drop-off and pick-up passengers for free in particular locations and under certain conditions. This represents an attractive alternative for visitors who might otherwise pay to park for a few hours, eg, 'meeters and greeters' accompanying passengers. The following free parking options are available at the airport and are displayed prominently on its website:[66]

- since 30 June 2010, 15 minutes free parking has been offered in the international car park adjacent to the international terminal;[67]
- since 18 September 2009, visitors to the domestic terminals have been permitted to park for free for 10 minutes in a designated pick-up area located close to the terminals;[68] and
- at the Qantas domestic terminal (T3), free passenger pick-up is also permitted at the front of the terminal.

Visitors dropping off departing passengers can also park right outside both the international and domestic terminals, provided that they stop for no more than two minutes and do not leave their vehicle unattended (in light of the obvious security risks).[69]

Sydney Airport does not have to offer free parking. Indeed, many airports do not. For example, a number of airports in the United Kingdom, including Birmingham, Luton, Belfast International and Edinburgh Airports, charge for parking in facilities adjacent to terminals[70] regardless of time spent and have introduced a £1 'kiss and fly' charge for drop-offs.[71] Such

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[65] Sydney Airport, *Sydney Airport Master Plan 2009*, p.89.

[66] *See:* <http://www.sydneyairport.com.au/SACL/Dropping-Off-and-Picking-Up.html>.

[67] Sydney Airport, Media Release: Parking at the International Terminal, 30 June 2010.

[68] Sydney Airport, Media Release: T2 Passenger Pick-ups, 18 September 2009. Note that there is also nothing to stop visitors also using these free pick-up areas to drop-off passengers. Departing passengers would simply have to take the elevator or escalator up one floor to the departure level.

[69] *See:* <http://www.sydneyairport.com.au/SACL/Dropping-Off-and-Picking-Up.html>.

[70] Free parking remains available for up to 10, 15 or 30 minutes at remote car parks at each of Birmingham, Luton and Edinburgh Airports. A shuttle operates between these car parks and the terminals.

[71] For example, at Edinburgh Airport, the charge was reportedly designed to pay for the development of two new drop-off areas, barriers and associated road improvements that were expected to cost £4 million. These areas were developed to alleviate congestion at peak times, improve safety and discourage abuse of the area by drivers picking up passengers, ie, discourage double parking and pick-up of passengers in the drop-off area. *See:* The Scotsman, "Raising GBP1 drop-off fee can't be ruled out – airport chief", 13 July 2010. The airport expected that the charge would reduce the number of cars using the drop-off zone beside the terminal from 1.6 million per annum to approximately 1 million per annum.

See also: <http://www.birminghamairport.co.uk/car-parking/parking-prices.aspx; http://www.london-luton.co.uk/en/content/7/173/drop-off-and-pick-up.html; http://www.belfastairport.com/en/content/7/146/meeting-and-greeting.html>; and <http://www.edinburghairport.com/assets/Internet/Edinburgh/Edinburgh%20downloads/Static_files/EDI_DropOff_Leaflet.pdf>.

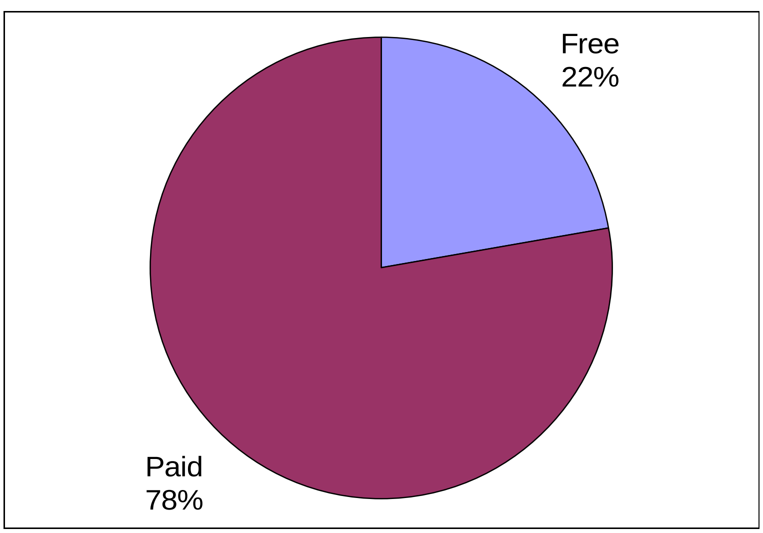
charges have been introduced either to pay for new drop-off facilities and/or to alleviate traffic congestion. At other airports, including London Heathrow, it is possible to drop off passengers for free, but all cars picking up passengers must use and pay for the car park.[72]

Sydney Airport's free parking facilities have proved extremely popular with airport visitors. In the 6 months following the introduction of the 15 minute free parking period in the international (T1) car park, there were **214,748** free parking transactions. Figure 3.5 illustrates that this represents around **22 per cent** of all public parkers that used the car park during this period. Previously, these visitors would either have had:

- to pay at least the 0-30 minute rate of $7;
- to engage in the illegal practice of picking up passengers from the departures area or other areas of the international precinct; or
- to travel to the airport by some other means, which may have been less convenient and more expensive.

Although there is no way to know exactly how many of the 214,748 visitors that parked for free would otherwise have been prepared to pay, there would have been some. It follows that Sydney Airport has foregone parking revenue by offering 15 minutes free parking in the international precinct. For example, if even half of the visitors that used the free pick-up area during the 6-month period would have parked for 30 minutes or less, the airport would have earned an additional **$750,000** in revenue (or **$1.5 million** per annum).[73]

Figure 3.5
Paid vs. Free Parking in International Precinct
30 June 2010 to 31 Dec 2010



Source: Data provided by Sydney Airport, excludes valet.

[72] See:< http://www.heathrowairport.com/portal/site/heathrow/menuitem.e87da634aa88e3fba4b12871120103a0/>.

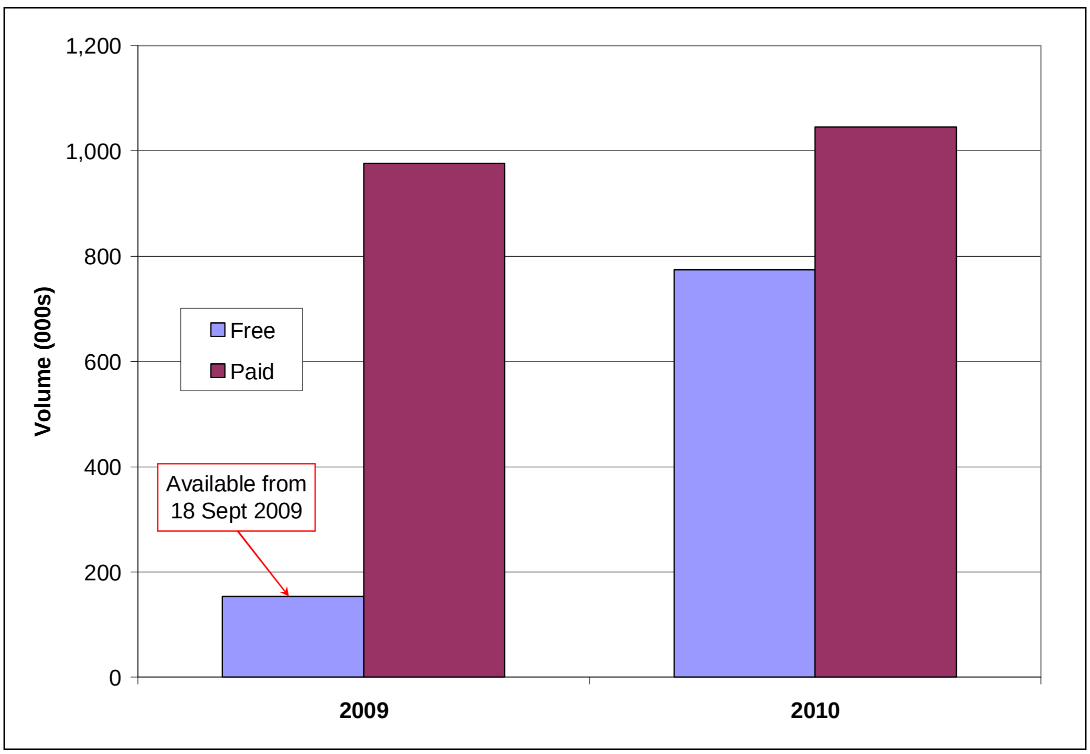
[73] (214,748÷2) x $7 = $751,618.

The dedicated free pick-up area located near to the domestic terminals has also experienced substantial patronage since its introduction in late September 2009. Figure 3.6 illustrates that, during 2010, just over **770,000** vehicles parked for free, which represents approximately **74 per cent** of the total number of vehicles that parked in the domestic precinct throughout the year.[74] This also compares with:

- some **32,000** vehicles that parked for more than 10 minutes in the dedicated free pick up area during the year and were consequently charged upon exit (at least $7); and
- approximately **106,000** vehicles that parked in the domestic car park for 15 minutes of less[75] during the year and were consequently charged $7.

There is no way to know precisely how many of the 773,779 visitors that parked for free during this period would otherwise have paid, but there would have been some. Sydney Airport has consequently foregone revenue by providing the free pick-up area. For example, if half of the visitors that used the facility during the year would have parked for 30 minutes or less, the airport would still have earned an additional **$2.7 million** in revenue.[76]

Figure 3.6
Paid vs. Free Parking in Domestic Precinct



Source: Data provided by Sydney Airport, excludes RLTCP volume and valet parking.

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[74] In addition, although the facility was only open for the last 3 ½ months of 2009, more than 150,000 vehicles used the area during this period.

[75] Data was not available on those vehicles that parked for less than 10 minutes.

[76] (773,779÷2) x $7 = $2.71 million.

In addition, the new domestic pick-up area represents a significant improvement upon the previous passenger collection area in a number of respects. The previous facility contained only seven spaces and drivers were not able to park for more than two minutes or to leave their vehicles unattended. In contrast, the new pick-up area contains 51 spaces, offers 10 minutes free parking, enables drivers to leave their vehicles unattended and improves traffic flows within the domestic precinct (see section 4.5.2).[77]

By offering periods of free parking at both the international and domestic terminals, Sydney Airport is providing an enticing alternative to paying for short-term parking and is, in effect, 'competing with itself'. Specifically, because visitors have the option of parking for free for short periods, if the airport tried to increase its short-term parking prices to excessive levels:

- passengers that would otherwise have paid for parking may instead ask friends or family members to drop them off and pick them up using the free parking facilities; and
- 'meeters and greeters' that would otherwise have paid for parking and greeted/farewelled friends and family inside the terminal may use the free parking facilities instead.

In other words, although by raising its short-term parking charges Sydney Airport would make more revenue from every visitor that did park for a short period, this would be ameliorated by:

- the loss of revenue from those visitors that would otherwise have paid for parking, but decided to use the free parking areas instead; and
- the potential reduction in non-aeronautical revenue over the longer term, ie:
  - if more people are meeting/farewelling passengers in the free parking areas, this may reduce 'foot traffic' throughout the terminal buildings themselves; and
  - the profitability of retailers throughout the terminals may consequently decline, reducing the rent that the airport can obtain from such outlets in the future.

The ever-improving nature of telecommunications also makes it relatively easy for people to take advantage of the free parking options. Indeed, the virtually ubiquitous use of mobile phones enables drivers to time their arrival so that passengers are ready and waiting for them at the free pick-up area. Sydney Airport also facilitates this practice by offering a service whereby flight arrival and departure information can be sent by SMS.[78]

3.3.2. Taxi, shuttle bus or rental car

Visitors can also travel to and from the airport by taxi, shuttle bus or rental car. Travelling by taxi offers the same level of convenience as driving to the airport and parking, but with the added benefit of being dropped off and/or picked up right outside the terminal. It can also be cheaper than parking at the airport for those visitors departing on longer trips, eg, extended overseas vacations. The potential disadvantages include:

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[77] *See:* <http://www.sydneyairport.com.au/SACL/Dropping-Off-and-Picking-Up.html>.

[78] *See:* <http://www.sydneyairport.com.au/SACL/Flight-Info-via-SMS.html>.

- the tendency for queues to form at the taxi ranks at both the domestic and international terminals during peak times[79] – a matter that Sydney Airport has sought to address in recent years through various investments;[80] and
- travelling by taxi or hire car can be more expensive than driving to the airport and paying to park, particularly:
  - for origins / destinations of travel that are far away from the airport, ie, taxi becomes a less cost-effective transport option over greater distances;[81] and/or
  - for short visits to the airport, ie, taxis tend to become a less cost-effective transport option the shorter the duration of stay at the airport.

Table 3.2 below shows that the majority (approximately 60 per cent) of airport visitors travel to or from locations within a 25km radius. A taxi fare for travel to or from these areas can be as little as $16 (for a one-way trip of 5km[82]) or as much as $66 (for a one-way trip of 25km[83]). It follows that visitors wishing to spend (at most) a few hours at the airport will usually find it significantly cheaper to park than to take a taxi, unless they live nearby.[84]

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79 Taxi queues can be avoided by booking a private hire car, but this usually is more expensive than taking a taxi. Sydney Airport has recently introduced dedicated pick-up areas at the international terminal for limousines, including awnings to protect passengers in inclement weather.

80 Sydney Airport has invested heavily in addressing these problems by improving traffic flows and taxi queuing areas. It is for this reason that it has imposed ground access fees. *See:* sections 2.4 and 4.5.1.

81 *See:* ACCC 2009-10 Report, p.68.

82 Fare is based on a tariff of $1.99 per km for travel between 6am and 10pm, including a hiring charge of $3.30 and an airport fee of $3. *See:* <http://www.taxiscombined.com.au/current_fares.htm>.

83 Fare is based on a tariff of $2.39 per km for travel between 10pm and 6am, including a hiring charge of $3.30 and an airport fee of $3. *See:* <http://www.taxiscombined.com.au/current_fares.htm>.

84 For example, a visitor that parked in the international car park for just under 2 hours would pay $21. In order for a taxi to be roughly the same price, the visitor's origin or destination must be sufficiently close to the airport that a one-way taxi fare is less than $10.50 (ie, $21÷2). Specifically, the origin or destination would need to be within 2.2 km of the airport, ie, $3.30 hire charge + $3 landside access fee + $1.99 x 2.2km (assuming travel between 6am and 10pm) = $10.68 = price of 2 hours parking. Because tolls (such as for the Harbour Bridge, Eastern Distributor motorway, etc) would be payable whether travelling by private vehicle or taxi, they are not included in these prices.

Table 3.2
Origin/Destination of Visitors to Sydney Airport

Origin/Destination	Approx. Distance from Airport(1)	Pass.	Meeters/ Greeters	Airport Emp.	Approx. Taxi Fare(2)
Less than 25km					
Inner Sydney	12 – 14km	36%	22%	6%	\$30 - \$40
St George/Sutherland	6 - 19km	7%	7%	34%	\$18 - \$52
Easter Suburbs	10 – 22km	6%	10%	9%	\$26 - \$59
Lower Northern Sydney	18 – 22km	7%	8%	1%	\$42 - \$59
Canterbury-Bankstown	11 – 16km	3%	6%	8%	\$28 - \$45
Inner West Sydney	6 – 15km	2%	5%	2%	\$18 - \$42
Total		**61%**	**58%**	**60%**	
More than 25km		**39%**	**42%**	**40%**	

Source: Sydney Airport, 2006 Airport Ground Travel Plan, Figures 6, 8 and 10, pp.10 – 11; <http: www.google.com> and <http://www.taxiscombined.com.au/current_fares.htm>.
Notes: (1) Distances calculated as the minimum distance on google maps for: (a) Inner Sydney - Haymarket and Circular Quay (b) St George/Sutherland - Kogarah and Sutherland (c) Easter Suburbs - Maroubra and Vaucluse (d) Lower Northern Sydney - North Sydney and Balmoral Park (e) Canterbury-Bankstown - Canterbury and Bankstown (f) Inner West Sydney - Marrickville and Drummoyne (2) Estimated fares are based on a booking fee of \$3.30, airport fee of \$3.00, a minimum tariff of \$1.99 per km and a maximum tariff of \$2.39 per km.

However, taking a taxi to and from the airport is likely to be a viable alternative for passengers who are departing or arriving themselves and, by definition, cannot park for only a few hours at a time. Indeed, in 2006, **37 per cent** of passengers used this form of transport, compared with just 13 per cent who parked at the airport (see Figure 3.3).[85] Taking a taxi is likely to be a particularly attractive option for certain types of passengers, including:

§ time-sensitive business travellers who place a premium on the added convenience of being dropped off and picked up right outside the terminal;[86]

§ passengers that prefer not to drive after a flight; and

§ passengers who do not own a car, or are uncomfortable leaving a car at the airport.

Sydney Airport has invested significant sums in recent years to improve the facilities offered to passengers wishing to take taxis, and to taxi drivers. For example, it has:[87]

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85 Note that this 13 per cent may also include visitors that parked in an off-airport car park. This is not specified in the Airport Ground Travel Plan from which the estimate is sourced. *See* footnote 60.

86 Indeed, the time spent getting in and out of the car park (and finding a park) may represent a significant drawback to these customers.

87 *See:* Sydney Airport, *Annual Report 2006*, p.20; Sydney Airport, *Key Highlights 2008*, p.15; Sydney Airport, *Key Highlights 2009*, p.11; and discussion in section 2.4.

- increased the number of bays in the taxi pick-up area outside the international terminal from 12 to 20;
- increased by 30 per cent the taxi holding-bay area for both the international and domestic terminals;
- increased by 10 per cent the capacity set aside for pre-booked taxis at the international precinct; and
- introduced a short-fare return system to encourage taxis to accept short fares and to return to the airport for more passengers.

An alternative to taking a taxi is travelling to and from the airport by shuttle bus. A number of companies run shuttle buses between the airport and most Sydney suburbs and regional areas (see **Appendix C**). Shuttles to a central location in the Sydney CBD can be booked for as little as $10 each way.[88] Shuttles to locations further afield are more expensive, but are comparable to, or slightly less than, the cost of a taxi.[89] In recent years Sydney Aiport has:[90]

- increased by 40 per cent the space set aside for bus pick-ups and drop-offs in the domestic precinct; and
- introduced a bus holding area in the long term car park, at the expense of 362 potential car parking bays.

Visitors also have the option of renting a car. Although this option avoids the need to pay for parking, it involves significant other costs, including rental charges (which are generally levied on a daily basis) and the time spent picking up and dropping off the vehicle. The vast majority of visitors that choose to rent a car at the airport are likely to be recently arrived passengers – particularly tourists and businesspeople in need of a vehicle for a period.

3.3.3. Train

Sydney Airport is served by a train line that links both the domestic and international terminals with the rest of the metropolitan and regional passenger train network. Trains run between the airport terminal stations (which are privately owned by AirportLink) and the Sydney CBD every ten minutes, with the trip taking only 10 to 12 minutes.[91] There are many potential advantages to travelling by train, including:

- it is often the fastest way of getting to the airport from the city, particularly during peak times when access roads are prone to congestion;
- it can be relatively inexpensive – particularly for people travelling by themselves, as part of a family or over long distances, ie:

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88 *See:* <http://www.airportconnect.com.au/default.asp and http://www.kst.com.au/airport.php>.

89 *See:* Appendix C. For example, for a single person to travel from Hornsby to the airport (approximately 40 km) would cost around $85 by taxi or $75 using either Airport Shuttle North or St Ives Shuttle.

90 *See:* Sydney Airport, *Key Highlights 2010*, p.10 and discussion in section 2.4.

91 *See:* <http://www.airportlink.com.au/trip-times.html>.

- one way/return tickets are $15/$25 from any city station;[92]
- tickets from further afield increase in line with standard CityRail fares;[93] and
- a family only has to pay for one child (4 to 14 years) and any other children are permitted to travel for free.[94]

However, there are also potential drawbacks, including:

§ it may be neither the fastest nor the most convenient means of travel from suburbs that are some distance from the CBD – particularly outside of peak times when CityRail trains run less frequently;

§ airport line fares are significantly more expensive than standard CityRail fares (due to the application of a station access fee at the privately owned airport stations[95]), which means that taking the train will not ***always*** be cheaper than catching a taxi or parking – particularly if two or more people are travelling together, eg:

- three adults travelling by train from the CBD would pay $45 ($15 per person); whereas
- the same three adults travelling by taxi would pay about $30 to $40,[96] and driving and parking for, say, two and a half hours would cost around $26;

§ the train line is not a dedicated airport line – it is used by general commuters and can become congested at peak times, ie:

- in 2006, over the full morning peak period (6am to 9:30am), the 26 city-bound train services on the airport line had a passenger loading of 70 per cent;[97] and
- over the last three years, the Airport & East Hills line (which connects the airport) has operated at 100 per cent capacity in the morning peak hour (8am to 9am);[98] and

§ the wagons do not have dedicated luggage storage facilities, which can pose a problem for passengers with large amounts of baggage, particularly in peak times.

In other words, although the airport train can be a cheap and convenient form of transport for many visitors in many circumstances, it is not without its drawbacks. Indeed, Sydney Airport

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92 This includes the city circle and Kings Cross stations. *See:* <http://www.airportlink.com.au/trip-times.html>. Fares to and from the stations that serve the airport include an access charge or 'Gate Pass' for the stations which are privately owned and operated by AirportLink. *See:* <http://www.airportlink.com.au/company.html>.

93 *See:* <http://www.cityrail.info/tickets/fare_calculator>.

94 *See:* <http://www.airportlink.com.au/trip-times.html>.

95 The station access fee comprises more than 60 per cent of the price of tickets to and from the domestic and international stations. *See:* Booz & Company, *Impact of Fare Reform on the Sydney Airport Rail Link, prepared for Sydney Airport Corporation*, 3 March 2010, p.9.

96 *See:* Table 3.2. There may also be additional tolls if the taxi took, say, the Cross-City Tunnel ($4.45 for a class 2 vehicle, *see:* <http://www.crosscity.com.au/Toll_CurrentTollCharges.htm>) and/or the Eastern Distributor ($5.50 for cars, *see:* <http://www.easterndistributor.com/tolls.htm>). This would bring to total cost to around $40-$50.

97 Sydney Airport, *2006 Airport Ground Travel Plan*, p.13.

98 NSW Independent Pricing and Regulatory Tribunal, *CityRail and Metropolitan and Outer Metropolitan Bus Services: Prices and Services Report 2010, Transport – Final Report*, December 2010, p.25.

has frequently expressed the view that the quality of the service should be improved. In particular, it has highlighted the disparity between standard CityRail fares and the prices paid to access airport line stations, and called for large reductions so as to boost patronage.[99] In a recent submission to the NSW government, Sydney Airport stated that:[100]

> 'The problem is that passengers wanting to travel by train to or from the airport and who must therefore use one or other of the two on-airport stations are charged a fare well above the standard CityRail fare … as rail fares increase, rail patronage will decrease. It follows, therefore, that ***if rail fares were to decrease, rail patronage should increase.*** This is precisely what Sydney Airport proposes for the users of the Airport Link stations.' [Emphasis added]

Sydney Airport has made a number of other public statements in relation to the quality and pricing of the airport train service, including:

§ in its *2006 Airport Ground Travel Plan*, it proposed a number of long-term initiatives to increase rail patronage, including increasing frequencies, introducing a dedicated airport service and allowing for more flexible pricing;[101]

§ in a 2008 submission to the NSW Independent Pricing and Regulatory Tribunal (IPART), it recommended that airport line fares be reduced,[102] since the fare levels discouraged rail patronage;[103] and

§ in its 2009 Master Plan, the airport noted its commitment to increasing the public transport mode share by a further five per cent by 2024 and,[104] in particular:

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[99] The NSW government recently decided to reduce the fares paid by commuters at AirportLink's Green Square and Mascot stations (by subsidising the station access fee), but chose not to reduce fares at the domestic and international terminal stations. If anything, the reduction in price at these two adjacent stations will decrease further the attractiveness of the airport train, since it will lead to more congestion. *See:* Saulwick J, 'Train fares to fall at two stations', *The Sydney Morning Herald,* 2 March 2011, <http://www.smh.com.au/nsw/state-election-2011/train-fares-to-fall-at-two-stations-20110302-1be2s.html>.

[100] *See:* Sydney Airport, *M5 Transport Corridor Study, Submission to the NSW Government,* March 2010.

[101] Sydney Airport, *2006 Airport Ground Travel Plan*, p.20.

[102] In particular, Sydney Airport has recommended the removal of the station access fee added to fares originating or terminating at the airport line stations. *See:* Booz & Company, *Impact of Fare Reform on the Sydney Airport Rail Link, prepared for Sydney Airport Corporation*, 3 March 2010, p.9.

[103] See: Sydney Airport, *Submission: Review of CityRail Fares 2009-2012*, 22 October 2008. The same arguments were raised in the airport's Submission in respect of the Transport Blueprint for NSW to the Independent Reference Panel Appointed by the Minister for Transport, September 2009. *See:* Sydney Airport, *Transport Blueprint for NSW, Submission to the Independent Reference Panel Appointed by the Minister for Transport*, September 2009.

In February 2010 Booz & Company prepared a report that addressed the market impact of aligning Airport Link fares with Standard CityRail fares and the net economic benefit of such fare reform. It estimated that such reform measures would result in an increase in rail modal share of 4 per cent for passengers and 3 per cent for airport employees in 2010/11. *See:* Booz & Company, Final Report: *Impact of Fare Reform on the Sydney Airport Rail Link, Prepared for Sydney Airport Corporation*, 3 March 2010, pp.iv-v.

[104] Sydney Airport noted that it could only achieve a modal shift in co-operation with others responsible for providing transport infrastructure in the Sydney metropolitan area, most notably the NSW government. During the preparation of its Master Plan it therefore had close consultations with key transport infrastructure agencies of the NSW government. *See:* Sydney Airport, *Sydney Airport Master Plan 2009*, pp.88-89.

– it supported the NSW government's 'Clearways' program, which provides the opportunity to increase the number of rail services to the airport from 12 to 20 trains per hour in each direction; and

– it also recommended other initiatives such as the extension of off-peak operating hours to encourage use of the train by shift workers and the introduction of a dedicated airport shuttle.[105]

These lobbying efforts are instructive because any increase in rail patronage can be expected to reduce the number of people that drive to the airport and park.[106] These are not therefore actions that would be expected from an operator seeking to protect a 'monopoly position' in airport car parking. Rather, they are initiatives plainly targeted at making it cheaper and easier for people to get to the airport, through whatever means.

3.3.4. Bus

A public bus service also stops at both the international and domestic terminals. The bus route connects Burwood (in Sydney's Inner West) to Bondi Junction (in Sydney's Eastern Suburbs). Buses arrive approximately every 20 minutes, seven days a week.[107] The principal advantage of travelling by public bus is the cost. Prices range from $2 to $4.30, depending on the distance travelled, which is inexpensive compared to other forms of transport.[108] However, there are also significant drawbacks, most notably:

§ there is only one route (Route 400/410), and so buses are only a viable transport option for a select number of origins and destinations; and

§ there is only limited space to stow luggage, which can pose a problem for passengers with large amounts of baggage, particularly in peak times.

Sydney Airport has repeatedly drawn attention to the dearth of scheduled public buses serving the airport and lobbied for the introduction of more routes. For example, in its submission on the proposed Transport Blueprint for NSW, the airport stated that:[109]

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105 Sydney Airport, *Sydney Airport Master Plan 2009*, p.89.

106 For example, in a report commissioned by Sydney Airport, Booz and Company (2010) estimated that removing the station access fee would result in 1.4 million additional journeys being made by rail rather than road (ie, car or taxi) in 2010/11. It also estimated that, over the following 20 years, an additional 59 million journeys would be diverted from road. *See:* Booz & Company, *Impact of Fare Reform on the Sydney Airport Rail Link, prepared for Sydney Airport Corporation*, 3 March 2010, p.11.

107 *See:* <http://www.sydneybuses.info/>.

108 *See*: <http://www.sydneybuses.info/tickets/mybus-tickets>.

109 Specifically, Sydney Airport has recommended the introduction of two new bus corridors to connect people located in the St George/Sutherland area (where many airport employees live) and the Bondi Junction to Hurstville area.

Sydney Airport, *Transport Blueprint for NSW, Submission to the Independent Reference Panel Appointed by the Minister for Transport*, September 2009, p.13. *See also:* Sydney Airport, *M5 Transport Corridor Study, Submission to the NSW Government,* March 2010, p.12 and Sydney Airport, *Towards a National Aviation Policy Statement: Issues Paper, Submission to the Department of Infrastructure, Transport, Regional Development and Local Government*, June 2008, p.11.

A number of other potential bus routes were also identified by Sydney Airport in its Airport Ground Travel Plan. *See:* Sydney Airport, *2006 Airport Ground Travel Plan*, pp.17-19. It also noted in its 2009 Master Plan that it was

> '[T]he number of bus routes provided by the NSW Government to and from Sydney Airport is wholly inadequate and needs to change. Sydney Airport therefore recommends that ***the early introduction of additional bus routes to and from Sydney Airport's passenger terminals should be a priority outcome*** for the Transport Blueprint for NSW.' [Emphasis added]

In the same submission, Sydney Airport lamented the fact that the (then) new Metrobus Route 20 service would not be extended to connect to its terminals.[110] Again, this lobbying has been undertaken despite the fact that any increase in public bus services can be expected to reduce the number of people that drive to the airport and park.

3.3.5. Summary

There are a number of ways to get to and from Sydney Airport that do not involve driving and paying to park. All offer advantages and disadvantages to different people in different circumstances. First, visitors can drop-off and pick-up passengers for free at both the domestic and international terminals, provided they stay no longer than 10 and 15 minutes respectively. This option has proved to be extremely popular and represents a clear alternative to paying to park for short periods – particularly for 'meeters and greeters' accompanying passengers.

Second, visitors can travel to the airport by taxi, shuttle or rental car. Taxis are often used by passengers who are arriving or departing themselves and are particularly suitable for time-sensitive business travellers who do not want to spend time getting into and out of the car park. Shuttle buses are less expensive than taxis, but tend not to offer the same convenience benefits. Renting a car is also an option, but will tend to be exercised by tourists or businesspeople recently landed in Sydney and in need of a vehicle for a period.

Finally, visitors can use the airport train or the scheduled public bus service. These modes can be cheap and convenient in certain circumstances, but also have potential drawbacks. In particular, the public bus only travels along one route and is not a viable option for most visitors to the airport. The train is far more accessible, but fares significantly exceed standard CityRail fares. Moreover, both modes of transport are prone to congestion during peak periods and do not have specifically designated luggage storage areas.

The existence of such a wide range of options suggests that if Sydney Airport tried to set excessive prices for parking, it would risk losing significant numbers of customers to those alternatives. In any event, its efforts to improve the quality and affordability of those alternatives and to provide customers with information about those options on its website are not consistent with it trying to protect a 'monopoly position' in airport car parking. Rather, they suggest a desire to make it as easy for people to get to the airport as possible. This is not altogether surprising, as we explain in the following section.

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investigating options to provide designated buses to other centres. *See:* Sydney Airport, *Sydney Airport Master Plan 2009*, p.90.

[110] Sydney Airport, ***Transport Blueprint for NSW, Submission to the Independent Reference Panel Appointed by the Minister for Transport***, September 2009, p.14.

3.4. Sources of Revenue

Only 10.6 per cent of Sydney Airport's total revenue came from car parking and landside access charges in 2010. The remaining 90 per cent of its revenue is highly dependent upon people visiting the airport, regardless of whether they park a car or generate landside access fees. For example:

- all of Sydney Airport's passenger-based aeronautical services charges[111] are, by definition, contingent upon passengers travelling to and from the airport to fly; and
- the non-aeronautical revenue that it receives is also affected by the number of visitors to the airport and the volume of 'foot-traffic' throughout the terminals.

As a general proposition, it seems unlikely that Sydney Airport would risk turning people away (and undercutting these revenue streams) by engaging in strategies such as charging excessive prices for car parking and/or restricting unduly landside access, eg, by charging excessive landside access fees to taxis and shuttle buses. The additional revenue that such strategies would deliver from visitors that parked (parking charges) or arrived by taxi or shuttle bus (landside access fees) would be ameliorated by:

- the loss of revenue from those visitors that would otherwise have paid for parking, but decided instead:
  - to take advantage of the free parking areas (see section 3.3.1);
  - to use another mode of transport, such as taxi or train (see sections 3.3.2 to 3.3.4); or
  - simply not to come to the airport at all; and
- the potential reduction in non-aeronautical revenue, ie:
  - if fewer people are coming to the airport, this will reduce 'foot traffic' throughout the terminals and, more importantly, in retail outlets in those buildings; and
  - the profitability of those outlets may consequently decline, reducing the rent that the airport can obtain from those retailers in the future; and
- the possibility that some passengers (perhaps only a small number of highly price sensitive leisure travellers) may be disinclined to travel to the airport to fly, resulting in reduced aeronautical revenues.

Put simply, because of the relative weight of the respective revenue streams, not many people would need to be discouraged from coming to the airport (or entering the terminals[112]) before such strategies would prove unprofitable. Rather, Sydney Airport is more likely to wish instead to *maximise* patronage of the airport. This is also the most likely explanation for the airport lobbying continuously for improvements to be made to public transport links, and for upgrading its car park and landside access facilities so as to improve traffic flows.

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111 For example, its international and domestic passenger service charges, its security charges and its passenger facilitation charges are all levied on a 'per passenger' basis. *See:* ACCC 2009-10 Report, p.255.

112 Excessive car parking charges may discourage 'meeters and greeters' accompanying passengers from parking and spending a few hours at the terminal. They might instead choose to use the free parking areas. Those visitors would still, strictly speaking, be 'coming to the airport', but there would be no financial benefit to Sydney Airport.

3.5. Summary

Several factors suggest strongly that Sydney Airport does not possess substantial market power in relation to its car parking or landside access arrangements. First, there are at least ten 'off-airport' car parking providers in close proximity to the terminals (described in **Appendix B**). These operators provide a clear alternative to parking at the airport for people wishing to park for more than three hours – most notably, travellers – because:

- the prices offered by these operators for stays of more than three hours in duration are comparable to the prices charged at Sydney Airport's RLTCP; and
- they offer products that have different attributes to the RLTCP – some advantageous and some not, eg:
  - most of the operators offer undercover parking, a free shuttle service and optional services such as car cleaning packages, etc, and some are closer to the terminals that the RLTCP; but
  - unlike Sydney Airport's car parks, these facilities tend not to be open 24-hours a day, every day, and customers are often required to leave their keys with an attendant.

Second, for all visitors to the airport, there are several other transport options. There are at least five such alternatives (described in **Appendix C**), including:

- visitors can drop-off and pick-up passengers for free at both the domestic and international terminals, ie:
  - 10 minutes free parking is provided at the domestic precinct pick-up area and 15 minutes free parking is offered at the international precinct; and
  - these facilities have proved to be extremely popular, with approximately 74 per cent (domestic) and 22 per cent (international) of vehicles now parking for free;
- customers can travel to and from the airport by taxi, hire car or shuttle bus;
- a public bus service to the airport runs between Bondi Junction and Burwood with stops at the international and domestic terminals; and
- visitors may choose to rent a car at the airport, or at nearby locations.

Third, only a modest proportion of Sydney Airport's total revenue (10.6 per cent in 2010) comes from car parking and landside access charges. The remainder is highly dependent upon people coming to the airport, *regardless* of whether they park a car or generate landside access fees. The airport is therefore unlikely to want to risk discouraging visitors by setting excessive car parking charges or hindering unduly landside access. Rather, it is more likely to wish to *maximise* patronage. This is reflected in the fact that Sydney Airport has:

- provided visitors with information about alternative modes of transport on its website, including offering a 'transport calculator' to enable the prices of those different options to be compared from different locations;
- lobbied continuously for improvements to be made to bus and train links to the airport, despite the fact that any increase in such services can be expected to reduce its car

parking and landside access revenues;[113] and

- invested substantial sums in recent years to upgrade its car parks and landside access facilities, such as taxi queuing areas, so as to improve traffic flows throughout the international and domestic precincts.

For these reasons, in our opinion, Sydney Airport cannot reasonably be said to possess a substantial degree of market power in relation to car parking or landside access arrangements. This conclusion also is consistent with the PC's observation in 2006 that:[114]

> '[T]he constraints on airport market power in setting parking charges – namely, the availability of off-airport car parking and other options for travelling to and from the airport – have been influential.'

In our view, this statement is as true now as it was then. Nonetheless, for completeness, the following section considers whether there are any instances of Sydney Airport appearing to take advantage of market power.

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113 Neither public buses nor trains pay landside access fees.

114 PC 2006, *Review of Price Regulation of Airport Services*, Report no. 40, Canberra, p.172.

4. Has Sydney Airport Exercised Market Power?

This section considers whether there are any instances of Sydney Airport appearing to exercise a substantial degree of market power in relation to car parking or landside access services. We begin by considering a number of contentions to this effect that have been made by the ACCC in recent monitoring reports.

4.1. ACCC Contentions

In its 2007-08 and 2008-09 monitoring reports the ACCC contended that airport car parking charges were likely to reflect some element of monopoly rents.[115] For example, in its 2007-08 report it observed that: ‘it is likely that airport car parking charges reflect some element of monopoly rent’.[116] The ACCC was prepared to make this statement even though it acknowledged subsequently that it had no way of distinguishing monopoly rents from locational rents (a critical distinction that we describe in section 4.2), ie:[117]

> ‘Any indication that an airport is unduly exercising its market power in car parking would depend on whether prices reflect ‘locational rents’, or whether ‘monopoly rents’ are being extracted.’

Nevertheless, the ACCC’s willingness to express such a strong opinion is one of the principal reasons that the current review by the PC of airport regulation was brought forward from 2012 to 2011.[118] In simple terms, the ACCC effectively claimed that airports – including Sydney Airport – were likely to be exercising substantial market power in relation to car parking services. In drawing this conclusion, the ACCC appeared to rely principally on three factors:

- that average prices for car parking had increased from 2004/05 to 2008/09[119] and total revenue per car space exceeded operating expenses (including depreciation) resulting in an increase in earnings before interest and tax (EBIT);[120]
- at times, the overall rate of growth in the number of short-term car parking spaces at Australian airports has been less than the growth in demand (although, no specific criticism was made of Sydney Airport);[121] and

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115 ACCC 2007-08 Report, p.65 and ACCC 2008-09 Report, p.71.

116 ACCC 2007-08 Report, p.61. The ACCC maintained this view in its 2008-09 report, *see:* ACCC 2008-09 Report, p.72.

117 ACCC 2007-08 Report, p.62. This important qualification was also left out of the article subsequently published in the Sydney Morning Herald. The article stated simply that: ‘The report, which also examined parking at airports, suggested that high charges showed evidence of "monopoly rents"’. *See:* Saulwick J & Dart J, 'Queues, chaos: welcome to Sydney Airport', *Sydney Morning Herald*, 31 March 2009.

118 The Hon Anthony Albanese MP, Joint Media Statement: ***Airport Pricing, Investment and Services Review***, 9 December 2009 at: <http://www.ministers.infrastructure.gov.au/aa/releases/2010/December/AA492_2010.htm>.

119 ACCC 2008-09 Report, p.71.

120 ACCC 2007-08 Report, p.65.

121 *Ibid.*

- that barriers to entry exist to on-airport car parking and airports have considerable discretion in determining the conditions of access, which had resulted in significant fees being imposed on competitors, including taxis and shuttle buses.[122]

In our opinion, these factors did not form a sufficient basis to reach any conclusions as to whether or not Sydney Airport had or was likely to have exercised market power. In particular, the ACCC appeared to give insufficient recognition to the following considerations in its 2007-08 and 2008-09 monitoring reports:

- although it acknowledged the relevance of locational rents, the ACCC did not seek to estimate the opportunity cost of Sydney Airport's car parking land and so it had no basis to determine whether prices and returns indicated the exercise of market power;[123]
- Sydney Airport was investing to expand and improve its car parking facilities,[124] including by increasing the number of short-term parking spots (as well as expanding the free pick-up areas) and no material deterioration in quality was evident;[125]
- Sydney Airport was investing in upgrading landside access to airport terminal facilities so as to improve traffic queuing areas,[126] and the associated revenues from landside access fees did not exceed the underlying costs (in fact, the opposite is the case);[127] and
- Sydney Airport had also lobbied the state government to improve other modes of transport to the airport, including buses and trains, which is not consistent with it trying to take advantage of market power.[128]

The ACCC appears to have been more cognisant of these factors in its 2009-10 monitoring report. In particular, the ACCC does not make an unequivocal claim that Sydney Airport's car parking charges reflect an element of monopoly rent.[129] Rather, it sets out a number of observations that suggest it may now be of the view that the airport is ***not*** setting excessive prices (although it does not say so explicitly). For example, in relation to the landside access fees levied by Sydney Airport, it observes that:[130]

> 'It is ***not apparent*** that Brisbane and Sydney airports' access levies on off-airport parking and private bus operators are excessive based on the limited revenue and cost information provided to the ACCC.' [Emphasis added]

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122 ACCC 2007-08 Report, p.65 and ACCC 2008-09 Report, p.71.

123 Although the ACCC did concede that the "extent to which airports' charges exceed efficient levels cannot be determined based on the current monitoring program" (***see***: ACCC 2008-09 Report, p.xi), that concession was inadequate. In our opinion, the fact that the ACCC had no way to distinguish locational from monopoly rents meant that, by definition, it was not in a position to ascertain whether prices exceed efficient levels ***at all***.

124 *See:* section 2.4.

125 *See:* section 4.4.

126 *See:* section 2.4.

127 *See:* section 4.5.1.

128 *See:* sections 3.3.3 and 3.3.4.

129 Rather, it concedes that 'price levels alone are far from conclusive' (ACCC 2009-10 Report, p.71) and that 'monitoring results only provide for indirect indicators of whether or not airport operators have increased car parking prices excessively' (ACCC 2009-10 Report, p.72).

130 *Ibid.*

The ACCC also gives much greater recognition to the role that the high opportunity cost of airport land will inevitably play in the determination of car parking and landside access charges – a topic we discuss in more detail in the following section. For example, it acknowledges that:[131]

> 'If the airport cannot technically provide more spaces, *the margins received by Sydney Airport for car parking may be more reflective of locational advantages*. High prices can be an efficient rationing mechanism that apportions the limited available car spaces amongst users who are willing to pay for them. Otherwise, there would be excessive demand for the most convenient car spaces, which would result in queuing and, consequently, delay costs to users.
>
> Further, it is expected that t*he opportunity cost of some land at Sydney Airport is higher than at other airports*. If the opportunity cost of the land is high enough, Sydney Airport may have an incentive to decrease the amount of land allocated to car parking and use it for other purposes, such as car rental facilities or office space.' [Emphasis added]

In our opinion, once locational advantages are taken into consideration in the manner suggested by the ACCC, there is no suggestion that Sydney Airport is exercising market power. Moreover, the airport has done a number of other things in recent years that would not be expected from an operator seeking to protect its market power. We consider these matters in the following sections. However, we begin by exploring the important role played by locational factors in the determination and assessment of car parking and landside access charges at Sydney Airport.

4.2. Locational Rents

In order to determine whether an airport has exercised substantial market power by increasing its car parking charges above the costs of supply it is essential to distinguish between two forms of economic rent that may be present at airports. These are locational rents and rents arising from the use of market power, or 'monopoly rents'. The distinction between these is that:

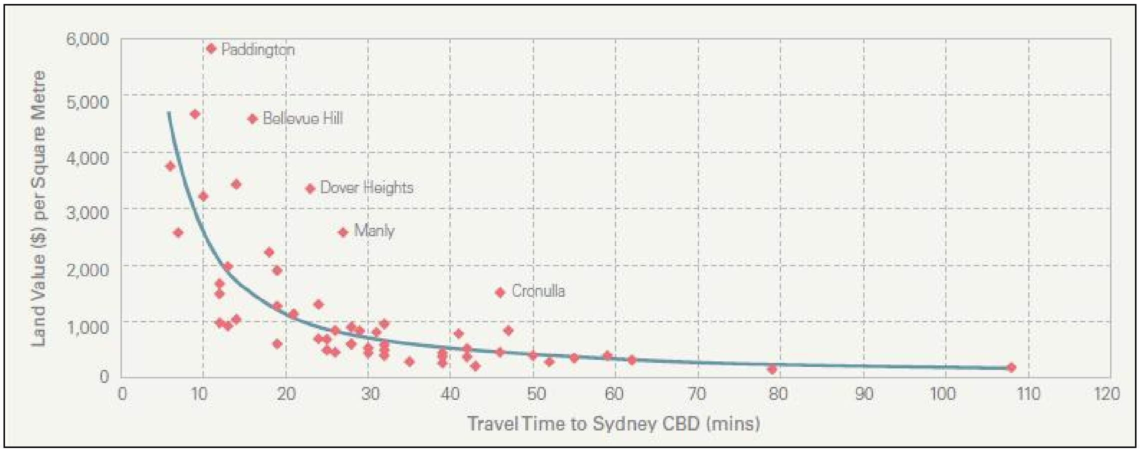
- locational rents arise if the space or land available at the preferred location for an economic activity is limited and users are prepared to pay a premium (though not because of artificial restrictions); and
- monopoly rents come about through the use of market power, which exists when the owner of a facility has the ability to set a price that exceeds the cost of supply (including, if relevant, any locational rent), or the price that would prevail under workable competition.

Figure 4.1 below provides a straightforward illustration of the concept of locational rents. It plots the relationship between unimproved land values in various locations across Sydney, and the associated travel time to the CBD. It reveals that those locations that are closer to the CBD generally yield significantly higher values than more distant suburbs. This is

[131] ACCC 2009-10 Report, p.73.

unremarkable. It is natural that people will be prepared to pay more to be near to the CBD, since this is a hub of economic activity.

Figure 4.1
Unimproved Land Prices vs. Travel Time to Sydney CBD ($2009)



Source: Reproduced from: Infrastructure Partnerships Australia / AECOM, East Coast High Capacity Infrastructure Corridors: A realistic pathway to very fast trains, Figure 15, p.49.

Exactly the same principle applies to airports, which are centres of commerce in their own right. Proximate land tends to be scarce, and so a premium must be paid to secure the prime locations. The critical *in principle* difference between a locational and a monopoly rent is that the former covers the *opportunity cost* of the land,[132] and *no more*. The distinction between these is important, because it has implications for efficiency and for whether market power can reasonably be said to have been exercised, ie:

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

It follows that, although the existence of monopoly rents *may* justify regulatory intervention,[133] locational rents *do not*, since they represent an important component of efficient, cost-reflective prices. Notwithstanding its importance, this distinction is intrinsically difficult to make *in practice*. This is because the opportunity cost of airport land can be very high[134] and difficult to measure, given the unique attributes of each location. However, any comparison between prices and costs is meaningless without an estimate of the opportunity cost of land, since one of the key elements is missing.

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132 This is the rent that could be earned if the land was used for something else.

133 Although not necessarily if the costs of regulation are likely to exceed the potential benefits – see discussion below.

134 *See* Forsyth P, 'Locational and monopoly rents at airports: creating them and shifting them', *Journal of Air Transport Management* 10 (2004), pp.51-60.

The absence of any evidence on the location value of airport land is one of the basic problems with the way in which the ACCC monitors car parking and ground access charges. Because the reported ‘operating margin’ does not factor in the opportunity cost of land, it provides no indication of whether prices are excessive. Past contentions by the ACCC that airports’ prices – including Sydney Airport’s – contain monopoly rents have therefore had no basis. For this reason, in the following sections we undertake a series of analyses that *can* potentially provide some insight into the opportunity cost of the land containing Sydney Airport’s car parks.[135]

4.3. Analysis of Prices and Margins

The following sections contain various analyses intended to provide some indication of whether Sydney Airport’s car parking prices are more likely to reflect locational or monopoly rents. We begin by comparing the airport’s current prices to those charged by car parking operators based in the CBD.

4.3.1. CBD price comparison

Sydney Airport is a centre of economic activity. There are many businesses that are prepared to pay a premium to be located as close to the airport as possible, including car rental agencies, retailers and hotels. This drives up the value of the land surrounding the terminal which is in very limited supply. It follows that any land that Sydney Airport sets aside for car parks, taxi queuing areas and so on, could be put to other uses, as the ACCC has acknowledged.[136] It is therefore entirely appropriate that Sydney Airport’s car parking and landside access charges include an element of *locational rent*, as we explained above.

Car parks located in Sydney’s CBD are in an analogous position. The Sydney CBD is perhaps the most vibrant commercial and retail hub in Australia, and businesses are again prepared to pay a premium to secure prime locations. For this reason, the prices charged by car parking businesses located in the CBD can *also* be expected to include an element locational rent. It is therefore instructive to compare the prices that are charged by those operators with those prevailing at Sydney Airport.

In contrast, comparisons to charges levied at non-Sydney CBD parking facilities – such as at hospitals, shopping centres and stadia outside of the CBD – are not as instructive. The locational attributes of these facilities are not as directly comparable to the circumstances that exist at Sydney Airport, since:

- there is usually the option of parking somewhere on the surrounding streets for free, which is not something that can be readily done either at the airport or in the CBD; and
- parking charges in these locations – particularly at shopping centres – are often heavily cross-subsidised to encourage patronage.

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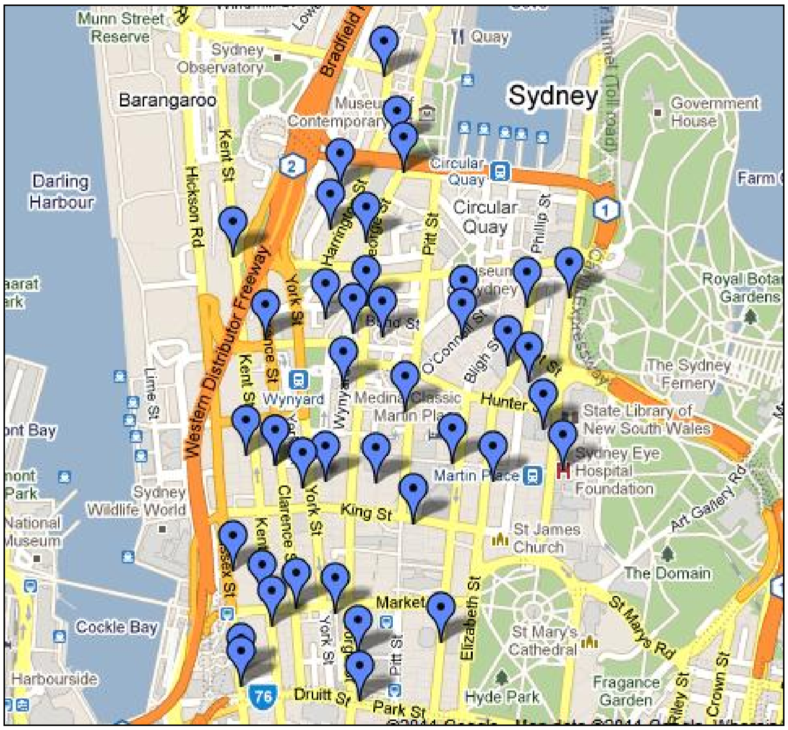
135 Note that the RLTCP is not considered in these sections, since there appears to be no suggestion that Sydney Airport is earning monopoly rents from this facility.

136 ACCC 2009-10 Report, p.73.

Both of these factors reduce the prices that non-CBD parking facilities are able to charge and makes them a less relevant comparator.

We have examined the prices charged at **forty** Sydney CBD car parks, the locations of which are set out in Figure 4.2.

Figure 4.2
Location of Sydney CBD Car Parks



Section 3.2 explained that Sydney Airport faces significant price competition from off-airport providers for stays of more than three hours in duration. In consequence, it is the relativity of ***short-term*** parking prices that is of most interest. Table 4.1 illustrates that the prices charged by Sydney Airport to park at its international and domestic car parks for less than three hours are considerably cheaper than the prices that motorists must pay to park in the Sydney CBD (see **Appendix D** for more details). Indeed, it is usually more than **twice as expensive** to park in the CBD, on average, than it is to park at Sydney Airport.

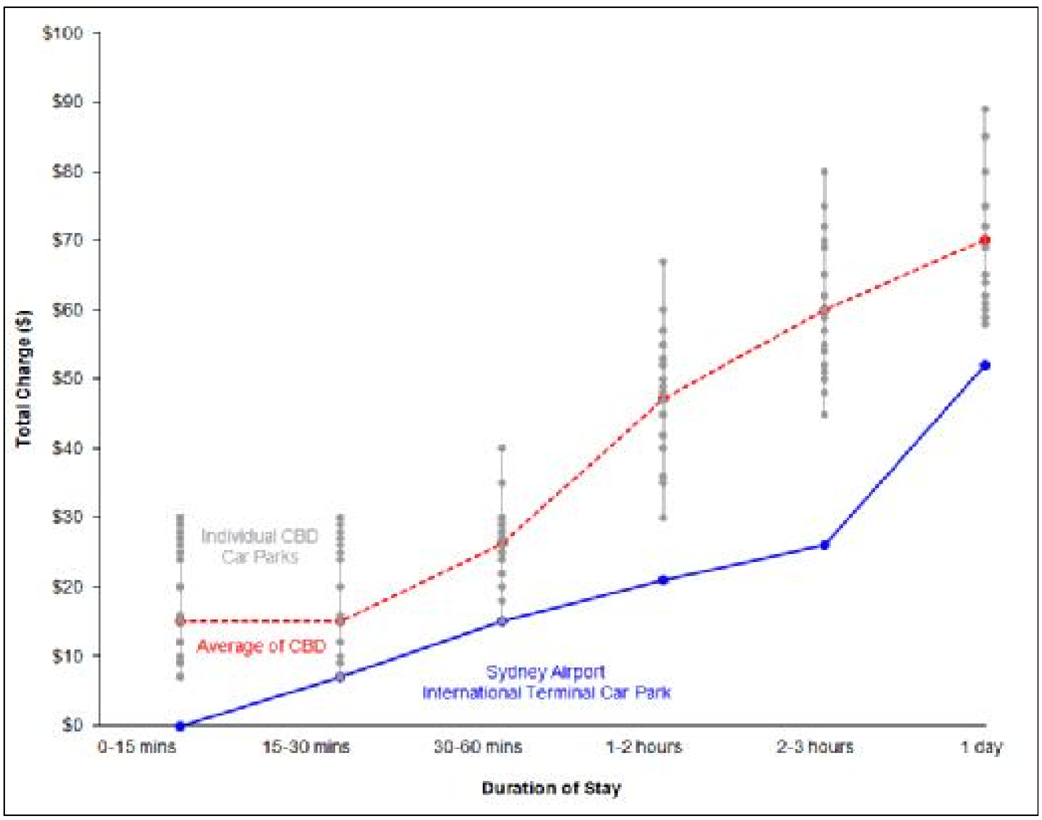
Table 4.1
Average CBD Price vs Sydney Airport Price

	Duration of Stay					
	0-15 mins	**15-30 mins**	**0.5-1 hrs**	**1-2 hrs**	**2-3 hrs**	**1 day**
Average CBD (*)	$15	$15	$26	$47	$60	$70
Airport Price (**)	$0	$7	$15	$21	$26	$52
% Difference	**NA**	**114%**	**75%**	**124%**	**131%**	**35%**

(*) Based on standard, casual rates.
(**) Based on standard prices at the Sydney Airport international car park. Prices at the domestic car park are identical except for the free parking period, which is for 0-10 minutes.

Moreover, Figure 4.3 illustrates that *none* of the forty CBD car parks offers a cheaper price than Sydney Airport, and some charge over **300 per cent** more to park for the same length of time.

Figure 4.3
Price Comparison



The differential between prices at Sydney Airport and in the CBD has persisted for some time, and appears to have grown in recent years. For example, in 2006, the PC observed that the indicative price to park for one hour in the Sydney CBD was $18, versus $13 at Sydney Airport.[137] Now, the prices are $26, versus $15, respectively (see Table 4.1 above). In other words, the CBD price for this time band has increased by **44 per cent** over the period, whereas the price at the airport has increased by only **15 per cent**.

4.3.2. Movement in land values

This section compares the movement in Sydney Airport's car parking charges to the movement in *land values* in locations near to the airport. If the land surrounding the airport has increased in value, it is reasonable to infer that the land on which Sydney Airport's car parks are located will have as well. Put another way, the opportunity cost of Sydney Airport's car parking land will have increased. It should therefore expect to earn more revenue from car parking to reflect that increased opportunity cost.

Table 4.2 summarises the movement in land values for two property types in locations neighbouring the airport, ie, Mascot and Botany. Both property types have increased by **more than 30 per cent** since 2006.[138]

Table 4.2
Movement in Land Values, 2006-2010

Property Type	Suburb	2006 ($/m^2)	2010 ($/m^2)	% Change
Sydney Metropolitan	Mascot	$875	$1,169	**34%**
Large Industrial Site	Botany	$495	$647	**31%**
Average				**32.5%**

Source: <*http://www.lpma.nsw.gov.au/valuation/nsw_land_values*>.

Figure 4.4 compares the uplift in land values to the average increase in Sydney Airport's car parking charges (on a volume-weighted basis) over the same period (see **Appendix A**). It illustrates that for *all but one* car parking product,[139] the increase in land values exceeds significantly the increase in car parking prices. It is therefore unsurprising that the average increase in land values exceeds comfortably (by **14 per cent**) the average increase in car parking prices over the period.

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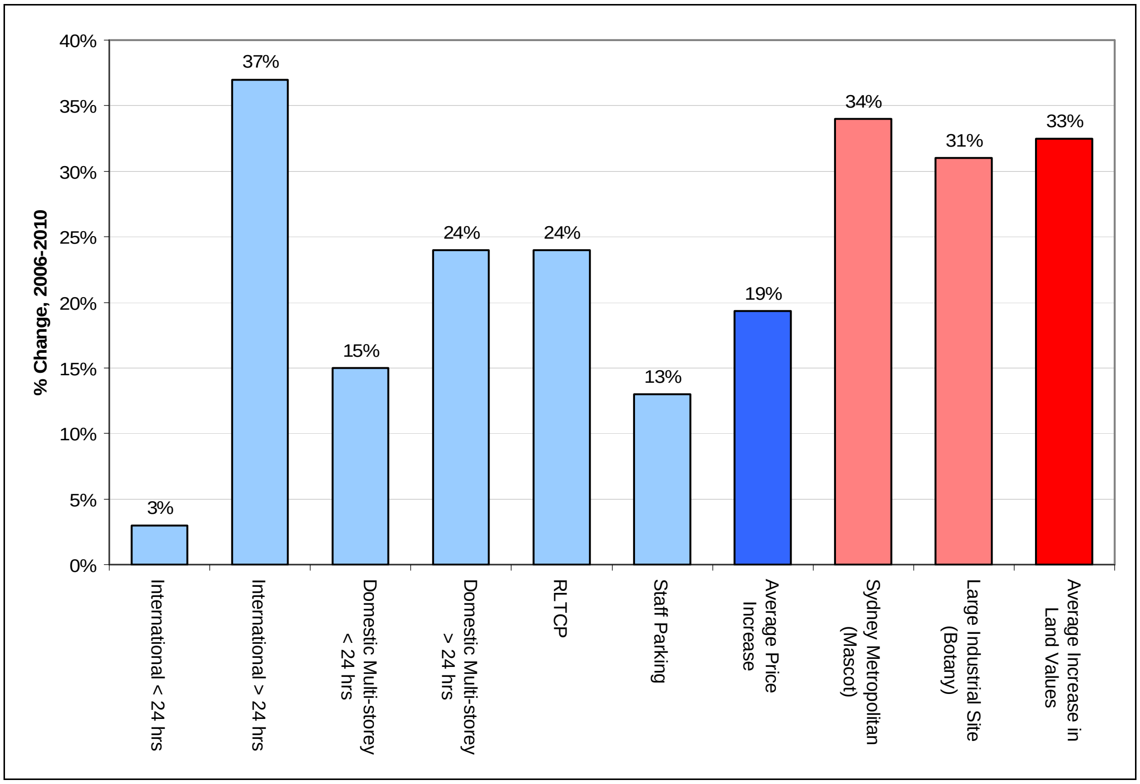
137 PC 2006, *Review of Price Regulation of Airport Services*, Report no. 40, Canberra, p.172.

138 Values are presented for those suburbs closest to the airport. Values were not presented for country or rural areas, or for small industrial or retail sites since, in our view, these are unlikely to represent plausible alternative uses for the relevant land.

139 To be clear, the fact that prices to park for *more* than 24 hours in the international car park have increased by marginally more than the uplift in value of land does not indicate the exercise of market power. The *vast majority* of Sydney Airport's prices have increased by *appreciably less* than the uplift in land values. It also faces significant competition from myriad off-airport providers (see section 3.2) and alternative modes of competition, including taxis (see section 3.3) for those visitors looking to park for more than 24 hours. Moreover, the increase (37 per cent) is only *marginally* higher than the average increase in land values (33 per cent).

Figure 4.4
Comparison of Price Movements, 2006-2010



Source: Land values obtained from <http://www.lpma.nsw.gov.au/valuation/nsw_land_values> and price data provided by Sydney Airport.
Note: Price increases are calculated on a volume-weighted basis, see: Table A.1. The Average price increase (19%) is the average of the volume-weighted price increases across all products.

In other words, nothing in the above analysis suggests that Sydney Airport has increased its car parking prices since 2006 by more than the uplift in costs (including the opportunity cost of land) over the period. In fact, the opposite appears to be the case, ie, prices have increased by *less* than the increase in the value of land, and so the underlying opportunity cost.

4.3.3. Movement in implied return on land

This section seeks to gauge the implied return on Sydney Airport's car parking land since 2000/01.[140] The regulatory report prepared in relation to Sydney Airport for the 2000/01 financial year reveals that the airport received $48.97 million in revenue from car parking[141] and incurred $19.09 million in operating costs,[142] resulting in a **$29.88 million** operating

[140] We do not consider it appropriate to use the 2001/02 financial year as a starting point due to the exogenous shocks arising from the September 11 terrorist attacks and the collapse of Ansett Airlines – the second largest domestic carrier at the time.

[141] Specifically, it reported to have earned $46,020 from public car parking and $2,946 from staff car parking. *See:* ACCC, *Regulatory Report, Sydney Airport 2000/01*, p.22.

[142] We understand this figure to be annual operating expenses, ie, it does not include a return on capital or a return on land.

margin. This residual can be thought of as providing a return on the assets in situ at that time, *including the relevant land*. In other words, it provides a high-level indication of the *implied* return on car parking land at that time.[143]

Since 2001/02, that car parking land will have increased in value. Table 4.3 reveals that the average annual percentage increase in neighbouring property values since 1996 and 2005 has been between **8.5** and **10 per cent**, or **9.25 per cent** on average.[144] This provides an indication of the amount by which the $29.88 million 2001/02 implied return on land *would have needed to increase* each year in order to have *remained constant* (in opportunity cost of investment terms) over the period.

Table 4.3
Annual Change in Land Values

					Average Annual % Change	
Property Type	**Suburb**	**1996 ($/m^2)**	**2005 ($/m^2)**	**2010 ($/m^2)**	**Since 1996**	**Since 2005**
Sydney Metropolitan	Mascot	$335	$875	$1,169	**9%**	**5%**
Large Industrial Site	Botany	$140	$330	$647	**11%**	**12%**
Average Annual % Change					**10%**	**8.5%**

Source: <http://www.lpma.nsw.gov.au/valuation/nsw_land_values>.

An operating margin of $29.88 million in 2001/02 that is inflated by 9.25 per cent per annum is equal to **$66.25** million in 2009/10. This is the sum that the implied return on land *would need to be today* in order to be equivalent in opportunity cost of investment terms to the return in 2000/01.[145] However, it is highly unlikely that the return today is anywhere near this level.

In the financial year 2009/10, Sydney Airport earned $95.1 million in revenue from car parking and incurred $26.9 million in operating costs, resulting in a **$68.2 million** operating margin.[146] If the return on land was in fact $66.25 million, this would leave only **$1.95 million** (ie, $68.2 million - $66.25 million) to cover:

- the return on new capital invested since 2000/01; and
- the depreciation of new assets built since 2001/01.

This residual amount is clearly insufficient to cover the new investment costs that have been incurred. The $65 million international car parking building would alone require a return on

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[143] It will have also provided a return on any capital assets that existed at that time, such as car parking buildings and other fixtures. For the purposes of this analysis we have assumed that the return on those pre-existing assets remains constant over time.

[144] Data was unavailable for either 2000 or 2001.

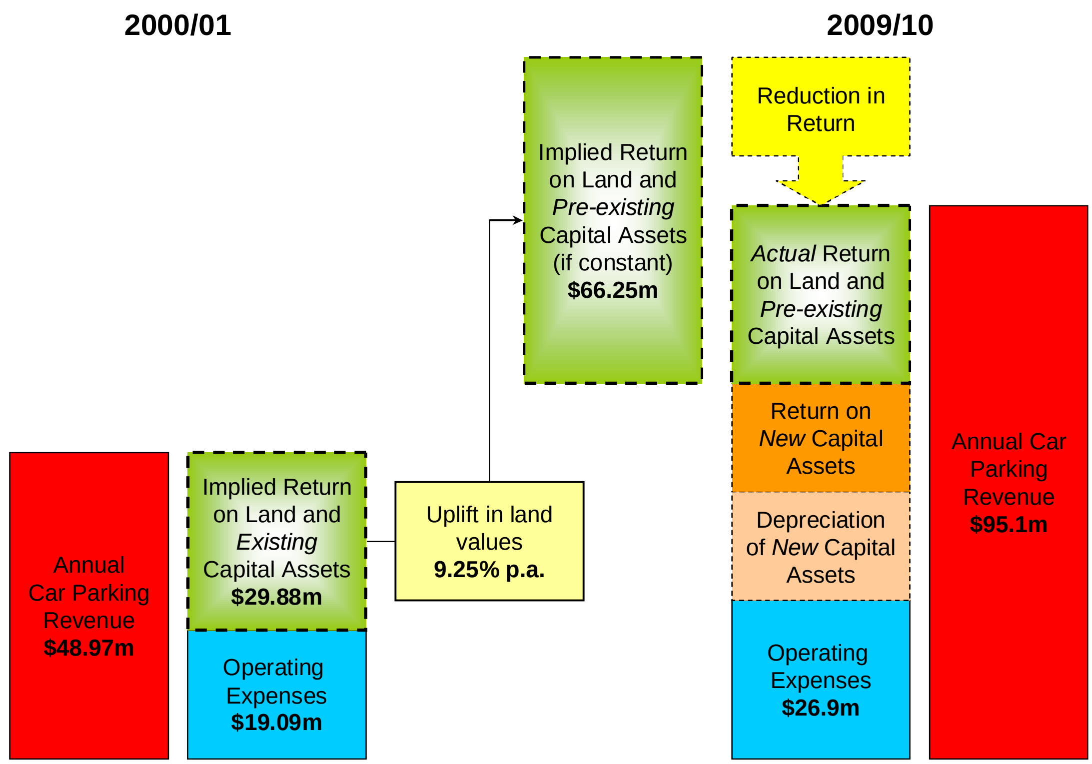
[145] $29.88 million inflated by 9.25 per cent per annum until 2009/10.

[146] ACCC 2009-10 Report, p.292.

capital in the vicinity of **$6-7 million**, which more than accounts for the $1.95 million residual – even before depreciation is considered. Section 2.4 also described myriad other car parking investments that Sydney Airport has undertaken since 2000/01 for which a return on and of capital would be required.

The clear implication is the rate of return on the land used for car parking has *not* remained constant over time. Rather, if all relevant costs (including operating expenses and a return on and of all relevant capital) are subtracted from the $95.1 million in revenue that Sydney Airport earned from car parking in 2009/10, the residual is likely to be *significantly less* than $66.25 million. This means that the implied rate of return on land – as represented by that residual – has *fallen markedly* since 2000/01. Figure 4.5 illustrates.

Figure 4.5
Movement in Implied Return on Land



It follows that there is no indication that Sydney Airport has taken advantage of market power to increase the rate of return that it has earned on car parking land since 2000/01, ie, over the previous two monitoring periods. Rather, the implied rate of return on land appears to have *fallen* in real terms over this timeframe. Moreover, as the following sections explain, there is no indication that that the *level* of the returns Sydney Airport is earning on its car parking land reflects anything other than the underlying opportunity cost of those assets.

4.3.4. Opportunity cost of international car park land

This section derives a high-level estimate of the opportunity cost of the land containing Sydney Airport's international car park. Because the international car park spans a significant area (approximately 60,000m^2) there is scope for that land to be put to alternative uses in both the short- to medium-term and the longer-term. For example, Sydney Airport could, in principle:

- increase the number of parking spaces close to the terminal by constructing another multi-level parking facility; or
- reduce the existing capacity by building a new commercial office block, hotel complex or setting aside more space for rental car businesses.

It is therefore instructive to compare the return on the land used for car parking to the returns achieved on adjacent land used for other purposes. One such candidate is the parcel of land on which the Customs Building is located. This property, which is on the northern edge of the international car park, has been leased by way of competitive tender to the Australian Customs Service.[147]

In order to make this comparison, we have taken the revenue that Sydney Airport earned in 2010 from car parking (for the international car park land) and the rent it earns for the Customs Building land as reference points, and deducted from each sum:

- annual operating expenses associated with the property;
- an annual allowance for depreciation of buildings and any other relevant fixtures; and
- an annual return on buildings and other fixtures.[148]

The remaining sums provide an estimate of the annual return on each parcel of land. However, the two figures are still not comparable, because the international car park spans a much larger area and can therefore be expected to earn more revenue per annum. Dividing each sum by the *total land area* therefore produces an estimated **annual return per m^2** for each tract of land that *can* be compared.

The return per m^2 on the land containing the Customs Building can be thought of as a high-level estimate of the *opportunity cost* of the international car park land. Specifically, it provides a *broad* (albeit imperfect[149]) indication of the return that Sydney Airport might be expected to earn if it redeveloped some of it international car park land into commercial property. Figure 4.6 summarises this 'top-down' methodology.

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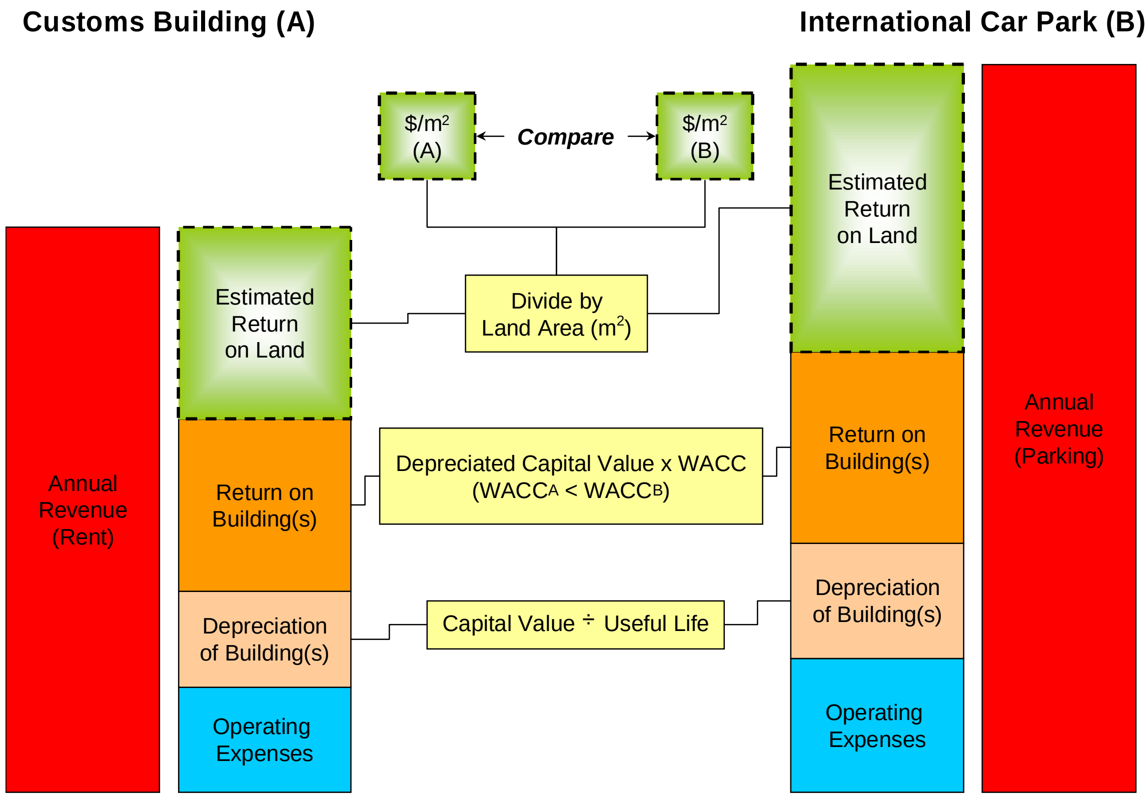
147 Indeed, we understand that the Australian Customs Service considered a number of other sites before entering into an agreement with Sydney Airport.

148 This will be equal to the depreciated capital value multiplied by an appropriate WACC.

149 No two parcels of land will ever have precisely the same locational attributes, as section 4.2 explained, and so no such comparison will ever be truly 'like-for-like'.

Figure 4.6
Estimating the Return on Land



Implementing this top-down methodology reveals that Sydney Airport earns a significantly higher return per m^2 on the Customs Building land. If a pre-tax real aeronautical weighted average cost of capital (WACC) of [CIC][150] is used to calculate the annual return on capital (ie, buildings and fixtures) for both properties the estimated annual return on the Customs Building and car park land is [CIC] per m^2. In contrast, the return on the international car park land is [CIC] per m^2.

In other words, the implied return on the Customs Building and car park land is **19 per cent** higher than the implied return on car parking land, which is clearly material. Moreover, it is also likely to *underestimate* the true divergence because, given the relative risk profiles of the two businesses, applying an aeronautical WACC to both property types is likely:

- to *overstate* the return on capital required for the Customs Building (and so *understates* the return on land), since the return required on a commercial property (particularly a property leased on a long-term basis to a government agency) can be expected to be less than the return required on aeronautical assets; and
- it is likely to *understate* the return on capital required for the international car park (and so *overstates* the return on land), since the return required on a car parking business can

[150] For the detailed derivation of this estimate, *see:* Table E.1 in Appendix E.

be expected to be more than the return required on aeronautical assets (and commercial property), given the greater risks involved with the operation.

In other words, the 19 per cent differential is a conservative estimate of the discrepancy in the relative returns on land. The return per m^2 on car parking land is also significantly less than the values of surrounding land set out in Table 4.2 and Figure 4.4. Figure 4.7 illustrates the results of this 'top-down' analysis (Note that the below chart is CIC).

Figure 4.7
Estimated Returns on Land

[CIC]

Source: Data provided by Sydney Airport. See Tables E.1 and E.2 in Appendix E. Land values for surrounding suburbs obtained from: <http://www.lpma.nsw.gov.au/valuation/nsw_land_values>.

This implies that the Airport might earn higher returns if it transformed some of its international car park into commercial property – a possibility that the ACCC has recognised.[151] For example, if the airport had earned the same return on its car parking land as it did on the Customs Building property, it would have earned **16 per cent** *more* in revenue in 2009/10 (applying an aeronautical WACC). In other words, the return per m^2 that Sydney Airport is earning from its international car park appears to be *less* than the opportunity cost of the land, as represented by the return on the Customs Building property. Figure 4.8 illustrates (Note that various aspects of the below chart are CIC and have been removed).

Figure 4.8
Shortfall in Revenue

[CIC]

Source: Data provided by Sydney Airport. See: Tables E.1 and E.2 in Appendix E.

This analysis provides no support for the suggestion that Sydney Airport has taken advantage of market power to earn excessive returns from its international car park. Rather, the returns it is earning appear to be *less* than the underlying costs of providing the service, once the opportunity cost of land is considered. It follows that the prices at Sydney Airport's international car park cannot reasonably be said to reflect more than locational rents.

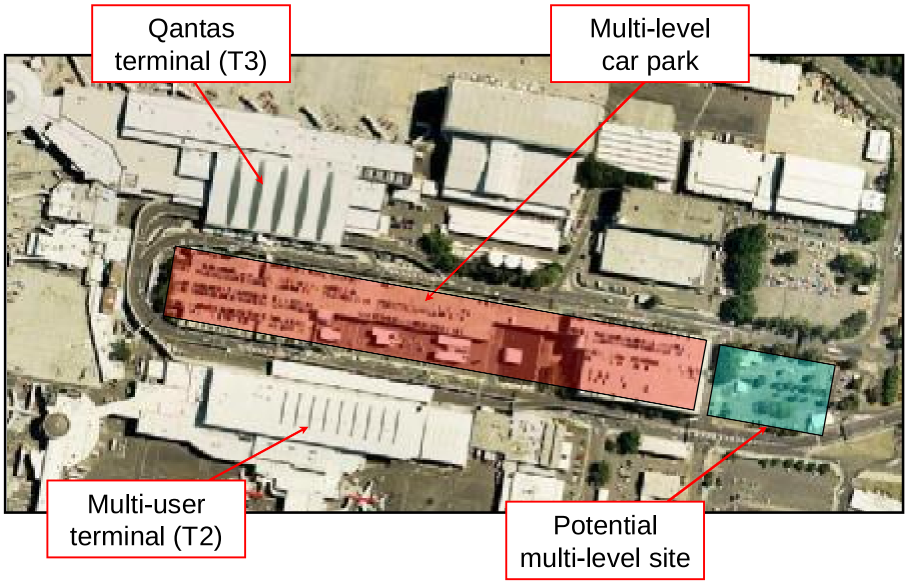
4.3.5. Domestic car park

The domestic car park is flanked on one side by the multi-user domestic terminal (T2) and on the other by the Qantas terminal (T3), as Figure 4.9 illustrates. This 'horseshoe' configuration means that the land spanned by the car park accounts for virtually all of the land adjacent to the terminals. This means that there are no parcels of land with sufficiently comparable characteristics to enable the quantitative exercise undertaken in the previous

[151] ACCC 2009-10 Report, p.73.

section to be repeated. Consideration of whether the current price levels are more likely to reflect locational or monopoly rents must therefore be primarily qualitative in nature.

Figure 4.9
Location of Domestic Car Park



A number of factors suggest strongly that Sydney Airport is not setting excessive prices at its domestic car park. First, around 25 million passengers transited through the domestic terminals in 2010.[152] There would be few parcels of land in Australia that attract anywhere near as much foot-traffic. This makes the 26,000m^2 comprising the domestic car park very valuable real estate. Intuitively, one would expect that Sydney Airport could earn very attractive returns if it was to use that land for other purposes, such as for retail or office space.

Second, there is no indication that the airport has delayed expanding its car parking capacity in the domestic precinct so as to create an artificial shortage and increase prices. Section 2.1 explained that, on average, the number of spaces exceeds significantly (by **62 per cent**[153]) the average peak daily demand. The car park can still get congested but, on all but the busiest days of the year, there are plenty of available spaces at all times.

Further, even if there was a shortage of capacity (which there is not), the only viable short-term development option appears not to be in the long-term interest of airport users. We understand that it is not feasible for Sydney Airport to increase its existing capacity by a small amount, eg, by expanding the existing parking building.[154] Rather the only way to increase capacity in the short-term (ie, within the next few years) would be to construct a new

[152] Sydney Airport, *Sydney Airport Master Plan 2009*, Figure 5.3, p.49.

[153] The total available capacity at the domestic car park is 3,675 spaces. On average, peak occupancy at the domestic car park occurs at 1pm, at a level of 2,263 vehicles.

[154] For example, we understand that there is no way to add an additional storey to the existing car park because the foundations will not support such a structure.

multi-level parking building on the block of land immediately to the east of the existing facility (see blue shaded area in Figure 4.9). However, there are a number of problems with such an option, including:

- the capital cost of such a facility would be substantial (by way of indication, the eight-storey international car park was $65 million) and landside access would be likely to be disrupted significantly during construction, given the location of the block of land; and
- the expansion would mean that capacity is substantially ***in excess*** of what is needed in the short-term (ie, over the next five to ten years), but may be ***less than*** what is needed to meet the forecast growth over the ***longer-term*** (ie, in twenty years).

The second challenge is the most significant. By 2029, around 50 million passengers per year are expected to be transiting through the domestic terminals – almost twice the current level.[155] This means that constructing a new multi-level building would deliver too much capacity in the near-term, but quite possibly not enough over the longer-term. It follows that the precinct needs to be very carefully developed over the long-term to ensure that it is put to its most efficient use. As a matter of principle, any expansion should:

- be timed so that a significant proportion (not necessarily 100 per cent) of any resulting additional capacity is used by customers, ie, if the new capacity is largely unused, it will not benefit customers (who somehow need to pay for that infrastructure);
- be carefully phased so that the inconvenience to airport users during construction is reduced to the greatest extent possible; and
- be part of an overall development plan for the domestic precinct that incorporates other forms of ground transportation (such as buses, taxis and free drop-off and pick-up areas) to deliver the best overall long-term solution.

Until such time as the best long-term solution is identified, Sydney Airport must manage its existing capacity as efficiently as possible. It appears to have designed its current tariff structure with this in mind. Once a customer has parked for more than three hours, a standard charge of $52 is applied for the next 21 hours. This is explicable because, from a capacity management perspective, there may be no difference between a customer parking for three hours and a whole day. To illustrate, suppose that a customer parks in the car park at 9am, during the morning peak:

- if the customer parks for three hours, the space is unavailable until 12 noon; and
- if the customer parks for twice as long, the space is unavailable until 3pm.

Whether the space becomes unoccupied at 12 noon, 3pm or even some time later, there is a reasonable prospect that nobody else will want to use it until the following morning (during the next morning peak). In other words, the opportunity cost of each stay in excess of three hours may be the same or similar, regardless of the precise duration. It therefore seems reasonable for Sydney Airport to design its tariff structure so as to reflect this underlying opportunity cost.

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155 Sydney Airport, *Sydney Airport Master Plan 2009*, p.67.

The existing price structure appears to be consistent with efficient price signaling and capacity rationing, since it better allows the limited spaces that are available to be allocated amongst users to whom they are most valuable. The ACCC acknowledged the importance of setting prices in this way in its latest monitoring report:[156]

> 'If the airport cannot technically provide more spaces, *the margins received by Sydney Airport for car parking may be more reflective of locational advantages*. High prices can be an efficient rationing mechanism that apportions the limited available car spaces amongst users who are willing to pay for them. Otherwise, there would be excessive demand for the most convenient car spaces, which would result in queuing and, consequently, delay costs to users.' [Emphasis added]

In our opinion, the evidence suggests that it would not be sensible for Sydney Airport to reduce the prices to park in the domestic car park. Any such reduction would be likely to increase demand for the best located spaces in the car park. This would mean that visitors will take longer to find a park – even when the facility is not at capacity (see section 2.1) – and result in more congestion throughout the domestic precinct. Keeping prices at their current levels (or perhaps even increasing them) is likely to provide a much better reflection of the high opportunity cost of this particular parcel of land.

The analysis set out above provides no support for any suggestion that Sydney Airport has taken advantage of market power to earn excessive returns from its domestic car park. The locational attributes of the land make it some of the most attractive real estate in Australia, and appear to more than justify the current price levels. Capacity comfortably exceeds average daily peak demand and, in any event, there is no way to increase modestly the existing capacity. Finally, the airport appears to have designed its tariff structure so as to make the most efficient use of the existing capacity. All of these factors suggest that prices reflect *only locational rents*.

4.3.6. Summary

A number of factors indicate that the revenue that Sydney Airport earns from car parking does not exceed the underlying costs of providing the relevant infrastructure, including the opportunity cost of land. These are that:

- Sydney Airport's prices are much lower than those of CBD car parks, where a premium is also paid for parking convenience;
- Sydney Airport's prices have increased in recent years by significantly less than the uplift in surrounding land values;
- the rate of return that Sydney Airport impliedly earns on its car parking land appears to have fallen materially in real terms over the previous two monitoring periods;
- the return per m^2 that Sydney Airport earns on its international car park is less than the return per m^2 earned on the Customs Building property and local parcels of land; and
- there is no indication that prices at the domestic car park reflect anything other than the locational attributes of the relevant land.

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156 ACCC 2009-10 Report, p.73.

Put another way, Sydney Airport's car parking prices do not entail any element of monopoly rent. Rather, they are reflective only of locational advantages.

4.4. Quality of Car Parking Facilities

In principle, an airport might take advantage of market power by reducing the quality of its services. One potential means of achieving this might be to under-invest in capacity so as to create an artificial shortage of spaces, or to allow its service quality to deteriorate in other ways that reduce costs, and improve margins. However, we have seen no material to suggest that Sydney Airport has engaged in either strategy.

First, the airport has not delayed capacity expansions so as to extract a greater premium for scarce spots. Section 2.1 explained that there is surplus capacity at all of its car parks.[157] Moreover, Sydney Airport has invested significantly in expanding and improving its car parking facilities in the last five years, ie, section 2.4 explained that Sydney Airport has:[158]

- increased the total number of spaces across all three of its car parks by around 10 per cent (or 1,062 spaces) over the last five years,[159] due primarily to the construction of the international multi-storey car park; and
- expanded the domestic free pick-up area from 7 to 51 car spaces in September 2009 (and increased the permitted waiting time from 2 to 10 minutes) and introduced 15 minutes free parking in the international car park in July 2010.

Second, there is no suggestion that the airport has allowed its quality of service to deteriorate. Although quality is intrinsically difficult to measure, there has been no noticeable deterioration in the metrics monitored and reported on by the ACCC. Rather, international and domestic passengers have consistently rated Sydney Airport's car parking as more than satisfactory, and those ratings have been trending upwards over time (see **Appendix F**).

On the material available to us, there is no indication that Sydney Airport has taken advantage of market power by reducing the quality of its car parking facilities.

4.5. Landside Access

The ACCC has stated repeatedly that airports are in a position to reduce competition by placing undue restrictions upon landside access to terminals.[160] Potential restrictions are said to include levying excessive access fees on competitors and other non-price measures such as

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157 See also the more specific discussion in relation to the domestic car park in section 4.3.5.

158 In this respect, the contention by the ACCC in its 2007-08 report that, although airports had made significant investments in multilevel parking facilities, the overall rate of growth in short-term car parking spaces was less than the rate of growth in daily throughput is perplexing – at least as it applies to Sydney Airport (***see***: ACCC 2007-08 Report, p.65). Although the number of short-term parking spaces for international users decreased by 25 per cent between 2005-06 and 2007-08, the ACCC was aware at that time that this reduction would persist only while a new multi-storey facility was being constructed (see: ACCC 2007-08 Report, p.59). Indeed, approximately three months later this facility was opened and, in its 2008-09 report, the ACCC noted that international short-term capacity had *increased* by 65 per cent – much more than the growth in daily throughput (***see***: ACCC 2008-09 Report, p.270).

159 ACCC 2009-10 Report, p.292.

160 ACCC 2007-08 Report, p.65 and ACCC 2008-09 Report, p.71, ACCC 2009-10 Report, p.65.

setting inconvenient locations for kerbside set-down and pick-up points.[161] We agree that airports have significant discretion in determining the conditions of access to their land and that, as a matter principle, such discretion could be used in an anticompetitive manner. In contrast, Sydney Airport appears to have exercised that discretion so as to *facilitate* access. We elaborate below.

4.5.1. Landside access fees

It is true that Sydney Airport levies fees on taxis, shuttle buses and hire cars seeking kerbside access to its terminals.[162] However, substantial *costs* are also incurred providing the relevant facilities. The airport must maintain access roads and provide taxi holding bays and set-down and pick-up points, as well as other infrastructure. Efforts to recover the costs of those facilities through landside access fees are not, in themselves, indicative of the exercise of market power. Rather, what matters is whether those fees generate revenues that exceed significantly the costs of providing the relevant amenities (including opportunity costs).

The ACCC has acknowledged that it is perfectly reasonable for Sydney Airport to recover the costs of providing these facilities, and we agree.[163] Importantly, in recent years the airport has invested substantially in various initiatives to improve the quality of its landside access facilities, including (see section 2.4):

- the development of expanded ground transport holding areas in the domestic and international precincts for buses, hire cars and taxis;[164]
- the introduction of an automated taxi short-fare return priority system[165] and an e-tag system that automated the payment and processing of landside access fees for taxis;[166]
- various improvements to the amenities provided to taxi drivers, including:
  - a new food and beverage outlet in the domestic holding area;[167]
  - a shaded seating area;[168]
  - expanded toilet amenities in the international holding area;[169] and

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161 ACCC 2009-10 Report, p.65.

162 Specifically, landside access fess imposed by Sydney Airport include:

- a $3 per pick-up charge imposed on taxis (which generated $7.7m in revenue in 2009/10);
- a charge of $3.50 per 20 minutes (domestic) and 75 minutes (international) imposed on hire cars and limousines (which generated $770,000 in revenue in 2009/10); and
- various charges applied to off-airport parking and private buses (which generated $440,000 in revenue in 2009/10).

163 *See:* ACCC 2009-10 Report, p.72.

164 Sydney Airport, *Annual Report 2006*, p.20; Sydney Airport, *Key Highlights 2008*, p.15 and Sydney Airport, *Key Highlights 2009*, p.11.

165 Sydney Airport, *Annual Report 2006*, p.20.

166 Sydney Airport, *Annual Report 2007*, p.32.

167 Sydney Airport, *Annual Report 2006*, p.19.

168 *Ibid.*

169 *Ibid.*

  - a car wash facility to provide an improved level of service for taxi and limousine drivers and operators;[170]

- the relocation and expansion of the bus and coach holding area – the new area on Ross Smith Avenue has space for 30 coaches and approximately 50 shuttle buses;[171] and
- the introduction of a new inter-terminal bus between the international and domestic terminals known as the T Bus.[172]

However, it is apparent that landside access fees ***do not*** deliver sufficient revenues to cover the ongoing costs of providing the associated infrastructure. Specifically, in the year ended 30 June 2010, Sydney Airport earned [CIC][173] from landside access fees levied,[174] compared with operating expenses of [CIC].[175] In other words, ***even before*** an allowance is made for the return on land and buildings/fixtures, the airport made a [CIC] loss. If these costs were included, this loss would be compounded significantly.

In short, the revenues generated from landside fees at Sydney Airport are far from excessive. Rather, they are considerably less than the costs the airport incurs. The quantum of under-recovery is not altogether surprising given that the substantial costs associated with providing landside access are recovered from only ***some*** of the beneficiaries of those facilities. In particular, although taxis, shuttle buses and private hire cars are required to pay for landside access, private vehicles dropping off and picking up passengers ***are not.***

In our opinion, if Sydney Airport wished to recover the full costs of providing landside access (including the opportunity cost of land), it would either need:

- to increase the landside access fees currently levied upon taxis, shuttle buses and private hire cars; and/or
- to begin charging private vehicles to drop off and/or pick up passengers – a step that a number of airports in Europe (including Birmingham, Luton, Belfast International, Edinburgh and Heathrow) have already taken.[176]

The fact that it has done neither of these things suggests strongly that Sydney Airport's intention is ***not*** to hinder access. Rather, investing in initiatives to improve traffic flows and setting landside access fees that recover ***only a fraction*** of the underlying costs suggests that its objective is to ***facilitate*** access. This is unsurprising, given that the airport's principal revenue streams are dependent upon people ***coming to the airport***, regardless of how they arrive. Charging excessive fees (or charging for pick-up and drop-off) involves some risk of turning people away and reducing revenues overall (see section 3.4).

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170 Sydney Airport, *Key Highlights 2008*, p.15.

171 Sydney Airport, *Key Highlights 2010*, p.10.

172 Sydney Airport, *Annual Report 2006*, p.19.

173 *See:* Sydney Airport, *Consolidated Regulatory Accounting Statements for the Financial Year 30 June 2010, prepared for the Australian Competition and Consumer Commission,* Statement 7.0, p.33.

174 *Ibid.*

175 *Ibid.*

176 *Ibid.*

In a similar vein, Sydney Airport has been a long-time proponent of improving the quality of the ground transport links that are *outside* its direct sphere of influence. For example:

- it has frequently expressed the view that the airport train service should be significantly improved and the fares reduced (see section 3.3.3);
- it has repeatedly drawn attention to the dearth of scheduled public buses serving the airport and lobbied for the introduction of more routes (see section 3.3.4);
- it has called upon the NSW government to undertake major upgrades to the road network in the vicinity of Sydney Airport and Port Botany – including in the M5 corridor[177] – to reduce congestion and prevent delays;[178] and
- its 2009 Master Plan also includes a commitment to increasing the public transport mode share by a further five per cent by 2024 (see section 3.3).[179]

In summary, Sydney Airport has not levied excessive access fees with a view to hindering access to its competitors. Rather, it has gone to significant lengths in recent years to *improve* the accessibility of airport land. These are not actions that would be expected from an operator seeking to hinder access, but rather represent initiatives plainly intended to make it as easy for people to get to the airport as possible.

4.5.2. Domestic pick-up area

The ACCC has indicated that landside access can also be unduly hindered in other ways, such as an airport setting inconvenient locations for set-down and pick-up points. For example, it was critical of Sydney Airport's decision to close its passenger collection bay outside the domestic terminals in September 2009, and replace it with a new pick-up area slightly further away. It suggested in both its 2008/09 and 2009/10 monitoring reports that the attractiveness of a substitute (kerbside pick-ups) to short-term parking had been reduced.[180]

In our opinion, this contention is untenable. The previous pick-up area contained only seven spaces and drivers were not able to park for more than two minutes or leave their vehicles unattended (see section 3.3.1). The limited space available in the previous location resulted in congestion that impeded traffic flows and made it more difficult for passengers to get to and from the domestic terminals. In contrast, the new pick-up area:[181]

- contains 51 parks (a 600 per cent increase);
- offers 10 minutes free parking (a 400 per cent increase, albeit in a location slightly further away) and enables drivers to leave their vehicles unattended; and

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177 Sydney Airport, *Transport Blueprint for NSW, Submission to the Independent Reference Panel Appointed by the Minister for Transport*, September 2009, p.15; and Sydney Airport, *M5 Transport Corridor Study, Submission to the NSW Government,* March 2010, p.2.

178 Sydney Airport, *Towards a National Aviation Policy Statement: Issues Paper, Submission to the Department of Infrastructure, Transport, Regional Development and Local Government*, June 2008, pp.1-12; and Sydney Airport, *M5 Transport Corridor Study, Submission to the NSW Government,* March 2010, p.6.

179 Sydney Airport, *Sydney Airport Master Plan 2009*, p.89.

180 *See:* ACCC 2008-09 Report, p.72 and ACCC 2009-10 Report, p.68.

181 *See:* <http://www.sydneyairport.com.au/SACL/Dropping-Off-and-Picking-Up.html>.

- reduces congestion and improves traffic flows within the domestic precinct, since:
  - visitors picking up passengers from the multi-user terminal (T2) can get in and out more quickly, since they no longer have to do a full loop of the access road and pass the Qantas terminal (T3);
  - visitors to T3 can get to and from the terminal faster, since there is less traffic looping around the access road; and
  - increasing the free pick-up period from 2 to 10 minutes has reduced the number of cars continually looping around the road network waiting for passengers to exit the terminals, alleviating congestion.

In other words, the new pick-up area offers conspicuous advantages over the previous passenger collection arrangements. In our opinion, the contentions of the ACCC are misplaced and have the potential to mislead. Although the new pick-up area is slightly further away from the terminal, this minor inconvenience is likely to be comfortably outweighed by the benefits offered. In our view, this development can be characterised as an initiative to facilitate better access to the airport.

4.6. Summary

Several factors suggest that Sydney Airport has not exercised a substantial degree of market power in relation to its car parking services, or in establishing and levying landside access fees on taxis and shuttle buses. First, its car parking prices do not appear to be excessive, since:

- its prices are much lower than those of Sydney CBD car parks, where a premium is also paid for parking convenience;
- the prices charged to park at the RLTCP are comparable to (and often cheaper than) the prices charged by off-airport operators;
- prices have increased in recent years by significantly less than the uplift in surrounding land values;
- the rate of return that Sydney Airport has earned on its car parking land appears to have fallen materially in real terms over the previous two monitoring periods;
- the return per m^2 that Sydney Airport earns on its international car park is less than the return per m^2 earned on the Customs Building property and other local parcels of land; and
- there is no indication that prices at the domestic car park reflect anything other than the locational attributes of the relevant land.

Second, there is no indication that Sydney Airport has reduced the quality of its car parking or landside access facilities. Rather, international and domestic passengers have consistently rated Sydney Airport's car parking as more than satisfactory in the ACCC's monitoring reports, and those ratings have been trending upwards over time. Moreover, the airport has invested significantly in its car parking and landside facilities in recent years, including:

- increasing by approximately 10 per cent the total number of spaces across all of its car parks over the last five years;
- expanding significantly the dedicated areas at which visitors can pick-up passengers for free and allowing those vehicles to park for longer;
- increasing the number of taxi bays at both the international and domestic precincts, as well as improving the amenities for drivers; and
- offering significantly more bus parking bays in the domestic precinct and in the RLTCP – at the expense of car parking spaces (and parking revenue).

Third, Sydney Airport has not restricted unduly its competitors' access to airport land. The landside access fees levied on taxis, shuttle buses and hire cars are not excessive, and cover only a fraction of the underlying costs of providing the relevant infrastructure. The airport has taken several steps to facilitate access to its land, including:

- investing in a new free pick-up area in the domestic precinct that offers conspicuous advantages over the previous passenger collection arrangements; and
- lobbying for improvements to be made to the public transport links to the airport, despite

the fact that this would result in fewer people driving to the airport and paying for parking or travelling by modes that generate landside access fees.

None of the factors set out above are suggestive of a monopolist seeking to exercise its market power by charging excessive prices, reducing its quality of service or hindering landside access. This is unsurprising in light of our earlier observation that Sydney Airport is unlikely even to *possess* substantial market power.

5. Conclusion

This report has considered whether Sydney Airport has a substantial degree of market power in relation to either car parking or landside access services and whether it has taken advantage of any such power. In our opinion, the answer to both is: no. Several factors suggest strongly that the airport does not possess substantial market power, including:

- there are at least ten 'off-airport' car parking providers in close proximity to the terminals who offer a clear alternative to parking at the airport for people wishing to park for more than three hours;
- all visitors have a range of other transport options, including:
  - the free drop-off and pick-up facilities provided at both the domestic and international terminals – both of which have proved extremely popular;
  - the airport train, the public bus service, taxis, shuttle buses, hire cars and rental cars – all of which offer various advantages and disadvantages;
- the vast majority of Sydney Airport's revenue is dependent upon people coming to the airport, regardless of whether they pay for parking or generate landside access fees, which is why it has:
  - provided visitors with information about alternative modes of transport on its website, including offering a 'transport calculator' to enable the prices of those different options to be compared from different locations;
  - lobbied continuously for improvements to be made to bus and train links to the airport, despite the fact that any increase in such services can be expected to reduce its car parking and landside access revenues; and
  - invested substantial sums in recent years to upgrade its car parks and landside access facilities, such as taxi queuing areas, so as to improve traffic flows and alleviate congestion throughout the international and domestic precincts.

Further, there is no indication that Sydney Airport has exercised a substantial degree of market power in relation to its car parking services. In particular:

- its car parking prices do not appear to be excessive, since:
  - its prices are much lower than those of Sydney CBD car parks, where a premium is also paid for parking convenience;
  - the prices charged to park at the RLTCP are comparable to (and often cheaper than) the prices charged by off-airport operators;
  - prices have increased in recent years by significantly less than the uplift in surrounding land values;
  - the rate of return that Sydney Airport has earned on its car parking land appears to have fallen materially in real terms over the previous two monitoring periods;
  - the return per m^2 that Sydney Airport earns on its international car park is less than the return earned on the Customs Building property and other local parcels of land; and

  – there is no indication that prices at the domestic car park reflect anything other than the locational attributes of the relevant land;

§ there is no indication that Sydney Airport has reduced the quality of its car parking or landside access facilities, rather:

  – international and domestic passengers have consistently rated Sydney Airport's car parking as more than satisfactory in the ACCC's monitoring reports, and those ratings have been trending upwards over time; and

  – the airport has invested significantly in its car parking and landside facilities in recent years, including increasing by approximately 10 per cent the total number of spaces across all of its car parks over the last five years;

§ Sydney Airport has not restricted unduly its competitors' access to airport land; in fact:

  – landside access fees levied on taxis, shuttle buses and hire cars cover only a fraction of the underlying costs of providing the relevant infrastructure;

  – it has invested in a new free pick-up area in the domestic precinct that offers conspicuous advantages over the previous passenger collection arrangements; and

  – it has lobbied for improvements to be made to the public transport links to the airport, despite the fact that this would result in fewer people driving to the airport and paying for parking or travelling by modes that generate landside access fees.

None of the factors set out above are suggestive of a monopolist seeking to exercise its market power by charging excessive prices, reducing its quality of service or hindering access. This is unsurprising in light of our earlier observation that Sydney Airport is unlikely even to *possess* substantial market power. This naturally raises the question of whether the airport's car parking and landside access charges should continue to be monitored by the ACCC. In our opinion, the current arrangements serve no useful purpose, ie:

§ at best, they provide data on prices and products that can be well out of date,[182] when current information is readily obtainable from Sydney Airport's website (which also provides information on alternative modes of transport); and

§ at worst, they can (and do) convey misleading impressions about the profits that the airport is making from car parking and landside access charges, which has the potential:

  – to harm the airport through the unjustifiable negative publicity that it receives as a result of inaccurate contentions made by the ACCC; and

  – to harm consumers, who may choose a more costly or inconvenient form of transport because they have the wrong impression about the prices that the airport is charging and the relative affordability of the alternatives.

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182 The ACCC monitoring report typically is released in March and assesses prices applicable on 30 June the previous year. Because Sydney Airport generally reviews its prices in July this means that almost 2 years may elapse between a price change occurring and that change being reported. For example, if Sydney Airport increases its car parking prices on, say, 15 July 2011, this will not be reported in the 2010-11 monitoring report. Rather, it will not appear until the 2011-12 monitoring report is released – probably in March 2013, almost two years later. In contrast, drivers will see the price change on the day. The utility to airport users of the information reported by the ACCC is therefore unclear.

In short, the current arrangements offer no obvious benefits and appear to give rise to needless costs. It follows that we concur with the view reached by the PC in 2006, that there is no need for car parking and landside access arrangements to be monitored[183] – at least at Sydney Airport.

[183] PC 2006, ***Review of Price Regulation of Airport Services***, Report no. 40, Canberra, p.172.

Appendix A. Price Changes

Table A.1 summarises the movement in Sydney Airport's car parking prices since 2006. Indicative overall percentage increases for each category (ie, international, international long-stay, RLTCP, and so on) are calculated in the following way:

§ the prices in each fee band *in 2006* (eg, for 0-15 mins, 16-30 mins, etc) are weighted based on *2010 volumes* to obtain a volume-weighted average price *for 2006*; and

§ the prices in each fee band *in 2010* are then weighted in the same way to obtain a volume-weighted average price *for 2010*; and

§ the difference between the two provides an indication of the overall percentage increase for each category (on a volume-weighted basis) since 2006.

We note that it is not necessary to apply such weights to staff and domestic long-stay parking, since all fee bands have increased by the same amount (13 and 24 per cent, respectively).

Table A.1
Car Parking Prices 2006-2010

International	2006	2007	2008	2009	2010	% Change	Volume 2010	% of Volume
0 - 15 mins (free)(1)	NA	NA	NA	NA	$0	NA	214,748	12.05%
0 - 15 mins (paid)	$7	$7	$7	$7	$7	0%	135,940	7.63%
16 - 30 mins	$7	$7	$7	$7	$7	0%	272,125	15.27%
30 mins - 1 hr	$13	$14	$15	$15	$15	15%	503,411	28.25%
1 - 2 hrs	$20	$20	$20	$21	$21	5%	535,658	30.05%
2 - 3 hrs	$24	$24	$25	$26	$26	8%	92,944	5.21%
3 - 4 hrs	$27	$28	$50	$52	$52	93%	14,039	0.79%
4 - 5 hrs	$30	$31	$50	$52	$52	73%	4,408	0.25%
5 - 24 hrs	$40	$41	$50	$52	$52	30%	9,014	0.51%
Average Price 2006 (Volume Weighted)				**$13.87**	**Percentage Increase, 2006-2010**			**3.16%**
Average Price 2010 (Volume Weighted)				**$14.31**	**Average Annual Increase**			**0.78%**

Notes:(1) To calculated the volume-weighted average price for the 0-15 minute period in 2006, 349,688 customers (ie, 214,748 + 135940) are assumed to have paid $7, since 15 minutes free parking was not available at that time.

Domestic	2006	2007	2008	2009	2010	% Change	Volume 2010	% of Volume
0 - 30 mins	$7	$7	$7	$7	$7	0%	282407	31.02%
30 mins - 1 hr	$13	$14	$15	$15	$15	15%	256597	28.18%
1 - 2 hrs	$20	$20	$20	$21	$21	5%	175732	19.30%
2 - 3 hrs	$24	$24	$25	$26	$26	8%	25353	2.78%
3 - 24 hrs	$42	$46	$50	$52	$52	24%	170335	18.71%
Average Price 2006 (Volume Weighted)				**$18.22**	**Percentage Increase, 2006-2010**			**14.73%**
Average Price 2010 (Volume Weighted)				**$20.91**	**Average Annual Increase**			**3.49%**

International Long-stay	2006	2007	2008	2009	2010	% Change	Volume 2010	% of Volume
5 - 24 hrs	$40	$41	$50	$52	$52	30%	9,014	26.14%
1 - 2 days	$69	$69	$89	$91	$82	19%	4,142	12.01%
2 - 3 days	$79	$79	$99	$116	$102	29%	5,909	17.13%
3 - 4 Days	$89	$89	$109	$131	$122	37%	5,215	15.12%
4 - 5 Days	$99	$99	$119	$146	$142	43%	4,520	13.11%
5 - 6 Days	$109	$109	$129	$156	$162	49%	3,318	9.62%
6 - 7 Days	$119	$119	$139	$166	$182	53%	2,370	6.87%
Average Price 2006 (Volume Weighted)				**$77.37**	**Percentage Increase, 2006-2010**			**37.08%**
Average Price 2010 (Volume Weighted)				**$106.07**	**Average Annual Increase**			**8.20%**

RLTCP	2006	2007	2008	2009	2010	% Change	Volume 2010	% of Volume
1 calendar day	$24	$24	$25	$25	$25	4%	23,092	10.61%
2 days	$33	$35	$44	$45	$45	36%	47,361	21.76%
3 days	$46	$49	$50	$60	$62	35%	63,024	28.95%
4 days	$63	$64	$66	$75	$77	22%	42,125	19.35%
5 days	$79	$79	$82	$90	$92	16%	24,147	11.09%
6 days	$94	$94	$98	$102	$107	14%	11,774	5.41%
7 days	$104	$109	$110	$114	$122	17%	6,173	2.84%
Average Price 2006 (Volume Weighted)				**$52.03**	**Percentage Increase, 2006-2010**			**24.44%**
Average Price 2010 (Volume Weighted)				**$64.74**	**Average Annual Increase**			**5.62%**

Staff Parking	2006	2007	2008	2009	2010	% Change
T1 & Domestic (per month)	$307	$313	$326	$337	$347	13.10%
T1 & Domestic (per day)(1)	$10	$10	$11	$11	$11	
RLTCP (per month)	$176	$179	$186	$193	$199	13.10%
RLTCP (per day)	$6	$6	$6	$6	$7	
Percentage Increase, 2006-2010						**13.10%**
Average Annual Increase						**3.13%**

Notes:(1) Daily rate obtained by dividing monthly rate by 30.42 (ie, 365 days divided by 12 months).

Domestic Long-stay	2006	2007	2008	2009	2010	% Change
3 - 24 hrs	$42	$46	$50	$52	$52	23.81%
27 - 48 hrs	$84	$92	$100	$104	$104	23.81%
51 - 72 hrs	$126	$138	$150	$156	$156	23.81%
75 - 96 hrs	$168	$184	$200	$208	$208	23.81%
99 - 120 hrs	$210	$230	$250	$260	$260	23.81%
123 - 144 hrs	$252	$276	$300	$312	$312	23.81%
147 - 168 hrs	$294	$322	$350	$364	$364	23.81%
Percentage Increase, 2006-2010						**23.81%**
Average Annual Increase						**5.48%**

Appendix B. Off-Airport Parking Operators

The following sections describe the particular parking products offered by the various off-airport operators, including their current prices.

B.1. Park 'n Fly[184]

Location:

Park 'n Fly is located at 1008 Botany Road, Mascot, approximately 1.1km from the domestic terminal and 4.2km from the international terminal.

Services:

Park 'n Fly is a seven-level, multi-deck parking complex that offers more than **1,200** parking spaces. The majority of parking spaces are undercover, although during busier periods some customers may be required to park in the unsheltered overflow car park. All car parks are protected by 24-hour CCTV surveillance cameras, infrared alarms, gates, a fence and regular patrols by security personnel. A free valet service is offered.

In addition to parking, various car cleaning packages are offered for an extra cost, which can be selected when a booking is made or otherwise upon arrival at Park 'n Fly. Regular customers are entitled to apply for a Frequent Parker swipe tag, which earns points for redemption on parking or car washing services. Customers are also entitled to discounts at Gloria Jeans coffee shops. A free shuttle service is offered to and from the terminals.

Bookings:

Bookings can be made online at the Park 'n Fly website or by telephone and are strongly recommended. If the car park is full, only customers with bookings are entitled to park.

Prices:

Park 'n Fly's rates are as follows:

- 1 day only – $30;
- 2 days – $52;
- 3 days – $72;
- 4 days – $92;
- 5 days – $112; and
- additional days thereafter – $12.

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184 *See:* <http://www.parknfly.com.au/home.aspx>.

B.2. Mascot Airport Parking[185]

Location:

Mascot Airport Parking is located at 13 Sarah Street, Mascot, approximately 1.7km from the domestic terminal and 4.8km from the international terminal.

Services:

Mascot Airport Parking offers **50**[186] secure, undercover car parks and a free valet service. Car washing services are also provided for an additional cost. Mascot Airport Parking operates a free shuttle service to drop off and pick up passengers from the terminals.

Bookings:

Bookings are required in advance and can be made by telephone or facsimile.

Prices:

Charges are levied per calendar day, as follows:

- 1 day only – $20;
- 2 to 10 days – $16 per day;
- 11-31 days – $12 per day; and
- 32 days and over – $10 per day.

B.3. Sydney Airport Security Parking[187]

Location:

Sydney Airport Security Parking is located at 52-62 Arncliffe Street, Wolli Creek, approximately 2.7km from the international terminal and 5.1km from the domestic terminal.

Services:

Sydney Airport Security Parking offers **100**[188] undercover secure car parks featuring 24-hour CCTV surveillance cameras and a resident caretaker. Sydney Airport Security Parking can also arrange (upon request and for an extra cost) minor mechanical and damage repairs, pink slip checks and detailing, washing and cleaning. Customers are driven to and from the terminals in their own vehicles. Aside from on public holidays, this service is provided free of charge.

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185 *See:* <http://mascotairportparking.com.au/>.

186 Estimate provided by Sydney Airport.

187 *See:* <http://www.airport-parking.com.au/>.

188 Estimate provided by Sydney Airport.

Bookings:

Bookings must be made at least 24 hours in advance and can be made by telephone or email.

Prices:

Charges are calculated per calendar day on the following basis:

- 1 to 3 days – $50 (total);
- 4 to 6 days – an additional $15 per day (after the first 3 days); and
- 7 days and over – an additional $10 per day.

Prices can reduce to $5 per additional day for lengthy stays, subject to negotiation.

B.4. Airport Car Parking Direct[189]

Location:

Airport Car Parking Direct is located at 31 Princes Highway, Wolli Creek, approximately 2.6km from the international terminal and 5km from the domestic terminal.

Services:

Airport Car Parking Direct offers **80** car parks.[190] The premises are protected by fencing (enclosing the entire facility), security doors, electronic surveillance and security guards. Various car cleaning packages are offered at an extra cost, which can be selected when a booking is made or upon arrival. A free shuttle is offered to the terminals, departing every 20 minutes from 5am to 10.40pm.

Bookings:

Bookings are required in advance and can be made online or by telephone or email. All bookings incur a $1 administration fee.

Prices:

Charges are levied per calendar day, as follows:

- 1 to 3 days – $49 (total);
- 4 to 12 days – an additional $10 per day (after the first 3 days);
- 13 days – an additional $7;
- 14 to 28 days – an additional $8 per day; and
- 29 days and over – prices by negotiation.

189 *See:* <http://www.acpd.com.au/>.

190 Estimate supplied by Sydney Airport.

B.5. Discount Airport Parking[191]

Location:

Discount Airport Parking is located at 9 Gertrude Street, Wolli Creek, approximately 1.8km from the domestic terminal and 4.2km from the international terminal.

Services:

Discount Airport Parking offers **40**[192] car parks and operates a free shuttle service to drop off and pick up passengers from the domestic and international terminals.

Bookings:

Bookings are required in advance and can be made online or by telephone.

Prices:

The cost of parking at Mascot Airport Parking is calculated per calendar day and is payable in full prior to transfer to the airport. The rates for online bookings are as follows:

- 1 to 6 days – $75 (total);
- 7-15 days – an additional $10 per day (after the first 6 days);
- 16-25 days – an additional $8 per day;
- 26 days – an additional $3 per day;
- 27-31 – an additional $2 (total); and
- 31 days and over – prices by negotiation.

Bookings made by telephone incur an additional $10 administration fee. Bookings made before 6am also attract an additional $10 administration fee.

B.6. Sydney Airpark[193]

Location:

Sydney Airpark is located at 28 Arncliffe Street, Wolli Creek, approximately 3km from the international terminal and 5.3km from the domestic terminal.

Services:

Sydney Airpark offers **150**[194] indoor car parks that are protected by 24-hour CCTV surveillance cameras, barbed wire fencing, alarms, security doors and overnight security

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191 *See:* <http://www.discountairportparking.com.au/>.

192 Estimate supplied by Sydney Airport.

193 *See:* <http://www.sydneyairpark.com.au/>.

194 Estimate supplied by Sydney Airport.

guard. A free valet service is provided. Various car cleaning packages are offered at an additional cost. A free shuttle service is offered to and from the airport terminals.

Bookings:

Advance booking is highly recommended and can be done online or by telephone or facsimile. If the car park is full, only customers with bookings will be entitled to park.

Prices:

Prices are set per calendar day, as follows:

- 1 to 3 days – $50 (total);
- 4 to 10 days – an additional $14 per day (after the first 3 days);
- 11 to 40 days – an additional $12 per day;
- 41 to 68 days – an additional $10 per day; and
- 69 days and over – an additional $8 per day.

B.7. Sydney Airport Parking[195]

Location:

Sydney Airport Parking is located at 4 Gertrude Street, Wolli Creek, approximately 1.9km from the international terminal and 4.2km from the domestic terminal.

Services:

Sydney Airport Parking offers **120**[196] car parks that are protected by 24-hour CCTV surveillance cameras and onsite security. A cash washing service is also offered at extra cost, and arrangements can be made for full or partial car detailing, window tinting, mechanical repairs and pink or blue slips. A chauffer and shuttle service is offered to and from the terminals, both free of charge.

Bookings:

Bookings are required in advance and can be made online or by telephone.

Prices:

Charges are levied per calendar day, as follows:

- 1 to 3 days – $50 (total);
- 4 to 13 days – an additional $10 per day (after the first 3 days);

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[195] *See:* <http://airportsydneyparking.com.au/>.

[196] Estimate supplied by Sydney Airport.

§ 14 to 28 days – an additional $8 per day; and

§ 29 days and over – prices by negotiation.

An additional $4 administration fee is charged to all customers.

B.8. Park and Jet Sydney Airport Parking Service[197]

Location:

Park and Jet Sydney Airport Parking Service is located at 25-29 Gertrude Street, Wolli Creek, approximately 1.7km from the international terminal and 4km from the domestic terminal.

Services:

Park and Jet offers **90** car parks.[198] Most of the parking is unsheltered, although some covered spaces are available for an extra flat charge of $20. Both the sheltered and unsheltered parking is protected by 24-hour CCTV surveillance cameras and professional security personnel. Various car cleaning packages are also offered for an extra cost. Customers are driven to and from the airport terminals in their own vehicles.

Bookings:

Bookings are required in advance and can be made online.

Prices:

Charges are levied per calendar day, as follows:

§ 1 to 3 days – $50 (total);

§ 4 to 15 days – an additional $10 per day (after the first 3 days); and

§ 15 days and over – an additional $7 per day.

Extra charges may be also be applied during peak periods, on public holidays and school holidays, on the weekend and for vehicles considered to be oversized.

B.9. Mascot Parking Services and Valet[199]

Location:

Mascot Parking Services and Valet at 635 Gardeners Road, Mascot, approximately 2km from the domestic terminal and 5.1km from the international terminal.

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197 *See:* <http://sydneyairportparking.net.au/home/>.

198 Estimate supplied by Sydney Airport.

199 *See:* <http://mps.vpweb.com.au/>.

Services:

Mascot Parking Services and Valet is the parking garage of the Aero Residential Complex, where the owners have agreed for their car spaces to be managed by a car park company. The car park is indoors and is protected by electronic gates, CCTV surveillance cameras, 24-hour security guards and an on-site manager. Two options (in addition to public transport and taxis) are offered to transport customers to and from the airport terminals:

- a customer can choose to be driven to and from the terminal in her own car – this valet service is offered at a charge of $15 one-way and $25 return for travel between 8am and 10pm, and a surcharge of $10 is added for services provided between 6am-8am and 10pm-11pm; or
- a customer can drive to the airport and have a representative come and collect their car from the terminal, and return it when needed – this 'reverse valet' service is provided for a one-way charge of $25 between 8am and 10pm, and a surcharge of $10 is added for services provided between 6am-8am and 10pm-11pm.

A precise capacity estimate is not available, but we understand that there are currently approximately 50 spaces offered.[200]

Bookings:

Advance bookings are required and can be made online.

Prices:

Charges are levied per calendar day, as follows:

- 1 to 2 days – $30 (total, plus a flat $10 administration fee);
- 3-7 days – an additional $15 per day, capped at $55 (plus a flat $10 administration fee);
- 8 days – $65;
- 9 days – $75;
- 10 days – $85;
- 11 days – $95;
- 12-14 days – capped at $100;
- extra days – an additional $10 per day, capped at $45 per additional week; and
- school/public holiday – an additional $10 per booking.

[200] Based on a telephone conversation with Mascot Parking Services and Valet on 14 February 2011.

B.10. Sydney Airport Budget Parking[201]

Location:

Sydney Airport Budget Parking is located at 7 Gertrude Street, Wolli Creek, approximately 1.8km from the international terminal and 4.2km from the domestic terminal.

Services:

The car park features 24-hour security with an on-site manager. Car wash services are also available at extra cost. A free shuttle service is offered to and from the airport terminals. A capacity estimate was not able to be obtained.

Bookings:

Bookings are required in advance and can be made online, or by telephone or email.

Prices:

Charges are levied per calendar day, as follows:

- 1 to 3 days – $100 (total);
- 4 to 13 days – an additional $20 per day (after the first 3 days);
- 14-28 days – an additional $16 per day; and
- 29 days and over – prices by negotiation.

[201] *See:* <http://www.sydneyairportbudgetparking.com.au/index.php>.

Appendix C. Other Transport Options

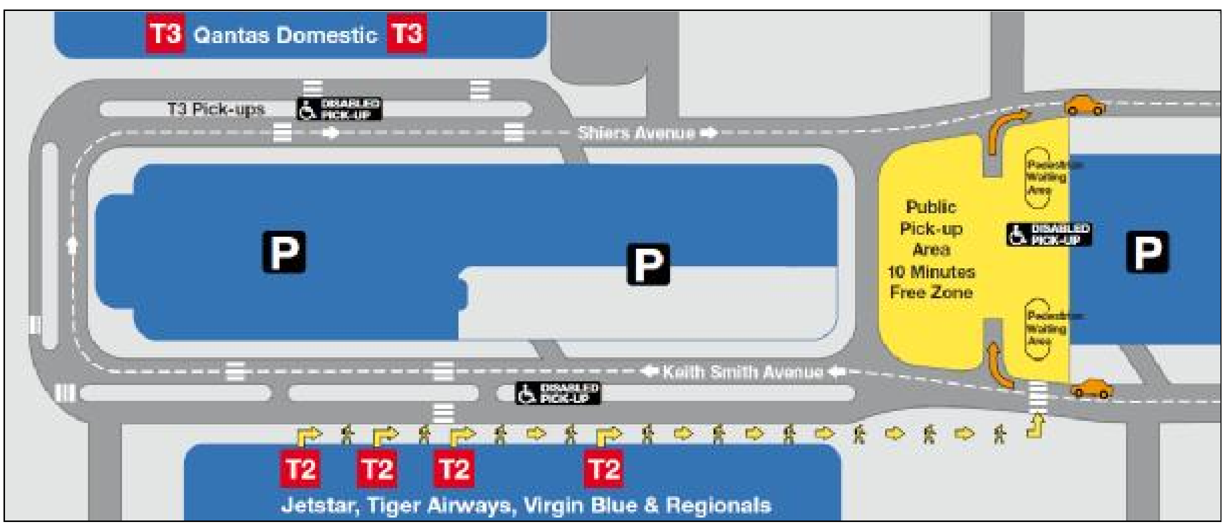
This appendix contains further information on the different ways that visitors can get to and from Sydney Airport without driving and paying to park.

C.1. Pick-up and Drop-off Facilities[202]

Drop-off facilities are available on the departures level at both the domestic and international terminals. Vehicles are only entitled to stop in these designated areas to drop-off passengers. Drivers who are caught picking up passengers from the departures roadways may be issued with a Parking Infringement Notice. A time restriction of 2 minutes applies to motorists who are dropping off passengers on the departures roadways. This time restriction has been extended to 5 minutes for drivers who are dropping off disabled passengers at the designated disabled passenger drop-off points. During this time, drivers are not entitled to leave their vehicles unattended.

There are no designated pick-up areas at the Sydney Airport international terminal. Drivers wishing to pick-up arriving passengers must park their car at the car park located adjacent to the international terminal. As noted in section 4.3, parking is free for the first 15 minutes. The Sydney Airport domestic terminals have a new pick-up area for arriving passengers located across Keith Smith Avenue, where visitors can park for free for 10 minutes. The area can accommodate 51 vehicles. Vehicles that stay longer than 10 minutes are required to pay the car parking rates that apply to the multistory domestic car park. Pick-up facilities are also available alongside the Qantas domestic terminal (T3). The location of the pick-up area is depicted in Figure C.1 below.

Figure C.1
Map of Free Pick-up Area at the Domestic Terminal



Source: <*http://www.sydneyairport.com.au/SACL/Dropping-Off-and-Picking-Up.html*>.

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[202] *See:* <http://www.sydneyairport.com.au/SACL/Dropping-Off-and-Picking-Up.html>.

C.2. Taxis and Shuttle Buses

Another way of travelling to and from Sydney Airport is by taxi. Maximum taxi fares are set by the NSW Government pursuant to recommendations made by the Independent Pricing and Regulatory Tribunal. The maximum charges applicable from 12 July 2010 are set out in Table C.1 below. An additional $3 airport toll is payable by all passengers taking a taxi from any of Sydney Airport's taxi ranks.[203]

Table C.1
Maximum Taxi Charges, 12 July 2010

Type of Charge	Rate ($A)
Hiring Charge (Flag Fall)	3.30
Distance Tariff 1 (per km) - 6am to 10pm	1.99
Distance Tariff 2 (per km) - 10pm to 6am	2.39
Waiting Time (per min) - Less than 26kph	0.86

Source: <*http://www.transport.nsw.gov.au/taxi/fares.html*>.

There are also a number of private shuttle bus operators that provide transport to and from Sydney Airport. Fares charged by these shuttle providers are generally slightly lower than the cost of a taxi. These shuttle providers include:

§ **Airport Connect** offers shuttle transfers between Sydney Airport and hotels in the Sydney CBD. One-way fares to and from the airport are as low as $10 per person when booked online. For personalised transport, a one-way transfer to or from the domestic terminal will cost $75 for one to four persons ($75 to $18.75) and to the international terminal will cost $85 for one to four persons ($85 to $21.25). An additional $10 applies for each additional person travelling.[204]

§ **Airport Shuttle North** provides airport shuttle services in Sydney's North Shore and Northern Beaches. Fares vary between suburbs but range from $35 to $97 for one person, one-way. An extra $10 applies for each additional person travelling. A flat surcharge of $4 applies for pick-ups from Sydney Airport.[205]

§ **Buses + 4WD Hire** provides shuttle transfers between Sydney Airport and the Sydney CBD. Their one way rates range from $120 for one to five persons ($120 to $24 per person) to $275 for 31 to 53 people ($8.90 to $5.19 per person).[206]

§ **Hills Airport Shuttle** is an airport shuttle company that services Sydney's Northern and Hills Districts. Transfers to Sydney Airport vary between suburbs. An extra $10 applies for each additional person travelling. A flat surcharge of $5 applies for arrivals.[207]

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203 See: <http://www.sydneyairport.com.au/SACL/Taxis.html>.

204 <http://www.airportconnect.com.au/>.

205 <http://www.airportshuttlenorth.com/index.htm>.

206 <http://www.bus4wdhire.com.au/charter.htm>.

207 <http://www.hillshuttle.com.au/services.html>.

- **KST Sydney Airporter** offers shuttle transfers between Sydney Airport and hotels in the Sydney CBD for $12.60 per person one-way and $20.70 per person return when bookings are made in advance of the day of travel. The fares for bookings made on the day of travel are $14.00 per person one-way and $23.00 per person return. KST also offers personalised services for groups of five or more.[208]
- **St Ives Shuttle** provides airport shuttle services to Sydney's Northern Suburbs. Fares vary by distance. A flat surcharge of $5 applies for pick-ups from Sydney Airport.[209]
- **Sydney Airport Shuttle** provides shuttles transfers Sydney-wide. Sydney CBD one-way hotel transfers are $75 for one to five persons ($75 to $15 per person) for the domestic terminal and $85 for the international terminal ($85 to $17 per person). An additional $10 applies for each additional person travelling. Transfers from other suburbs vary by distance.[210]
- **Sydney Airport Transfer** provides shuttle transfers to and from Sydney Airport and the Sydney CBD. One-way fares range from $45 for one to four persons ($75 to $11.25 per person), to $75 for five to eight persons ($15 to $9.38).[211]

C.3. Airport Train

The Sydney Airport international and domestic train stations, as well as the Green Square and Mascot train stations, are operated and maintained by the Airport Link Company (ALC).[212] ALC is a private corporation that was responsible for building the 9km Airport Line tunnel between Central Station in Sydney's CBD and Wolli Creek train station from 1995 to 2000. The building of the Airport Line tunnel was entirely funded by private investment, and the ALC does not receive any subsidy from the government.

The Sydney Airport international and domestic train stations are connected to the 300 or so train stations in Greater Sydney and beyond. On weekdays, there are approximately six to eight services every hour from 6am until 10pm between Central Station and the Sydney Airport international and domestic train stations, and then four per hour thereafter. On weekends and public holidays, there are approximately four services per hour.

To fund the Airport Line tunnel infrastructure and the company's operational activities, ALC levies an access fee (or 'Gate Pass') on passengers that board or exit a train at the international and domestic airport stations. The Gate Pass is an amount payable in addition to the standard CityRail ticket. If 'Domestic Airport' or 'International Airport' is listed as the origin or destination on a train ticket, the fee is included in the ticket price. The current values of the Gate Pass are shown in Table C.2.

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208 <http://www.kst.com.au/Sydney/Airport-Shuttle-Bus-to-City-Sydney/>.

209 <http://www.stivesshuttle.com.au/quote.html>.

210 <http://www.sydneyairport-shuttle.com.au/index.asp>.

211 <http://sydneyairporttransfer.com/prices.html>.

212 <http://www.airportlink.com.au/company.html>.

Table C.2
'Gate Pass' Rates for Access to Sydney Airport Train Stations

Gate Pass	Adult ($A)	Concession ($A)	Pensioner ($A)
Single	11.80	8.40	8.40
Return	18.60	12.30	9.80

Source:<http://www.airportlink.com.au/price.html>.

Table C.3 shows a sample of adult and concession fares for travelling by train from various destinations across Sydney to the international and domestic stations.

Table C.3
CityRail Fares for Travel to Domestic and International Stations

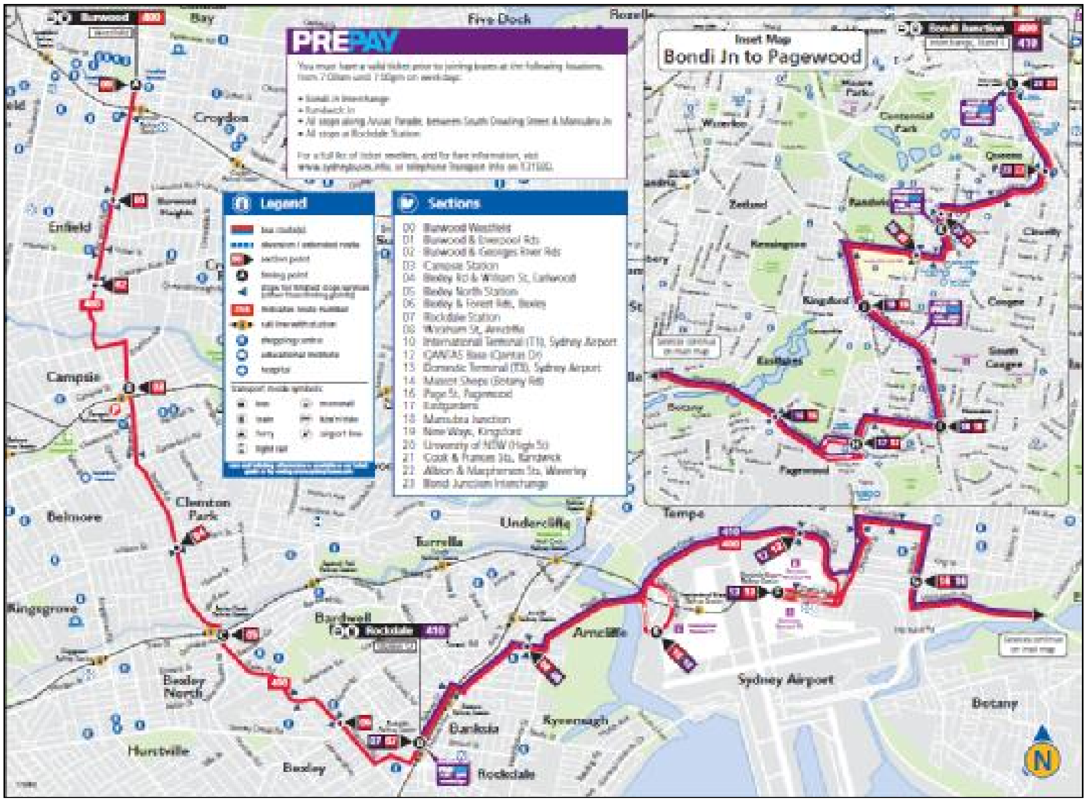
From	Adult Single Price ($A)	Adult Return Price ($A)	Child Single Price ($A)	Child Return Price ($A)
Central	15.00	25.00	10.00	15.50
North Sydney	15.80	26.60	10.40	16.30
Strathfield	15.80	26.60	10.40	16.30
Hornsby	16.40	27.80	10.70	16.90
Parramatta	16.40	27.80	10.70	16.90
Liverpool	16.40	27.80	10.70	16.90
Campbelltown	17.80	30.60	11.40	18.30
Wollongong	19.60	34.20	12.30	20.10
Gosford	19.60	34.20	12.30	20.10

Source: <http://www.cityrail.info/tickets/fare_calculator>.

C.4. Buses

Sydney Buses operates buses (along route number 400/410) between Burwood and Bondi Junction that stop at both the international and domestic terminals. The service operates 7 days a week and runs about every 20 minutes. A map of the route is provided in Figure C.2 below.

Figure C.2
Map of Bus Service Route 400/410



Source: NSW Transport, Sydney Buses, Timetables & route maps, at <http://www.sydneybuses.info/>.

Trips from Burwood to the international and domestic terminals take approximately 40-45 and 50-55 minutes, respectively. The same trips from Bondi Junction take approximately 60-65 and 55-60 minutes, respectively. A single bus ticket for each of these trips costs $4.30 for an adult, and $2.10 for a concession.

Appendix D. CBD Price Comparison

Table D.1
CBD Car Park Price Comparison

	Duration of Stay					
Car Park	**0-15**	**15-30**	**30-60**	**1-2 hrs**	**2-3 hrs**	**24 hrs**
Wynyard Lane	$12	$12	$30	$52	$62	$72
151 Clarence St	$9	$9	$22	$42	$52	$62
155 George St	$7	$7	$22	$42	$54	$62
259 George St	$12	$12	$28	$48	$62	$72
Angel Place (123 Pitt St)	$9	$9	$28	$48	$62	$72
Australia Square	$10	$10	$28	$48	$62	$72
Clocktower, Harrington St	$7	$7	$22	$42	$52	$59
Goldfields House	$7	$7	$22	$42	$54	$64
Governor Phillip Tower	$27	$27	$27	$48	$60	$72
Grosvenor Place	$24	$24	$24	$42	$52	$62
MLC Centre	$12	$12	$28	$48	$62	$72
1 O’Connell St	$12	$12	$25	$48	$62	$72
Quay West	$7	$7	$22	$42	$52	$59
Chifley Tower	$12	$12	$26	$40	$52	$69
Citigroup Centre	$9	$9	$27	$52	$62	$72
Citipark	$7	$7	$20	$40	$50	$58
Darling Park, Sussex St	$7	$7	$20	$40	$50	$58
Queen Victoria Building	$15	$15	$15	$30	$45	$59
St Martins Tower	$9	$9	$24	$42	$52	$62
234 Sussex St	$9	$9	$25	$45	$65	$65
Hilton Sydney	$30	$30	$30	$67	$72	$85
189 Kent St	$9	$9	$22	$36	$51	$61
6 O’Connell St	$20	$20	$40	$60	$80	$80
135 King St	$25	$25	$35	$55	$65	$75
71 York St	$20	$20	$29	$53	$69	$75
383 Kent St	$9	$9	$25	$50	$65	$75
60 Elizabeth St	$16	$16	$30	$55	$70	$85
Parkhouse, Macquarie St	$30	$30	$40	$55	$75	$85
Piccadilly, Castlereagh St	$30	$30	$30	$57	$72	$85
2 Market St	$9	$9	$25	$50	$65	$75
1 Martin Place	$30	$30	$30	$57	$72	$89
Landmark, George St	$20	$20	$29	$53	$69	$75
321 Kent St	$12	$12	$27	$47	$57	$72
121 Harrington St	$9	$9	$25	$45	$55	$65
Amora Hotel	$26	$26	$26	$49	$59	$69
131 Macquarie St	$28	$28	$28	$45	$60	$75
Wentworth Hotel	$9	$9	$25	$45	$60	$75
Met Centre, George St	$29	$29	$29	$52	$62	$69
Sydney Hospital	$7	$7	$18	$36	$54	$60
55 Clarence Street	$9	$9	$22	$35	$48	$58
Average	**$15**	**$15**	**$26**	**$47**	**$60**	**$70**
International Car Park	**$0**	**$7**	**$15**	**$21**	**$26**	**$52**

Note: Prices at the domestic car park are identical to the prices at the international car park, except for the free parking period, which is for 0-10 minutes.

Appendix E. Estimating the Return on Land

The following tables provide the key data underpinning the quantitative analyses contained in section 4.3.4, ie, the 'top-down' analysis of the returns per m^2 on the international car park land and the Customs Building land.

Table E.1
Weighted Average Cost of Capital

[CIC]

Source: Data provided by Sydney Airport.
Notes: (1) Formulae for calculating a pre-tax real WACC from a nominal post-tax WACC can be obtained on page 149 of the South Australian Electricity Pricing Order, issued on 11 October 1999, available at: <http://archive.escosa.sa.gov.au/webdata/resources/files/030514-R-EPO.pdf>.

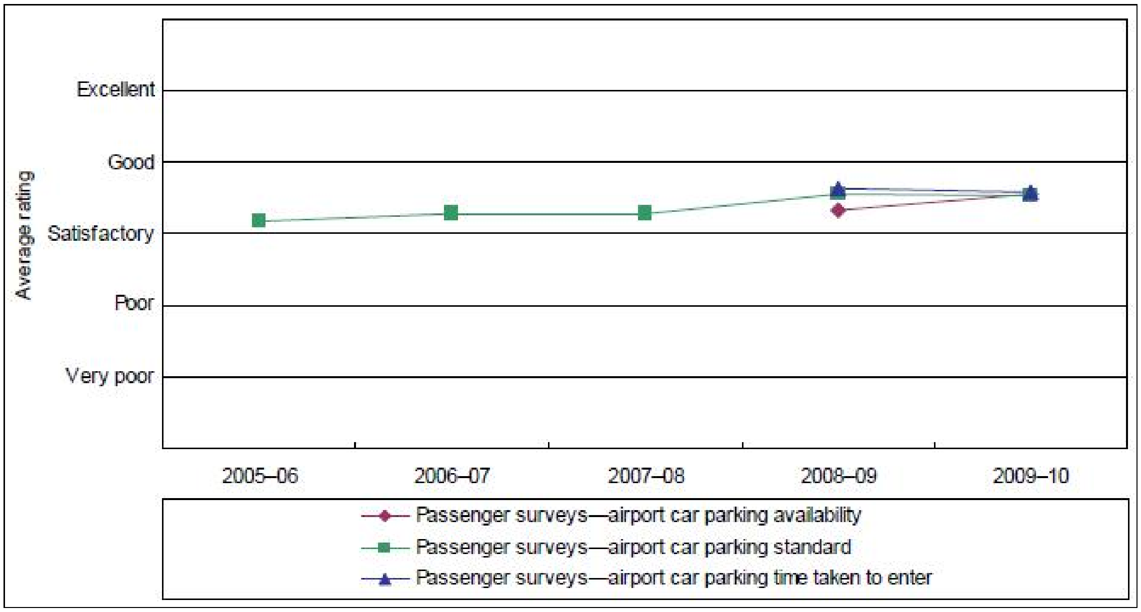
Table E.2
Return on Customs Building Land vs International Car Park Land, 2010

[CIC]

Source: Data provided by Sydney Airport.
Note (1): Pre-tax real WACC estimates as per Table E.1.

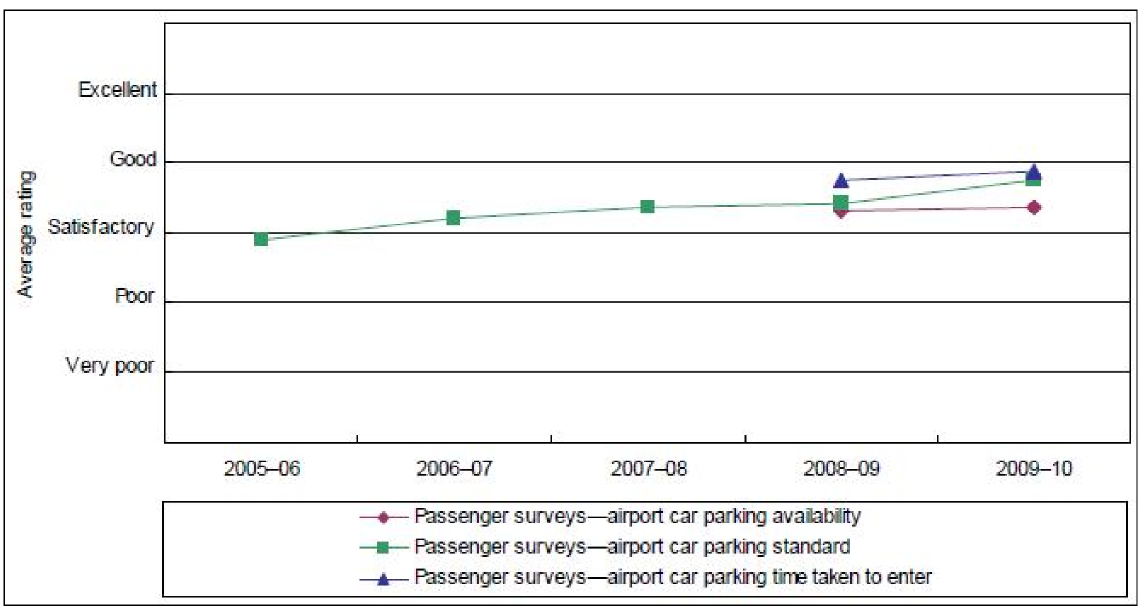
Appendix F. Quality of Car Parking

Figure F.1
International Passenger Survey Ratings



Source: ACCC 2009-10 Report, p.294, Chart 8.3.6.

Figure F.2
Domestic Passenger Survey Ratings



Source: ACCC 2009-10 Report, p.295, Chart 8.3.7.

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