AUSTRALIAN COMPETITION & CONSUMER COMMISSION

Airport monitoring report 2018–19

February 2020

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Glossary

ACCC	Australian Competition and Consumer Commission
Aerobridge	Allows passengers to board and disembark aeroplanes directly from/to the terminal gate lounge. Avoids need for passengers to go outside and use the apron.
Aircraft-related services and facilities	Services and facilities provided by airports that are specifically utilised by aircrafts (e.g. runways, aircraft parking bays and taxiways). The full list of aircraft-related services and facilities for monitoring purposes are listed in the *Airports Regulations 1997*.
Airline surveys	Each year, the ACCC sends domestic and international airlines a survey in which they are asked to rate on a scale of 1 to 5 the availability and standard of services and facilities provided by the monitored airports.
Airports Act	*Airports Act 1996*
Airports Regulations	*Airports Regulations 1997*
Airside	Refers to areas specifically in the airport that are dedicated to the provision of aircraft-related services and facilities and most passenger-related services and facilities e.g. terminal buildings, runways and taxiways.
Aeronautical services and facilities	As defined under the *Airports Regulations 1997,* services and facilities at an airport that are necessary for the operation and maintenance of civil aviation at the airport (including both passenger-related and aircraft-related services and facilities).
Apron	Airport aprons are areas where planes park and are refuelled, passengers embark and disembark and/or where planes are loaded and unloaded
At-distance car park	A car park that is located within the airport precinct but outside of reasonable walking distance to the terminal. Access to the terminal is via a free shuttle that is operated by the airport.
At-terminal car park	A car park that is within walking distance of the terminal
BARA	Board of Airline Representatives of Australia
BITRE	Bureau of Infrastructure, Transport and Regional Economics
CCA	*Competition and Consumer Act 2010 (Cth)*
CPI	Consumer Price Index
Delayed departure	Delayed departures are measured as the proportion of departing flights that do not depart within 15 minutes of their scheduled time (excluding cancelled flights).
DTL	Domestic terminal lease
EBITA	Earnings before interest, tax and amortisation
FAC	Federal Airports Corporation
General aviation	Aircraft operations that are not regular public transport, such as private charter and aircraft training flights, and Royal Flying Doctor Services.
GST	Goods and Services Tax
Landside	Parts of an airport that are not airside areas e.g. access roads and walkways within airport precincts.

LIS	Line in the sand approach. A regulatory approach to valuing airport assets under which the value of an airport's aeronautical asset base for monitoring purposes is the value of tangible non-current aeronautical assets reported to the ACCC as at 30 June 2005, plus new investments, less depreciation and disposals.
Long-term parking	Parking for a period of one or more days
Monitored airports	Airports which are subject to price and quality of service monitoring and are specified in Parts 7 and 8 of the *Airports Regulations 1997*; currently Brisbane, Melbourne, Perth and Sydney airports.
MTOW	Maximum take-off weight
Objective indicators	Airport services and facilities listed in the *Airports Regulations 1997* to be monitored and evaluated by the ACCC and of which monitored airports are required to keep records. Includes both physical infrastructure (e.g. the number of check-in desks and flight information display screens) and other measurements (e.g. number of passengers during peak hour).
Off-airport car park	A car park that is located outside of the airport precinct and operated by a third party. Access to the terminals is provided by a shuttle bus that is provided by the off-airport car park operator.
On-carriage passengers	Passengers that arrive on one flight and depart on another flight generally without leaving the airport.
Operating profit	Earnings before interest, tax and amortisation (EBITA).
Operating profit margin	Ratio of EBITA relative to revenue.
Overall quality of service	A metric derived by aggregating the quality of service monitoring results sourced from objective indicators and surveys of airlines and passengers on the quality of services and facilities provided by the monitored airports.
Passenger-related services and facilities	Services and facilities provided by airports that are specifically utilised by passengers (e.g. check-in desks, aerobridges and gate lounges). The full list of passenger-related services and facilities for monitoring purposes are listed in the *Airports Regulations 1997*.
Passenger surveys	The monitored airports arrange for annual passenger surveys to be conducted by market research companies in order to provide information to the ACCC as required under the Airports Regulations. These surveys ask passengers to rate on a scale of 1 to 5 the availability and standard of services and facilities.
Peak hour	The hour that, on average for each day in the financial year, has the highest number of (arriving/departing / total of both) passengers.
Real terms	A value expressed in the money of a particular base time period (e.g., 2018–19 dollars) in order to remove the impact of inflation.
Return on assets	Ratio of EBITA relative to average tangible non-current assets.
Short-term parking	Parking for a period of up to one day
SLA	Service level agreement
Taxiway	A road for aircraft that connects runways with airport facilities including ramps, hangers and terminals

Airport Monitoring Report 2018–19

Despite weak passenger growth, the airports continued to increase their combined operating profit from aeronautical activities.

Returns on aeronautical assets fell for all monitored airports except Sydney, which recorded its highest return since privatisation.

All airports maintained a 'good' overall quality of service rating. Airline ratings fell for most airports, with some airlines concerned about congestion and baggage facilities.

The airports invested $1.2 billion in aeronautical assets. Key projects include Brisbane Airport's runway development and Melbourne Airport commencing construction of a new taxiway network.

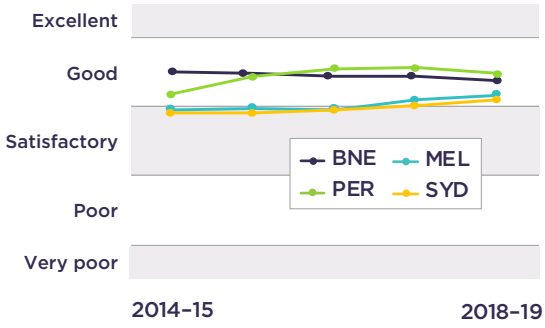
The airports earned less from car parking, but profit margins remain very high. Sydney and Brisbane were typically the more expensive airports for short-term parking.

Revenues from landside services increased over the year and have risen 159 per cent over the past decade. Much of this growth is due to increases in volume, but higher prices have also played a role.

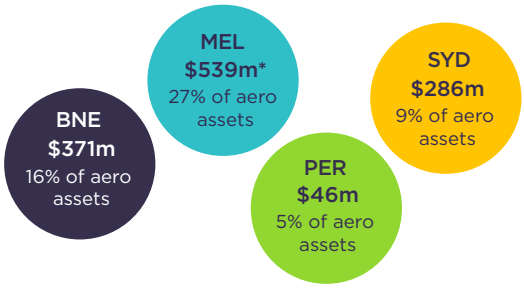
Photo: Collin Green (JetPhotos)

Key industry results 2018–19

QUALITY OF SERVICE

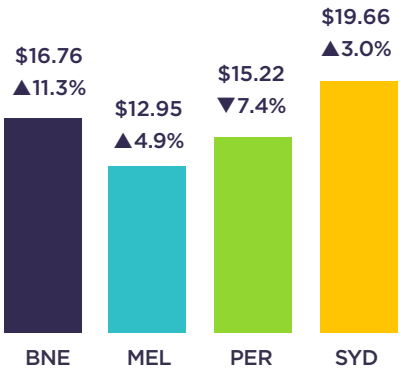


AERONAUTICAL INVESTMENT



AERONAUTICAL SERVICES

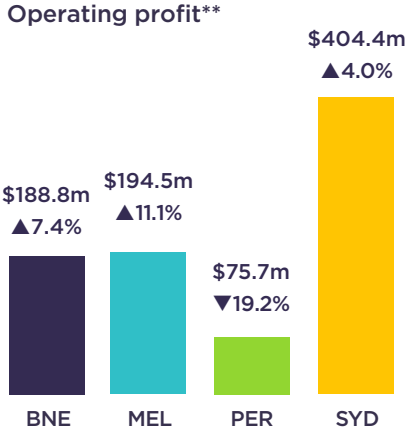
Revenue per passenger



Return on aeronautical assets

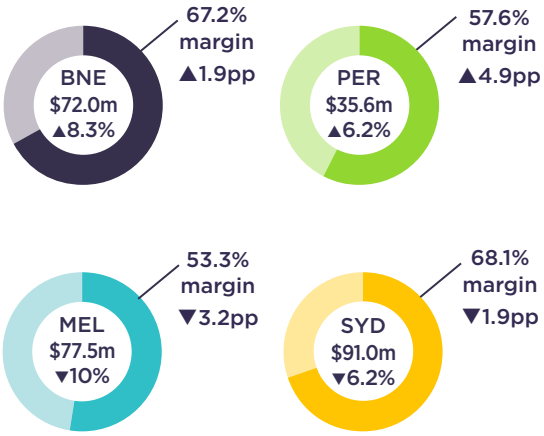
BNE	7.2%	▼0.7
MEL	8.5%	▼0.4
PER	7.6%	▼1.4
SYD	12.5%	▲0.8

Operating profit**

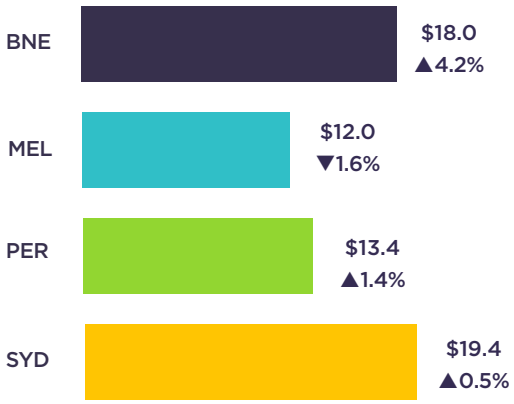


CAR PARKING SERVICES

Operating profit** and profit margin***



Drive-up price for at-terminal parking: 30 to 60 minutes



* Includes large payment associated with the airport taking operational control of the T1 domestic terminal from Qantas.
** Operating profit is measured as earnings before interest, tax, and amortisation (EBITA).
*** Operating profit margin refers to EBITA as a percentage of revenue.

Executive summary

Aeronautical profits continue to grow despite weak passenger growth

The four monitored airports of Brisbane, Melbourne, Perth and Sydney continued their run of reporting a higher collective operating profit from aeronautical activities despite weak passenger growth in 2018–19. The airports collectively earned $863.5 million in aeronautical operating profit (EBITA) over the year, up 3.6 per cent. The airports have collectively generated aeronautical profit in every year over the 17-year lifespan of the airport monitoring regime, and have increased their profit in almost all of those years.

The east coast airports of Brisbane, Melbourne and Sydney reported the most favourable results from their aeronautical operations. All three airports reported higher aeronautical revenue, revenue per-passenger and operating profits. Revenue per-passenger grew by 11.3 per cent at Brisbane Airport, while Melbourne Airport had the biggest increase in operating profit (up 11.1 per cent). Sydney Airport continues to earn far more than the other airports in operating profit from aeronautical activities ($404.4 million).

The return on aeronautical assets increased to 12.5 per cent for Sydney Airport, but fell for the other three airports. Sydney Airport's return is its highest since the monitoring regime began.

Perth Airport reported quite different financial results regarding its aeronautical activities compared to the other airports. The airport introduced lower aeronautical charges in a new service agreement with airlines, which resulted in revenue per-passenger falling by 7.4 per cent. An increase in operating expenses associated with taking back operational control of the domestic terminal T4 also contributed to a fall in aeronautical operating profit by 19.2 per cent.

The four airports combined invested $1.2 billion in aeronautical operations in 2018–19. This represented an increase of 65 per cent compared to the previous year, and 13 per cent of the airports' combined aeronautical asset base. A large proportion of the increase reflects a one-off payment from Melbourne Airport to Qantas for facilities contained within terminal T1 following the expiry of the domestic terminal lease. Key investments in new infrastructure include Brisbane Airport's ongoing development of a new runway and Melbourne Airport commencing construction of a new taxiway network.

Good service overall at all four airports despite airlines having some concerns

All four airports maintained a rating of 'good' for their overall quality of service in 2018–19, which occurred last year for the first time since 2005.[1] Melbourne and Sydney airports' ratings improved slightly within the 'good' category, while Brisbane and Perth's ratings showed a modest decline. Perth Airport received the highest overall rating of the four airports for the third year in a row, while Sydney Airport received its highest overall rating since ACCC monitoring began.

These results were mainly driven by improved passenger ratings, which have generally remained high within the 'good' category for the past few years. Ratings from airlines, on the other hand, fell for most of the airports. In comments provided to the ACCC, airlines raised concerns about congestion of airside infrastructure and the inadequacy of baggage processing facilities at several airports. Airlines also highlighted the issue of foreign object debris (FOD) left on runways and taxiways, and the potential service disruption and safety hazards that can result.

1 The monitored airports are assessed for quality of service using airline and passenger surveys, as well as objective measures. The possible ratings are: 'very poor', 'poor', 'satisfactory', 'good' or 'excellent'.

Some airports earning less from car parking, but margins still very high

Car parking results were mixed in 2018–19, but overall the profitability of car parking activities continued its downward trend. The four airports collectively earned $276.1 million in operating profits from car parking. Sydney Airport's operating profit from car parking fell by 6.2 per cent to $91.0 million, while Melbourne Airport reported a 10.0 per cent decline to $77.5 million. In contrast, Brisbane Airport reported both growing revenues and higher profits from car parking.

Changes in operating profit margins from car parking were mixed but still remain very high. They ranged between 53.3 per cent for Melbourne Airport and 68.1 per cent for Sydney Airport.

Sydney and Brisbane were typically the more expensive airports for short-term parking at the terminal, while Sydney and Perth were typically the more expensive airports for motorists booking long-term parking online at distance. Car parking prices generally increased at Brisbane Airport, while they continued their downward trend at Melbourne Airport. Melbourne Airport's drive-up prices are now generally less than they were a decade ago.

Motorists can save on parking by planning ahead

The price that one person pays to park their car at the airport can vary greatly to that paid by somebody else. There are a number of steps that motorists can take to ensure that they are getting the best rate for their circumstances. One step is to consider whether they need to pay for parking at all, as all of the airports provide areas where you can wait in your car for friends and relatives for at least 15 minutes at no charge. If the motorist is the one flying and therefore needs to park, we found that motorists paid around 33–60 per cent less if they parked at one of the at-distance car parks instead of directly outside the terminal in 2018–19.

Planning ahead can save people further money. People who booked their long-term parking at an at-distance car park online paid up to 39 per cent less than the drive-up rates for those car parks. Some airports also offer cheaper rates the further in advance that the booking is made.

Finally, people looking for the best rates should also consider what prices are available from independent car park operators located nearby the airport. This will likely require a slightly longer shuttle bus trip to the terminal.

Landside revenues have risen significantly in recent years

The airports provide landside access to various modes of transport such as taxis, rideshare operators and buses. The revenue collected from landside services across the four airports increased by 9.3 per cent in 2018–19 to $65.2 million. Melbourne and Sydney airports earned the dominant share of this revenue.

While being a relatively small proportion of overall airport revenues, landside revenues have increased by 159 per cent over the past decade. Much of the strong growth can be attributed to greater volumes of landside access services. The airports are catering to more passengers than they did in the past, while the emergence of rideshare services has also grown landside access and not just replaced volumes previously served by taxis.

Australian Government proposed minor changes to the airport reporting framework following review

The Productivity Commission's final report of its inquiry into the economic regulation of airports largely endorsed the current reporting framework based around ACCC monitoring and periodic reviews by the PC. The PC concluded that while the four monitored airports had market power, they had not systematically exercised their market power to the detriment of the community. It did, however, have concerns that charges to airlines for international services at Sydney and Brisbane airports were high compared to overseas.

The government broadly agreed with the findings and similarly rejected the need for airport regulation. Of particular note, the government supported the recommendation that airports should provide additional information to the ACCC in order to better inform reviews of airport performance. It also supported a recommendation for the ACCC to review the way that it monitors the airports' quality of service.

Despite these potential changes, the ACCC considers that monitoring does not constrain the airports' ability to use their market power. This is because the airport operators do not face a credible threat of regulation. In its submissions to the inquiry, the ACCC proposed an alternative and light-handed regulatory approach where both airports and airlines would have recourse to independent commercial arbitration in the event that negotiations around aeronautical services were not successful.

Flight delays have been on the rise across the monitored airports

Following an improvement in flight on-time performance over the first half of the decade, domestic flight delays have become more common across the four airports since 2016. The proportion of domestic departures delayed by 15 minutes or more has risen from a low of between 10 and 15 per cent four years ago to between 16 and 23 per cent in 2018–19.

On-time performance can be influenced by a range of factors outside an airport's control, such as poor weather, aircraft and passenger-related issues and late arrivals from other airports. However, airports also play a key role in promoting on-time performance by ensuring that sufficient airport infrastructure and facilities are available. As noted above, airlines have expressed concerns to the ACCC about the congestion of runways and other airside infrastructure at the monitored airports.

Three of the monitored airports are at various stages of planning or building new runways, however, which will be expected to alleviate congestion and potentially contribute to improved on-time performance.

Key performance indicators 2018–19

Table 1 Key aeronautical indicators for 2018–19

Airport	Passenger numbers (m)	Aero revenue ($m)	Aero revenue per passenger ($)	Aero operating profit ($m)	Return on aero assets (%)	Overall rating for quality of service
Brisbane	24.0	402.3	16.76	188.8	7.2	Good
Melbourne	37.4	484.7	12.95	194.5	8.5	Good
Perth	14.6	221.4	15.22	75.7	7.6	Good
Sydney	45.7	897.8	19.66	404.4	12.5	Good

Note: The rating categories are very poor, poor, satisfactory, good and excellent.

Table 2: Changes in key aeronautical indicators from 2017–18 to 2018–19

Airport	Passenger numbers (%)	Aero revenue (%)	Aero revenue per passenger (%)	Aero operating profit (%)	Return on aero assets (pp)	Overall rating for quality of service
Brisbane	1.4	12.9	11.3	7.4	-0.7	▼
Melbourne	1.8	6.9	4.9	11.1	-0.4	▲
Perth	1.8	-5.7	-7.4	-19.2	-1.4	▼
Sydney	1.0	4.0	3.0	4.0	0.8	▲

Note: pp = percentage points. Changes for financial data are presented in real terms (base year = 2018–19). ▲ indicates an improvement; ▼ indicates a decline.

Table 3: Key car parking indicators for 2018–19

Airport	Revenue ($m)	Operating profit ($m)	Profit margin (%)	Car parking spaces	Revenue per car park space ($)	Operating profit per car park space ($)
Brisbane	107.1	72.0	67.2	16 955	6 314	4 246
Melbourne	145.5	77.5	53.3	26 654	5 458	2 909
Perth	61.7	35.6	57.6	22 081	2 795	1 611
Sydney	133.6	91.0	68.1	18 178	7 351	5 005

Table 4: Changes in key car parking indicators from 2017–18 to 2018–19

Airport	Revenue (%)	Operating profit (%)	Profit margin (pp)	Car parking spaces (%)	Revenue per car park space (%)	Operating profit per car park space (%)
Brisbane	5.3	8.3	1.9	-0.6	6.0	9.0
Melbourne	-4.5	-10.0	-3.2	0.3	-4.8	-10.3
Perth	-2.8	6.2	4.9	-1.6	-1.2	8.0
Sydney	-3.6	-6.2	-1.9	-3.8	0.2	-2.4

Note: pp = percentage points. Changes for financial data are presented in real terms (base year = 2018–19).

1. Introduction

1.1 The ACCC's monitoring role

This report presents the results of the ACCC's monitoring of the quality, prices, costs and profits at Brisbane, Melbourne (Tullamarine), Perth and Sydney (Kingsford Smith) airports for 2018–19. The monitoring relates to the airports' supply of aeronautical, car parking and landside services.

The ACCC's monitoring functions originate from directions issued by the Assistant Treasurer pursuant to section 95ZF of the *Competition and Consumer Act 2010* and from Part 8 of the *Airports Act 1996*.

The price monitoring regime was established in 2002 following the consideration of the recommendations of a Productivity Commission inquiry. The move from a price regulation regime to a monitoring regime was intended to facilitate investment and innovation. The move also sought to retain some oversight of the exercise of market power by the airports in their dealings with airlines and other customers.

It is generally accepted that Australia's four major airports have market power. As a result, there is a concern that at some airports, airport users such as airlines do not possess enough bargaining power to ensure appropriate commercial outcomes.

An unconstrained airport could be expected to exercise its market power to earn monopoly profit to the detriment of the broader Australian economy. For example, an airport may not face sufficient incentive to constrain its prices and/or improve the quality of its services and facilities. It could also under- or over-invest in key infrastructure, potentially leading to inefficient outcomes. Due to a lack of competitive pressure, an unconstrained airport may also lack the incentive to operate efficiently or adopt innovative technologies and service models.

Price monitoring can provide some transparency over the airports' performance and allows for some general observations to be made regarding whether they are taking advantage of the lack of competition. This can help inform the Australian government about whether some form of regulation may be required to better protect consumers and promote more efficient outcomes. Transparency of performance may also assist airlines in their negotiations with airports regarding prices and service standards.

However, monitoring is limited in its ability to address behaviour that is detrimental to consumers. For example, monitoring does not directly restrict the airports from increasing prices and/or allowing service quality to decline. In particular, it does not provide the ACCC with the ability to intervene in the airports' setting of terms and conditions of access to the airports' infrastructure. Other limitations of industry monitoring are discussed in Appendix A4.3.

1.2 Terminal configuration and the impact of domestic terminal leases

Table 1.2.1 sets out the terminal configurations at the four monitored airports. This includes which terminals are included in the monitoring program for both 2017–18 and 2018–19.

Table 1.2.1: Terminal configurations for the monitored airports

Airport	Terminal	Type	Subject to ACCC monitoring in 2017–18	Subject to ACCC monitoring in 2018–19
Brisbane	Domestic Terminal[1]	Common-user	Yes	Yes
		Qantas DTL	No	Partial
		Virgin DTL	No	Partial
	International Terminal	Common-user	Yes	Yes
Melbourne	Terminal 1 Domestic	Qantas DTL	No	No
	Terminal 2 International	Common-user	Yes	Yes
	Terminal 3 Domestic	Common-user	Yes	Yes
	Terminal 4 Domestic	Common-user	Yes	Yes
Perth	Terminal 1 International & Domestic	Common-user	Yes	Yes
	Terminal 2 Domestic	Common-user	Yes	Yes
	Terminal 3 Domestic	Common-user	Yes	Yes
	Terminal 4 Domestic	Qantas[2]	No	Partial
Sydney	Terminal 1 International	Common-user	Yes	Yes
	Terminal 2 Domestic	Common-user	Yes	Yes
	Terminal 3 Domestic	Qantas	Yes	Yes

Note: 1. The lease on the terminal area occupied by Qantas and Virgin Australia expired on 30 December 2018 and 31 December 2018 respectively. Following the expiry of the lease, the entire domestic terminal building will be operated as a common-user terminal. The area of the domestic terminal occupied by Qantas and Virgin will then be subject to partial ACCC monitoring for the remainder of 2018–19.

2. The lease on Terminal 4 expired 31 January 2019 and has been subject to ACCC monitoring for the remainder of 2018–19.

For many years, some terminals at the monitored airports have been operated on an exclusive basis by a single airline under a domestic terminal lease (DTL).

The ACCC's monitoring role for aeronautical services and facilities relates only to those terminals that are owned and operated by each of the four monitored airports. The ACCC does not collect quality of service ratings for the terminals operated under DTLs. Further, while the airport revenues, costs and profits associated with the leased terminals are included in the ACCC report's 'total airport' figures, they are not included in figures that specifically represent aeronautical services. Passenger numbers and aircraft movements are reported on a total airport basis and therefore include those associated with DTL terminals.

All terminals that have operated under a DTL have now reverted back to airport control. Terminal 3 at Sydney Airport, which had previously been operated by Qantas, reverted back to airport control on 1 September 2015. It has been subject to ACCC monitoring since then.

The domestic terminal areas at Brisbane Airport that were operated by Qantas and Virgin under a DTL reverted back at the end of December 2018. These terminal areas were subject to financial monitoring for the period during the 2018–19 financial year that the airport controlled the terminal areas (i.e. for six months). These terminal areas are also included in the quality of service monitoring within this report.

Perth Airport's Terminal 4, which had previously been operated by Qantas, reverted back to airport control in January 2019. This terminal was also subject to financial monitoring for the period within 2018–19 that the airport controlled the terminal. The terminal was not included in the quality of service monitoring for 2018–19; this will commence in the 2019–20 monitoring report.

Melbourne Airport's Terminal 1, which had previously been operated by Qantas, reverted to airport control on 26 June 2019. The aeronautical and quality of service figures for Terminal 1 at Melbourne Airport is not captured in this year's report and will be fully subject to monitoring in the 2019–20 airport monitoring report.

The expiry of the DTLs is discussed further in section 2.2.

The inclusion of data for the terminals that previously operated under the DTLs have an impact on the results presented in the ACCC's monitoring reports. The main impact is on the airport's

financial monitoring. As a DTL expires and the airport takes over operations of the terminal, it will see an increase in both its aeronautical revenues and expenses. This is because the airport will begin charging aeronautical fees for the airlines' use of the terminal, instead of lease payments which are not considered to be aeronautical revenue. Expenses will also increase because the airport will now have responsibility for operating the terminal. Further information on how the DTLs impact financial reporting can be found in box 3.3.1.

The expiry of the DTLs will have a further impact on the 2019–20 monitoring report. For the 2019–20 report, the terminals that operated under a DTL at Brisbane, Melbourne and Perth airports will be fully captured in financial and quality of service monitoring. This will impact the quality of service ratings as the terminals that operated under DTLs will report different ratings for each of the quality of service measures. All of the terminals that previously operated under a DTL at Brisbane, Melbourne and Perth airports will see an increase in both its aeronautical revenues and expenses as the financial monitoring will cover the full year as these terminals are subject to financial monitoring for the first time.

1.3 The structure of this report

The structure of the report is as follows:

- chapter 2 looks at relevant airport industry developments and observations
- chapter 3 provides an overview of the prices, revenues, costs, profits and quality of service indicators at the four monitored airports
- chapters 4 to 7 present more detailed results for each monitored airport
- appendix A1 discusses the history of airport reporting in Australia
- appendix A2 provides background on the current reporting framework including the legislative basis for the ACCC's monitoring of airport performance
- appendix A3 outlines the services provided by the airports, and
- appendix A4 presents the methodology used by the ACCC in the analysis of airports in this report.

This and past airport monitoring reports can be found on the ACCC website at https://www.accc.gov.au/regulated-infrastructure/airports-aviation/airports-monitoring. The webpage for each report will include links to supplementary information such as the regulatory accounts for the monitored airports for that year and the various forms of data used in that report.

2. Industry observations and developments

Key Points

- The Productivity Commission's final report of its inquiry into the economic regulation of airports largely endorsed the current reporting framework based around ACCC monitoring. The report found that while the four monitored airports of Sydney, Melbourne, Brisbane and Perth had market power, they had not systematically exercised their market power to the detriment of the community. It did, however, have concerns that charges to airlines for international services at Sydney and Brisbane airports were high compared to overseas.
- The Australian government agreed with the PC's recommendation to continue the existing airport monitoring framework. It also supported the recommendations to expand the scope of the information provided by airports to the ACCC and for the ACCC to review the indicators used to assess airport quality of service.
- Brisbane, Perth and Melbourne airports all had domestic terminals revert to airport management during 2018–19 following the expiry of long-held leases by airlines. This will provide the airports with the opportunity to exercise greater control over terminal design and layout, and therefore may lead to new investment in these terminals over the next few years. The expiry of the domestic terminal leases also means that the terminals will fall within the scope of the ACCC's monitoring program.
- The capacity of major Australian airports appears set to increase significantly in coming years with the development of new runways. Brisbane Airport's $1.3 billion new runway is scheduled to open in mid-2020, while Melbourne and Perth airports are also actively planning new runways. Further capacity will be created when the new airport in Western Sydney becomes operational in 2026.
- The government has mandated screening facility upgrades to enhance domestic security. The monitored airports are at various stages of testing and implementing the new technology, which includes full-body scanners and more advanced X-ray equipment to scan baggage.

2.1 Productivity Commission inquiry into the economic regulation of airports

The Productivity Commission's inquiry into the economic regulation of airports concluded that the existing reporting framework remains fit for purpose. The government supported many of the recommendations, including the need for the airports to provide the ACCC with further information and for there be a review of how quality of service is monitored.

2.1.1 Endorsement of the current framework despite airports holding market power

The Productivity Commission's final report into the economic regulation of airports was released on 22 October 2019. The PC considered that while Sydney, Melbourne, Brisbane and Perth airports have market power, they have not systematically exercised it to the detriment of the community.

However, the report said that some airport performance indicators could present cause for concern if considered in isolation. It said that high international charges at Sydney and Brisbane airports, Sydney Airport's profitability, and high operating costs at Perth Airport show that there is reason to remain vigilant.

The PC considered that on balance, most indicators of operational efficiency (including costs and service quality), aeronautical revenue and charges, and profitability are within reasonable bounds. It

said that each airport has generated returns sufficient to enable investment while not earning excessive profits, and passengers consider airports to have good service quality.

In relation to car parking, the PC's report said that airport car park prices are consistent with the costs of service provision (including the opportunity cost of land) and the need to manage congestion. It said that competition from off-airport car parks and alternative modes of transport are the best constraints on the exercise of market power at on-airport car parking, but effective competition requires landside operators to have access to the terminal on reasonable terms.

The ACCC remains of the view that the current reporting framework is ineffective at constraining the ability of the monopoly airports to use their market power. While in the past the monitoring regime may have posed some threat to the airports of the implementation of regulation if they had have exercised their market power, this threat has likely diminished over time with the PC advocating against any form of regulation in four successive inquiries. Furthermore, the National Access Regime (Part IIIA of the *Competition and Consumer Act 2010*) has been shown to be ineffective in regulating non-vertically integrated monopolies such as airports. This means that it does not provide a potential constraint on the airports' behaviour.

Recognising the imbalance in bargaining power between the four major airports and airlines, the ACCC had proposed that parties should have recourse to independent commercial arbitration in the event that negotiations over terms and conditions break down. Any party frustrating commercial negotiations would face the threat of an independent arbitrator determining prices and terms of access.

However, the PC concluded that the costs of such an arbitration mechanism would outweigh any benefits and it would be detrimental to the community as a whole. The PC considered that while it could have benefits for airlines, there is a significant risk that passengers would be worse off, particularly if the airports reduced levels of investment.

2.1.2 More information to be collected and quality measures to be reviewed

The government responded to the PC's final report on 11 December 2019.[2] It broadly agreed with the findings and supported many of the recommendations.

Of particular note, the government supported the recommendation that improvements should be made to the monitoring regime to better inform reviews of airport performance. The PC recommended that the airports should be required to provide the ACCC with statements that:

- show the numbers of passengers that depart from and arrive at each terminal
- separately report revenues and costs of providing domestic and international services to airlines
- for Sydney Airport, also show the costs and revenues in relation to the provision and use of aeronautical services for flights to regional New South Wales
- separately show the number of users, costs and revenues in relation to the provision and use of at-terminal and at-distance car parking and the utilisation rates for each type of parking
- separately show the number of vehicles that use landside services, and the charges, operating revenues and costs attributed to the provision of each landside service, and
- report the methodologies that they use to allocate costs to specific services.

The government said that it will consult to determine the necessary amendments to Part 7 of the *Airports Regulations 1997* to implement the recommendation. The ACCC notes the cooperation of the airports in already providing information regarding the utilisation of car parks for this 2018–19 monitoring report.

The government further supported a recommendation for the ACCC to review the way that it monitors the airports' quality of service. The ACCC agrees that it is timely and appropriate to conduct

2 The Treasury, *Australian Government response to the Productivity Commission Inquiry into the Economic Regulation of Airports*, 11 December 2019, http://www.treasury.gov.au/sites/default/files/2019-12/41706_govreponseairports.pdf.

a comprehensive review of the information collected from airports and airport users for quality of service monitoring, and the extent to which the information adequately supports the objectives of the monitoring program.

The ACCC expects to release a discussion paper to seek views from interested parties. Once it is informed by the ACCC's review, the government agreed to update Schedule 2 of the *Airports Regulations 1997* as necessary.

2.2 Expiry of domestic terminal leases

Prior to the privatisation of the monitored airports between 1997 and 2003, the then Federal Airports Corporation entered into leases with certain airlines to manage their own terminal (or specific area within a terminal) in order to provide facilities for domestic flights. These domestic terminal leases (DTLs) meant that an airline would be responsible for providing terminal services such as check-in and baggage facilities directly to passengers. All of the currently monitored airports have had some of their terminals subject to DTLs in the past.

Table 2.2.1 below shows that the three remaining DTLs at the monitored airports expired in 2018–19. The terminals operated by Qantas and Virgin under a DTL at Brisbane Airport both reverted to the airport in December 2018. The terminal operated under a DTL at Perth Airport reverted on 31 January 2019, and Terminal 1 at Melbourne Airport reverted on 26 June 2019 following a six month extension.

Table 2.2.1 Reversion date of the domestic terminal leases[3]

Airport	Terminal	Terminal reversion date
Sydney	Terminal 3 (Qantas)	1 September 2015[4]
Brisbane	Domestic Terminal (Qantas)	30 December 2018
	Domestic Terminal (Virgin)	31 December 2018
Perth	Terminal 4 (Qantas)	31 January 2019
Melbourne	Terminal 1 (Qantas)	26 June 2019

While the terminals have reverted back to the airports, the airlines have retained priority access to some of the terminals that they have previously leased. Qantas has retained priority usage of Terminal 3 at Sydney Airport through to 30 June 2025. Priority usage includes a majority of the terminal's gates, check-in and baggage facilities. Qantas has also retained priority usage at Terminal 1 at Melbourne Airport until 30 June 2029.[5]

All of the airports that have had DTLs expire have either put in place or are negotiating transition arrangements with airlines to minimise the disruptions. For example, transition to the new arrangements for Terminal 1 at Melbourne Airport will be phased in over a period of time.

The expiry of the DTLs provide the airports with more flexibility about terminal design and structure. For example, Melbourne Airport will consider use of the terminal to swing to international operations in order to optimise the use of available capacity that exists at some times of the day. As a result, the expiry of the DTLs may drive investment in these terminals over coming years.

The expiry of the DTLs has the potential to have an impact on the operation of the market for aeronautical services. Under the DTLs, the airlines operated the terminals while paying airports fixed lease payments. This meant that they avoided having to pay any terminal charges. Now that the DTLs have expired, airlines will now incur terminal charges determined in commercial agreements with the airports.

3 Sources: Brisbane Airport, Submission to the Productivity Commission's inquiry into airport regulation, 2018, p. 45, Melbourne Airport, Submission to the Productivity Commission Inquiry into the Economic Regulation of Airports, 2018, p. 45, Daniel Mercer, Perth Airport takes back control of Qantas terminal, The West Australian 2019, and Qantas, Qantas and Sydney Airport reach commercial agreement on Domestic Terminal, 2015.

4 Under a commercial agreement between the parties, the DTL reverted from Qantas to the airport from 1 September 2015, ahead of the formal expiry date of 30 June 2019.

5 Australianaviation.Com.Au, Qantas sells its domestic terminal at Melbourne Airport for $355 million, 2019 https://australianaviation.com.au/2019/05/qantas-sells-its-domestic-terminal-at-melbourne-airport-for-355-million/.

The expiry of the DTLs also have implications for the information presented in the ACCC's airport monitoring reports. This is discussed in section 1.2.

2.3 Airports continue to develop new capacity

Investment in new runways is a key way for airports to create additional capacity to meet growing demand and manage congestion in the long term. Three of the four monitored airports are currently in various stages of building or planning for a new runway. A new airport is currently being built in Western Sydney, in part due to capacity constraints at Sydney Airport.

2.3.1 Capacity at existing airports

Brisbane Airport is in the process of building a new runway 2 km west of, and parallel to, the existing main runway at the airport. Construction of the runway began in 2012 ahead of a scheduled opening in mid-2020. By its opening date, the additional runway is expected to have cost Brisbane Airport $1.3 billion.[6] This cost has been driven, in part, by site preparation activities, including dredging and earthworks on challenging ground conditions. The runway is expected to effectively double the capacity of Brisbane Airport, facilitating a maximum of 110 flights per hour.[7]

Melbourne Airport is currently planning the addition of a third runway, which is expected to cost $1.5 billion and be completed by 2025. In November 2019, the airport announced that the orientation of the runway would be north-south. Melbourne Airport is currently working on a draft Major Development Plan for the project, which is to be open for public comment by early 2021.

Perth Airport commenced work on plans for a third runway in 2015. It is proposed that the new runway will be located 2km east of, and parallel to, the existing main runway. Subject to approval and demand, Perth Airport expects the new runway to be operational between 2023 and 2028.[8] The project is a key part of a proposed $2.5 billion investment program at the airport over the next decade.

2.3.2 Western Sydney Airport

Construction of Western Sydney Airport began in September 2018 and currently involves flattening of the 1780 hectare site. The Australian government committed up to $5.3 billion to the project in the May 2017–18 budget with the objective of resolving capacity issues in the Sydney basin, noting the constrained capacity and limited growth available for Sydney Airport. It is expected that the airport will be operational by the end of 2026.

Western Sydney Airport may place a limited competitive constraint on Sydney Airport, with both Qantas and Virgin Australia confirming that they will fly both low cost and full services carriers to the airport.[9] However, Sydney Airport believes the constraint will be limited as Western Sydney Airport would attract low cost carriers and budget airlines, whilst Sydney Airport would act as the 'premium' airport.[10]

6 Brisbane Airport 'Brisbane's New Runway—Benefits', https://www.bne.com.au/corporate/projects/brisbanes-new-runway/benefits.

7 Knowles, D., The Mercury, 'Brisbane Airport: New approach to an old problem', 31 August 2019, https://www.themercury.com.au/news/national/brisbane-airport-new-approach-to-an-old-problem/news-story/6b90d5d866135b2230bc4660ee54ea66?btr=4f8d2c68a3e52db53316d4a4121a9c21.

8 Perth Airport 'Master Plan 2020—FAQ Fact Sheet', https://www.perthairport.com.au/Home/corporate/planning-and-projects/projects/new-runway-project/factsheets.

9 Australian Aviation 'Need for more aviation capacity in Sydney is more stark now, 8 August 2019, https://australianaviation.com.au/2019/08/need-for-more-aviation-capacity-in-sydney-more-stark-now/.

10 Wiggins, J., Australian Financial Review, 'Sydney Airport will be the 'premium' airport when Badgerys Creek opens in 2026', 25 May 2018, https://www.afr.com/companies/sydney-airport-will-be-the-premium-airport-when-badgerys-creek-opens-in-2026-20180524-h10i5m.

2.4 New security requirements for domestic flights

The federal government announced changes to security requirements at airports around Australia in the 2018–19 budget. The changes require the monitored airports to invest in security upgrades which include new processes and infrastructure for screening passengers. The upgrades involve substantial capital investment as well as ongoing operating costs, which will be recovered by the airports through charges to airlines.

The monitored airports are in the process of implementing the upgrades, which include full-body scanning technology and computed tomography (CT) X-ray equipment to scan carry-on baggage and personal goods.

Melbourne Airport was the first of the monitored airports to complete trialling of the upgrades, beginning the rollout at the airport's T4 terminal in October 2019. The upgrades are expected to reduce queue times and better detect security threats. For instance, CT screening allows for laptops and liquids to remain in a passenger's carry-on baggage whilst being screened, and for improved efficiency in identifying suspect baggage. The measures also reduce the need for manual explosive trace detection towards the end of the screening process.

The other monitored airports are expected to finish trialling and adopt similar technology within the next two years.

3. Performance across the four airports

Key Points

Aeronautical activity

- The four monitored airports handled 121.7 million passengers in 2018–19, up 1.4 per cent. This growth was largely driven by international travel with an increase of 3.9 per cent to 40.5 million passengers. Domestic passenger growth was more moderate with a rise of 0.3 per cent to 81.2 million passengers. Sydney Airport reported its first fall in domestic passengers in seven years.

Aeronautical services and facilities

- All monitored airports except Perth reported increases in aeronautical revenue per passenger in 2018–19. Revenue per passenger for Brisbane Airport increased by 11.3 per cent to $16.76, while it fell by 7.4 per cent at Perth Airport to $15.22. Sydney Airport continued to collect the highest revenue per passenger at $19.66, while Melbourne Airport had the lowest with $12.95.
- The four airports made a combined $863.5 million in operating profits (EBITA) from aeronautical activities in 2018–19, up 3.6 per cent. The airports have collectively generated aeronautical profits in every year over the 17-year lifespan of the airport monitoring regime, and have increased profits in almost all of those years. Aeronautical profits at Sydney Airport increased by 4.0 per cent to $404.4 million. The airports collectively increased their total operating profits across all activities (aeronautical, car parking, landside, retail and property) by 1.0 per cent to $2.3 billion.
- Returns on aeronautical assets generally fell in 2018–19. Brisbane, Melbourne and Perth airports reported lower returns than in 2017–18, with Brisbane Airport reporting the lowest return of 7.2 per cent. Sydney Airport earned the highest rate of return on aeronautical assets at 12.5 per cent, which was also the highest return reported by the airport since the monitoring regime began.
- The four airports collectively invested $1.2 billion in aeronautical operations in 2018–19. This represented an increase of 65 per cent compared to the previous year, and 13 per cent of the existing combined aeronautical asset base. A large proportion of the increase reflects a payment from Melbourne Airport to Qantas for facilities contained within the T1 terminal following the expiry of the domestic terminal lease. Key investments during the year include Brisbane Airport's ongoing development of a new runway and Melbourne Airport commencing construction of a new taxiway network.

Car parking

- In 2018–19, the airports collectively earned $276.1 million in operating profits from car parking activities (down 2.5 per cent). Melbourne and Sydney reported declines in both operating profits and operating profit margins, while these measures increased at Brisbane and Perth airports. All four airports reported operating profit margins of above 50 per cent.
- The prices that people pay for parking can vary greatly due to factors such as type of parking and whether it was booked online. Sydney and Brisbane were typically the more expensive airports for short-term parking at the terminal, while Sydney and Perth were typically the more expensive airports for motorists booking long-term parking online at distance. Melbourne Airport continued to reduce its prices in 2018–19, following a significant reduction in drive-up prices in March 2018. Its drive-up prices are now generally less than they were a decade ago.

Landside access services

- The airports' revenues from landside access services such as those provided to taxis, rideshare operators and buses grew by 9.3 per cent per cent in 2018–19 to $65.2 million. All four airports continue to report a rapid take-up of rideshare services, which is resulting in greater demand for access to terminal forecourt areas. Combined landside revenues have risen by 159 per cent over the past decade, with Melbourne and Sydney airports earning the dominant share.

Quality of service

- For the second year in a row, all four monitored airports were rated as 'good' for their overall quality of service based on airline and passenger surveys and objective performance indicators. Sydney and Melbourne airports' ratings improved within the 'good' category. While Perth Airport received the highest overall quality of service rating for the third straight year, its rating, along with that of Brisbane Airport, declined within the 'good' category.
- All four monitored airports were rated as 'good' by passengers. Passengers have consistently rated Brisbane Airport the highest over the last decade, while Sydney and Melbourne airports both received improved ratings in 2018–19. Perth Airport was the only airport to receive a 'good' rating from airlines, while the other three airports were rated as 'satisfactory'.

On-time performance

- On-time performance by domestic airlines has worsened across all four airports over the past few years, with the proportion of delayed departures ranging between 16 per cent at Perth Airport and 23 per cent at Sydney Airport in 2018–19. While on-time performance is typically influenced by matters outside of an airport's control, many airlines referred to congestion in their responses to the ACCC survey on airport performance.

3.1 Introduction

This chapter presents an overview of the performance of Brisbane, Melbourne, Perth and Sydney airports in the supply of aeronautical, car parking and landside services. The chapter is structured as follows:

- section 3.2 presents data on passenger and aircraft movements
- section 3.3 reports on revenues, prices, costs, profits, assets and investments for aeronautical services
- section 3.4 presents pricing and financial results for airport car parking services
- section 3.5 presents prices and revenues from landside activities
- section 3.6 provides selected quality of service ratings
- section 3.7 discusses trends in the relationship between the airports' aeronautical revenue per passenger and quality of service ratings for aeronautical services
- section 3.8 reports on on-time performance by airlines at the monitored airports.

In general, the monitored airports are only required to provide information to the ACCC in relation to the terminals that are directly operated by the airports. This means that the terminals operated by airlines under domestic terminal leases are generally excluded from the data contained within this report. The only exceptions are:

- the data presented in section 3.2 in relation to aeronautical activity, and
- where figures are presented for total airport operations.

Section 1.2 provides information on which terminals have been operated by airlines under domestic terminal leases. The remaining domestic terminal leases at Brisbane, Melbourne and Perth airports expired at various times throughout 2018–19.

While comparisons between airports can provide useful information about their performance, some measures may be more suitable for direct comparisons between airports than others. Factors such as airport size, terminal configuration, proportion of international passengers, accounting practices and approaches to data collection influence an airport's reported performance.

Unless otherwise noted, dollar values presented throughout this report are in 2018–19 dollars, with all movements adjusted for inflation.

3.2 Aeronautical activity

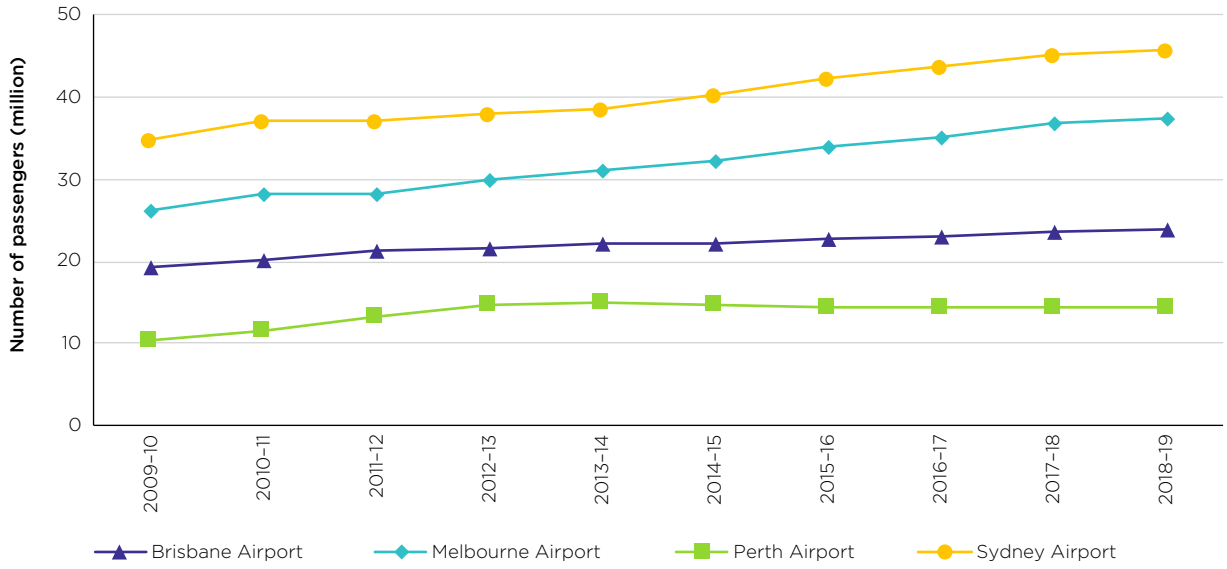
Figures in this section relating to passenger volumes and aircraft movements include those associated with either an airport-operated terminal or a terminal operated by an airline under a domestic terminal lease.

3.2.1 Passenger volumes

Total passenger numbers across the four monitored airports increased by 1.4 per cent to 121.7 million passengers in 2018–19. This was driven by a 3.9 per cent increase in international passengers, while domestic passengers grew by 0.3 per cent. This is the sixth year in a row that international passenger growth has exceeded domestic passenger growth.

Figure 3.2.1 shows total passenger numbers for each monitored airport over the past decade. Sydney Airport continues to serve the most passengers with 45.7 million. However, Sydney Airport exhibited the weakest growth of the monitored airports in 2018–19 (up 1.0 per cent). Melbourne and Perth airports had the highest increase in passenger numbers (up 1.8 per cent for each).

Figure 3.2.1 Volume of passengers: 2009–10 to 2018–19



Note: International passenger numbers for Sydney Airport between 2010–11 and 2017–18 (inclusive) have been revised slightly upwards from previous monitoring reports.

Table 3.2.1 disaggregates total growth at each monitored airport into domestic and international passenger growth. It shows that Brisbane, Melbourne and Sydney airports relied on growth in international passengers, while Perth Airport relied on growth in domestic passengers. Sydney Airport's decline in domestic passengers was its first since 2011–12. Perth Airport advised that its domestic growth was driven by regional (intrastate) traffic as a result of strong economic activity in the Goldfields and the Pilbara.

Table 3.2.1 Volume of domestic and international passengers: 2017–18 to 2018–19

Airport	Domestic		International		Total	
	2018-19	1-year change	2018-19	1-year change	2018-19	1-year change
Brisbane	17.6	0.3	6.4	4.8	24.0	1.4
Melbourne	26.0	0.4	11.5	5.2	37.4	1.8
Perth	10.1	2.1	4.4	0.9	14.6	1.8
Sydney	27.5	-0.6	18.2	3.5	45.7	1.0
Total	81.2	0.3	40.5	3.9	121.7	1.4

3.2.2 Aircraft movements

Total aircraft movements across the four monitored airports increased by 0.5 per cent to 936 790 in 2018–19. While total domestic aircraft movements remained relatively constant at 659 910, total international aircraft movements increased by 3.1 per cent to 186 103. General aviation aircraft movements fell by 1.7 per cent to 90 777.

Table 3.2.2 shows the total number of aircraft movements at each of the monitored airports, disaggregated into domestic, international and general aviation flights. In recent years, aircraft movements have not grown at the same rate as passengers. However, both Melbourne and Sydney airports reported stronger growth in the number of international aircraft movements than international passengers in 2018–19.

Table 3.2.2 Total aircraft movements and percentage change: 2017–18 to 2018–19

Airport	Domestic		International		General aviation		Total	
	2018-19	1-year change	2018-19	1-year change	2018-19	1-year change	2018-19	1-year change
Brisbane	152 083	-0.5	34 846	3.4	25 390	-4.5	212 319	-0.4
Melbourne	185 012	-0.7	51 754	6.0	9 444	1.9	246 210	0.7
Perth	88 296	4.0	21 963	-3.6	21 696	-2.6	131 955	1.6
Sydney	234 519	-0.5	77 540	3.1	34 247	0.1	346 306	0.4
Total	659 910	0.0	186 103	3.1	90 777	-1.7	936 790	0.5

3.3 Aeronautical prices and financial results

This section presents the key financial results in relation to the aeronautical operations of the monitored airports. These operations directly relate to the provision of aviation services including runways, aprons, aerobridges, departure lounges, check-in facilities and baggage handling facilities.

3.3.1 Revenue

Aeronautical revenue per passenger

Airports earn most of their aeronautical revenue from charges to airlines accessing a range of airport services and facilities such as runways, aircraft parking, aerobridges and terminals. Charges are typically applied on a per-passenger basis or by aircraft weight.

However, comparing charges across airports is complicated by the various types of charges employed by each airport. As a result, the ACCC uses aeronautical revenue per passenger as a proxy for analysing movements in an airport's average charges over time.

Box 3.3.1 A note on per-passenger figures and the impact of domestic terminal leases

The ACCC reports aeronautical revenues, costs and operating profits both in aggregate and on a per-passenger basis. In particular, revenue per passenger is a useful measure of average charges and provides information on whether an airport's wide range of prices is going up or down.

It is important to understand how per-passenger figures are calculated for this report.

The ACCC calculates the per-passenger figures by dividing the aeronautical revenue/expenses reported by the airport by the total passenger numbers for the airport. The airports provide the ACCC with the number of passengers travelling through any of their terminals.

However, the monitored airports only report aeronautical revenues and costs that relate to terminals that they directly operate. The airports do not report aeronautical revenues and expenses relating to any terminals operated by airlines under domestic terminal leases (see section 1.2). This is because revenues generated through the leases are not classified as being aeronautical, and the airport does not incur costs because the terminal is operated by the airline. This means that figures presented in this report in relation to aeronautical activities—including revenue per passenger—will be notably affected by whether that airport had an active domestic terminal lease at the time.

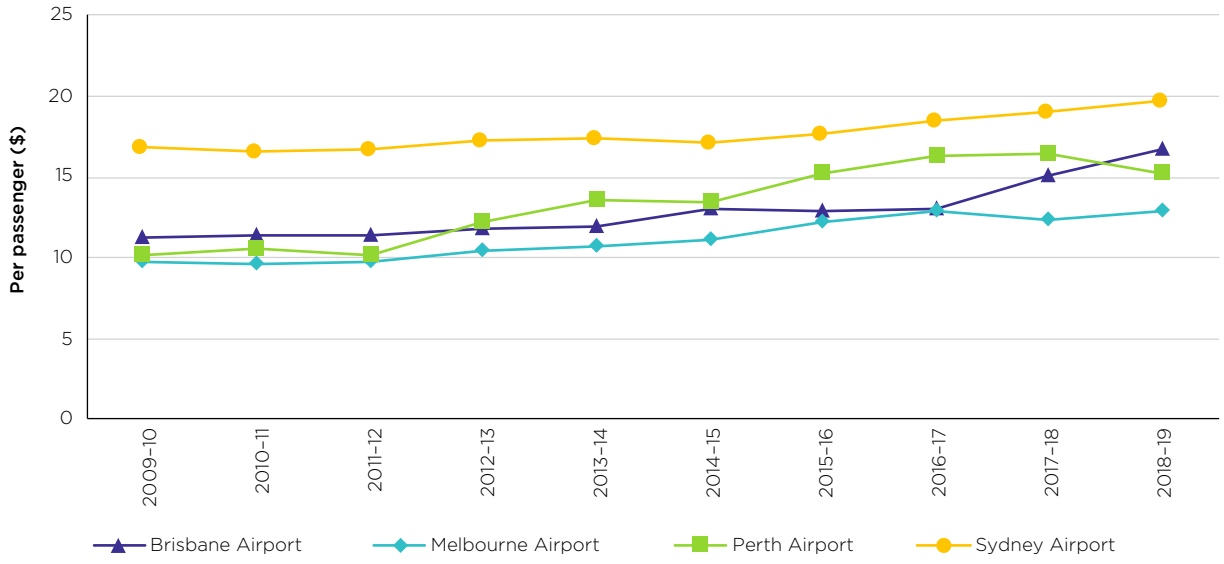
The impact of the domestic terminal leases depends somewhat on the structure of pricing by the relevant airport. It is common for airports to separately levy airfield and terminal charges. While revenues collected through terminal charges relating to a leased terminal are not included as part of aeronautical revenue in this report, revenues from airfield charges applied to aircraft going to leased terminals are typically included (as airfield charges are independent of a particular terminal). Because some airports collect relatively more revenue from these activities, care must be taken when comparing the airports.

The challenge posed by the domestic terminal leases on financial reporting is dissipating as these leases expire. As explained in section 1.2, Qantas handed back domestic terminal T3 to Sydney Airport in late 2015. The remaining domestic terminal leases expired during 2018–19: the Virgin and Qantas parts of the domestic terminal in Brisbane (December 2018), the Qantas terminal (T4) in Perth (January 2019) and the Qantas terminal (T1) in Melbourne (June 2019). This will mean that per passenger cost and revenue figures for all airports in the 2018–19 report capture all terminals across the four airports for at least some of the period. The 2019–20 report will include all terminals across the four airports for the complete 12 months.

Figure 3.3.1 shows that aeronautical revenue per passenger at each monitored airport has trended upwards over the past decade. This trend primarily reflects a number of factors:

- the increase in charges to airlines over this time, which will be influenced by the level of investment the airport has undertaken
- the airports serving a growing proportion of passengers travelling overseas (up from 26.9 per cent in 2009–10 to 33.3 per cent in 2018–19), as international passengers incur higher charges at some airports, and
- the inclusion of revenues from terminals previously operated under domestic terminal leases (see box 3.3.1).

Figure 3.3.1 Aeronautical revenue per passenger in real terms: 2009–10 to 2018–19



Note: Figures do not include revenue from leased terminals (Qantas and Virgin parts of the domestic terminal in Brisbane (until December 2018), Qantas terminals in Sydney (until September 2015), Perth (until January 2019) and Melbourne Airport. Real values are in 2018–19 dollars. Figures for Sydney Airport between 2010–11 and 2017–18 (inclusive) have been revised slightly downwards from previous monitoring reports due to revised passenger numbers.

Sydney Airport continued to earn the highest aeronautical revenue per passenger among the monitored airports with $19.66 (up 3.0 per cent) during 2018–19. The gap between Sydney Airport and other airports was greater a decade ago. While the ACCC does not see the specific prices paid by airlines under agreement, some indication of the structure and movement in prices can be seen by the published list prices for airlines that have not entered into agreements. The published international passenger service charge at Sydney Airport went up by 4.8 per cent to $33.44 in 2018–19, while the domestic runway charge increased by 6.4 per cent to $5.56. In its review of the economic regulation of airports, the Productivity Commission (PC) said that high international charges at Sydney and Brisbane airports could present cause for concern if considered in isolation.[11]

Brisbane Airport's aeronautical revenue per passenger increased the most of all monitored airports in 2018–19 after it recorded an 11.3 per cent increase to $16.76. Published runway charges grew significantly in 2018–19, although published terminal charges fell. Part of the growth in revenue per passenger was due to the inclusion of aeronautical revenues Brisbane Airport received from the Qantas and Virgin parts of its domestic terminal after the expiry of the leases at the end of December 2018. Brisbane Airport's revenue per passenger has increased by 48.7 per cent in the past decade.

In contrast, Perth Airport's aeronautical revenue per passenger fell by 7.4 per cent in real terms to $15.22 in 2018–19. The fall was associated with the introduction of a new 7-year airline service agreement (see section 6.3.2). Even outside of the agreement, the published domestic terminal charge dropped substantially while the published international terminal charge fell more modestly. Over the past decade, Perth Airport's average aeronautical revenue has increased by 50.5 per cent, which is the largest increase of the four monitored airports. This increase has been driven by significant terminal investment undertaken by Perth Airport during that period.

Aeronautical revenue

Aeronautical revenue for the monitored airports increased by 5.2 per cent to $2.0 billion in 2018–19. This represents an increase of 71.8 per cent since 2009–10.

Perth Airport was the only monitored airport to report a fall in aeronautical revenue in 2018–19, with revenue declining by 5.7 per cent to $221.4 million mainly due to price decreases. This fall in revenue occurred despite an increase in passengers.

11 Productivity Commission, *Economic regulation of Airports*, 2019, p. 2.

Brisbane Airport reported the largest percentage increase in aeronautical revenue, increasing 12.9 per cent to $402.3 million. Melbourne (up 6.9 per cent to $484.7 million) and Sydney (up 4.0 per cent to $897.8 million) airports also reported increases in aeronautical revenue. All three benefitted from an increase in international passengers.

Over the past decade, Sydney Airport has collected significantly more aeronautical revenue than other airports, with its aeronautical revenue typically doubling that of the next highest airport (Melbourne Airport). However, aeronautical revenue growth over the decade has been the lowest at Sydney Airport with 52.2 per cent. In contrast, Perth Airport more than doubled its aeronautical revenue over this period.

Total airport revenue

The monitored airports have multiple revenue sources in addition to aeronautical revenue. This includes revenues from car parking, retail leases and commercial property, as well as payments under the domestic terminal leases.

Table 3.3.1 compares aeronautical and total revenue for the years 2009–10 and 2018–19. The four airports combined earned almost $4.0 billion in total revenues in 2018–19, 60 per cent more than they did a decade ago. Sydney Airport received total revenues of over $1.6 billion in 2018–19, followed by Melbourne Airport with $1.0 billion. The table shows that aeronautical revenue has become relatively more significant for each airport than it was 10 years ago.

Table 3.3.1 Aeronautical and total airport revenue in real terms: 2009–10 to 2018–19

	Revenue in 2009–10 ($million)				
	Brisbane	**Melbourne**	**Perth**	**Sydney**	**Total**
Aeronautical	217.0	255.3	105.9	589.9	1168.1
Total revenue	510.2	605.7	298.2	1085.5	2499.6
Aero as % of total	42.5	42.1	35.5	54.3	46.7
	Revenue in 2018–19 ($million)				
	Brisbane	**Melbourne**	**Perth**	**Sydney**	**Total**
Aeronautical	402.3	484.7	221.4	897.8	2006.2
Total revenue	840.5	1019.9	493.8	1611.1	3965.3
Aero as % of total	47.9	47.5	44.8	55.7	50.6

Notes: Real values in 2018–19 dollars.

3.3.2 Expenses

Aeronautical expenses per passenger

Aeronautical expenses per passenger increased for all of the monitored airports. Brisbane Airport reported the largest increase with costs growing by 16.5 per cent to $8.90 per passenger. The higher growth in average aeronautical expenses at Brisbane Airport is partly driven by the inclusion of aeronautical expenses related to Qantas and Virgin parts of its domestic terminal after the expiry of the lease in December 2018.

Sydney Airport had the highest unit costs with $10.80 per passenger (up 3.0 per cent). Expenses per passenger grew by 2.3 per cent to $7.75 at Melbourne Airport and by 1.5 per cent to $10.01 at Perth Airport. Perth Airport's growth in expenses was partly due to the inclusion of expenses related to the airport assuming operation of the Qantas domestic terminal (T4) from 1 February 2019. The airports also began to incur costs associated with meeting the new government requirements for airport security (see section 2.4).

Over the past decade, aeronautical expenses per passenger for all of the airports have increased by between 15.6 per cent (Sydney) to 62.9 per cent (Perth).

In its 2015–16 monitoring report, the ACCC noted the increasing average cost for airports to service passengers and queried whether growing passenger volumes and economies of scale should be putting downward pressure on average costs. The Australian Airports Association (AAA) addressed this issue in its 2018 submission to the Productivity Commission's review of airport regulation.[12] It said that the incremental cost of aeronautical capacity has increased over the decade for a number of reasons, including:

- new investments offer much greater amenity than existing assets, and this can be expected to be reflected in higher construction costs
- the cost of construction significantly increased during the decade
- space constraints at the airports can result in increasingly expensive projects, and
- capacity development projects typically involve upgrading existing assets that still need to be operational, which is inherently more expensive than capacity at greenfield sites.

Aeronautical expenses

During 2018–19, aeronautical expenses across all four monitored airports increased by 6.4 per cent to $1.1 billion. Sydney Airport reported the highest costs at $493.4 million, an increase of 4.1 per cent. Melbourne Airport reported a 4.2 per cent increase in aeronautical expenses to $290.2 million, while Brisbane Airport reported an 18.2 per cent increase to $213.5 million. Perth Airport's aeronautical expenses grew by 3.2 per cent to $145.7 million.

Total airport expenses

Expense items incurred by the monitored airports include depreciation, salaries and wages, services and utilities and property/leasing maintenance-related expenses. With respect to total airport operations, expenses among the four monitored airports reached $1.7 billion in 2018–19. This represents a 3.2 per cent increase from the previous year.

Sydney Airport's 3.5 per cent increase in total expenses to $652.6 million was the most significant of the monitored airports in 2018–19. Melbourne Airport had total expenses of $443.8 million, followed by Brisbane Airport with $343.4 million and Perth Airport with $256.3 million.

3.3.3 Operating profit

One of the indicators that the ACCC uses to assess profitability of the monitored airports is earnings before interest, tax and amortisation (EBITA). This is referred to as 'operating profit' or 'profit' in this report.

EBITA to be a useful measure of profitability because it is not affected by management decisions regarding capital structures and taxation arrangements which can vary substantially among different airports. However, this measure does not, on its own, enable an assessment of whether an airport's prices are generating revenues consistent with the efficient long-run costs of providing aeronautical services.

12 Australian Airports Association (AAA), submission to the Productivity Commission's review of airport regulation, September 2018, pp. 43–44.

Aeronautical operating profit per passenger

In 2018–19, aeronautical operating profit per passenger increased for Melbourne (by 9.1 per cent to $5.20), Brisbane (by 5.9 per cent to $7.87) and Sydney (by 2.9 per cent to $8.86) airports. Aeronautical operating profit per passenger at Perth Airport fell by 20.6 per cent ($5.21) due to lower prices and additional expenses from assuming control of terminal T4.

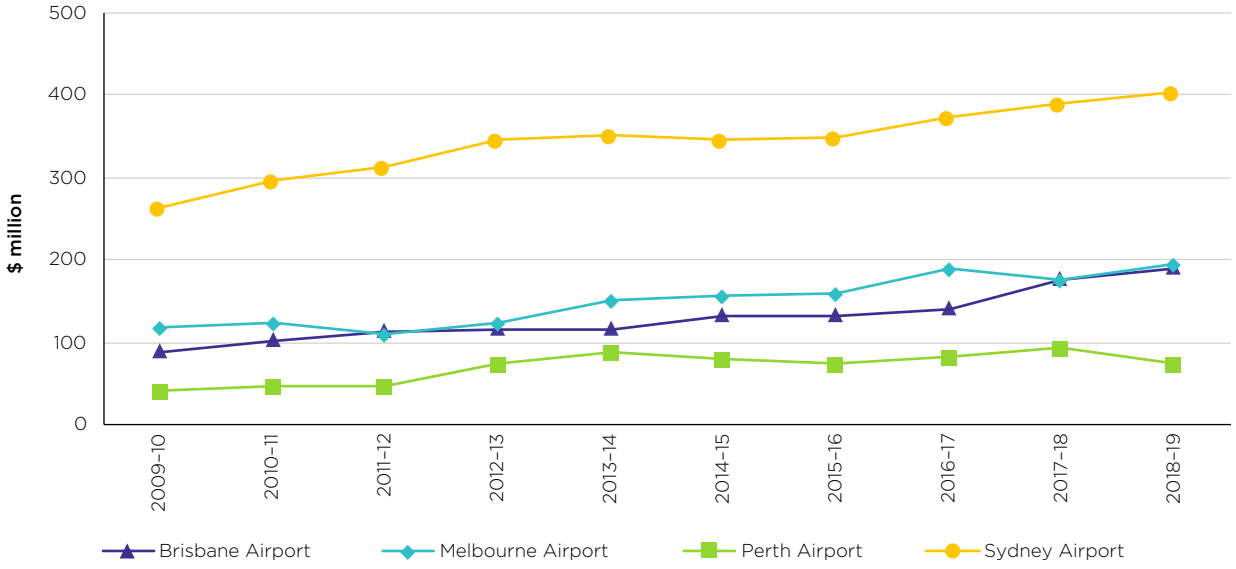
Over the past decade, aeronautical operating profit per passenger has risen for all of the monitored airports. Aeronautical operating profit per passenger has increased by 69.9 per cent at Brisbane Airport, 31.2 per cent at Perth Airport, 17.2 per cent at Sydney Airport and 14.9 per cent at Melbourne Airport.

Aeronautical operating profit

The monitored airports increased their combined operating profit from aeronautical activities by 3.6 per cent to $863.5 million in 2018–19. The four airports have collectively generated aeronautical profits in every year over the 17-year lifespan of the airport monitoring regime, and have increased their profits in almost all of those years.

Figure 3.3.2 shows that in 2018–19, Sydney Airport continued to earn significantly more aeronautical operating profit than the other airports. The airport services the most passengers each year, as well as generates the most revenue per passenger. During the year, Sydney Airport's aeronautical operating profit grew by 4.0 per cent to $404.4 million.

Figure 3.3.2 Aeronautical profit in real terms: 2009–10 to 2018–19



Note: Values in 2018–19 dollars.

Among the monitored airports, only Perth Airport reported a fall in aeronautical operating profit in 2018–19 (down 19.2 per cent to $75.7 million). This was caused by both higher operating costs (including the new expenses associated with terminal T4) and lower aeronautical revenue over the year.

Melbourne Airport recorded the most significant increase in aeronautical operating profit, rising 11.1 per cent to $194.5 million. Profit grew as a result of both passenger growth and higher average revenue for each passenger. Brisbane Airport's aeronautical profit also showed a significant increase of 7.4 per cent to $188.8 million.

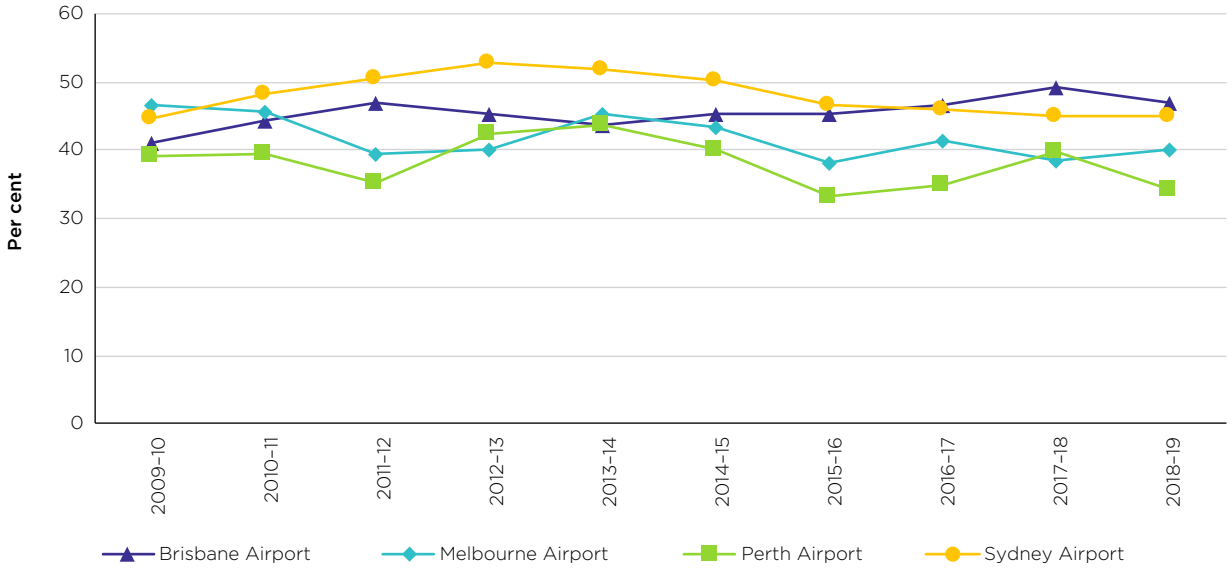
In each year over the past decade, Sydney Airport has typically reported more than double the operating profit from aeronautical services than the next most profitable airport (which has in most years been Melbourne Airport). Sydney Airport has accumulated over $3.4 billion in operating profit from aeronautical services during this period.

Growth in aeronautical operating profit over the decade was highest in Brisbane Airport with 111.8 per cent, while Sydney Airport had the lowest growth of 53.4 per cent. The growth rates for Perth and Melbourne airports were 82.3 and 63.6 per cent respectively.

Aeronautical operating profit margins

Operating profit margin is calculated as EBITA as a percentage of revenue. Figure 3.3.3 shows that Brisbane Airport reported the highest aeronautical profit margin among the monitored airports in 2018–19, despite its margin dropping by 2.4 percentage points to 46.9 per cent. This means it made an operating profit of 46.9 cents for every dollar in aeronautical revenue.

Figure 3.3.3 Aeronautical profit margins in real terms: 2009–10 to 2018–19



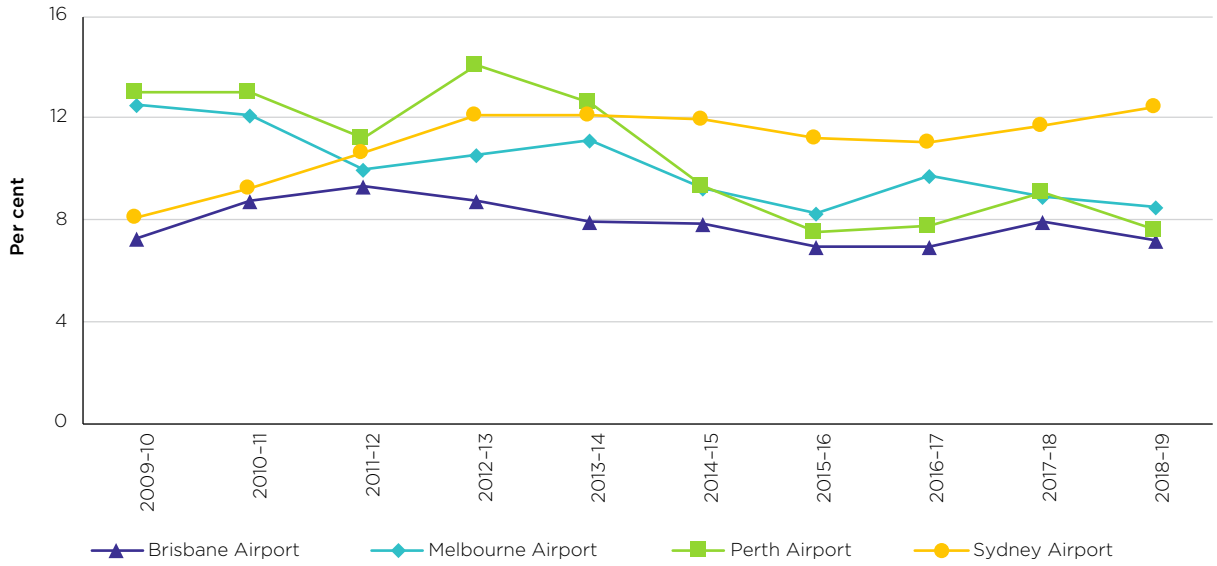
Sydney Airport's aeronautical profit margin remained largely unchanged in 2018–19 at 45 per cent, following several years over which it has trended down. Melbourne Airport's aeronautical profit margin rose by 1.5 percentage points to 40.1 per cent. Perth Airport reported a fall in its aeronautical profit margin of 5.7 percentage points to 34.2 per cent, giving it the lowest aeronautical profit margin in 2018–19.

Return on aeronautical assets

Return on assets is calculated by dividing EBITA by the average value of tangible non-current aeronautical assets over the year.

Figure 3.3.4 presents the return on aeronautical assets of the monitored airports over the past decade. Sydney Airport's return of 12.5 per cent (up 0.8 percentage points) in 2018–19 was the highest reported of any of the airports over the last five years, and the highest reported by the airport over the 17-year lifespan of the monitoring regime. Melbourne Airport had a return of 8.5 per cent (down 0.4 percentage points), while Perth and Brisbane airports had a return of 7.6 and 7.2 per cent respectively.

Figure 3.3.4 Return on aeronautical assets: 2009–10 to 2018–19



The chart also shows that returns for Melbourne, Perth and Brisbane have generally been trending down over the decade. These three airports have reported large additions to their asset bases over the decade following periods of high investment. In contrast, Sydney Airport has not invested and grown its aeronautical asset base at the same rate.

It should be noted that the ACCC uses unindexed asset bases for calculating returns on assets across the monitored airports. Sydney Airport, however, uses asset base indexation when setting its prices, which has the effect of increasing its asset values with inflation. The return on asset figures for Sydney Airport in figure 3.3.4 and elsewhere in this report would be lower if indexed asset values were used.

Total airport operating profit

Total airport operating profit includes profits from aeronautical, car parking, landside, retail and property activities. Sydney Airport came close to making $1 billion in operating profit in 2018–19, reporting an increase of 2.5 per cent to $958.5 million.

Brisbane Airport reported the largest increase in total profit, rising 6.7 percent to $497.1 million. Melbourne Airport recorded a 2.1 per cent increase to $576.1 million. Perth Airport was the only airport to post a fall in total profit (down 15.7 percent to $237.4 million).

None of the monitored airports have reported a loss across total airport operations since they were privatised two decades ago.

The aggregate of total profits for all the monitored airports rose for the fifth consecutive year in 2018–19, increasing by 1.0 per cent to reach a record high of $2.3 billion.

Total airport operating profit margins

Sydney Airport had the highest operating profit margin across all activities in 2018–19 with 59.5 per cent (down 0.2 percentage points). This means that it made an operating profit of 59.5 cents for every dollar of revenue across the airport. Like the other airports, Sydney Airport earned higher profit margins across its whole business than its aeronautical activities.

Brisbane (59.1 per cent) and Melbourne (56.5 per cent) airports reported slightly lower returns than Sydney. Perth Airport reported a fall in profit margin of 4.8 percentage points to 48.1 per cent.

Return on total airport assets

In 2018–19, Sydney Airport reported the highest return on total tangible non-current assets (17.1 per cent) among the four monitored reports, which was relatively unchanged over the previous year. The other three monitored airports reported decreases in their return on total airport assets.

Melbourne and Brisbane airports reported returns of 11.5 per cent (down 0.8 percentage points) and 10.2 per cent (down 0.1 percentage point) respectively. Perth Airport reported the largest decline of the four airports, with its return on total airport assets decreasing by 1.5 percentage points to 8.3 per cent.

3.3.4 Asset value and investment

Aeronautical services

Aeronautical assets are assets that are directly used for the supply of aeronautical services. These include runways, taxiways, parking bays, aprons and terminal facilities. The ACCC reports asset values using a line-in-the-sand approach (see box 3.3.2).

In 2018–19, the aggregate value of the tangible non-current aeronautical assets across the four monitored airports increased by 12.2 per cent in real terms to $9.7 billion. This is the eighth consecutive year that the airports' combined aeronautical asset base has grown.

Box 3.3.2 The use of a line-in-the-sand approach to aeronautical asset valuations

The Productivity Commission noted in its 2006 report into the review of price regulation of airport services that since the privatisation of major airports, most of the monitored airports had revalued above ground assets. The Productivity Commission said that one possible effect of these revaluations would be to provide justification for higher charges over time.[13] For instance, an upward revaluation of airports' aeronautical assets usually results in a lower return on assets measure. The lower rate of return on average assets could be used to argue for the raising of airport charges.

The Productivity Commission recommended that under the monitoring regime, the value of an airport's asset base should be rolled forward as follows:

- the value of tangible (non-current) aeronautical assets reported to the ACCC as at 30 June 2005, adjusted as necessary to reflect the proposed service coverage of the new regime
- plus new investment
- less depreciation and disposals.

The line-in-the-sand approach removes the effect of revaluations of aeronautical assets by airports for monitoring purposes. For example, an upward revaluation of a tangible non-current aeronautical asset is recognised in the regulatory accounts prepared under Australian International Financial Reporting Standards (AIFRS) but not in the line-in-the-sand asset base after 30 June 2005. As a result, to the extent that subsequent revaluations took place, the line-in-the-sand asset base will be lower. There is also a flow-on effect of a lower value of depreciation and, therefore, lower operating expenses.

The ACCC required airport operators to provide information regarding the aeronautical asset base under the line-in-the-sand approach for the first time in the 2007–08 report. This information was required in addition to the airport operator's regulatory accounts based on AIFRS which included any revision to the value of the assets recorded since 20 June 2005.

Since this time, only Sydney and Brisbane airports have revised the value of their assets. Past monitoring reports have typically presented two sets of financial accounts for these airports: one based on the line-in-the-sand approach and one based on AIFRS. However, the 2018–19 monitoring report only presents the line-in-the-sand data to support the rationale for the recommendation by the Productivity Commission.

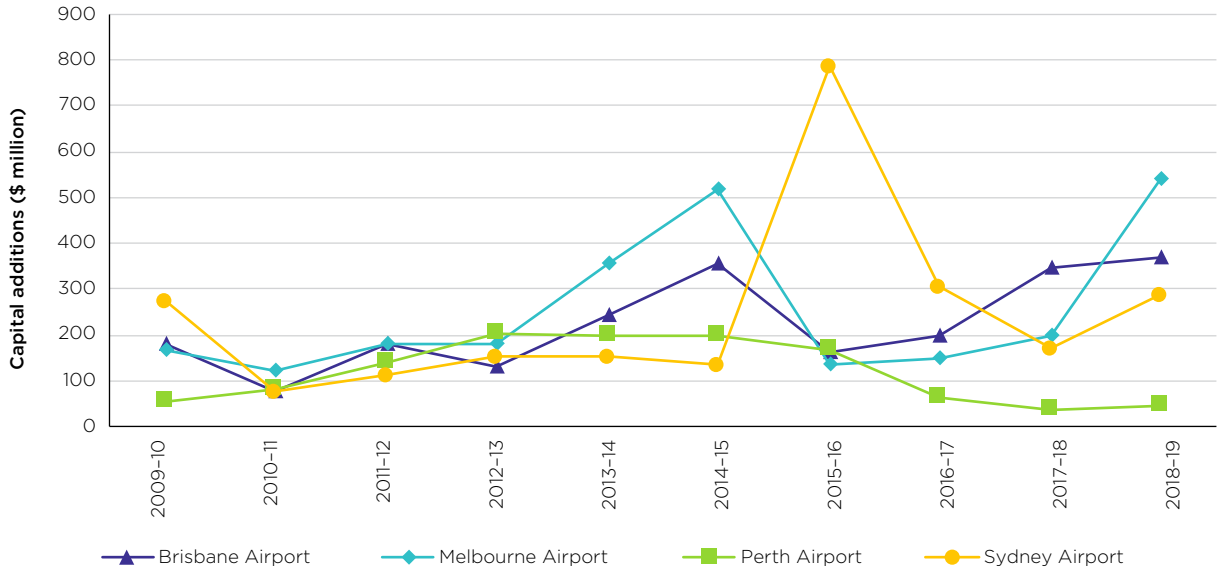
For Sydney Airport, landfill assets were not included in the asset base as at 1 July 2005. However, Sydney Airport has advised that the value of landfill is included in the asset base that was used in the pricing modelling for airport charges for airlines. This report presents data which reflects the exclusion of the landfill assets unless otherwise specified.

13 Productivity Commission (2006), Review of price regulation of airport services, No. 40, 14 December, p. XXII, http://www.pc.gov.au/__data/assets/pdf_file/0019/20638/airportservices.pdf.

Sydney Airport's aeronautical asset value is the largest of the monitored airports at $3.2 billion. Brisbane and Melbourne airports' asset values are $2.9 billion and $2.6 billion respectively. Perth Airport's asset value in 2018–19 stood at $1.0 billion.

Figure 3.3.5 below shows capital expenditure by the monitored airports for aeronautical services over the past decade. The chart demonstrates the lumpy and cyclical nature of capital investments. Over the past decade, the airports have collectively invested $8.4 billion in aeronautical assets, with most capital expenditure taking place in recent years. Sydney and Melbourne airports have reported the largest aeronautical additions over this period with around $2.5 billion each (including the amounts paid for the transfer of facilities within the respective Qantas domestic terminals). Brisbane Airport also reported significant aeronautical capital expenditure over the past decade ($2.2 billion), while Perth Airport has invested $1.2 billion over this period.

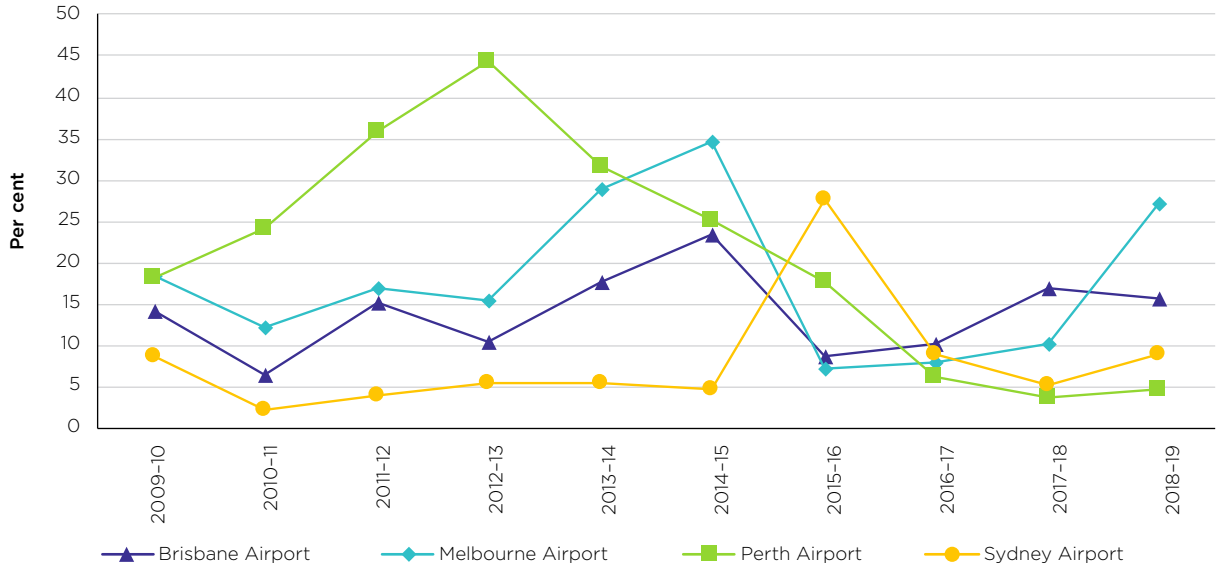
Figure 3.3.5 Additions for aeronautical services: 2009–10 to 2018–19



While large amounts of this expenditure can be attributed to some airports taking back domestic terminals over the past few years (as shown by the spikes for Melbourne Airport 2018–19 and Sydney Airport in 2015–16), recent investments by the airports for key projects currently underway have also contributed to these totals, such as Brisbane Airport has invested $1.3 billion in its new runway scheduled for completion in 2020. Melbourne Airport has recently commenced construction of a new $300 million taxiway network.

Figure 3.3.6 shows investment in aeronautical assets made by each monitored airport each year from 2009–10, represented as a percentage of the total value of aeronautical assets as at the start of the financial year. In contrast to the capital expenditure dollar amounts shown in figure 3.3.5 above, this chart shows the airports' aeronautical investment relative to the size of their existing asset bases.

Figure 3.3.6 Additions as a percentage of tangible non-current assets for aeronautical services: 2009–10 to 2018–19



Note: The spikes in investment rates for Sydney Airport in 2015–16 and Melbourne Airport in 2018–19 largely reflect the amounts paid for the facilities contained within their respective Qantas domestic terminals following the end of the domestic terminal leases.

The chart shows that proportionate investment rates have been lower in recent years. Part of the reason for the decline in this measure is that the asset base has grown significantly over the decade, following a period of capital expansion which included projects such as the redevelopment of Perth Airport's Terminal 1 and Melbourne Airport's Terminal 4. An exception to the lower investment rates in 2018–19 was Melbourne Airport, where new investment as a percentage of its aeronautical asset base was 27.0 per cent. A large proportion of this was associated with a payment to Qantas for facilities contained within the domestic terminal T1 following the expiry of the domestic terminal lease.

In 2018–19, Brisbane Airport reported 15.6 per cent additions to aeronautical assets, while Sydney Airport had 8.8 per cent and Perth Airport had 4.6 per cent. Sydney Airport's rate of investment has been well below the other airports on average over the last decade (despite having invested the most in absolute dollar terms). This may reflect in part the more limited opportunities for aeronautical expansion at the airport given operational constraints such as the curfew, aircraft movement quota and limited land.

Total airport

In 2018–19, the aggregate value of total airport tangible non-current assets across the four monitored airports increased to $28.7 billion, up 4.9 per cent from the previous year. Sydney Airport's asset value reached $15.3 billion, more than the total of the other three airports combined. Perth Airport's asset value was the lowest among the four airports ($2.9 billion).

The four monitored airports combined invested $1.6 billion on a total airport basis in 2018–19. The aggregate level of investment was 25.6 per cent higher than last year, with much of this spike due to Melbourne Airport payment as part of its assuming control of terminal T1. Melbourne Airport invested $675.5 million, followed by Brisbane ($464.8 million), Sydney ($353.6 million) and Perth ($68.8 million) airports.

3.4 Airport car parking prices and financial results

The four monitored airports provide a range of on-site car parking facilities for the public and staff. In 2018–19, car parking revenue accounted for between 8.3 per cent (Sydney) and 14.3 per cent (Melbourne) of total airport revenue.

Airports hold market power with respect to car parking because in most cases they are the sole provider of these services on airport land, especially in relation to at-terminal parking. However, the extent of this market power will depend on the degree to which consumers' needs (e.g. convenience, cost) can be met by alternative transport modes or an independent car park operator located in close proximity to the airport.

This section provides an overview of the ACCC's monitoring results of the prices, revenues, costs and profits relating to airport car parking. More detailed information on the facilities and prices offered at each airport are provided in chapters 4 to 7.

3.4.1 Car parking throughput and spaces provided

Each day, an average of 32 163 cars entered the monitored airports' car parks in 2018–19. Table 3.4.1 shows that Sydney Airport reported the highest throughput at 11 190 vehicles per day, followed by Melbourne (8723), Brisbane (7483) and Perth (4766) airports. Perth and Sydney airports reported decreases in the throughput of their car parks from the previous year. Car parking throughput has been on a gradual decline in recent years as passengers find other ways to get to and from the airport.

Table 3.4.1 Change in car parking throughput and spaces

Airport	Total car parking spaces		Daily car parking throughput	
	2018–19	% change	2018–19	% change
Brisbane	16 955	-0.6%	7 483	6.7%
Melbourne	26 654	0.3%	8 723	0.3%
Perth	22 081	-1.6%	4 766	-6.3%
Sydney	18 178	-3.8%	11 190	-4.8%

Table 3.4.1 also shows the number of car parking spaces at each monitored airports. There were decreases in the number of car parking spaces at Brisbane, Perth and Sydney airports during 2018–19. The largest decrease was at Sydney Airport, where the number of spaces fell across all of the car parking precincts.

3.4.2 Car parking prices

The price that somebody pays for parking at an airport is determined by a number of factors including the length of stay, the proximity of the car park to the terminal, whether the car park is covered or open, whether it is booked in advance and customer demand.

Given the wide range of pricing configurations, the ACCC focuses its analysis on two common types of parking in particular:

- short-term parking (up to a day) at a car park located at the terminal, with the motorist paying drive-up rates, and
- long-term parking (at least one day) at a car park located at a distance from the terminal, with prices measured as the average rate paid by motorists who booked online.

Short-term parking at the terminal

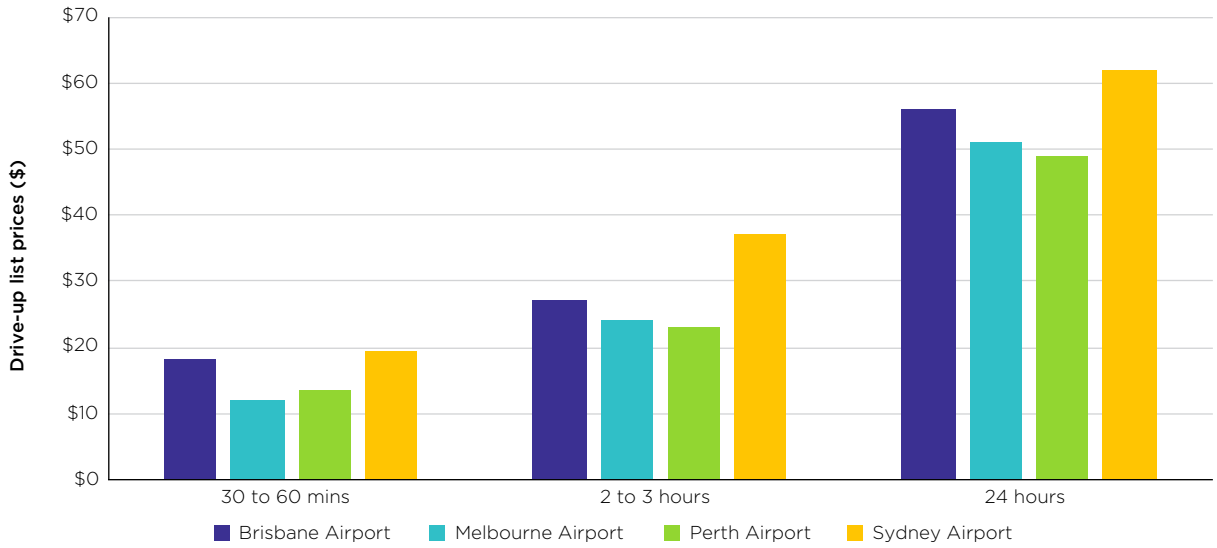
The most common form of parking at airports is motorists parking near the terminal as they drop-off or pick-up friends and relatives. Prices charged for parking near the terminal are typically higher than those for parking 'at-distance' for a number of reasons:

- multi-storey parking facilities used to provide at-terminal parking are more capital-intensive than at-distance parking facilities and are therefore more expensive to provide
- airports need to price at-terminal parking in order to manage the competing and growing demand for the limited space within walking distance of the terminals, and

- airports are the only providers of at-terminal parking[14], in contrast to at-distance parking where motorists can consider using an off-site car park.

Figure 3.4.1 shows selected drive-up prices for parking at the terminal at the four monitored airports. Sydney and Brisbane airports are the most expensive across the three durations. It is reasonable to expect that Sydney Airport may face greater challenges in providing car parking close to its terminals than other airports given both the higher number of passengers and the more limited availability of land.

Figure 3.4.1 Selected short-term drive-up car parking prices—at-terminal: 30 June 2019



Notes: This figure presents drive-up list prices for at-terminal, multi-storey car parking facilities for each airport: International terminal car park (Brisbane), At-terminal T123 car park (Melbourne), T1/T2 short-term car park (Perth) and International multi-level car park P7 (Sydney).

Table 3.4.2 below shows how the drive-up prices for short-term parking at the terminal changed between 30 June 2018 and 30 June 2019. It shows that most prices increased, with the most notable increase being for the 30–60 minute duration at Brisbane Airport. Prices continued to fall at Melbourne Airport in 2018–19, following reductions of up to 20 per cent in short-term drive-up prices in March 2018. This fall suggests that Melbourne Airport may be responding to competitive pressure from other modes of transport such as rideshare services and Skybus. Prices for short-term parking at the terminal at Melbourne Airport are now generally lower than what they were a decade ago.

Table 3.4.2 Change in short-term drive-up car parking prices—at-terminal: 30 June 2018 to 30 June 2019

	At-terminal parking		
Airport	**30 to 60 mins**	**2 to 3 hours**	**24 hours**
Brisbane	4.2%	2.2%	0.2%
Melbourne	-1.6%	-1.6%	-1.6%
Perth	1.4%	2.9%	0.4%
Sydney	0.5%	-0.3%	0.0%

Note: The changes in drive-up car parking prices are for the following car parks: International terminal car park (Brisbane), At-terminal T123 car park (Melbourne), T1/T2 short-term car park (Perth) and International multi-level car park P7 (Sydney).

Long-term parking at distance

Each of the airports offers at-distance car parking facilities to the public. At-distance car parking is generally not located within walking distance of the terminals and therefore requires shuttle bus access.

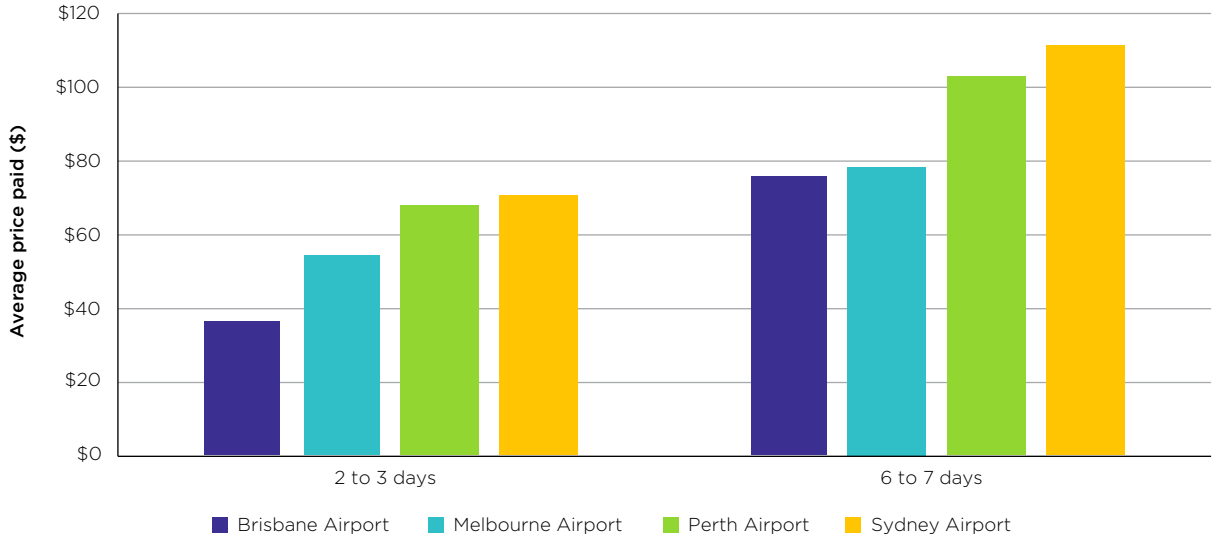
14 Qantas operates valet car parking services at Brisbane Airport.

Despite the lower level of convenience, at-distance car parks are often favoured by motorists parking for extended durations because of the cheaper parking rates.

Not all at-distance car parks across the four monitored airports provide the same level of service. For example, Melbourne Airport's Long Term Car Park provides a shuttle bus every five minutes 24 hours/7 days per week, which the airport says will have people at check-in within 10 minutes. This compares with Sydney Airport's Blu Emu car park for which there is a shuttle bus every 15 minutes, with 15 minutes required to travel to and from the domestic terminals. Passengers wanting the international terminal would then need to take the terminal transfer bus or train.

Figure 3.4.2 shows the average prices paid by motorists that booked their parking online at each of the monitored airports' at-distance car parks. The chart shows that Sydney and Perth airports were the most expensive for the durations shown. Average prices paid online for 2–3 day parking at Sydney Airport's Blu Emu car park were almost double those paid at Brisbane Airport's Airpark.

Figure 3.4.2 Average prices paid for booking long-term parking online—at-distance: 2018–19



Note: This figure uses the online revenue and throughput rates of open-air at-distance car parking facilities for each airport: Airpark uncovered (Brisbane), Long Term Car Park (Melbourne), T1/T2 long-term car park (Perth) and Blu Emu uncovered (Sydney). Average car parking charges are calculated as online revenue per vehicle for each length of stay. These charges capture any fluctuations in pricing, including promotions that may be offered by the airport and are therefore generally lower than listed drive-up prices.

Table 3.4.3 shows how these figures have changed from the previous year. Interestingly, despite Brisbane Airport reporting clearly the lowest average price paid for 2–3 days parking of the four airports, it also reported that this figure increased by 15.5 per cent in 2018–19. In contrast, Perth Airport reported that the average amount paid for this duration at its T1/T2 long term car park fell by 13.1 per cent in 2018–19.

Table 3.4.3 Change in average prices paid for booking long-term parking online—at-distance: 2017–18 to 2018–19

Airport	At-distance parking 2 to 3 days	At-distance parking 6 to 7 days
Brisbane	15.5%	3.4%
Melbourne	-1.6%	-1.9%
Perth	-13.1%	2.0%
Sydney	-1.6%	0.8%

Note: The changes average prices paid are for the following car parks: Airpark uncovered (Brisbane), Long Term Car Park (Melbourne), T1/T2 long-term car park (Perth) and Blu Emu uncovered (Sydney).

Box 3.4.1 How to get better rates when parking at the airport

There is no single price for airport car parking. Even cars parked directly next to each other for the same period may incur different charges. The following advice will help you get better car parking rates at Brisbane, Melbourne, Perth or Sydney airports.

Use a free waiting area

Arrived at the airport but still waiting to hear whether your family and friends are ready to be picked up? Brisbane, Melbourne, Perth and Sydney airports all provide designated waiting areas away from the terminals at no charge for at least 15 minutes.

Consider your airport's 'at-distance' car park

Don't mind leaving for a flight a little bit earlier? Then consider parking at your airport's 'at-distance' car park. These car parks are located at the airport but require a free shuttle bus trip to the terminal. They include the long-term car parks in Melbourne and Perth, Blu Emu in Sydney (primarily for domestic passengers) and Airpark in Brisbane. This could potentially save you 33–60 per cent for parking compared to drive-up prices at car parks near the terminals.

Book your parking online

Get yourself organised and save yourself some cash. Booking your parking online may save you up to 39 per cent compared to the drive-up rates for long-term parking in at-distance car parks.

Book your parking sooner rather than later

Finished booking your flights? That's the best time to book your parking as well. Not only does it tick another item off your list, but some airports offer cheaper rates the earlier you book.

Explore rates from independent car parks near the airport

Brisbane, Melbourne, Perth and Sydney airports compete with nearby independent car parks that provide free pick-ups and drop-offs at the terminals via shuttle bus. Shop around and you might find savings of up to 36 per cent compared to booking online at the airport, although the shuttle bus trip may be a bit longer. You will likely be charged by calendar day at an independent car park, compared to 24-hour increments at an airport's at-distance car park.

Motorists booking their car parking online

The discounts available for booking parking online can vary greatly, depending on airport, type of parking, how far in advance the booking was made, and demand for car parks at that time of year. The ACCC compared the average amounts paid for at-distance parking by motorists that booked their parking online compared to those that paid drive-up prices. Table 3.4.4 below shows that the

average savings from booking parking online ranged from 9.9 per cent to 37.2 per cent for the durations listed below.

Table 3.4.4 Savings from booking at-distance car parking online

Airport	At-distance parking 2 to 3 days	At-distance parking 6 to 7 days
Brisbane	37.2%	20.8%
Melbourne	19.1%	13.4%
Perth	15.5%	19.2%
Sydney	9.9%	21.2%

Note: The savings are for the following car parks: Airpark uncovered (Brisbane), Long Term Car Park (Melbourne), T1/T2 long-term car park (Perth) and Blu Emu uncovered (Sydney).

Booking online is a very common practice for motorists parking at Brisbane's at-distance Airpark, with 90.3 per cent of motorists that park long-term taking advantage of online discounts. The take-up rates at the other monitored airports suggest that many motorists remain unaware of the available savings. About a third of motorists parking for long-term durations at the at-distance car parks at Melbourne and Sydney airports did not book online, while this was even higher (about two-thirds) for Perth Airport. The share of customers choosing to pre-book long-term parking online at Perth Airport increased over the past year.

In comparison, very few motorists choose to book online for short-term car parking (that is, stays of up to one day). One reason may be that motorists parking to pick-up or drop-off friends and relatives are less sure about the length of time they will be parked, although the airports typically offer grace periods to provide some flexibility. Another reason is likely to be because any discounted rate for shorter parking durations such as 30 minutes is likely to result in a smaller saving in dollar terms than for those parking over multiple days.

3.4.3 Car parking revenues, costs and profits

Table 3.4.5 presents car parking revenue, expenses and operating profits (EBITA) for the monitored airports in 2018–19, as well as changes since 2017–18. Melbourne Airport earned the highest revenue of the four airports with $145.5 million, although this was down on the previous year due to significant price reductions from March 2018.

Table 3.4.5 Car parking revenue, costs and operating profit in 2018–19

Airport	Revenue		Expenses		Operating profit	
	Total ($m)	Change since 2017–18	Total ($m)	Change since 2017–18	Total ($m)	Change since 2017–18
Brisbane	107.1	5.3%	35.1	-0.4%	72.0	8.3%
Melbourne	145.5	-4.5%	67.9	2.6%	77.5	-10.0%
Perth	61.7	-2.8%	26.2	-13.0%	35.6	6.2%
Sydney	133.6	-3.6%	42.7	2.4%	91.0	-6.2%

Note: Charges are calculated using prices in real terms.

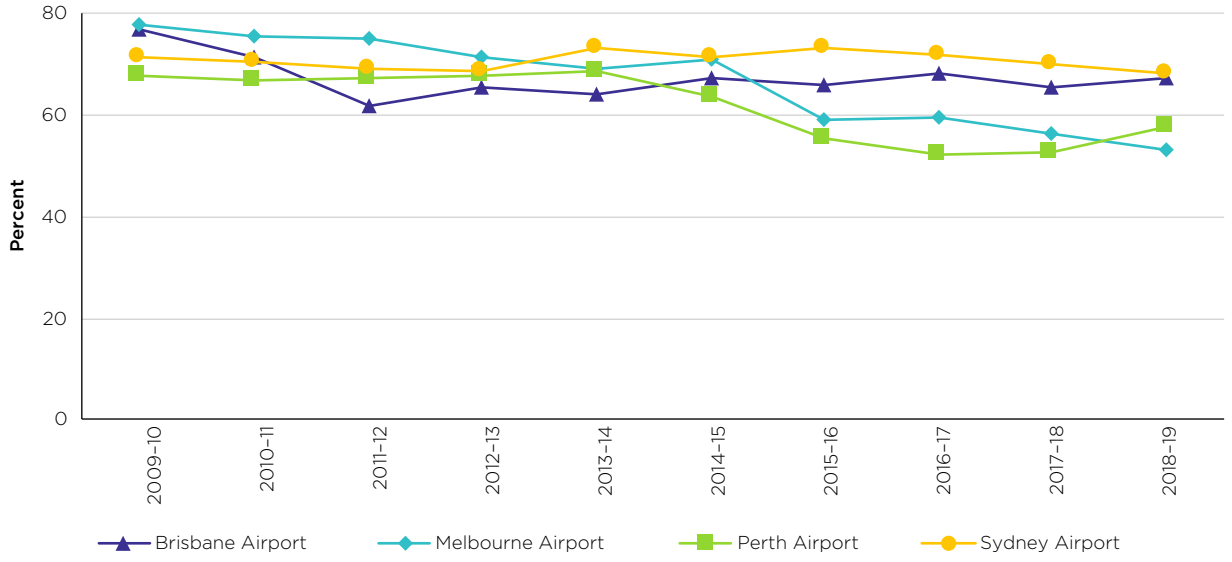
Significantly higher costs at Melbourne Airport means that its operating profit from car parking activities ($77.5 million) falls well short of that for Sydney Airport ($91.0 million). Both airports reported notable declines in operating profit in 2018–19. Sydney Airport's car parking profits were down largely due to a fall in throughput.

As to be expected, the two largest airports have consistently reported the highest revenues and operating profits from car parking over the last decade. In particular, Melbourne Airport has reported the highest revenue for each year while Sydney Airport has reported the highest operating profit for the last four consecutive years.

Car parking revenue at all of the four monitored airports has grown over the past decade. The growth was more notable at Perth (54.0 per cent) and Brisbane (52.9 per cent) airports than Sydney (16.6 per cent) and Melbourne (16.3 per cent) airports.

Figure 3.4.3 presents the operating profit margins (EBITA as a percentage of revenue) from car parking for each of the four monitored airports from 2009–10 to 2018–19. It shows that car parking continues to generate very high operating profit margins for all four of the monitored airports, although Melbourne and Perth airports' margins have trended downwards over the last decade.

Figure 3.4.3 Car parking operating profit margin: 2009–10 to 2018–19



Note: Calculated from real values in 2018–19 dollars.

Sydney Airport reported the highest operating profit margin from car parking for the sixth consecutive year at 68.1 per cent, although this has been trending down over the past few years. Melbourne Airport reported the lowest operating profit margin at 53.3 per cent, which is 3.2 percentage points lower than the previous year. Melbourne Airport has been reporting a lower operating margin since the airport revised its cost allocation methodology in 2015–16.

The airports are not required to provide the ACCC with information on asset values for car parking facilities. This means that, unlike for aeronautical services, the ACCC cannot report on the airports' returns on their car parking assets.

3.4.4 Revenues, costs and profits per vehicle

Table 3.4.6 shows car parking revenue, expenses and operating profit per vehicle for each airport in 2018–19. Consistent with trends in total car parking revenue, Melbourne Airport reported the highest revenue per vehicle at $45.70. The airport with the next highest average revenue was Brisbane Airport at $39.20.

Table 3.4.6 Car parking revenue, costs and operating profit per vehicle in 2018–19

Airport	Revenue		Expenses		Operating profit	
	Per vehicle ($)	Change since 2017–18	Per vehicle ($)	Change since 2017–18	Per vehicle ($)	Change since 2017–18
Brisbane	39.20	-1.3%	12.84	-6.6%	26.35	1.5%
Melbourne	45.70	-4.8%	21.34	2.3%	24.36	-10.3%
Perth	35.48	3.7%	15.03	-7.1%	20.45	13.4%
Sydney	32.72	1.3%	10.44	7.5%	22.27	-1.4%

Note: Charges are calculated using prices in real terms.

On a per vehicle basis, Perth Airport's revenue and operating profit increased over the past year by 3.7 and 13.4 per cent respectively. The increase in profit per vehicle is partly due to a decrease in operating expenses mainly as a result of lower depreciation. Melbourne Airport's revenue and operating profit per car both decreased over the year, reflecting the impact of recent reductions in drive-up prices at the terminal.

3.5 Landside access revenue

Aside from driving and parking on airport land, the public can choose to travel to and from the airport using a range of transport modes such as taxis, rideshare services, off-airport car parking, terminal pick-up and drop-off, rental cars, private cars (e.g. limousines), public and private buses, and trains. Airports are responsible for providing ground transport providers with landside access (e.g. forecourt and transport hubs), waiting areas and roads to facilitate movements around the airport.

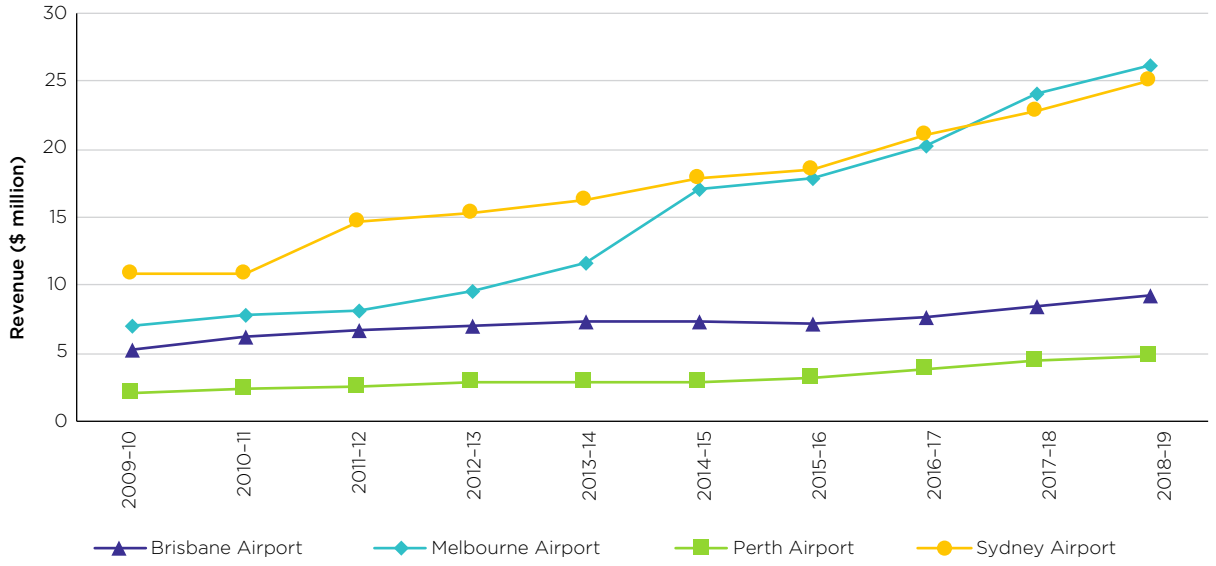
The monitored airports typically levy charges for operators of alternative transport modes to access landside areas at airports. The level of these charges, and the quality of the access provided, can potentially constrain landside operators' ability to compete with airports' own car parking businesses.

This section examines recent trends in landside access revenues at each of the monitored airports. Unlike aeronautical activities, landside access data is provided by airports on a voluntary basis and may vary in the way in which it is reported across the airports. For example, revenue from car rental operators is not included in total landside revenue figures because airports have inconsistent methods for reporting.

3.5.1 Total landside revenue

Figure 3.5.1 shows that the revenues received by the monitored airports for providing landside access services have grown significantly over the past decade. Combined landside revenues have risen by 159 per cent over this period, with Melbourne and Sydney airports earning the dominant share. Melbourne Airport's revenues have almost quadrupled to $26.2 million, while Sydney Airport's revenues have increased by 132.8 per cent to $25.0 million. Perth (125.2 per cent) and Brisbane (74.5 per cent) airports have also reported significant growth in landside revenues.

Figure 3.5.1 Total landside access revenue: 2009–10 to 2018–19



Note: Values in 2018–19 dollars. Totals for all four airports exclude revenue from car rental operators.

Over the past year, combined landside access revenue increased by 9.3 per cent to $65.2 million. Growth rates ranged from 7.8 per cent at Perth Airport to 9.9 per cent at Sydney Airport.

Much of the strong growth in revenue over the decade can be attributed to greater demand for landside access services. The airports are catering to more passengers than they did in the past, while the emergence of rideshare services also appears to have grown landside access and not just replaced volumes previously served by taxis. In Melbourne, SkyBus also appears to be catering to a growing number of passengers.

However, higher charges for certain transport modes at some airports have also played a role in growing revenues. For example, taxis at Melbourne Airport paid 129.6 per cent more in 2018–19 ($3.65 per pick-up) and private car operators paid 24.6 per cent more in 2018–19 ($4.50 for 30 minutes) than they did in 2009–10. At Sydney Airport, taxis paid 27 per cent more in 2018–19 ($4.60 per exit) than in 2009–10, while charges for private car operators almost doubled over the same period.

Figure 3.5.2 compares the charges incurred by taxis and rideshare operators at each of the airports in 2018–19. Brisbane and Perth airports both charge the same landside access fees for taxis and rideshare operators, while Sydney Airport charges a lower fee for rideshare operators. Melbourne Airport has since (in September 2019) increased its charge for taxis to $4.50 per pick-up.

Figure 3.5.2 Taxi and rideshare charges (per pick-up): 2018–19

3.6 Quality of service

This section summarises the performance of the airports in relation to quality of service. To evaluate airports' service quality, the ACCC collects both subjective and objective information on aircraft and passenger-related services and facilities.

Airport users, comprising airlines and passengers, are the principal sources for the ACCC's quality of service assessment survey data. The respondents of these surveys are asked to rate their level of satisfaction with airport services and facilities on a scale of 1 to 5. The average scores are then converted into five ratings ranging from 'very poor' to 'excellent', as shown in table 3.6.1.

Table 3.6.1 Ratings of satisfaction for airport facilities and services

Score	1–1.49	1.50–2.49	2.50–3.49	3.50–4.49	4.50–5
Rating	Very poor	Poor	Satisfactory	Good	Excellent

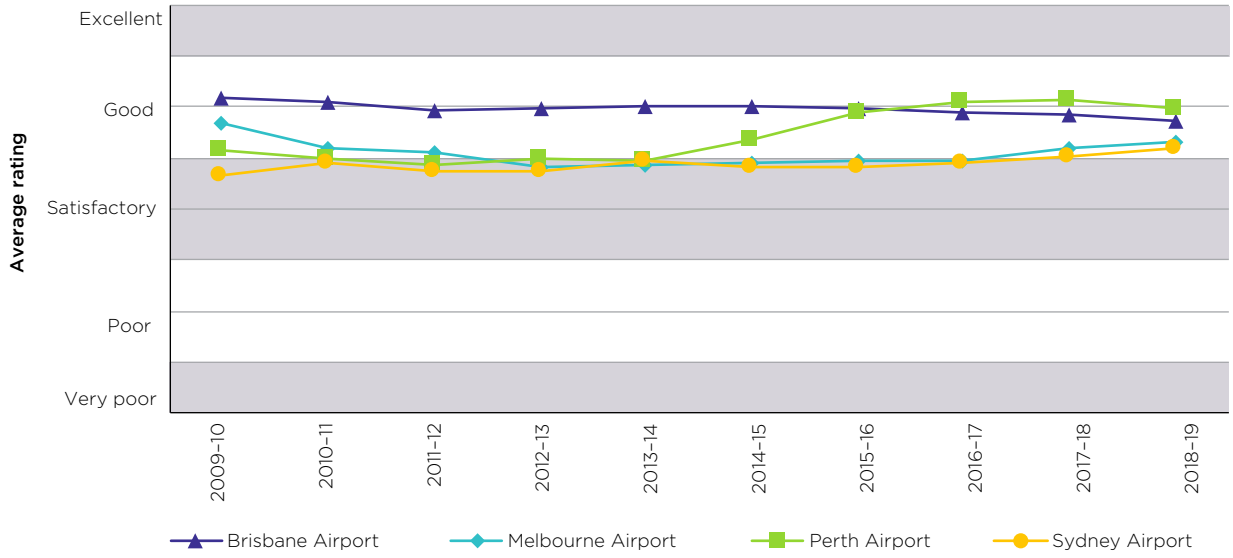
The ACCC also collects data from the airport operators on a wide range of objective indicators. An example of these indicators is the number of departing passengers per check-in desk, kiosk and bag drop facility.

3.6.1 Total airport services

For each airport, the ACCC calculates a single overall quality of service rating. This overall rating covers aeronautical, car parking and, to a lesser degree, landside operations. The overall rating represents the average score that the airport achieved across the many measures based on airline surveys, passenger surveys and objective indicators. The methodology for calculating this rating is explained in section A4.2.3 in appendix A4.

Figure 3.6.1 shows that all four monitored airports were rated as 'good' for their overall quality of service for the second consecutive year in 2018–19. This outcome reflects slight improvements from Sydney and Melbourne airports in recent years in order to move from 'satisfactory' to 'good'. Sydney Airport achieved its highest rating over the 17-year lifespan of the monitoring regime.

Figure 3.6.1 Overall quality of service rating: 2009–10 to 2018–19



Source: Airline surveys, passenger surveys and objective indicators.

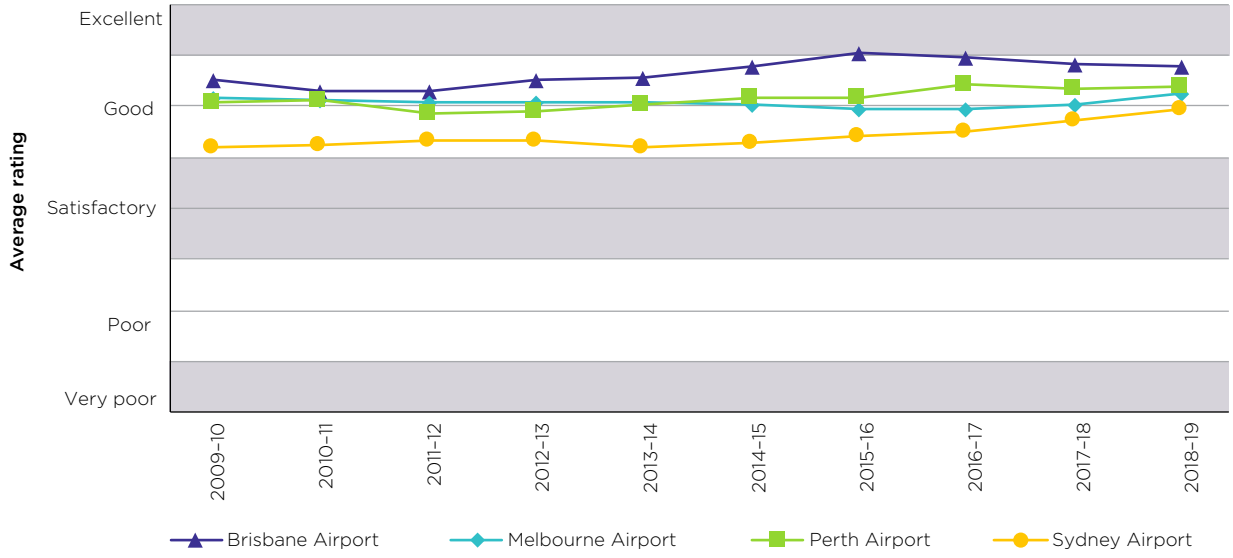
Perth Airport was the highest rated among the monitored airports for the third year in a row, with Brisbane Airport second. The disparity in average ratings between the monitored airports decreased in 2018–19 as ratings of both Brisbane and Perth airports declined within the 'good' category.

3.6.2 Passenger ratings of the airports' quality of service

Passengers are surveyed about the quality of service provided by each monitored airport with respect to passenger-related aeronautical services, car parking and landside services. Passenger perception can be affected by service providers operating at the airports other than the airport itself, such as airlines, ground handling services, some security providers and the Australian Border Force.

Figure 3.6.2 shows the average passenger ratings of the quality of service for each monitored airport for the past decade. All four of the monitored airports were rated as 'good' by passengers in 2018–19. Brisbane Airport has consistently received the highest rating in the last decade, although its rating has decreased over the past three years. Sydney and Melbourne airports both improved on their passenger ratings during 2018–19, with Sydney Airport reporting an improved result for the fifth consecutive year.

Figure 3.6.2 Average passenger ratings of quality of service: 2009–10 to 2018–19



Source: Passenger surveys.

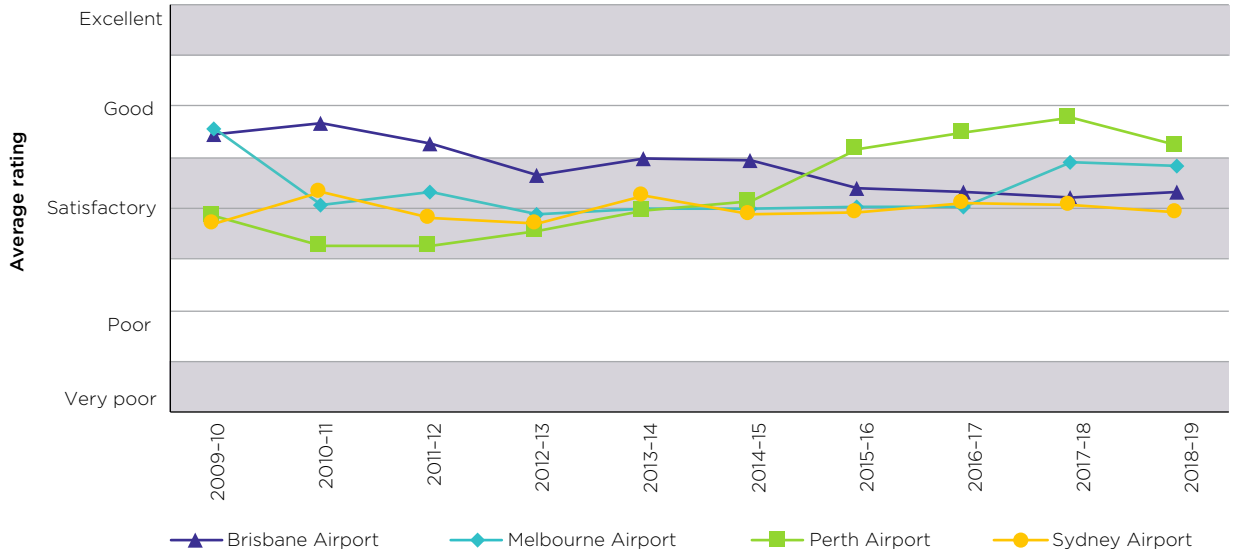
Passenger ratings of the quality of service at the airports have been very consistent over the past decade, particularly when compared to airline ratings (discussed in section 3.6.3). With the exception of Brisbane Airport receiving a rating of 'excellent' in 2015–16, all airports have received 'good' ratings from passengers over the entire period. Sydney Airport has been consistently rated the lowest by passengers over the last decade despite its recent improvement.

3.6.3 Airline ratings of the airports' quality of service

Airlines are also direct users of airport services and facilities, but can provide a different perspective to passengers. They provide an informed view of the quality of the airports' aeronautical infrastructure such as runways, taxiways and associated terminal infrastructure.

Figure 3.6.3 presents the average airline ratings on the quality of service for each monitored airport over the past decade. The average rating has been calculated using airline survey responses with respect to aircraft- and passenger-related aeronautical services and airport management. Compared to passenger ratings, airline ratings have been much more volatile and generally lower over the past decade, with the volatility partly due to the relatively small number of airline responses received. The ACCC received between 9 and 12 airline responses for each of the airports in 2018–19.

Figure 3.6.3 Average airline ratings of quality of service: 2009–10 to 2018–19



Source: Airline surveys.

Perth Airport was the highest rated airport in 2018–19 and the only monitored airport to receive a 'good' rating from airlines during the period. Airlines consider that the airport has significantly improved its performance over the last decade, although this satisfaction dropped somewhat in 2018–19. As discussed in section 6.4.3, this appears to be mostly driven by lower airline ratings for passenger-related services and facilities.

The other three monitored airports were rated as 'satisfactory' by airlines. In contrast to Perth Airport, airline satisfaction at Brisbane Airport has declined notably over the decade despite a small improvement in 2018–19. Melbourne has significantly improved its performance in the last two years.

In comments provided by airlines in response to the ACCC's quality of service survey, airlines raised concerns about congestion of airside infrastructure and the inadequacy of baggage processing facilities at several airports. Airlines also highlighted the issue of foreign object debris (FOD) left on runways and taxiways, and the potential service disruption and safety hazards that can result.

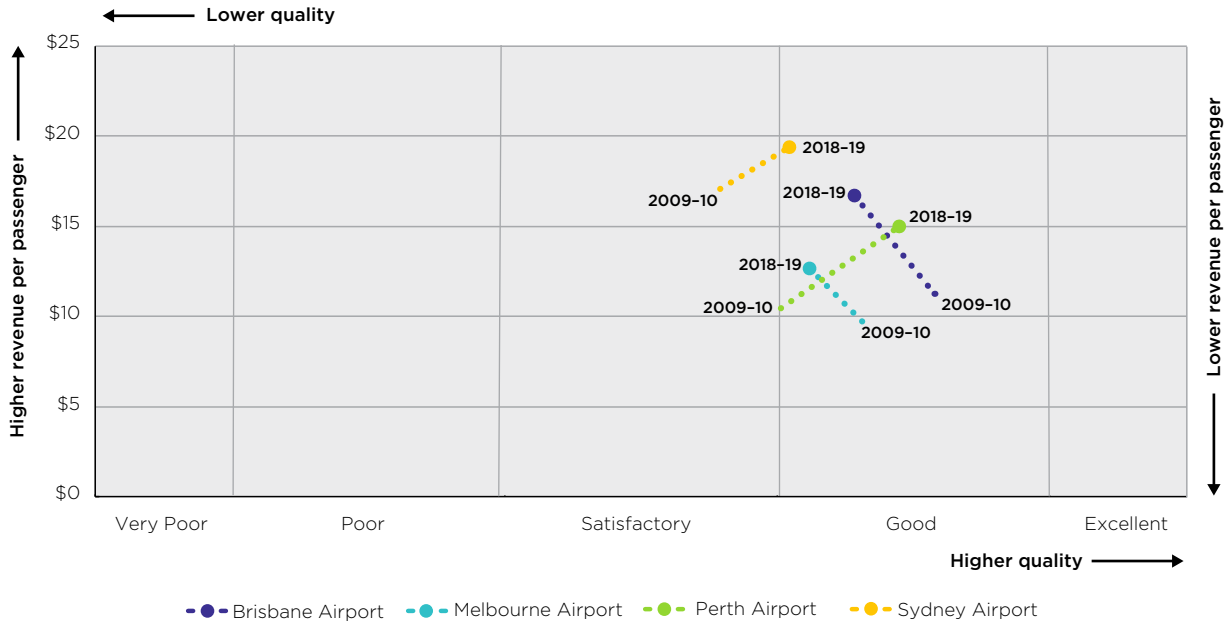
3.7 Comparing trends in revenue per passenger with aeronautical quality of service

This section looks at the relationship between aeronautical revenue per passenger (as a proxy for prices) and quality of service over time. It is useful to compare both of these measures to identify whether users of airport services are getting more or less value. For example, investment by an airport may see an increase in charges to airlines, but this investment may also lead to a significant improvement in the quality of service provided by the airport. However, a monopoly infrastructure operator such as an airport may also not have strong incentives to constrain its prices and/or improve its service levels.

Figure 3.7.1 compares each airport's average rating of the quality of aeronautical services with its average aeronautical revenue per passenger, both in 2018–19 and a decade earlier. The quality of service measure is calculated using a similar approach as the overall rating for total airport services in figure 3.6.1, but excludes indicators related to car parking and landside services. It should be recognised that while quality of service ratings are scores out of five, revenue per passenger is not bounded. This limitation means that the chart is for indicative purposes only.

The most favourable outcome for customers of the airports (such as airlines) would be in the lower right region in the chart, which represents lower average prices and higher quality. The least favourable outcome is in the upper left region which represents lower quality and higher prices.

Figure 3.7.1 Aeronautical revenue per passenger and aeronautical quality of service rating for the monitored airports: 2009–10 to 2018–19



Note: Revenue per passenger is presented in 2018–19 prices.

Figure 3.7.1 shows that all four monitored airports have drifted upwards, indicating increasing average aeronautical revenue per passenger over the decade. Perth and Sydney airports have also moved to the right, suggesting that the higher charges have coincided with an improvement in the quality of services at those airports. In contrast, Brisbane and Melbourne airports have seen a move to the left, indicating a decline in quality of service relative to a decade ago.

3.8 Flight delays on the rise at the monitored airports

Flight delays can be very frustrating for passengers. They may mean missed connecting flights, missed events, confusion regarding pick-ups by friends and relatives, and also less time at the destination. Delays can also be costly for airlines, such as through burning additional fuel, additional customer interaction, the need to build buffer time into schedules, operational challenges and harm to customer loyalty.

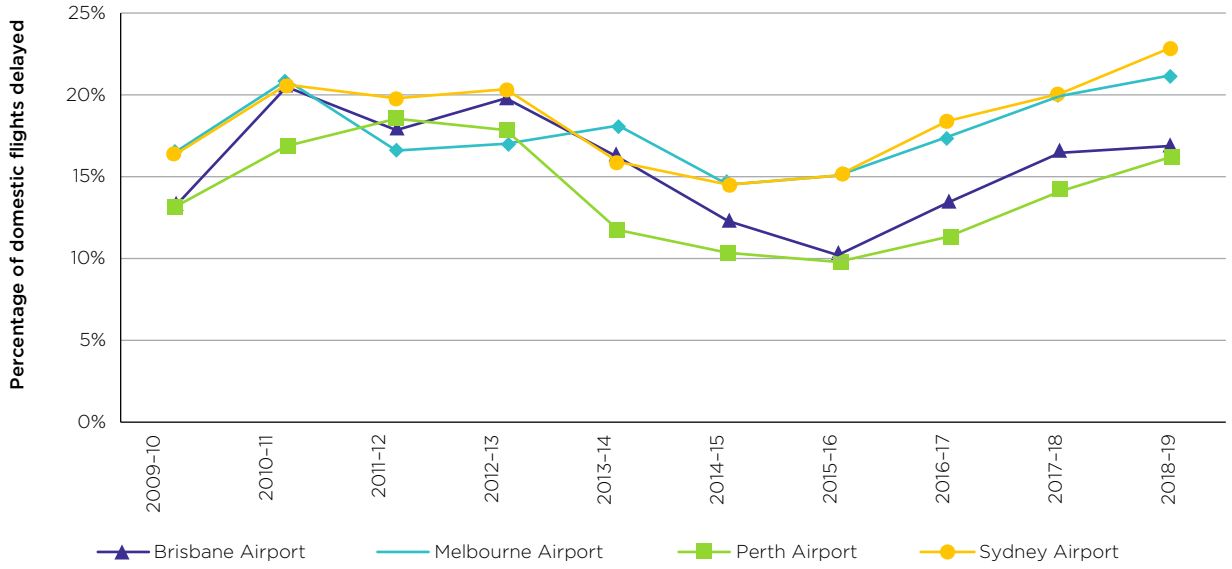
Flight delays can be caused by a variety of factors. These include:

- circumstances within some control of the airline, such as problems with maintenance of the aircraft or having the requisite crew
- extreme weather
- problems associated with passengers, such as the need to remove a bag from the aircraft due to a passenger not boarding, and
- late arriving aircraft, which is why poor on-time performance at one airport can spread to other airports.

Airports also play a key role in promoting on-time performance by airlines. This role relates to ensuring that there is sufficient infrastructure and facilities for the scheduled flights at all times of the day, as well as ensuring that facilities such as baggage handling equipment are sufficiently reliable and do not suffer from outages. Airports can also take action to address local challenges, such as Perth Airport upgrading its lighting and landing system in 2018 to make the airport more resilient in times of fog.

Figure 3.8.1 below shows average annual domestic departure on-time performance for each of the monitored airports over the past decade. It is measured as the proportion of departing flights that do not depart within 15 minutes of their scheduled time (excluding cancelled flights).

Figure 3.8.1 Delayed departures (domestic services): 2009–10 to 2018–19



Note: Delayed departures are measured as the proportion of departing flights that do not depart within 15 minutes of their scheduled time (excluding cancelled flights).

Source: ACCC analysis of BITRE monthly domestic airline on-time performance https://www.bitre.gov.au/publications/ongoing/airline_on_time_monthly.aspx.

The chart shows that, following an improvement between 2012–13 and 2015–16, on-time performance for domestic services has deteriorated at each of the monitored airports over the past four years. The proportion of delayed domestic departures has risen from a low of between 10 and 15 per cent four years ago to between 16 and 23 per cent in 2018–19. Despite the improvements seen several years ago, domestic on-time performance was lower for each of the monitored airports in 2018–19 than it was a decade earlier.

Recent analysis by the Board of Airline Representatives of Australia (BARA) indicates that on-time performance for international services at the four monitored airports in 2018–19 was similar to the outcomes shown above for domestic services.[15] Of a sample of 67 international airports, BARA found that Brisbane and Perth airports had a relatively better record of on-time international departures over the year, ranking 20th and 17th respectively. Melbourne and Sydney airports were ranked lower, at 44th and 61st respectively.

The recent trend may have been influenced by some of the exogenous factors noted above, such as airline performance and weather. However, comments made by airlines in response to the ACCC's quality of service survey show that they consider congestion to be a problem for a range of aeronautical services across all four of the monitored airports. Specifically, the availability of runways and taxiways—particularly during peak hours—is an issue of concern. Airports have also acknowledged the problem: Melbourne Airport expects that delays will get worse, rising to as high as 40 per cent of flights by 2022.[16]

However, as discussed in section 2.3, three of the four monitored airports are at various stages of planning or building new runways, which will be expected to alleviate congestion and potentially contribute to improved on-time performance. Sydney Airport has limited ability to further increase its runway capacity due to its location, but the Australian Government plans to have completed building a new airport in western Sydney by 2026.

15 BARA, *Australia's International Aviation Industry—2018–19 Snapshot*, December 2019, p. 4.

16 Patrick Hatch, 'These are the worst flights in Australia for delays and cancellations', *The Sydney Morning Herald*, 27 April 2018.

3.8.1 Expected future growth necessitates congestion management

The four monitored airports are all expected to experience growth in passenger volumes and flight movements over the coming decades. Table 3.8.1 below shows that passenger numbers are expected to grow by about 70 per cent to reach 203.2 million by 2039–40.[17] Flight movements are expected to reach over 1.34 million by this time (up about 50 per cent).[18]

Table 3.8.1: Airport passenger volume forecasts for the next two decades

Airport	Domestic		International		Total	
	Forecast*	Percentage change**	Forecast*	Percentage change**	Forecast*	Percentage change**
Brisbane	36.0	105.7	15.5	162.7	51.5	120.1
Melbourne	45.7	81.3	22.0	120.0	67.8	92.6
Perth	18.3	84.6	10.2	133.4	28.5	99.5
Sydney	31.4	25.1	31.5	98.1	65.6	51.5

Note: ACCC analysis of passenger forecasts from each airport's most recent Master Plan document. *Brisbane Airport's forecast is for 2039–40, Melbourne's for 2037–38, Perth's for 2040 and Sydney's for 2039. **Percentage change is calculated relative to 2018–19 passenger values.

Such sustained growth in demand will put further pressure on airport infrastructure, potentially leading to increasing congestion and deterioration in on-time performance if it is not managed effectively. In the short-term, a range of measures such as peak-period pricing (or congestion pricing) and slot management may be adopted to manage demand in order to relieve congestion. In the long-term, continued investment is needed to expand capacity to meet increasing demand.

17 Bureau of Infrastructure, Transport and Regional Economics (2012), Research Report 133: Air passenger movements through capital and non-capital city airports to 2030–31, BITRE, Canberra, p. 3.

18 Bureau of Infrastructure, Transport and Regional Economics (2010), Research Report 117: Aircraft movements through capital and non-capital city airports to 2039–30, BITRE, Canberra, p. xv.

4. Brisbane Airport

Key Points

- Brisbane Airport's passenger traffic grew by 1.4 per cent in 2018–19 to 24.0 million passengers. This was driven by a 4.8 per cent increase in international passenger traffic to 6.4 million, while the number of domestic passengers rose by 0.3 per cent to 17.6 million.
- Aeronautical revenue per passenger increased by 11.3 per cent in real terms to $16.76 in 2018–19. Total aeronautical revenue rose by 12.9 per cent to $402.3 million, while expenses increased by 18.2 per cent to $213.5 million. Part of the growth in aeronautical revenues and expenses was due to the inclusion of those associated with the Qantas and Virgin parts of the domestic terminal building after the expiry of the airlines' domestic terminal leases at the end of December 2018.
- Aeronautical operating profit (EBITA) grew by 7.4 per cent to $188.8 million. Aeronautical operating profit margin fell from 49.3 per cent to 46.9 per cent, while the return on aeronautical tangible non-current assets dropped slightly to 7.2 per cent.
- Brisbane Airport invested $370.7 million in aeronautical capital expenditure, which represented 15.6 per cent of aeronautical tangible non-current assets. The airport has continued to invest in relation to the construction of the new parallel runway (scheduled for completion in mid-2020), including a new taxiway to the runway which enables cars to travel underneath.
- Higher throughput helped the airport to grow both its revenue ($107.1 million) and profit ($72.0 million) from car parking operations. The operating profit margin for car parking was 67.2 per cent. Drive-up prices for short-term car parking near the terminal increased by up to 4.2 per cent in 2018–19. Average prices paid by motorists who booked long-term parking online at the at-distance car park Airpark increased by at least 3.4 per cent in 2018–19, although Airpark remained the cheapest of the four airports' at-distance car parks.
- Brisbane Airport's overall quality of service rating was 'good' in 2018–19. Passengers were slightly less satisfied than in the past few years but continued to rate the airport as 'good', while airlines rated the airport as 'satisfactory'. Average ratings for the domestic terminal declined modestly while those for the international terminal remained relatively stable.

4.1 Introduction

This chapter presents a detailed review of the performance of Brisbane Airport in the supply of aeronautical, car parking and landside access services. The chapter is structured as follows:

- section 4.2 presents an overview of aeronautical activity, terminal configuration and aeronautical investments
- section 4.3 reports on prices and financial performance
- section 4.4 reports on the quality of aeronautical and total airport services
- section 4.5 presents a review of car parking
- section 4.6 presents a review of landside access services.

The monitored airports are only required to provide information to the ACCC in relation to the terminals that they operate directly. At Brisbane Airport, parts of the domestic terminal were operated by Qantas and Virgin airlines under domestic terminal leases until their expiry at the end of December 2018.

The expiry of the domestic terminal leases means that this monitoring report will include the aeronautical revenues and expenses from these parts of the domestic terminal for the first time in figures for 2018–19 (albeit for just six months). Taking back operations of a terminal and its associated facilities previously developed by the relevant airline can also result in an increase in an airport's asset base. Monitoring of quality of service at these parts of the domestic terminal also commenced this year. The expiry of the domestic terminal leases will have no impact on the data presented in section 4.2 in relation to aeronautical activity, and where figures are presented for total airport operations.

Unless otherwise noted, dollar values presented throughout this chapter are in 2018–19 dollars, with all movements having been adjusted for inflation.

4.2 Airport overview and major aeronautical investments

This section provides an overview of Brisbane Airport and its activity and investment during 2018–19. It covers the volume of passengers, tonnes landed and aircraft movements (section 4.2.1), terminal configurations (section 4.2.2) and major aeronautical investments (section 4.2.3).

4.2.1 Aeronautical activity levels

Figure 4.2.1 shows that in 2018–19, Brisbane Airport's passenger traffic grew by 1.4 per cent to 24.0 million. This was driven by a 4.8 per cent increase in international passenger traffic to 6.4 million. There was a relatively smaller increase of 0.3 per cent in domestic passenger traffic to 17.6 million.

Figure 4.2.1 Brisbane Airport—volume of passengers, tonnes landed and aircraft movements: 2009–10 to 2018–19

Note: Domestic passenger numbers includes the domestic passengers that travel via an airline that use the terminal that is leased from the airport to Qantas and Virgin under a domestic terminal lease.

Figure 4.2.1 also shows that the volume of tonnes landed decreased by 0.1 per cent in 2018–19 to 8.4 million. Aircraft movements also decreased during 2018–19, down 0.4 per cent to 212 319.

4.2.2 Terminal configurations

Brisbane Airport has one common-user international terminal for all international airlines flying in and out of the airport. There is also a single domestic terminal, which is now common-use following the expiry of domestic terminal leases with Qantas and Virgin in December 2018.

4.2.3 Aeronautical investments

Table 4.2.1 lists selected aeronautical investments that were completed, initiated or planned at Brisbane Airport during 2018–19. A similar overview of car parking and landside-related investments can be found in section 4.5.3, while discussion of the airport's capital expenditure is at section 4.3.4.

Table 4.2.1 Brisbane Airport—selected investments in aeronautical services and facilities

Description of investment	Value ($m)	Started	Completed
New road and underpass	115.0	Q2 2017	Q4 2018
CCTV upgrades	2.4	Q1 2017	Q4 2018
Domestic terminal communication service upgrades	7.2	Q1 2018	Q1 2019
New parallel runway	1 100.0	Q1 2016	*Q3 2020*
International terminal Bays 65 to 68 including links	70.4	Q1 2018	*Q4 2021*
Domestic terminal goods and waste facility expansion	9.6	Q1 2017	*Q1 2024*
International terminal automatic bag drop	21.5	*TBC*	*Q2 2023*
Domestic terminal baggage reclaim expansion	9.3	*TBC*	*Q2 2023*

Brisbane Airport continued construction of a new $1.1 billion parallel runway. Airfield works associated with the project, which included laying the taxiway and the runway surfaces, are almost complete. The project is expected to be completed mid-2020.

During 2018-19, Brisbane Airport completed construction of a new Dryandra Road underpass as a project to support the new parallel runway. The $115 million project will provide for public and operational vehicle access to the General Aviation/Airport North area while aircraft can taxi overhead between the new runway and the existing passenger terminals.

Brisbane Airport continued planning for the construction of four new international terminal bays in 2018–19. The new bays 65 to 68 will provide narrow body aircraft parking positions. To facilitate aircraft, the airport will also invest in ground support equipment storage areas, an airside road extension, new departure gates, fixed links and aerobridges.

Brisbane Airport also plans on expanding the baggage reclaim facilities in its domestic terminal in a $9.3 million project.

4.3 Aeronautical price monitoring and financial performance results

This section presents Brisbane Airport's price monitoring and financial reporting results in relation to its aeronautical operations. These results are categorised into prices (section 4.3.1), revenues, costs and profits per passenger (section 4.3.2), total revenues, costs and profits (section 4.3.3), capital expenditure and asset values (section 4.3.4) and rate of return on tangible non-current assets (section 4.3.5). All pricing and financial data are presented in real terms with values in 2018–19 dollars.

4.3.1 Prices

Airports require airlines to pay charges for the use of the airfield and terminals. Some charges are levied on a per-passenger basis and others are based on aircraft size (maximum take-off weight (MTOW)). The most significant aeronautical charges are typically per-passenger charges for the airline to use the runway and the relevant terminal.

Airports publish list prices (or 'rack rates') that represent the maximum charge applicable to an airline operating out of the airport. However, airports typically enter into negotiations that result in airlines paying rates below the list prices (see box 4.3.1). The Australian Airports Association (AAA) found that the major Australian airports discounted charges for domestic and international flights by an average of 24.0 and 9.8 per cent respectively in 2016–17.[19]

19 Australian Airports Association, *AAA submission to the Productivity Commission*, 2018, p. 32.

Box 4.3.1 Brisbane Airport's aeronautical service agreements

Brisbane Airport's standard pricing agreements (Airport Services and Charges Agreement (ASCA)) with domestic and international airlines are structured into two categories. The Runway ASCA applies to all airlines and aircraft operators that use the runway system at Brisbane Airport. The current Runway ASCA commenced on 1 September 2012 and will expire in 2023.

Brisbane Airport has a separate agreement with all airlines that covers terminals, aprons and related infrastructure (Terminals ASCA). The current Terminals ASCA commenced on 1 January 2019 and will expire on 30 June 2023. The expiry of the previous Terminals ASCA coincided with the expiry of the domestic terminal leases held by Qantas and Virgin at the end of 2018. Thus, the 2019 Terminals ASCA is the first terminals agreement that includes the whole of the domestic terminal building as a common user terminal, and the first with an extensive Service Level Agreement and Key Performance Indicator framework.[20] Brisbane Airport said that a cost-based building block method has been used to set charges for these agreements, and prices are typically adjusted as investment expenditure is incurred.

Table 4.3.1 presents the published list prices for aeronautical services at Brisbane Airport during 2018–19, as well as their movements between 2014–15 and 2018–19. Brisbane Airport's runway charges increased in real terms in 2018–19. The international passenger runway charge increased by 20.2 per cent to $9.82, while the domestic passenger runway charge increased by 19.8 per cent to $5.36. However, service charges for international terminals decreased by 2.3 per cent to $27.67 per passenger, while the equivalent charges for domestic terminals (including aerobridge) declined by 3.8 per cent to $9.14.

20 Brisbane Airport, *Submission to the Productivity Commission's inquiry into airport regulation*, Brisbane Airport Corporation Pty Ltd, September 2018, p. 19.

Table 4.3.1 Brisbane Airport—schedule of published aeronautical charges and movements over time: 2014–15 to 2018–19

	Charge per unit ($)	Indexed list prices (2018–19 base year = 100)				
	2018–19	2014–15	2015–16	2016–17	2017–18	2018–19
Landing fees						
Freight landing fees (per MTOW)	24.38	84.3	83.8	78.3	90.6	100.0
General aviation landing fees (per MTOW)	24.38	84.3	83.8	78.3	90.6	100.0
Rotary wing landing fees (per MTOW)	14.61	84.5	84.0	78.4	90.6	100.0
International private charter and non scheduled air service landing fee (per MTOW)	24.38	84.3	83.8	78.3	90.6	100.0
Aircraft parking fees						
0 to 5 000kg	111.38	34.8	60.6	93.8	100.4	100.0
5 001 to 20 000kg	111.38	58.0	74.9	96.7	100.4	100.0
20 001 to 40 000kg	111.38	87.0	92.7	100.1	100.4	100.0
40 001 to 100 000kg	162.94	95.6	97.8	101.1	100.4	100.0
100 001 to 250 000kg	371.88	95.6	97.9	101.1	100.4	100.0
250 001 to 400 000kg	540.95	95.6	97.9	101.1	100.4	100.0
400 001kg +	716.70	95.6	97.9	101.1	100.4	100.0
Noise surcharge for relevant aircraft—excluding GST	50%	100.0	100.0	100.0	100.0	100.0
Runway Charges						
Domestic Runway charge (per passenger)	5.36	69.6	71.0	65.5	83.4	100.0
International Runway charge (per passenger)	9.82	65.7	68.0	63.4	83.2	100.0
Terminal charges						
Domestic terminal infrastructure charge (per passenger)	2.82	175.0	185.3	178.6	178.1	100.0
International passenger service charge (per passenger)	27.67	88.6	85.5	83.6	102.4	100.0
Domestic passenger service charge common user terminal—including aerobridge (per passenger)	9.14	99.5	100.0	95.4	104.0	100.0
Domestic passenger service charge common user terminal—excluding aerobridge (per passenger)	8.55	98.3	99.2	94.8	102.5	100.0
Government mandated security charges						
International passenger government mandated security charge (per passenger)	3.97	114.6	93.4	91.9	90.4	100.0
Domestic passenger government mandated security charge common user terminal (per passenger)	2.55	95.9	102.5	99.5	95.7	100.0
Domestic passenger government mandated security charge Qantas/Virgin terminal (per passenger)	2.21	8.7	9.1	7.0	9.2	100.0
Other charges						
Peak period minimum movement charge	275.00	85.5	84.3	82.9	101.6	100.0

Note: Real indexed prices are in 2018–19 dollars. Charges include GST.

The per passenger government mandated security charge for domestic passengers at the common user terminal increased by 4.5 per cent, while the same charge for international passengers grew by 10.6 per cent. The equivalent security charge for domestic passengers at the Qantas/Virgin terminal increased from $0.20 to $2.21 per passenger. The ACCC understands that this is as a result of the hand back of the terminal, as previously the costs for security services were covered by the airlines under the respective lease agreements.

Almost all aeronautical charges have increased since 2014–15. Domestic and international runway charges have gone up by 43.8 and 52.2 per cent respectively.

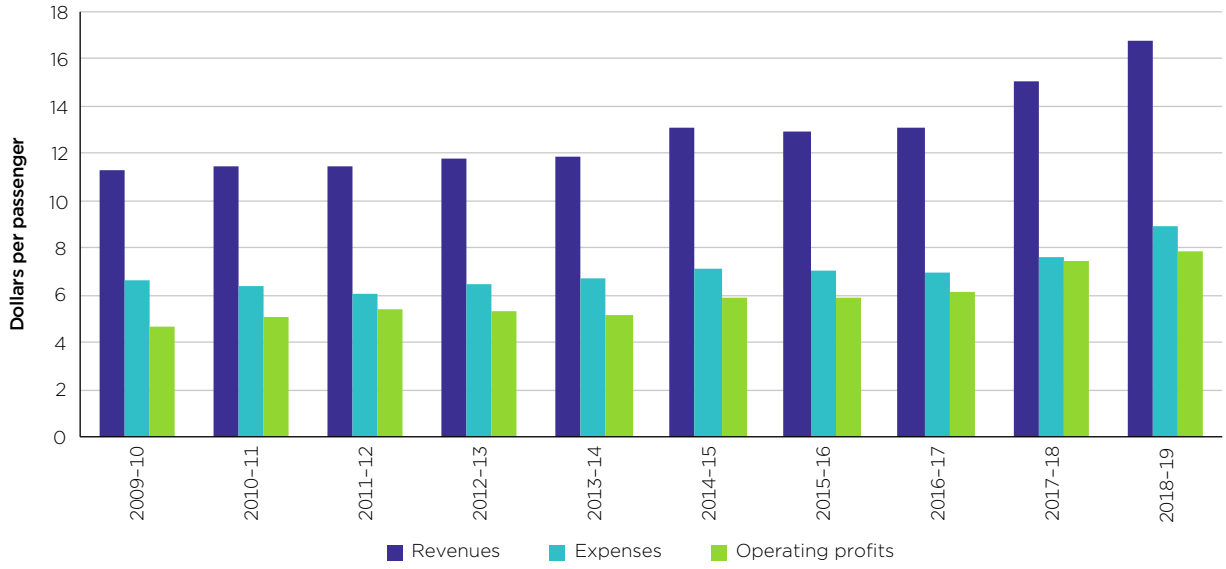
In its review of the economic regulation of airports, the Productivity Commission said that Brisbane Airport's high international charges was one indicator that could present cause for concern if considered in isolation. Using the published charges from table 4.3.1, an international airline would incur $37.49 per passenger in runway and terminal charges compared to between $16.73 and $17.32 for a domestic airline. The discrepancy in charges actually paid by airlines under aeronautical service agreements may be even greater than this given that, as noted earlier, the AAA said that domestic charges are typically discounted at a higher rate than international charges.

Brisbane Airport explained to the ACCC that it considers the relatively higher international charges to be attributable to the level of investment in the international terminal over the past decade. Brisbane Airport explained that this investment has been driven by the airport's demand profile, which includes a sharp morning peak due to the timing of arrivals being dictated by the departure times of origin airports.

4.3.2 Revenues, costs and profits per passenger for aeronautical services

Aeronautical revenue per passenger is a useful proxy measure of the various aeronautical charges applied by airports. Figure 4.3.1 displays the aeronautical revenues, expenses and operating profits per passenger in real terms at Brisbane Airport from 2009–10 to 2018–19. Expenses and profits have been calculated using the line-in-the-sand approach to asset valuations (see box 3.3.2).

Figure 4.3.1 Brisbane Airport—aeronautical revenues, expenses and operating profit per passenger: 2009–10 to 2018–19



Note: Real values in 2018–19 dollars.

The chart shows a notable increase in aeronautical revenue per passenger over the last two years. Revenue per passenger was $16.76 in 2018–19, up 11.3 per cent from the previous year and 28.4 per cent from 2016–17. The main driver of this result appears to be higher charges to airlines, with both the published international terminal charge and runway charges increasing significantly over the last two years. Faster growth in the number of international passengers (compared to domestic) and the much higher charges associated with those passengers also combined to contribute to higher unit revenues. Another factor for 2018–19 was that the figures included six months' of revenues from the Qantas and Virgin parts of the domestic terminal following the expiry of the domestic terminal leases (see box 3.3.1). Brisbane Airport's aeronautical revenue per passenger has grown by 48.7 per cent over the past decade.

Figure 4.3.1 shows that the growth in aeronautical revenue per passenger over the last two years has been equally divided between covering operating expenses and profits. Expenses per passenger increased by 16.5 per cent in 2018–19 to $8.90, with some of this growth reflecting the inclusion of six months' of costs associated with the Qantas and Virgin parts of the domestic terminal. Operating costs have risen 33.9 per cent over the past decade, mainly due to airport expansion and, more recently, the operation of the parts of the domestic terminal previously under lease.

Operating profit per passenger has grown by 28.8 per cent over the last two years to $7.87, although growth was not as strong in 2018–19 (5.9 per cent). Profit per passenger is now 69.9 per cent higher than what it was a decade ago.

4.3.3 Revenues, costs and profits for aeronautical and total airport services

Table 4.3.2 presents the revenues, costs and profits for aeronautical and total airport services over the past decade. The line-in-the-sand approach to asset valuations has been used to calculate these numbers.

Aeronautical revenue at Brisbane Airport increased by 12.9 per cent in 2018–19 to $402.3 million. This is the second largest annual increase in aeronautical revenue over the past decade. On top of the factors discussed in relation to growth in revenue per passenger, this figure would have been pushed up by the higher number of international passengers travelling through the airport. Brisbane Airport collected 85.4 per cent more aeronautical revenue in 2018–19 than it did a decade ago.

Total aeronautical expenses increased by 18.2 per cent to $213.5 million in 2018–19. A number of expense items contributed to the increase with the largest rise in absolute terms attributed to depreciation of tangible assets (up 28.6 per cent). Security costs increased by 25.8 per cent, while property maintenance and services and utilities expenses rose by 13 per cent and 34 per cent respectively. Brisbane Airport's total aeronautical expenses have increased by 67 per cent over the past decade.

Total aeronautical operating profit (EBITA) increased by 7.4 per cent to $188.8 million in 2018–19. Brisbane Airport's aeronautical operating profit margin (EBITA as a percentage of revenue) was 46.9 per cent in 2018–19, decreasing by 2.4 percentage points from the previous year. This was the highest profit margin reported of the four monitored airports in 2018–19.

The ACCC also collects financial information relating to the total airport's operations, which also includes other activities such as retail, car parking and landside operations. On a total airport basis, Brisbane Airport's revenue increased by 6.5 per cent in 2018–19 to $840.5 million, while operating profit grew by 6.7 per cent to $497.1 million. Over the past decade, total airport revenue and profit have grown by 64.7 per cent and 64.1 per cent respectively.

4.3.4 Capital expenditure and asset values

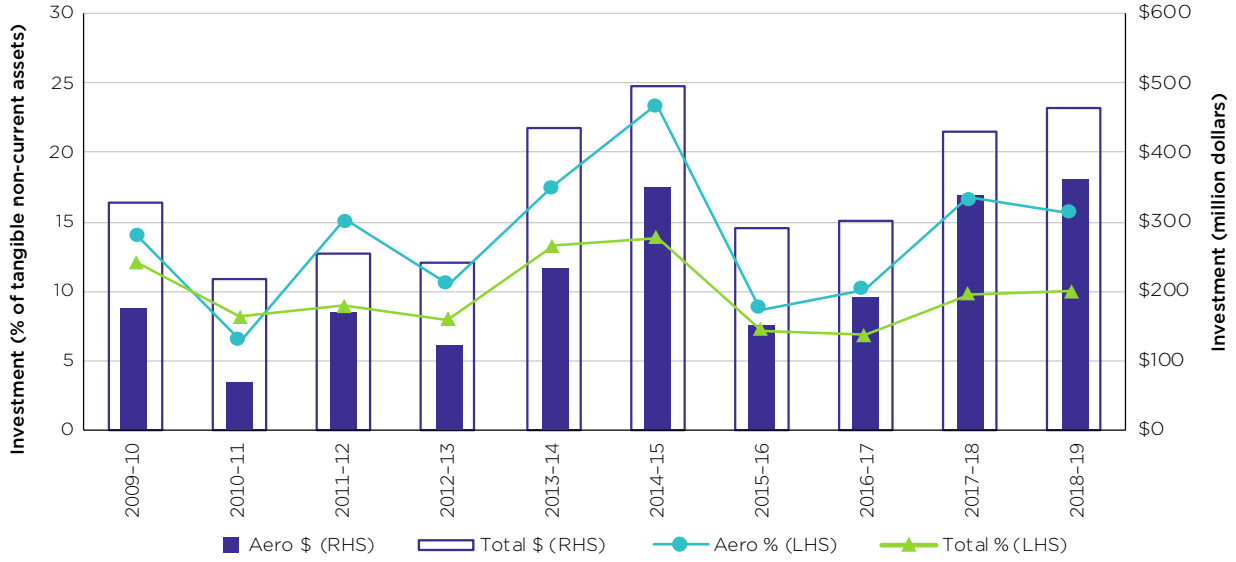
Figure 4.3.2 below shows Brisbane Airport's capital expenditure for aeronautical and total airport services over the past decade. Over this period, Brisbane Airport has invested a total of $3.5 billion in total airport assets, of which $2.2 billion related to aeronautical assets.

Brisbane Airport invested $370.7 million in aeronautical operations in 2018–19. While specific investments are discussed in section 4.2.3, the major asset components were assets under construction ($194.4 million) and plant and machinery ($154.0 million). A part of these additions was related to the communications rooms fit-out and air handling units of the domestic terminal areas previously leased by Qantas and Virgin Australia. The airport invested $464.8 million across the whole of the airport's operations.

Figure 4.3.2 also presents Brisbane Airport's rate of investment—represented as additions as a percentage of tangible non-current assets—across both aeronautical and total airport operations. In contrast to the capital expenditure dollar amounts shown in the chart, this shows Brisbane Airport's investment over time relative to the size of its existing asset base.

The airport's rate of investment in 2018–19 was 15.6 per cent for aeronautical operations and 10 per cent for the total airport. The airport has invested in aeronautical assets at a higher rate than other assets over the past decade.

Figure 4.3.2 Brisbane Airport—investment in aeronautical and total airport operations: 2009–10 to 2018–19



Note: Real values in 2018–19 dollars.

Table 4.3.3 presents Brisbane Airport's tangible non-current assets for aeronautical and total airport services from 2009–10 to 2018–19. The line-in-the-sand approach to asset valuations has been used. The total value of tangible non-current assets at the airport was $5.1 billion, of which $2.9 billion were aeronautical assets. Aeronautical assets have become increasingly significant for the airport over the past decade as the new runway has been developed.

Table 4.3.2 Brisbane Airport—revenues, expenses and profits for aeronautical and total airport services—line in the sand approach: 2009–10 to 2018–19

		2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19
Revenue ($m)	Aeronautical	217.0	231.9	242.5	253.7	262.7	290.8	292.7	301.0	356.4	402.3
	Total airport	**510.2**	**533.1**	**554.8**	**588.1**	**612.9**	**652.4**	**677.6**	**703.4**	**789.3**	**840.5**
	Aero % of total airport	42.5	43.5	43.7	43.1	42.9	44.6	43.2	42.8	45.2	47.9
Operating expenses ($m)	Aeronautical	127.8	129.2	128.9	138.9	148.2	159.0	159.9	160.1	180.7	213.5
	Total airport	**207.3**	**215.4**	**220.7**	**242.3**	**255.0**	**271.6**	**282.4**	**292.8**	**323.6**	**343.4**
Operating profit ($m)	Aeronautical	89.2	102.6	113.6	114.8	114.5	131.8	132.9	140.9	175.8	188.8
	Total airport	**302.9**	**317.7**	**334.1**	**345.9**	**357.9**	**380.8**	**395.2**	**410.6**	**465.7**	**497.1**
Profit margin (%)	Aeronautical	41.1	44.3	46.9	45.2	43.6	45.3	45.4	46.8	49.3	46.9
	Total airport	**59.4**	**59.6**	**60.2**	**58.8**	**58.4**	**58.4**	**58.3**	**58.4**	**59.0**	**59.1**
Revenue per passenger ($)	Aeronautical	11.27	11.45	11.44	11.74	11.89	13.06	12.90	13.05	15.07	16.76
Operating expenses per passenger ($)	Aeronautical	6.64	6.38	6.08	6.43	6.71	7.14	7.05	6.94	7.64	8.90
Operating profit per passenger ($)	Aeronautical	4.63	5.07	5.36	5.31	5.18	5.92	5.86	6.11	7.43	7.87

Note: Real values in 2018–19 dollars.

Table 4.3.3 Brisbane Airport—non-current assets for aeronautical services and total airport services—line in the sand approach: 2009–10 to 2018–19 ($m)

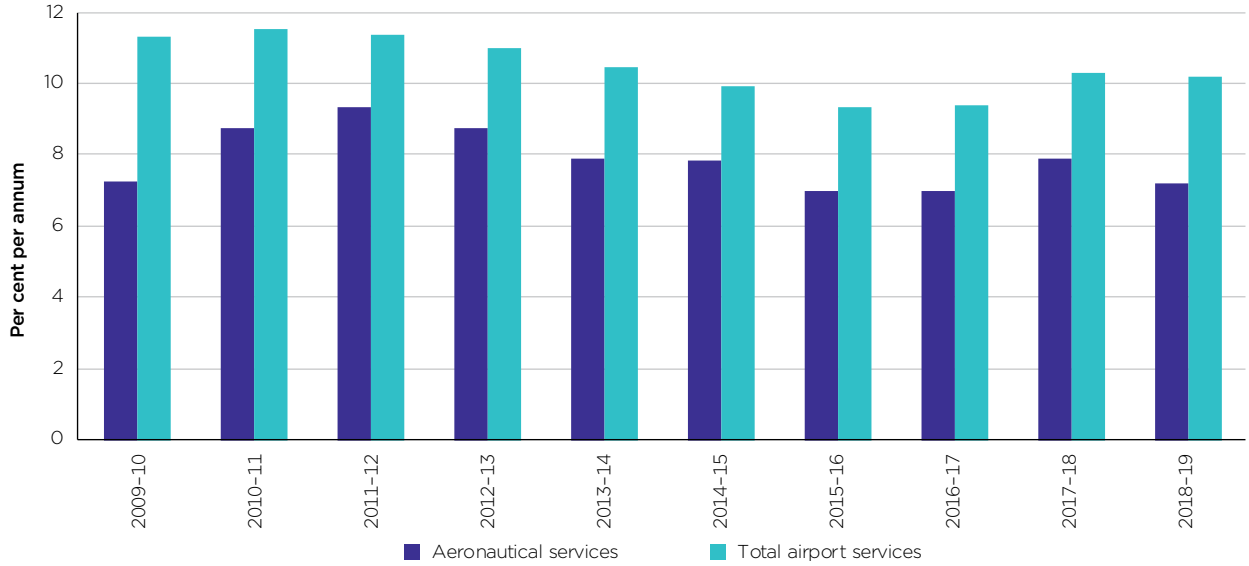
		2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19
Investment property	Aeronautical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Total airport	**849.6**	**926.6**	**1 018.8**	**1 119.3**	**1 159.4**	**1 215.0**	**1 312.9**	**1 310.6**	**1 404.0**	**1 482.3**
Land	Aeronautical	30.6	29.5	29.7	66.8	64.0	64.2	69.4	65.2	63.5	67.6
	Total airport	**77.5**	**74.5**	**71.9**	**110.2**	**106.8**	**104.2**	**107.5**	**104.7**	**101.7**	**100.9**
Property, plant and equipment	Aeronautical	1 137.4	1 128.3	1 226.5	1 283.2	1 439.6	1 698.7	1 792.9	1 880.6	2 130.2	2 487.6
	Total airport	**1 718.9**	**1 797.3**	**1 929.1**	**1 960.9**	**2 196.3**	**2 511.4**	**2 597.2**	**2 715.1**	**2 912.3**	**3 167.9**
Intangibles	Aeronautical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Total airport	**991.0**	**961.1**	**939.5**	**918.6**	**894.3**	**879.3**	**867.3**	**852.7**	**836.6**	**823.0**
Other tangible non-current assets	Aeronautical	4.6	19.0	0.0	24.7	17.4	81.4	110.8	121.7	185.4	321.9
	Total airport	**11.2**	**49.7**	**0.0**	**91.5**	**115.5**	**260.3**	**352.8**	**264.7**	**225.5**	**377.7**
Total tangible non-current assets	Aeronautical	1 172.7	1 176.8	1 256.2	1 374.7	1 521.0	1 844.4	1 973.1	2 067.4	2 379.1	2 877.2
	Total airport	**2 657.2**	**2 848.1**	**3 019.7**	**3 281.8**	**3 577.9**	**4 090.9**	**4 370.4**	**4 395.1**	**4 643.4**	**5 128.7**
Total non-current assets	Aeronautical	1 172.7	1 176.8	1 256.2	1 374.7	1 521.0	1 844.4	1 973.1	2 067.4	2 379.1	2 877.2
	Total airport	**3 648.2**	**3 809.2**	**3 959.2**	**4 200.4**	**4 472.2**	**4 970.2**	**5 237.7**	**5 247.8**	**5 480.0**	**5 951.7**

Note: Real values in 2018–19 dollars.

4.3.5 Rates of return on tangible non-current assets

Rate of return is a key measure of profitability. This measure is defined as EBITA as a percentage of average tangible non-current assets. Figure 4.3.3 shows the rate of return on tangible non-current assets for aeronautical services and total airport operations at Brisbane Airport from 2009–10 to 2018–19.

Figure 4.3.3 Brisbane Airport—rate of return (EBITA) on tangible non-current assets for aeronautical and total airport services: 2009–10 to 2018–19



Brisbane Airport's return on tangible non-current aeronautical assets was 7.2 per cent in 2018–19, down from 7.9 per cent in the previous year. The rate of return on aeronautical assets has broadly remained flat over the decade due to an expanded asset base. Among the monitored airports, Brisbane Airport has consistently reported the lowest rate of return on aeronautical tangible non-current assets since the ACCC began the airports monitoring program.[21]

Brisbane Airport earned a higher return on its total airport operations. Across the whole airport's operations, the rate of return on tangible non-current assets was 10.2 per cent in 2018–19. This represented a slight decline from the previous year.

4.4 Quality of aeronautical and total airport services

Ratings of the quality of service offered at each airport are derived from surveys of both airlines and passengers as well as various objective indicators of performance collected from the airport. This section discusses ratings derived from these surveys for Brisbane Airport, together with other objective indicators of service quality.

This section presents Brisbane Airport's overall average ratings (section 4.4.1), followed by ratings for terminal and aircraft-related services and facilities (section 4.4.2), and ratings for passenger-related services and facilities for each terminal (section 4.4.3).

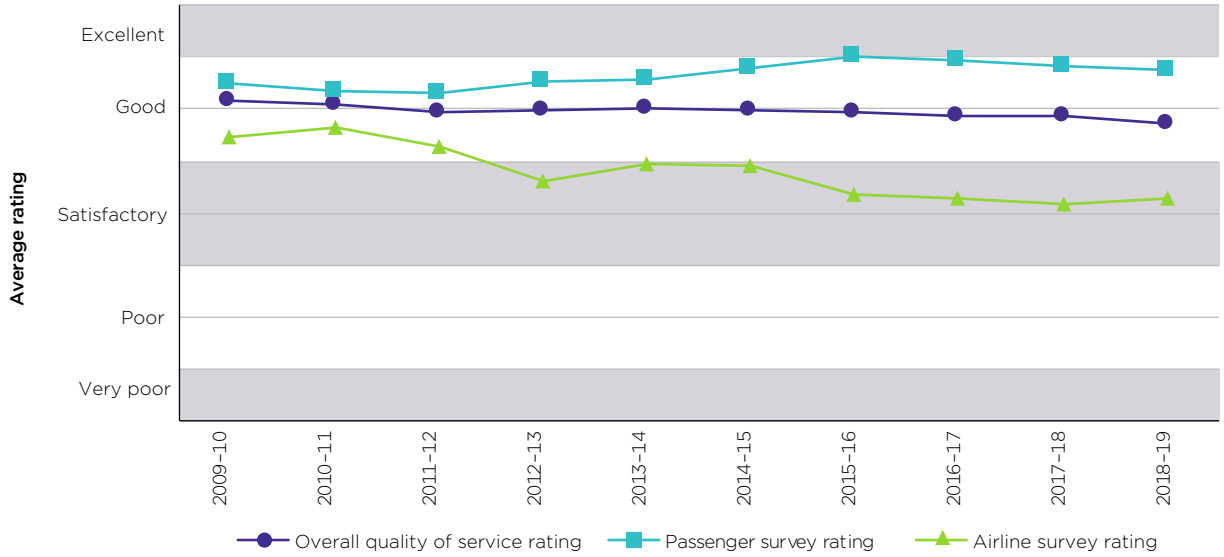
4.4.1 Total airport services

Figure 4.4.1 presents Brisbane Airport's overall quality of service rating, which covers aeronautical, car parking and, to a lesser degree, landside operations. The overall rating represents the average score that the airport achieved across a large number of measures based on airline surveys, passenger surveys and objective indicators. The methodology for calculating this rating is explained in section A4.2.3 in appendix A4.

21 This refers to line-in-the-sand (LIS) accounts from 2007–08 to 2018–19 and non-LIS accounts from 2001–02 to 2006–07.

Brisbane Airport has consistently performed relatively well among the four monitored airports over the past decade in terms of overall quality of service, and was only overtaken by Perth Airport in 2016–17 as the highest rated airport for overall quality of service. In 2018–19, its overall quality of service was again rated as 'good', albeit with a slight decline.

Figure 4.4.1 Brisbane Airport—rating of overall quality of service, passenger surveys and airline surveys: 2009–10 to 2018–19

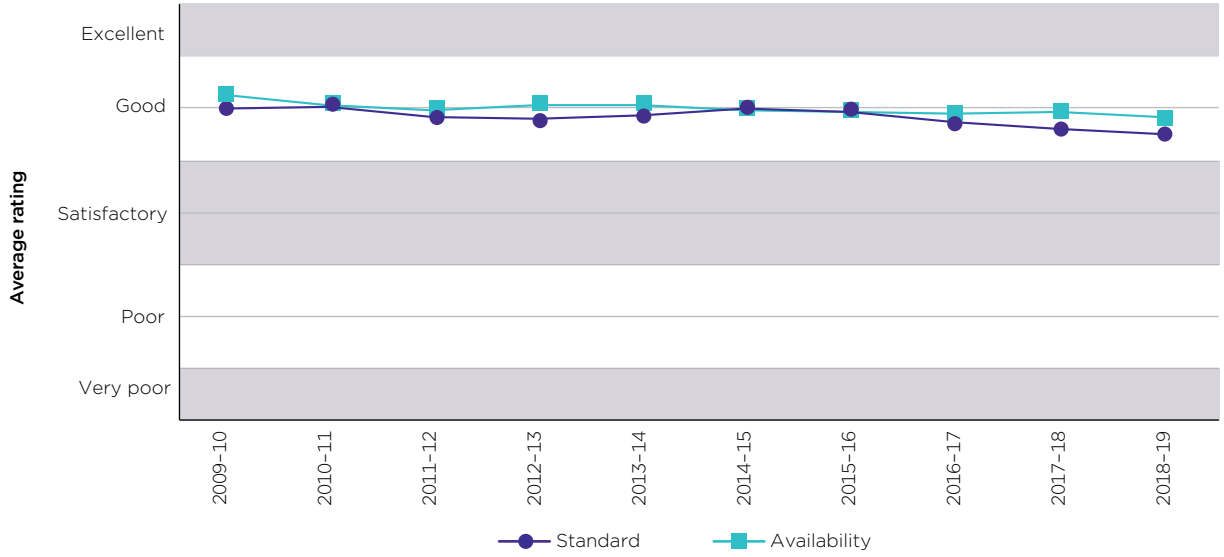


Source: Airline surveys, passenger surveys and objective indicators obtained from Brisbane Airport.

Figure 4.4.1 shows that Brisbane Airport's average ratings from passengers fell slightly over the year. Passenger ratings have trended down since 2015–16, while still remaining at the upper end of the 'good' range. Airlines have been far less satisfied than passengers in recent years, rating the airport as 'satisfactory'. The average airline ratings have remained relatively stable over the last four years.

Figure 4.4.2 shows the average survey ratings for measures associated with the standard and availability of services. The former may reflect the degree to which the airport maintains the quality of facilities and services, while the latter may reflect the degree to which the airport is investing in response to passenger growth. While ratings for availability remained relatively unchanged, ratings for the standard of services continued to trend down to the lower end of the 'good' range.

Figure 4.4.2 Brisbane Airport—average ratings for the standard and availability of airport services and facilities: 2009–10 to 2018–19

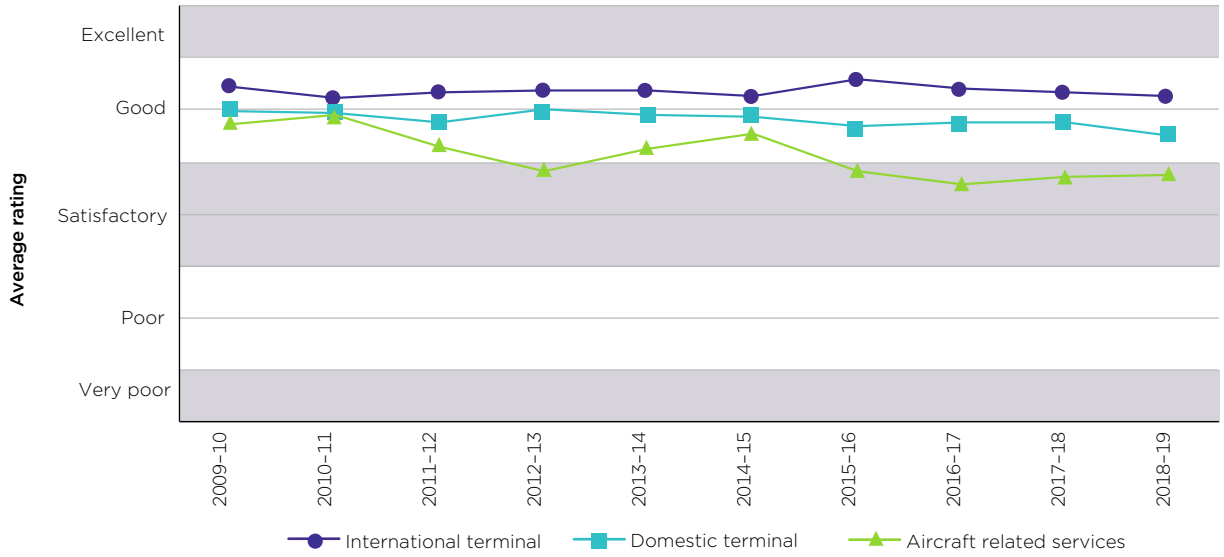


Source: Airline surveys conducted by the ACCC and passenger survey results obtained from Brisbane Airport.

4.4.2 Terminal and aircraft-related services and facilities

Figure 4.4.3 shows that both the domestic and international terminals continued to be rated as 'good' in 2018–19. Ratings for the international terminal declined slightly, which has trended down since 2015–16. There was a moderate decrease in ratings for the domestic terminal, which has stayed relatively stable for most of the past decade.

Figure 4.4.3 Brisbane Airport—average ratings for international and domestic terminal facilities, and aircraft-related services and facilities: 2009–10 to 2018–19



Source: Airline surveys, passenger surveys and objective indicators obtained from Brisbane Airport.

Figure 4.4.3 also shows that the average rating by airlines of the quality of aircraft-related services continued to improve towards the upper end of the 'satisfactory' range in 2018–19. Airline satisfaction with aircraft-related services remains well below levels recorded a decade ago.

Table 4.4.1 provides a breakdown of the airlines' ratings on various aspects of aircraft-related services and facilities. It shows that just over half of airline ratings fell in 2018–19, with all indicators having fallen over the past decade.

Table 4.4.1 Brisbane Airport—airline ratings of quality of individual aircraft-related services and facilities: 2018–19, 1-year change, and change since 2009–10

Category	Indicator	Rating category 2018–19	1-year change	Change since 2009–10
Runway	Availability	Good	▲*	▼
	Standard	Good	▼	▼
Taxiways	Availability	Good	▼	▼
	Standard	Good	▼	▼
Aprons	Availability	Satisfactory	▼*	▼*
	Standard	Satisfactory	▼*	▼*
Aircraft parking	Availability of facilities and bays	Satisfactory	▼	▼
	Standard of facilities and bays	Satisfactory	▼	▼*
Ground handling	Availability of services and facilities	Satisfactory	▲	▼*
	Standard of services and facilities	Satisfactory	▲	▼*
Management responsiveness	Availability	Satisfactory	▲	▼*
	Standard	Satisfactory	▲	▼*

Notes: The rating categories are: very poor, poor, satisfactory, good and excellent. ▲ indicates an improvement, ▼ indicates a decline, — indicates no change. *Rating changed by a category over the period.

All ratings for taxiways, aprons and aircraft parking fell over the year, with ratings for both the availability and standard of aprons dropping from 'good' to 'satisfactory'. Some airlines commented that apron congestion has been an issue, with one highlighting long towing times as a major concern, with concrete slab works exacerbating the problem. Similar concerns about congestion were expressed in relation to taxiways.

The rating for the availability of the runway improved from 'satisfactory' to 'good'. Ratings for ground handling and management responsiveness both improved over the year within the 'satisfactory' category. Some airlines considered that management had improved in terms of communication and responsiveness, but that there is still room for improvement.

4.4.3 Passenger-related services and facilities

International terminal

Table 4.4.2 summarises the quality of service ratings for passenger-related services and facilities at Brisbane Airport's international terminal.

Passengers continued to rate the quality of services and facilities at the international terminal favourably in 2018–19. Most ratings increased or remained unchanged within the same category, while ratings of waiting time in the outbound immigration area, and information displays for inbound baggage reclaim, increased from 'good' to 'excellent'. Exceptions to this were the rating for check-in waiting time, which fell from 'excellent' to 'good' over the year, and the ratings for crowding and seating in lounge areas, which both showed a moderate decrease within the 'good' range.

Consistent with previous years, airlines rated the quality of passenger-related services at the international terminal less favourably than passengers did. Airline ratings for the standard of both baggage processing facilities and aerobridges fell from 'satisfactory' to 'poor'. Several airlines commented that the baggage belt frequently breaks down, while issues with the aerobridges related to cleanliness and malfunctions. On the other hand, airline ratings for check-in services increased, with check-in availability increasing from 'satisfactory' to 'good'. Airlines commented that availability of these facilities is good, although some considered that they are not well positioned for premium check-in.

Table 4.4.2 Brisbane Airport—indicators of quality of passenger-related services and facilities—international terminal: 2018–19, 1-year change and change since 2009–10

Category	Indicator	Data source	Indicator result 2018–19	1-year change	Change since 2009–10
Check-in	Check-in availability	Airline survey	Good	▲*	▼
	Check-in standard	Airline survey	Satisfactory	▲	▼*
	Check-in waiting time	Passenger survey	Good	▼*	▼
	Number of departing passengers per check-in desk, kiosk and bag drop facility (peak hour)	Objective indicator	6.5	▼	▲
Immigration	Waiting time in outbound Immigration area	Passenger survey	Excellent	▲	▲
	Number of departing passengers per outbound Immigration desk (peak hour)	Objective indicator	68.1	▼	▼
	Waiting time in inbound Immigration area	Passenger survey	Excellent	▲*	▲
	Number of arriving passengers per inbound Immigration desk (peak hour)	Objective indicator	49.3	▲	▼
	Waiting time in inbound baggage inspection area	Passenger survey	Excellent	▲	▲
	Number of arriving passengers per baggage inspection desk (peak hour)	Objective indicator	32.4	▲	▲
Information	Flight information display screens	Passenger survey	Good	▲	▲
	Number of passengers per flight information display screen (peak hour)	Objective indicator	3.1	▼	▲
	Number of passengers per information point (peak hour)	Objective indicator	613.0	▼	▼
	Signage and wayfinding	Passenger survey	Good	▲	▲

Notes: The rating categories are: very poor, poor, satisfactory, good and excellent. ▲ indicates an improvement, ▼ indicates a decline, – indicates no change. *Rating changed by a category over the period.

Table 4.4.2 Brisbane Airport—indicators of quality of passenger-related services and facilities—international terminal: 2018–19, 1-year change and change since 2009–10 (cont.)

Category	Indicator	Data source	Indicator result 2018–19	1-year change	Change since 2009–10
Baggage	Baggage processing facilities availability	Airline survey	Satisfactory	▲	▼*
	Baggage processing facilities standard	Airline survey	Poor	▼*	▼**
	Average throughput of outbound baggage system (per hour)	Objective indicator	408.7	▼	▲
	Circulation space for inbound baggage reclaim	Passenger survey	Good	–	▲
	Information display for inbound baggage reclaim	Passenger survey	Excellent	▲*	▲*
	Number of arriving passengers per m² of inbound baggage reclaim area (peak hour)	Objective indicator	0.3	–	N/A
	Findability of baggage trolleys	Passenger survey	Excellent	–	▼
	Number of passengers per baggage trolley (peak hour)	Objective indicator	0.9	▼	▲
Gate lounges	Seating in lounge area (quality and availability)	Passenger survey	Good	▼	▼*
	Number of departing passengers per seat in gate lounges (peak hour)	Objective indicator	0.4	–	▲
	Crowding in lounge area	Passenger survey	Good	▼	▼*
	Number of departing passengers per m² of lounge area (peak hour)	Objective indicator	0.1	–	–
Amenities	Standard of washrooms	Passenger survey	Good	▲	▲
	Number of departing passengers per washroom (peak hour)	Objective indicator	55.7	▼	N/A
Aerobridges	Aerobridges availability	Airline survey	Satisfactory	▲	▼*
	Aerobridges standard	Airline survey	Poor	▼*	▼*
	Percentage of arriving international passengers using an aerobridge	Objective indicator	99.9%	▲	–
	Percentage of departing international passengers using an aerobridge	Objective indicator	99.9%	▲	▲
Security	Quality of security search process	Passenger survey	Excellent	▲	▲
	Number of departing passengers per security clearance system (peak hour)	Objective indicator	22.7	▼	▲

Notes: The rating categories are: very poor, poor, satisfactory, good and excellent. ▲ indicates an improvement, ▼ indicates a decline, – indicates no change. */** Rating changed by one/two categories over the period. N/A = not applicable.

Domestic terminal

Table 4.4.3 summarises the quality of service ratings for passenger-related services and facilities at Brisbane Airport's domestic terminal, which is used by Qantas, Jetstar, Virgin, Tigerair and regional airlines. The parts of the terminal previously operated under lease by Qantas and Virgin became part of the monitoring regime from 1 January 2018.

Most passenger ratings went down over 2018–19, but remained rated as either 'good' or 'excellent'. Passenger ratings of seating and crowding of lounge areas, however, fell from 'excellent' to 'good'. On the other hand, passenger ratings of findability of baggage trolleys increased from 'good' to 'excellent' over the year.

Airline ratings of check-in and baggage services mostly fell over the year and rated as 'satisfactory', however ratings for the standard of baggage processing facilities fell from 'satisfactory' to 'poor'. Some airlines commented that the baggage system experiences outages and is not able to cope with demand.

On the other hand, airline ratings of the standard and availability of aerobridges both improved over the year. The standard of aerobridges increased from 'poor' to 'satisfactory', while the availability of aerobridges increased from 'satisfactory' to 'good'.

Table 4.4.3 Brisbane Airport—indicators of quality of passenger-related services and facilities—domestic terminal: 2018–19, 1-year change and change since 2009–10

Category	Indicator	Data source	Indicator result 2018–19	1-year change	Change since 2009–10
Check-in	Check-in availability	Airline survey	Satisfactory	▲	N/A
	Check-in standard	Airline survey	Satisfactory	▼	N/A
	Check-in waiting time	Passenger survey	Excellent	▼	▲
	Number of departing passengers per check-in desk, kiosk and bag drop facility (peak hour)	Objective indicator	14.4	▲	▲
Baggage	Baggage processing facilities availability	Airline survey	Satisfactory	▼	N/A
	Baggage processing facilities standard	Airline survey	Poor	▼*	N/A
	Circulation space for inbound baggage reclaim	Passenger survey	Good	▼	▲
	Information display for inbound baggage reclaim	Passenger survey	Good	▼	▲
	Number of arriving passengers per m² of inbound baggage reclaim area (peak hour)	Objective indicator	9.6	▼	N/A
	Findability of baggage trolleys	Passenger survey	Excellent	▲*	▼
	Number of passengers per baggage trolley (peak hour)	Objective indicator	9.4	▼	▲
Information	Flight information display screens	Passenger survey	Good	▼	▲
	Number of passengers per flight information display screen (peak hour)	Objective indicator	13.1	▼	▲
	Number of passengers per information point (peak hour)[(a)]	Objective indicator	N/A	N/A	N/A
	Signage and wayfinding	Passenger survey	Good	▼	▲
Gate lounges	Seating in lounge area (quality and availability)	Passenger survey	Good	▼*	▼*
	Number of departing passengers per seat in gate lounges (peak hour)	Objective indicator	0.8	–	–
	Crowding in lounge area	Passenger survey	Good	▼*	▼
	Number of departing passengers per m² of lounge area (peak hour)	Objective indicator	0.3	▲	▼
Amenities	Standard of washrooms	Passenger survey	Good	▼	▲
	Number of departing passengers per washroom (peak hour)	Objective indicator	111.7	▲	N/A
Aerobridges	Aerobridges availability	Airline survey	Good	▲*	▲*
	Aerobridges standard	Airline survey	Satisfactory	▲*	–
	Number of arriving domestic passengers per aerobridge (peak hour)	Objective indicator	104.1	▼	▼
	Number of departing domestic passengers per aerobridge (peak hour)	Objective indicator	100.6	▼	▼
Security	Quality of security search process	Passenger survey	Excellent	▼	▼
	Number of departing passengers per security clearance system (peak hour)	Objective indicator	154.7	▼	▼

Notes: The rating categories are: very poor, poor, satisfactory, good and excellent. ▲ indicates an improvement, ▼ indicates a decline, – indicates no change. *Rating changed by a category over the period. (a) Brisbane Airport did not have any information points in the domestic terminal during 2017–18. N/A = not applicable.

4.5 Car parking

This section presents an overview of the car parking services available at Brisbane Airport. This section discusses car parking facilities and investments (section 4.5.1), prices (section 4.5.2), activity (section 4.5.3), financial results (section 4.5.4) and quality of service (section 4.5.5).

4.5.1 Car parking facilities and investments

Car parking facilities

Brisbane Airport has three separate car parking precincts, two of which are within walking distance of the terminals. The third precinct is located at a distance from the terminals, with access provided via a free, regular shuttle bus service.

The two facilities that are located at-terminal are both multi-level car parks. One is located near the international terminal and one is located near the domestic terminal (comprising of P1 and P2 car parks):

- The International terminal offers short-term (up to four hours of parking, also known as ParkShort), long-term (over four hours of parking, also known as ParkLong) and valet parking services.
- P1 offers ParkShort, ParkLong, valet, premium parking and guaranteed space services.
- P2 offers long-term and guaranteed space parking services.

The car park that is located at a distance from the terminals (Airpark) provides open air and undercover parking for longer stays. A shuttle bus service picks up and drops off customers from three designated bus stops close to the entrance of both terminals. It is part of the central parking area that also includes staff car parking facilities as well as landside operator facilities and amenities.

Car parking and landside investments

Table 4.5.1 lists selected car parking and landside-related investments that have been completed, underway or planned during 2018–19. Brisbane Airport has commenced planning construction of a $100 million multi-level car park at the international terminal, which is expected to more than double existing capacity.[22]

Table 4.5.1 Brisbane Airport—selected investments in car parking and landside access services

Description of investment	Value ($m)	Started	Completed
CCTV for car parks and ground transport areas	3.5	Q1 2017	Q4 2018
Electric bus charging facility	1.5	Q1 2017	Q2 2018
Staff car park stage 4A	1.3	Q1 2019	Q2 2019
International multi level car park 2	100	Q1 2018	*Q2 2021*
Staff car park stage 3	11	Q4 2017	*Q4 2019*
Airpark extension	15.0	Q3 2018	*Q3 2021*
International level 1 road	7.0	*Q1 2020*	*Q2 2021*
Banksia car park expansion	1.7	*Q3 2019*	*Q4 2019*

4.5.2 Car parking prices

This section presents an overview of prices for parking a car at Brisbane Airport. It also intends to help motorists identify how to get the most favourable rates.

The ACCC focuses on two common types of parking in particular:

- short-term parking (up to a day) at a car park located at the terminal, with the motorist paying drive-up rates, and

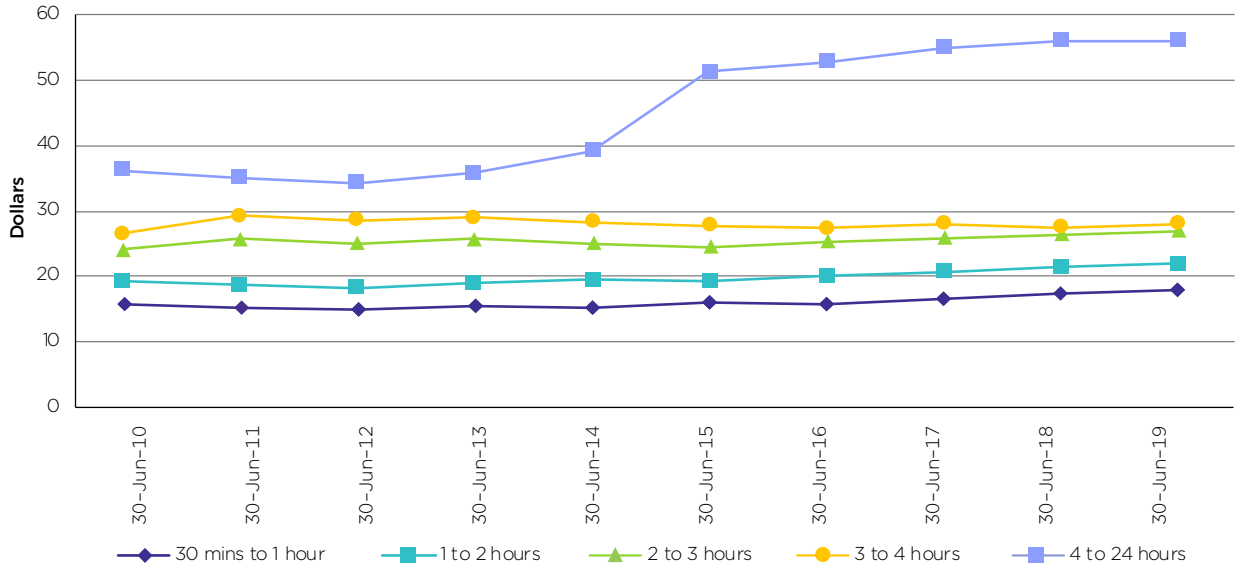
22 Brisbane Airport, *Submission to the Productivity Commission's Inquiry into airport regulation*, 2018, pp. 18 and 51.

- long-term parking (at least one day) at a car park located at distance from the terminal, with prices measured as the average rate paid by motorists who booked online.

Short-term parking at the terminal

Brisbane Airport provides short-term parking facilities close to each of the international and domestic terminals. Figure 4.5.1 shows the drive-up rates for the past decade. Prices increased in all categories during 2018–19. Of the durations shown below, the biggest increase was the drive-up price for parking between 30 minutes and 1 hour, which increased by 4.2 per cent to $18. This followed a 4.2 per cent increase in 2017–18. The drive-up price of parking for all short-term durations has increased over the past decade, by between 5.7 per cent (3 to 4 hours) and 55.0 per cent (4 to 24 hours). Of the monitored airports, only Sydney Airport is more expensive than Brisbane Airport with regards to drive-up prices for short-term parking.

Figure 4.5.1 Brisbane Airport—selected short-term drive-up car parking prices—at terminal: 30 June 2010 to 30 June 2019



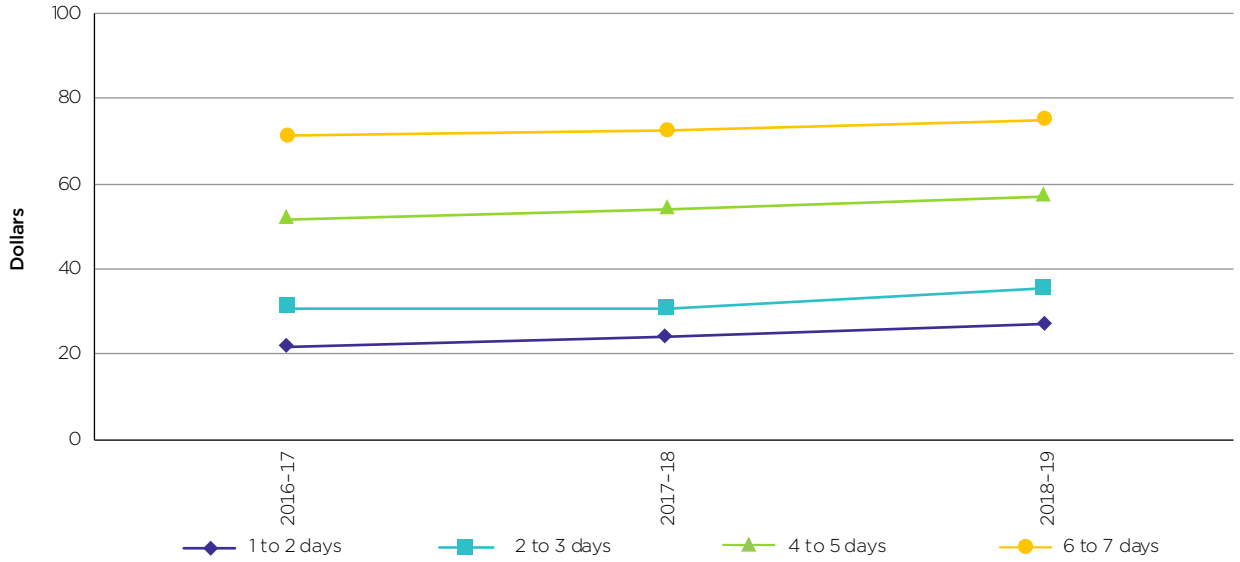
Note: Real values in 2018–19 dollars.

Long-term parking at distance

Although Brisbane Airport provides its 'ParkLong' parking product (for durations over four hours) at its at-terminal car parks, price-conscious motorists have the option of a cheaper at-distance car park called Airpark. Airpark offers free shuttle bus access to both the domestic and international terminals, with a bus scheduled every 15 minutes. It also offers both shaded and unshaded parking.

Figure 4.5.2 shows average prices paid by motorists who booked their long-term parking at Airpark online over the past three years. Average prices paid for all durations rose in 2018–19 by at least 3.4 per cent, with average prices paid for 2 to 3 days increasing by 15.5 per cent. Brisbane Airport's Airpark remains the cheapest of the at-distance car parks provided by the four monitored airports despite these price increases.

Figure 4.5.2 Brisbane Airport—average prices paid for booking long-term parking online—at-distance: 2016–17 to 2018–19



Note: Real values in 2018–19 dollars. Average prices paid are for unshaded parking booked online at Airpark.

Opportunities for motorists to save on parking at Brisbane Airport

There are a number of ways that motorists can save on parking at Brisbane Airport. For example, price-conscious motorists can choose to park at Airpark instead of at the terminal. While this will require a short shuttle bus trip of around ten minutes, parking at the AirPark car park would have saved them between 33 and 48 per cent in drive-up parking rates in 2018–19.[23] Despite these potential savings, motorists continue to overwhelmingly favour the at-terminal car park at Brisbane Airport for their long-term parking.

Another simple way to save on parking is to book it in advance online. Brisbane Airport offers online booking services for all parking durations. In 2018–19, average prices paid for long-term parking at Airpark booked online were between 21 and 39 per cent lower than average drive-up prices for the same car park.[24] Most motorists appear to be aware of these savings as nine in ten motorists book their long-term at-distance car parking online at Brisbane Airport.

In addition to car parking provided by Brisbane Airport, motorists also have the option of shopping around at an independent off-airport car parking facility. Independent car parks are in reasonably close proximity to all of the monitored airports—that is, in the suburbs surrounding the airport—and provide a pick-up and drop-off shuttle bus service for users.

There are currently four independent off-airport car parking facilities located near Brisbane Airport. Figure 4.5.3 below shows the location of these facilities relative to the airport. The shuttle buses from these operators have a typical travel time ranging between 10 minutes and 18 minutes from the car park to the terminals.

23 This is calculated as the difference between the average drive-up price paid for long term parking at the P1 and P2 ParkLong car parks and the Airpark for all durations up to 7 days.

24 This is calculated as the difference between the average price paid between drive-up and online bookings for long term parking at Airpark for all durations up to 7 days.

Figure 4.5.3 Off-airport car parking facilities located near Brisbane Airport

In 2018–19, if a motorist shopped around to find the cheapest rates, they had the potential to save up to 14 per cent from the airport's Airpark rates.[25] The saving depended on the length of stay and the independent car park chosen so it is recommended that motorists compare prices between different options. However, for parking durations of up to 4 days, booking online for parking at Airpark has the potential to be cheaper than off-airport parking.

In an attachment to Brisbane Airport's submission to the Productivity Commission's review of airport regulation, Houston Kemp said that Brisbane Airport's parking rates were similar to the average offered by competing independent car parks.[26] While independent car parks often charge by calendar day, the Airpark car park charges by 24-hour increment.

25 This was calculated using the difference between the average price paid for long-term parking online at Airpark and the cheapest price for off-airport parking for a comparable duration for all durations up to 7 days.

26 Houston Kemp, *Car parking and ground access—market power assessment, A report for Brisbane Airport*, Houston Kemp, September 2018, pp. 25–29.

4.5.3 Car parking activity

Table 4.5.2 summarises the supply and throughput of car parking facilities at Brisbane Airport over the ten years to 2018–19.

Average daily throughput increased by 6.7 per cent in 2018–19 to 7483 vehicles. This change was driven by a significant increase in throughput at the international car park (17.2 per cent) and more moderate growth at the domestic long-term car park (7.1 per cent). In contrast, throughput at the domestic short-term (P1) car park decreased by 119 cars per day, or 4.4 per cent.

Across the airport, car parking spaces decreased by 0.6 per cent to 16 955 spaces in 2018–19. This was mostly due to a decrease in spaces at the domestic short-term (P1) and domestic long-term (P2) car parks.

For the first time, the ACCC collected information from the monitored airports on the occupancy rate of their car parks. The Productivity Commission said that this data was important for identifying whether an airport was either restricting the number of car parks in order to charge high prices or charging excessively whereby the existing car spaces were not being used. For 2018–19, Brisbane Airport has reported that its at-terminal average car parking occupancy rate was 68.6 per cent. During the peak periods, its occupancy rate rose to 77.8 per cent and the car parks were at full occupancy at least once in 2018–19.

Brisbane's at-distance car parks had an average occupancy rate of 74.0 per cent while its peak period occupancy was 79.4 per cent. The at-distance car park was at full occupancy at least once in 2018–19.

Table 4.5.2 Brisbane Airport—number of car park spaces and average daily throughput: 2009–10 to 2018–19

		2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19
Number of car park spaces	International short-term and long-term	1 740	1 740	1 740	2 202	2 202	2 137	2 123	2 123	2 141	2 141
	Domestic short-term	976	1 133	1 690	1 119	1 119	1 074	1 366	1 013	1 049	973
	Domestic long-term	4 410	4 410	6 948	7 616	7 616	7 428	6 971	7 491	7 670	7 539
	Remote long-term (Airpark)							2 200	2 500	2 500	2 500
	Staff	2 484	2 484	2 484	3 038	3 038	3 038	3 165	3 576	3 701	3 802
	Total airport	**9 610**	**9 767**	**12 862**	**13 975**	**13 975**	**13 677**	**15 825**	**16 703**	**17 061**	**16 955**
Annual throughput of car park facilities (thousand)	International short-term and long-term	673	662	663	751	751	735	762	734	877	1 028
	Domestic short-term	912	839	758	1 381	1 327	1 162	1 105	1 055	991	947
	Domestic long-term	511	533	533	652	725	657	613	605	611	654
	Remote long-term (Airpark)							26	44	81	102
	Total airport	**2 096**	**2 035**	**1 954**	**2 784**	**2 804**	**2 555**	**2 507**	**2 438**	**2 559**	**2 731**
Average daily throughput of car park facilities	International short-term and long-term	1 845	1 815	1 811	2 058	2 057	2 014	2 082	2 011	2 403	2 816
	Domestic short-term	2 498	2 298	2 070	3 784	3 637	3 185	3 020	2 890	2 714	2 595
	Domestic long-term	1 399	1 462	1 457	1 785	1 987	1 801	1 675	1 658	1 673	1 792
	Remote long-term (Airpark)							70	122	222	280
	Total airport	**5 742**	**5 574**	**5 338**	**7 627**	**7 681**	**7 000**	**6 848**	**6 681**	**7 012**	**7 483**

4.5.4 Car parking financial results

Table 4.5.3 summarises Brisbane Airport's revenues, expenses and operating profits (EBITA) for car parking services over the past decade. In 2018–19, car parking revenue increased by 5.3 per cent to $107.1 million, which represented 12.7 per cent of total airport revenue. The increase in car parking revenues was broadly consistent with the growth in the number of cars using the car parks during the year.

Car parking operating expenses fell by 0.4 per cent in 2018–19, resulting in operating profits from car parking increasing by 8.3 per cent to $72.0 million. Operating profit from car parking has increased by 33.8 per cent since 2009–10.

The airport made an operating profit of 67.2 cents for each dollar in car parking revenue, up from 65.4 per cent in the previous year.

On a per car space basis, revenue increased by 6.0 per cent to $6314 and expenses increased by 0.3 per cent to $2069. This contributed to an operating profit per car park space of $4246 in 2018–19.

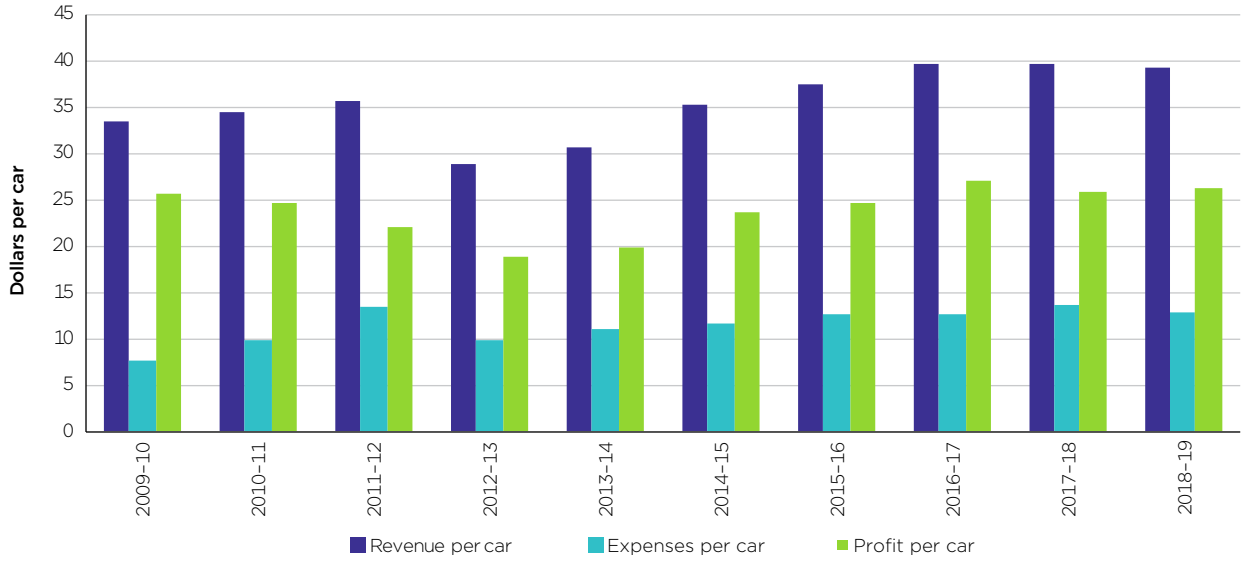
Table 4.5.3 Brisbane Airport—revenues, expenses and operating profits for car parking and total airport services: 2009–10 to 2018–19

		2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19
Revenue ($m)	Car parking	70.0	70.2	69.6	80.2	86.3	90.3	93.8	96.8	101.7	107.1
	Total airport	**510.2**	**533.1**	**554.8**	**588.1**	**612.9**	**652.4**	**677.6**	**703.4**	**789.3**	**840.5**
	Car parking % of total	13.7	13.2	12.5	13.6	14.1	13.8	13.8	13.8	12.9	12.7
Expenses ($m)	Car parking	16.2	20.0	26.3	27.7	30.8	29.6	31.8	30.8	35.2	35.1
	Total airport	**207.3**	**215.4**	**220.7**	**242.3**	**255.0**	**271.6**	**282.4**	**292.8**	**323.6**	**343.4**
Operating profit ($m)	Car parking	53.8	50.2	43.2	52.4	55.5	60.7	62.0	66.1	66.5	72.0
	Total airport	**302.9**	**317.7**	**334.1**	**345.9**	**357.9**	**380.8**	**395.2**	**410.6**	**465.7**	**497.1**
Profit margin (%)	Car parking	76.8	71.5	62.1	65.4	64.3	67.2	66.1	68.2	65.4	67.2
	Total airport	**59.4**	**59.6**	**60.2**	**58.8**	**58.4**	**58.4**	**58.3**	**58.4**	**59.0**	**59.1**
Revenue per space ($)		7 286	7 183	5 409	5 737	6 175	6 603	5 924	5 798	5 959	6 314
Operating expenses per space ($)		1 689	2 048	2 048	1 985	2 206	2 167	2 008	1 843	2 063	2 069
Operating profit per space ($)		5 596	5 135	3 361	3 752	3 970	4 437	3 916	3 954	3 896	4 246
Revenue per vehicle ($)		33.41	34.48	35.61	28.80	30.78	35.35	37.40	39.71	39.72	39.20
Operating expenses per vehicle ($)		7.75	9.83	13.48	9.96	11.00	11.60	12.68	12.63	13.75	12.84
Operating profit per vehicle ($)		25.66	24.65	22.12	18.84	19.79	23.75	24.72	27.09	25.97	26.35

Note: Real values in 2018–19 dollars.

Figure 4.5.4 presents Brisbane Airport's revenues, expenses and operating profits per vehicle. Revenue per vehicle fell by 1.3 per cent to $39.20 in 2018–19. A fall in revenue per car may reflect falling prices, shorter parking durations, more motorists booking online, or the adoption of less costly parking products. A decrease in the average cost per vehicle (down 6.6 per cent to $12.84) led to an increase in operating profit per vehicle (up 1.5 per cent to $26.35).

Figure 4.5.4 Brisbane Airport—average car parking revenue, costs and profit per car: 2009–10 to 2018–19



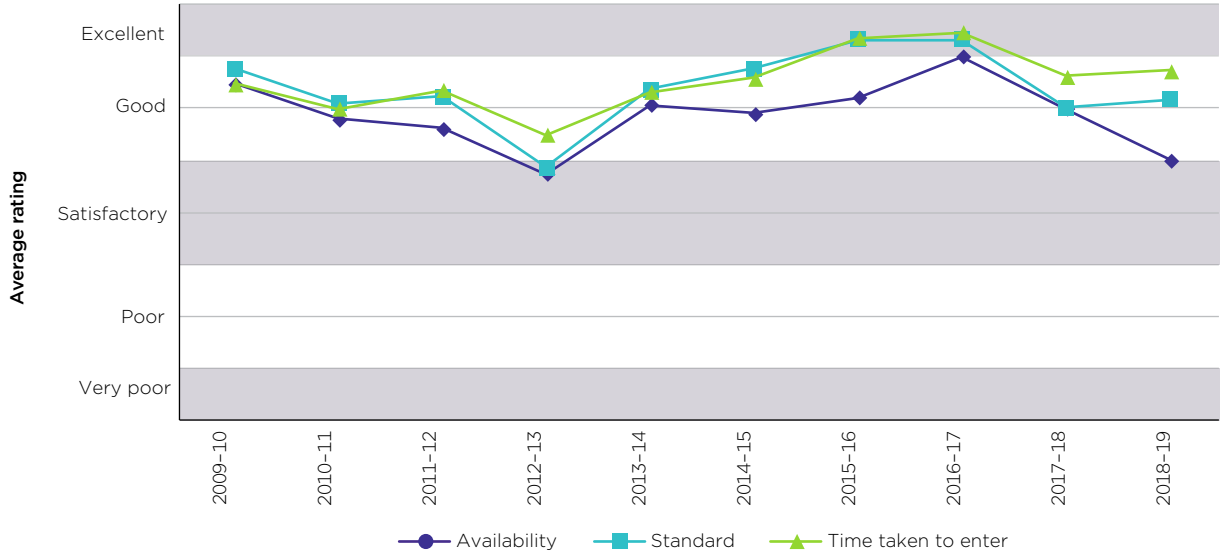
Note: Real values in 2018–19 dollars.

4.5.5 Car parking quality of service

Figure 4.5.5 shows passengers' ratings for the quality of Brisbane Airport's car parking facilities at the international terminal. The airport's ratings improved for both the time taken to enter and the standard of the car parking facilities.

However, passenger ratings for the availability of car parking at the international terminal fell substantially in 2018–19, following another significant drop last year. These ratings have fallen from the lower end of 'excellent' to the lower end of 'good' over two years. This may reflect that, while international passenger numbers have grown at Brisbane Airport over recent years (figure 4.2.1), the number of car parking spaces at the international terminal has remained relatively unchanged (table 4.5.5). The airport is in the process of planning the construction of a second multi-level car park at the international terminal.

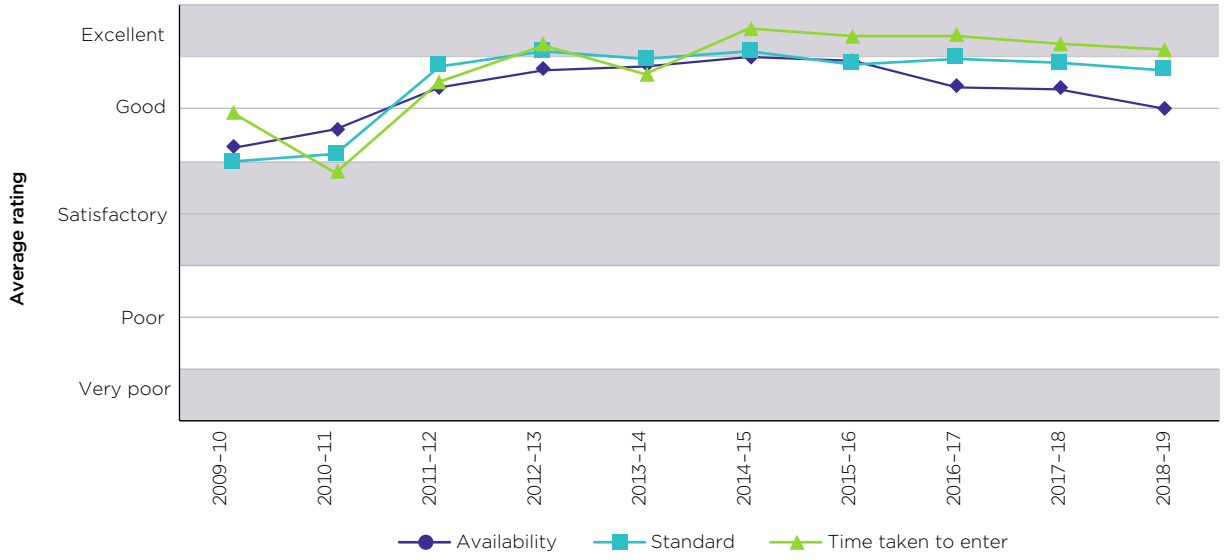
Figure 4.5.5 Brisbane Airport—international passenger survey ratings of the quality of car parking facilities: 2009–10 to 2018–19



Source: Passenger surveys obtained from Brisbane Airport.

Figure 4.5.6 shows passengers' ratings for Brisbane Airport's car parking facilities at the domestic terminal. It shows declines across all three indicators. Passengers continued to rate the time taken to enter the car park as 'excellent'. The standard and availability of car parking stayed at the 'good' rating. The rating for availability has declined for three consecutive years.

Figure 4.5.6 Brisbane Airport—domestic passenger survey ratings of the quality of car parking facilities: 2009–10 to 2018–19



Source: Passenger surveys obtained from Brisbane Airport.

4.6 Landside access

In addition to car parking and free pick-up and drop-off areas provided by Brisbane Airport, access to and from the airport is provided by bus, taxi, rideshare and off-airport car parking. Service operators are often charged a fee to access the airport which is passed on to passengers.

4.6.1 Transport options and facilities

A number of alternative transport modes are available for passengers wishing to travel to and from Brisbane Airport. Services vary in price, timeliness and service quality. The following services and facilities are available at Brisbane Airport:

Terminal pick-up and drop-off

The domestic and international terminals offer a free immediate pick-up and drop-off zone, as well as free of charge waiting zones with maximum waiting times of 10 and 30 minutes respectively. Drivers must remain with their vehicles when accessing these zones.

Train

Brisbane Airport is serviced by a privately owned and operated train service called Airtrain that is integrated into the suburban train network. The Airtrain takes 20 minutes to reach the CBD and also offers express services to the Gold Coast.

An adult train fare is $19 one way between the airport and the city or $36 return. A 5 per cent discount is offered for online bookings if booked within a day of travel, a 10 per cent discount if booked between two and six days prior to travel, and a 15 per cent if booked seven or more days prior to travel. Airtrain also offers discounts for groups.

Public and private buses

Brisbane City Council operates a bus service within the airport precinct which runs to the Toombul Interchange. The Interchange provides a variety of public transport options to the city or the suburbs.

Private bus operator 'Con-X-ion' services Brisbane Airport's international and domestic terminals, offering door-to-door transfers to or from the Brisbane CBD (from $15 one way or $27 return), Gold Coast and Sunshine Coast areas.

Off-airport parking

Off-airport parking operators serviced the airport from four distinct locations in 2018–19. Section 4.5.2 provides more information about these operators.

Taxis

Taxis operated by Black & White Cabs and Yellow Cabs are available from ranks at both the domestic and international terminals at Brisbane Airport. Taxi services are expected to cost between $45 and $55 for a one-way trip from the airport to the city, which takes approximately 20 minutes outside of peak periods.

Ridesharing

Brisbane Airport has dedicated pick-up zones for pre-booked rideshare at both domestic and international terminals. A variety of pre-booked rideshare operators service Brisbane Airport, including Uber, Ola and Didi.

Private cars

Private cars such as limousines and pre-booked taxis can be accessed from Brisbane Airport. Charges for private cars vary by operator.

Bicycle

Brisbane Airport provides bicycle racks at both the international and domestic terminal car parks, as well as shower facilities at both terminals.

4.6.2 Landside access revenue, volumes and charges

Brisbane Airport generates revenue from allowing various transport service providers access to airport facilities. Table 4.6.1 displays the revenue generated by each transportation type between 2014–15 and 2018–19, along with the fee charged and the number of times each service provider accessed the airport.

Table 4.6.1 Brisbane Airport—landside access charges, access volumes and revenues: 2014–15 to 2018–19

Transport option	Measure	2014-15	2015–16	2016–17	2017–18	2018–19
Taxi	Price (per pick-up)	3.63	3.69	3.73	3.76	3.90
	Volume (000s)	1319.6	1244.4	1201.3	1210.1	1177.0
	Revenue ($000s)	**4382.3**	**4177.1**	**4075.2**	**4139.6**	**4173.0**
Rideshare	Price (per pick-up)	N/A	N/A	3.11	3.56	3.90
	Volume (000s)	N/A	N/A	N/A	456.4	607.5
	Revenue ($000s)	N/A	N/A	N/A	1470.8	2203.0
Private bus and private car	Price (Private bus/ private car)[a]	9.10/5.88	9.20/5.94	9.27/5.99	9.28/5.99	9.30/6.00
	Volume (000s)[b]	352.8	381.0	632.2	253.7	253.1
	Revenue ($000s)	**2004.2**	**1977.1**	**2484.4**	**1850.0**	**1779.0**
Off-airport parking	Price (minimum fee)[a]	4.55	4.61	4.64	4.65	4.65
	Volume (000s)[c]	108.1	154.9	118.1	112.7	95.1
	Revenue ($000s)	**395.3**	**515.1**	**525.4**	**456.4**	**392.0**
Public bus	Price (monthly fee)	N/A	N/A	N/A	N/A	N/A
	Volume (000s)	N/A	N/A	N/A	N/A	N/A
	Revenue ($000s)	304.5	363.6	334.6	314.9	488.0
Train	Price (Airtrain corridor lease)	173070.4	170713.3	170954.4	170768.2	171000.0
	Volume (000s)	N/A	N/A	N/A	N/A	N/A
	Revenue ($000s)	**173.1**	**170.7**	**171.2**	**170.8**	**171.0**

Notes: Real prices in 2018–19 dollars. N/A = not applicable. a) Brisbane Airport charges private car and bus operators, and off-airport car parking operators based on vehicle type, length of stay and location. Prices listed are the minimum charges for parking at the domestic terminal. b) Brisbane Airport reported private bus and private car volumes and revenue inclusive of rideshare in 2016–17. c) Brisbane Airport changed from a fixed monthly fee for off-airport parking operators to time-based charging in 2016–17. Some operators now utilise public roads for drop-offs which is not measured by the airport.

Landside access volumes

Table 4.6.1 displays the number of times a group of transportation service providers accessed Brisbane Airport's facilities between 2014–15 and 2018–19. The number of pick-ups provided by rideshare operators continued to grow strongly in 2018–19 (up 33 per cent) to 607 486. Despite this growth, the number of pick-ups by taxis fell by only 2.7 per cent to just under 1.18 million. Access provided to private bus and private car operators remained relatively unchanged during 2018–19. Between 2014–15 and 2018–19, overall landside access volumes increased by 19.8 per cent.

Landside access fees and charges

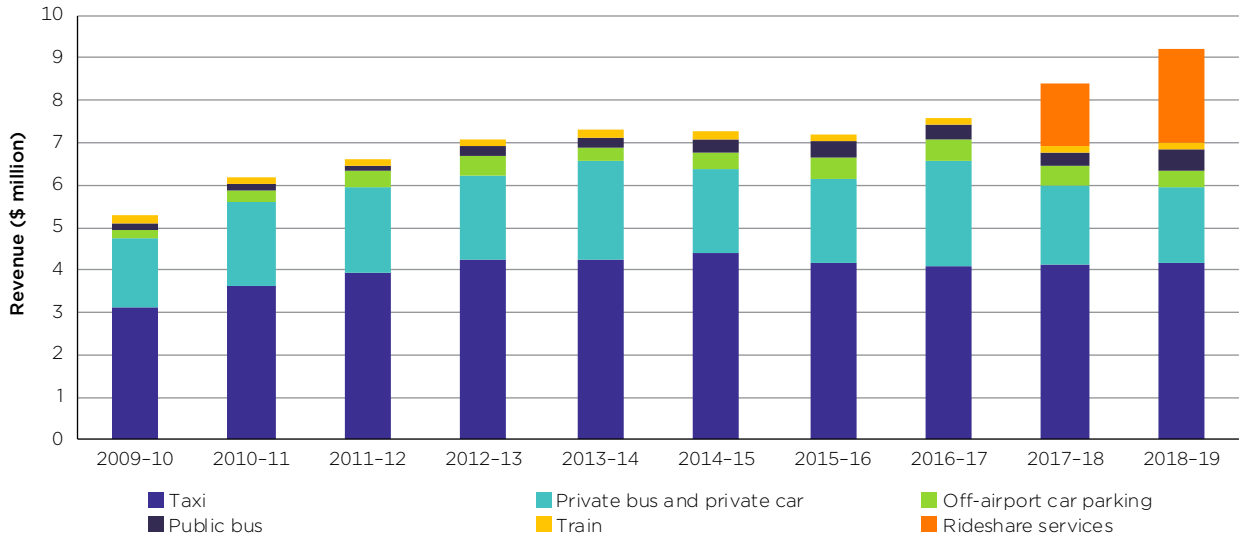
Brisbane Airport charges transport operators for access to the airport. Taxis, rideshare operators and private car operators are only charged an access fee for pick-ups. The fee is included as a surcharge in the passenger's total fare.

Table 4.6.1 presents the landside access charges at Brisbane Airport since 2014–15. It shows that taxis and rideshare operators are now charged the same rate ($3.90 per pick-up). In 2018–19, rideshare operators paid 9.6 per cent more than they did in 2018–19, while taxis paid 3.7 per cent more.

Landside access revenue

Figure 4.6.1 summarises landside access revenue by transport mode since 2009–10. Brisbane Airport's total landside access revenue increased for the third straight year in 2018–19, growing 9.6 per cent to $9.2 million. Much of this growth has been driven by increases in landside volumes, with rideshare volumes increasing by 33.1 per cent since 2017–18. Landside revenue was 74.5 per cent higher in 2018–19 than it was a decade ago.

Figure 4.6.1 Brisbane Airport—landside access revenue by transport mode: 2009–10 to 2018–19



Note: Total landside access revenue figures exclude revenue collected from car rental operators. Revenue from rideshare services is included in private bus and private car revenue in 2016–17. Real values in 2018–19 dollars.

Brisbane Airport generated revenue of $4.2 million from providing access to taxi operators during 2018–19. While taxi revenue has been the largest source of reported landside revenue since 2009–10 for Brisbane Airport, it remained relatively unchanged during 2018–19 as the number of taxi pick-ups fell. Greater volumes and, to a lesser extent an increase in the access charge, resulted in revenue collected from rideshare operators growing 49.8 per cent to $2.2 million.

4.6.3 Quality of landside access services and facilities

Table 4.6.2 shows that passengers are very satisfied with various Brisbane's landside facilities. They rated Brisbane Airport's kerbside services and facilities and taxi facilities waiting time as 'excellent' at the international terminal, and kerbside space congestion as 'good' during 2018–19. At the domestic terminal, the kerbside services and facilities were rated 'good', and the taxi facilities waiting time and kerbside space congestion were rated as 'excellent'.

Table 4.6.2 **Brisbane Airport—passenger ratings of the quality of landside access services and facilities: 2018–19, 1-year change and change since 2014–15**

Terminal	Indicator	Rating category 2018–19	1-year change	Change since 2014–15
International	Kerbside pick-up and drop-off facilities	Excellent	▲*	▲*
	Taxi facilities waiting time	Excellent	▲*	▼
	Kerbside space congestion	Good	▲	▲
Domestic	Kerbside pick-up and drop-off facilities	Good	▲	▲
	Taxi facilities waiting time	Excellent	▲*	▲*
	Kerbside space congestion	Excellent	▲	▲*

Notes: The rating categories are; very poor, poor, satisfactory, good and excellent. ▲ indicates an improvement; ▼ indicates a decline; — indicates no change. *Rating changed by a category over the period.

All ratings improved from 2017–18, with international kerbside services and facilities improving to 'excellent'. Both domestic and international taxi facilities waiting time ratings also improved to 'excellent' over the past year. The airport attributes the improved ratings due to an efficient call forwarding system to ensure that taxis are available for customers, as well as reduced wait times for taxis due to growing demand for rideshare services.

5. Melbourne Airport

Key Points

- The number of passengers at Melbourne Airport grew by 1.8 per cent in 2018–19 to 37.4 million. The growth rate was the equal highest of the four monitored airports. Once again, the growth was driven by international passengers, which increased by 5.2 per cent to 11.5 million. Domestic passengers grew by 0.4 per cent to 26.0 million.
- Aeronautical revenue per passenger increased by 4.9 per cent to $12.95 in 2018–19. Total aeronautical revenue increased by 6.9 per cent to $484.7 million. Despite a modest increase in expenses, aeronautical profit (EBITA) grew by 11.1 per cent to $194.5 million. The return on aeronautical assets declined from 8.9 per cent to 8.5 per cent.
- Melbourne Airport invested $538.6 million in aeronautical facilities in 2018–19. A large proportion of this investment was related to the expiry of the T1 Domestic Terminal Lease with Qantas in June 2019, with the airport acquiring facilities within that terminal as part of its transfer to airport management. Consequently, Melbourne Airport reported the highest aeronautical investment rate (additions as a percentage of aeronautical assets) of the monitored airports in 2018–19 with 27.0 per cent. The airport also commenced construction on a new $300 million taxiway network.
- Operating profit from car parking fell by 10 per cent in 2018–19 to $77.5 million, primarily due to a fall in revenue (down 4.5 per cent to $145.5 million). The operating profit margin fell from 56.5 per cent to 53.3 per cent in 2018–19. Prices for short-term car parking near the terminal and long-term parking at-distance fell slightly in 2018–19. Drive-up prices for short-term parking near the terminal are generally cheaper than they were a decade ago.
- Melbourne Airport's overall quality of service was again rated as 'good' in 2018–19, after last year improving from 'satisfactory'. It is the highest rating achieved by the airport in nine years. While passengers reported greater satisfaction (within the 'good' category) in 2018–19, the airport's better performance over the last two years relates to much improved ratings from airlines (still within the 'satisfactory' category).

5.1 Introduction

This chapter presents a detailed review of the performance of Melbourne Airport in the supply of aeronautical, car parking and landside access services. The chapter is structured as follows:

- section 5.2 presents an overview of aeronautical activity, terminal configuration and aeronautical investments
- section 5.3 reports on prices and financial performance
- section 5.4 reports on the quality of aeronautical and total airport services
- section 5.5 presents a review of car parking, and
- section 5.6 presents landside access services.

The monitored airports are only required to provide information to the ACCC in relation to the terminals that they operate directly. At Melbourne Airport, Qantas operated domestic terminal T1 under a domestic terminal lease until 26 June 2019. This means that next year's airport monitoring report—that relates to 2019–20—will be the first to include aeronautical revenues and expenses from that terminal. It will also include T1 in the assessment of quality of service at the airport for the first time.

The only impact of the expiry of the domestic terminal lease on the figures in the 2018–19 monitoring report is a notable increase in the reported value of Melbourne Airport's aeronautical assets (which in turn lowers the reported return on assets). This increase reflects the airport acquiring the facilities within the terminal that were previously occupied by Qantas.

The domestic terminal lease, and its subsequent expiration, has not impacted on the data presented in section 5.2 in relation to aeronautical activity, and where figures are presented for total airport operations.

Unless otherwise noted, dollar values presented throughout this chapter are in 2018–19 dollars, with all movements having been adjusted for inflation.

5.2 Airport overview and major aeronautical investments

This section provides an outline of Melbourne Airport's aeronautical activities (section 5.2.1), terminal configurations (section 5.2.2) and major aeronautical investments (section 5.2.3).

5.2.1 Aeronautical activity levels

Melbourne Airport's passenger traffic grew by 1.8 per cent in 2018–19 to 37.4 million (figure 5.2.1). This was driven by a 5.2 per cent increase in international passenger traffic to 11.5 million. There was a relatively smaller increase of 0.4 per cent in domestic passenger traffic to 26.0 million.

Figure 5.2.1 Melbourne Airport—volume of passengers, tonnes landed and aircraft movements: 2009–10 to 2018–19

Figure 5.2.1 also shows that the volume of tonnes landed increased during 2018–19, up 0.6 per cent to 13.9 million. Aircraft movements went up by 0.7 per cent to 246 210.

5.2.2 Terminal configurations

Melbourne Airport has one international terminal and three domestic terminals:

- Terminal 1 (T1) was occupied and operated by Qantas under a domestic terminal lease until its expiry on 26 June 2019. Qantas retained exclusive use of this terminal for domestic services for the next ten years.
- Terminal 2 (T2)—the international terminal—is a common user terminal used by all international airlines flying to and from Melbourne Airport.
- Terminal 3 (T3) is a common user domestic terminal used by Virgin Australia.
- Terminal 4 (T4) is a common user domestic terminal used by budget and regional airlines, including Jetstar, Tigerair, Regional Express and Airnorth.

5.2.3 Aeronautical investments

Table 5.2.1 lists selected aeronautical investments that were completed, initiated or planned at Melbourne Airport during 2018–19. A similar overview of car parking and landside-related investments can be found in section 5.5.3, while discussion of the airport's capital expenditure is at section 5.3.4.

Table 5.2.1 Melbourne Airport—selected investments in aeronautical services and facilities

Description of investment	Value ($m)	Started	Completed
T2 security expansion	n/p	2016-17	2018-19
Aerobridge and fixed link replacements	n/p	2016-17	2018-19
T3 check-in upgrades	n/p	2017-18	2018-19
Runway development plan	n/p	2013-14	*2025-26*
Taxiway Zulu development	n/p	2014-15	*2023-24*
New elevated road construction	n/p	2017-18	*2023-24*
T2 pier D expansion	n/p	*2020-21*	*2024-25*
Pier F redevelopment	n/p	*2020-21*	*2025-26*

Note: n/p = Not provided by the airport. Investments shown as 'started' may reflect projects in the planning phase, with construction yet to commence.

During 2018–19, Melbourne Airport completed expansion works on the existing security area in T2. This work was to facilitate the installation of 'smart security' X-ray lanes required to facilitate enhanced security measures mandated by the government and to increase queuing area. Melbourne Airport also replaced aerobridges and fixed links in terminals 2 and 3.

The airport commenced construction of a new taxiway network under the 'Taxiway Zulu' project in June 2019. The $300 million investment will see the development of more than 250 000 square metres of new taxiway pavement. The airport has said that the new taxiways will mean better on time performance for flights and more space for international aircraft.

The year also saw continued development of an elevated access road connecting the Tullamarine Freeway with the car parks. The first stage of this project, providing a link to the At-terminal T4 car park, is expected to be completed by 2020–21. The second stage, providing a link to the At-terminal 123 car park, is expected to be completed by 2023–24.

The pier F redevelopment is expected to commence in 2020–21. The redevelopment will involve the extension and widening of pier F, providing a 'full-service' pier with gate lounges, retail sites and aerobridges to serve 16 aircraft gates.

5.3 Aeronautical price monitoring and financial performance results

This section covers the aeronautical price monitoring and financial reporting results for Melbourne Airport. The results are categorised into prices (section 5.3.1), revenues, costs and profits per passenger (section 5.3.2), total revenues, costs and profits (section 5.3.3), capital expenditure and asset values (section 5.3.4) and rate of return on assets (section 5.3.5). All pricing and financial data are presented in real terms with values in 2018–19 dollars.

5.3.1 Prices

Airports require airlines to pay charges for the use of the airfield and terminals. Some charges are levied on a per-passenger basis and others are based on aircraft size (maximum take-off weight (MTOW)).The most significant aeronautical charges are typically per-passenger charges for the airline to use runway and the relevant terminal.

Airports publish list prices (or 'schedule of charges') that represent the standard charge applicable to an airline operating out of the airport. However, airports typically enter into negotiations that result in airlines paying rates below the list prices (see box 5.3.1). The Australian Airports Association (AAA) found that the major Australian airports discounted charges for domestic and international flights by an average of 24.0 and 9.8 per cent respectively in 2016–17.[27]

27 Australian Airports Association, *AAA submission to the Productivity Commission*, 2018, p. 32.

Box 5.3.1 Melbourne Airport's aeronautical service agreements

There are two types of aeronautical agreements that Melbourne Airport enters into with airlines. The first is the Aeronautical Services Agreement (ASA) that applies to the use of runways and taxiways for all airlines, as well as the international terminal. The second type of agreement covers the use of domestic terminals operated by Melbourne Airport. In operation until 30 June 2022, the current 5-year ASA sets out the primary charge for aeronautical services at Melbourne Airport covering the T2 International Terminal and airside and landside access. Prices are broadly determined using a cost-based building block methodology. Price paths over the agreement are negotiated with airlines, with some charges adjusted in line with CPI during the term of the agreement.

Melbourne Airport said that some new features were incorporated into the current ASA as a result of commercial negotiation. These features include a Quarterly Consultation Forum to review quality of service issues, rebates to compensate airlines for unavailability of equipment affecting on-time performance, a Capital Consultation Group to report and involve airlines in the scope of major projects, and an annual price reset if actual capital expenditure falls short of planned expenditure.[28]

Table 5.3.1 presents Melbourne Airport's published list prices for aeronautical services during 2018–19, as well as their changes in real terms between 2014–15 and 2018–19. The published landing charges for use of the airfield and the international terminal (Terminal 2) decreased by 3.3 per cent to $22.48 in 2018–19, while the charge for the common user domestic terminals increased by 0.6 per cent to $6.45 during 2018–19. Other charges generally increased slightly, with the exception of the passenger and baggage screening charges. Over the past five years, international landing fees and domestic terminal charges increased by 6.5 and 3.3 per cent respectively.

28 Melbourne Airport, *Productivity Commission Inquiry into the Economic Regulation of Airports: Response to Issues Paper*, Melbourne Airport, September 2018, pp. 36–46.

Table 5.3.1 Melbourne Airport—schedule of published aeronautical charges and movements over time: 2014–15 to 2018–19

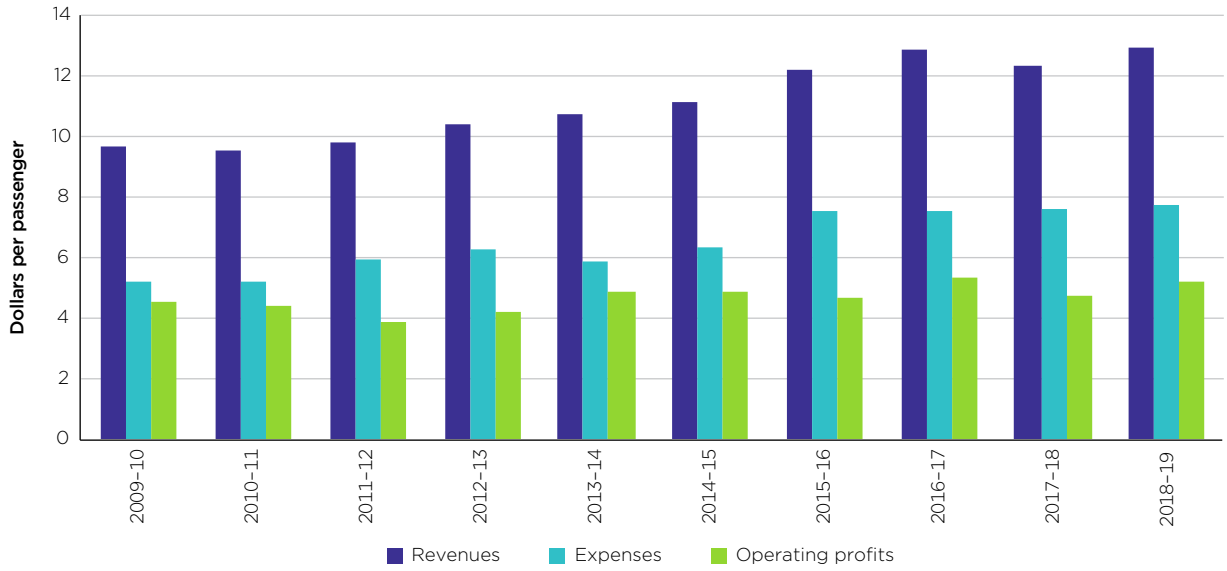
	Charge per unit ($)	Indexed list prices (2018–19 base year = 100)				
	2018–19	2014–15	2015–16	2016–17	2017–18	2018–19
Landing fees						
International terminal (per passenger)	22.48	93.9	100.6	106.5	103.5	100.0
Other (domestic services under the ASA) (per passenger)	4.71	101.6	103.8	106.5	103.4	100.0
Common-user domestic terminals (walk-up rate) (per passenger)	6.45	96.8	98.9	98.8	99.4	100.0
International freight (per MTOW)	11.37	99.3	98.7	98.7	96.8	100.0
Domestic freight (per MTOW)	11.37	99.3	98.7	98.7	96.8	100.0
General aviation (per MTOW)	21.35	99.3	98.7	98.7	96.8	100.0
Aircraft parking (per 15 minutes)	48.43	100.0	99.4	98.7	96.8	100.0
Check-in desks (per hour)	34.63	107.3	107.0	107.0	99.2	100.0
Minimum charges						
International and domestic freight (per landing)	N/A	N/A	N/A	N/A	N/A	N/A
General aviation (per landing)	317.40	96.6	98.7	98.7	96.8	100.0
Government mandated security charges						
International terminal passenger and baggage screening (per passenger)	4.16	109.5	106.5	108.4	106.4	100.0
Common user domestic terminals passenger and baggage screening (per passenger)	3.37	91.5	116.4	115.1	107.3	100.0
Airport security charge—passengers (per passenger)	0.31	72.0	67.7	69.9	68.5	100.0
Airport security charge—freighters and general aviation (per MTOW)	0.30	75.5	71.0	73.3	71.9	100.0

Notes: Real indexed prices are in 2018–19 dollars. Charges include GST.

5.3.2 Revenues, costs and profits per passenger for aeronautical services

Aeronautical revenue per passenger is a useful proxy measure of the various aeronautical charges applied by airports. Figure 5.3.1 exhibits Melbourne Airport's aeronautical revenues, expenses and operating profits on a per-passenger basis in real terms from 2009–10 to 2018–19.

Figure 5.3.1 Melbourne Airport—aeronautical revenues, expenses and operating profit per passenger: 2009–10 to 2018–19



Notes: Real values in 2018–19 dollars.

Aeronautical revenue per passenger at Melbourne Airport increased by 4.9 per cent to $12.95 in 2018–19, largely reversing the decline from the previous year. This increase occurred despite the published per-passenger charges for the domestic common user terminal and the international terminal either falling or increasing only slightly. This suggests that the movements in actual rates paid by airlines under agreement may have been different to the published rates. Another factor is that international passengers continued to grow at a faster rate than domestic passengers. As noted in Table 5.3.1, Melbourne Airport's published landing charge for international passengers was $22.48 in 2018–19, significantly above the charge for domestic passengers of $4.71. One reason for this is that the international charge also includes use of the terminal (Terminal 2).

During 2018–19, aeronautical expenses per passenger increased by 2.3 per cent to $7.75, while per passenger operating profit (EBITA) grew by 9.1 percent to $5.20. Figure 5.3.1 shows that, despite revenue per passenger growing by 33.3 per cent over the past decade, operating profit per passenger has grown at a more modest 14.9 per cent. This is because expenses per passenger have grown by 49.4 per cent during this period. Expenses per passenger have been particularly higher in recent years due in part to the completion of the T4 terminal redevelopment and T2 expansion due to growth.

5.3.3 Revenues, costs and profits for aeronautical and total airport services

Table 5.3.2 presents the revenues, expenses and profits for aeronautical and total airport services in real terms over the past decade.

Melbourne Airport's aeronautical revenue increased by 6.9 per cent in 2018–19 to $484.7 million. Part of this increase was driven by growth in the number of passengers travelling internationally. Melbourne Airport's total aeronautical revenue has increased by 89.9 per cent over the past ten years.

Total aeronautical expenses grew by 4.2 per cent to $290.2 million in 2018–19. A number of expense items contributed to the increase, with the largest rise in absolute terms attributed to depreciation of tangible assets (up 5.3 per cent). Security costs increased by 9.8 per cent, largely as a result of the government's application of enhanced security measures. Services and utilities expenses rose by 3.7 per cent due to a mix of terminal expansion and unit costs. Melbourne Airport's total aeronautical expenses have more than doubled (112.8 per cent) over the past decade.

Despite a modest increase in aeronautical expenses, Melbourne Airport's aeronautical operating profit (EBITA) increased by 11.1 per cent to $194.5 million during 2018–19. Aeronautical operating profit is 63.6 per cent higher than it was a decade ago, although it has fluctuated over this period as a result of periodic rises and falls in expenses. During 2018–19, the airport generated a profit of 40.1 cents for each dollar of aeronautical revenue, compared to 38.6 cents in the previous year. This is much lower than the 46.6 cents operating profit reported a decade ago.

On a total airport basis, Melbourne Airport's revenue grew by 1.7 per cent in 2018–19 to $1.0 billion. The airport's operating profit grew by 2.1 per cent to $576.1 million.

Table 5.3.2 Melbourne Airport—revenues, expenses and profits for aeronautical and total airport services: 2009–10 to 2018–19

		2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19
Revenue ($m)	Aeronautical	255.3	270.9	278.1	312.5	335.6	361.3	414.5	454.1	453.5	484.7
	Total airport	**605.7**	**636.9**	**654.4**	**698.1**	**754.4**	**804.6**	**884.6**	**962.8**	**1002.9**	**1019.9**
	Aero % of total airport	42.1	42.5	42.5	44.8	44.5	44.9	46.9	47.2	45.2	47.5
Operating expenses ($m)	Aeronautical	136.4	146.7	168.5	187.1	183.8	204.4	256.0	265.5	278.4	290.2
	Total airport	**211.3**	**227.1**	**250.3**	**275.7**	**283.0**	**318.4**	**396.2**	**409.5**	**438.5**	**443.8**
Operating profit ($m)	Aeronautical	118.9	124.2	109.6	125.4	151.8	156.9	158.5	188.6	175.1	194.5
	Total airport	**394.4**	**409.8**	**404.1**	**422.4**	**471.5**	**486.2**	**488.5**	**553.4**	**564.5**	**576.1**
Profit margin (%)	Aeronautical	46.6	45.8	39.4	40.1	45.2	43.4	38.2	41.5	38.6	40.1
	Total airport	**65.1**	**64.3**	**61.7**	**60.5**	**62.5**	**60.4**	**55.2**	**57.5**	**56.3**	**56.5**
Revenue per passenger ($)	Aeronautical	9.71	9.56	9.80	10.42	10.76	11.18	12.20	12.89	12.34	12.95
Operating expenses per passenger ($)	Aeronautical	5.19	5.18	5.94	6.24	5.89	6.33	7.54	7.54	7.58	7.75
Operating profit per passenger ($)	Aeronautical	4.52	4.38	3.86	4.18	4.87	4.85	4.67	5.36	4.76	5.20

Note: Real values in 2018–19 dollars.

Table 5.3.3 Melbourne Airport—non-current assets for aeronautical services and total airport services: 2009–10 to 2018–19 ($m)

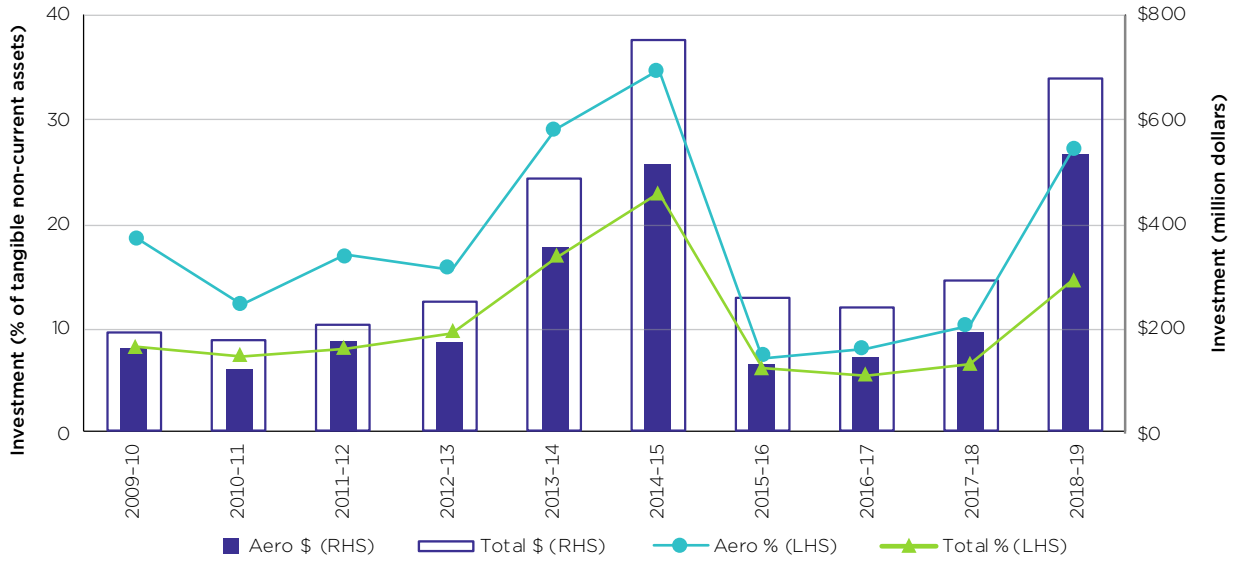
		2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19
Investment property	Aeronautical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Total airport	**1 049.0**	**1 102.8**	**1 134.0**	**1 193.6**	**1 151.8**	**1 289.1**	**1 424.6**	**1 469.7**	**1 504.5**	**1 401.4**
Land	Aeronautical	56.7	54.3	52.4	51.1	49.1	47.7	59.7	61.6	92.9	168.5
	Total airport	**71.0**	**68.0**	**65.6**	**82.3**	**79.2**	**115.7**	**115.6**	**123.8**	**153.6**	**223.7**
Property, plant and equipment	Aeronautical	946.3	995.0	1 097.2	1 185.2	1 443.7	1 864.7	1 861.6	1 886.7	1 899.0	2 431.7
	Total airport	**1 319.9**	**1 382.2**	**1 471.2**	**1 597.9**	**1 946.3**	**2 551.4**	**2 554.9**	**2 557.5**	**2 575.1**	**3 179.4**
Intangibles	Aeronautical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Total airport	**804.0**	**779.8**	**762.2**	**745.2**	**727.6**	**714.8**	**704.6**	**694.6**	**681.7**	**671.2**
Other tangible non-current assets	Aeronautical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Total airport	**0.0**	**0.0**	**8.4**	**50.4**	**115.4**	**277.5**	**422.1**	**349.9**	**443.1**	**574.7**
Total tangible non-current assets	Aeronautical	1 003.0	1 049.3	1 149.6	1 236.3	1 492.8	1 912.4	1 921.3	1 948.4	1 991.8	2 600.2
	Total airport	**2 439.8**	**2 553.1**	**2 679.2**	**2 924.2**	**3 292.7**	**4 233.7**	**4 517.2**	**4 500.9**	**4 676.2**	**5 379.2**
Total non-current assets	Aeronautical	1 003.0	1 049.3	1 149.6	1 236.3	1 492.8	1 912.4	1 921.3	1 948.4	1 991.8	2 600.2
	Total airport	**3 243.9**	**3 332.8**	**3 441.4**	**3 669.5**	**4 020.3**	**4 948.5**	**5 221.8**	**5 195.5**	**5 357.9**	**6 050.4**

Note: Real values in 2018–19 dollars.

5.3.4 Capital expenditure and asset values

Figure 5.3.2 below shows Melbourne Airport's capital expenditure for aeronautical and total airport services over the past decade. Over this period, Melbourne Airport invested a total of $3.5 billion across the whole airport, of which $2.5 billion related to aeronautical assets.

Figure 5.3.2 Melbourne Airport—investment in aeronautical and total airport services: 2009–10 to 2018–19



Note: Real values in 2018–19 dollars.

Melbourne Airport invested $538.6 million in aeronautical operations in 2018–19. This is the largest level of annual aeronautical capital expenditure since the airport's privatisation. However, a large majority of this is the result of the expiry of the T1 domestic terminal lease on 26 June 2019 and the subsequent acquisition by the airport of facilities within that terminal.[29]

While specific investment projects are discussed in section 5.2.3, significant additions in 2018–19 included land improvement ($69.7 million), plant and machinery ($56.6 million) and assets under construction ($109.0 million). Components of these additions were the T2 security expansion, replacement of end-of-life aerobridges and fixed links on T2 and T3, check-in redevelopment in T2 and T3 with additional self-service kiosks and 'hybrid' automatic bag drop counters. Melbourne Airport's investment in total airport operations in 2018–19 was $675.5 million, the second highest in the past decade.

Figure 5.3.2 also presents Melbourne Airport's rate of investment—presented as additions as a percentage of tangible non-current assets—across both aeronautical and total airport operations. In contrast to the capital expenditure dollar amounts shown in the chart, this shows Melbourne Airport's investment over time relative to the size of its existing asset base.

The airport's rate of investment in 2018–19 was 27 per cent for aeronautical operations and 14.5 per cent for the total airport. The peak investment rate for in 2014–15 related to the completion of the T4 transport hub and terminal.

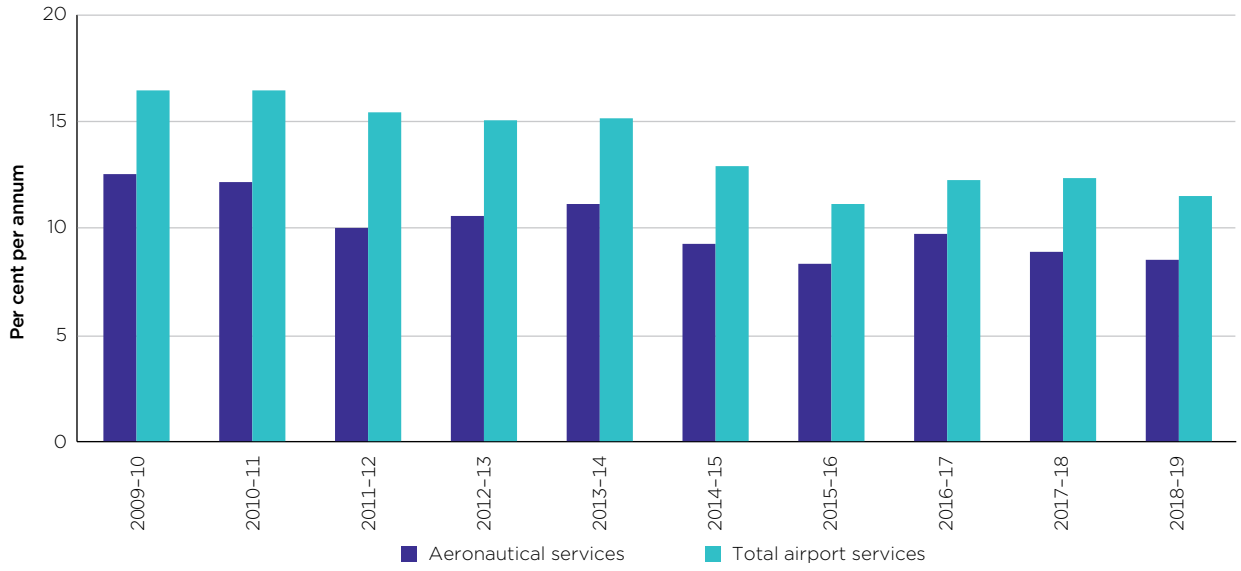
Table 5.3.3 presents Melbourne Airport's tangible non-current assets for aeronautical and total airport services in real terms from 2009–10 to 2018–19. The total value of tangible non-current assets at the airport was $5.4 billion at the end of 2018–19, of which $2.6 billion were aeronautical assets. The value of aeronautical assets grew by 30.5 per cent in 2018–19, mostly due to the inclusion of T1 into the asset base after the expiry of the domestic terminal lease with Qantas.

29 Qantas reported that it had settled the sale of Terminal 1 and secured future access to the terminal for $355 million, of which $276 million will be received in cash in 2019. See Qantas, 'Qantas Group trading update—Third quarter FY19', media release, 9 May 2019.

5.3.5 Rates of return on tangible non-current assets

Rate of return is a key measure of profitability. This measure is defined as operating profit (EBITA) as a percentage of average tangible non-current assets. Figure 5.3.3 shows the rate of return for aeronautical services and total airport operations at Melbourne Airport from 2009–10 to 2018–19.

Figure 5.3.3 Melbourne Airport—rate of return (EBITA) on tangible non-current assets for aeronautical and total airport services: 2009–10 to 2018–19



During 2018–19, Melbourne Airport's return on tangible non-current aeronautical assets decreased by 0.4 percentage points to 8.5 per cent. The equivalent figure for the total airport also declined, falling to 11.5 per cent (down 0.8 percentage points).

Melbourne Airport's rate of return on both aeronautical and total assets has trended down over the past decade despite the upward trend in the airport's revenue per passenger. This is due to the expansion of the airport's asset base over this period. In particular, the airport's returns have been lower since the asset base expanded in 2014–15 with the completion of T4 terminal and T4 transport hub. In 2018–19, the airport's return on both aeronautical and total assets was pulled down by the significant increase in the asset base as a result of the inclusion of the facilities associated with the T1 terminal.

5.4 Quality of aeronautical and total airport services

Ratings of the quality of service offered at each airport are derived from surveys of both airlines and passengers as well as various objective indicators of performance collected from the airport.

This section presents Melbourne Airport's ratings for quality of total airport services (section 5.4.1), terminal and aircraft-related services and facilities (section 5.4.2), and passenger-related services and facilities for international and domestic terminals (section 5.4.3).

5.4.1 Total airport services

The ACCC calculates a single overall quality of service rating for each monitored airport, which covers aeronautical, car parking and, to a lesser extent, landside operations. The overall rating represents the average score that the airport achieved across a large number of measures based on airline surveys, passenger surveys and objective indicators. The methodology for calculating this rating is explained in section A4.2.3 in appendix A4.

Figure 5.4.1 below shows that Melbourne Airport's overall quality of service rating has slightly increased within the 'good' category, after last year improving from 'satisfactory'. The airport's overall quality of service rating is at its highest level in nine years. While passengers reported greater satisfaction (within

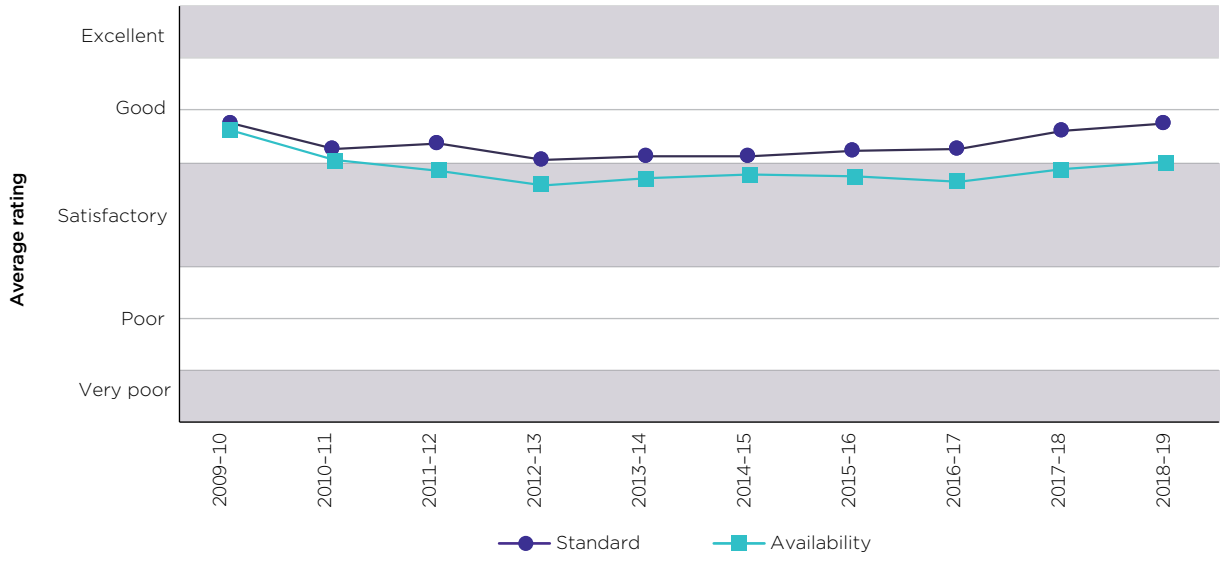
the 'good' category) in 2018–19, the airport's better performance over the last two years relates to much improved ratings from airlines (still within the 'satisfactory' category).

Figure 5.4.1 Melbourne Airport—ratings of overall quality of service, passenger survey and airline survey: 2009–10 to 2018–19

Source: Airline surveys, passenger surveys and objective indicators obtained from Melbourne Airport.

Figure 5.4.2 shows Melbourne Airport's average ratings in measures that relate specifically to either the availability or standard of services. Both measures increased slightly over the year, with the overall availability rating falling into the 'good' category for the first time since 2010–11.

Figure 5.4.2 Melbourne Airport—average ratings for the standard and availability of total airport services and facilities: 2009–10 to 2018–19

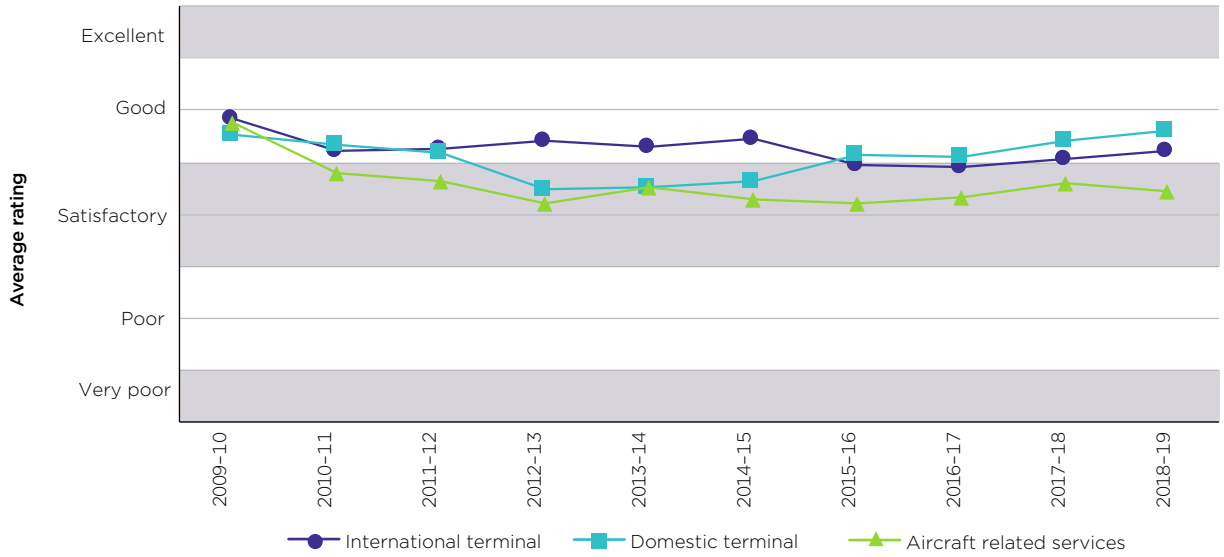


Source: Airline surveys, passenger surveys and objective indicators obtained from Melbourne Airport.

5.4.2 Terminal and aircraft-related services and facilities

Figure 5.4.3 shows average ratings for international and domestic terminal facilities, and aircraft-related services at Melbourne Airport. The average quality of service ratings for the international and domestic terminals increased within the 'good' category.

Figure 5.4.3 Melbourne Airport—average ratings for international and domestic terminal facilities, and aircraft-related services and facilities: 2009–10 to 2018–19



Source: Airline surveys, passenger surveys and objective indicators obtained from Melbourne Airport.

The increase in ratings for the domestic terminal over the past two years may reflect the installation of a new baggage reclaim carousel (completed in 2017–18) and the recent completion of works to check-in facilities in the T3 domestic terminal.

Figure 5.4.3 also shows that there was a slight decrease in the airlines' rating for aircraft-related services, which remains within the 'satisfactory' category. Table 5.4.1 provides a breakdown of the airlines' ratings on various aspects of aircraft-related services and facilities.

Table 5.4.1 Melbourne Airport—airline ratings of quality of individual aircraft-related services and facilities: 2018–19, 1-year change, and change since 2009–10

Category	Indicator	Rating category 2018–19	1-year change	Change since 2009–10
Runway	Availability	Satisfactory	–	▼*
	Standard	Good	▼	▲
Taxiways	Availability	Satisfactory	▲	▼*
	Standard	Satisfactory	▼	▼*
Aprons	Availability	Satisfactory	–	▼*
	Standard	Satisfactory	▼*	▼*
Aircraft parking	Availability of facilities and bays	Satisfactory	▲	▼*
	Standard of facilities and bays	Satisfactory	▼	▼*
Ground handling	Availability of services and facilities	Satisfactory	▼	▼*
	Standard of services and facilities	Satisfactory	▼	▼
Management responsiveness	Availability	Good	–	▼
	Standard	Good	▲*	▼

Notes: The rating categories are: very poor, poor, satisfactory, good and excellent. ▲ indicates an improvement; ▼ indicates a decline; – indicates no change. *Rating changed by a category over the period.

While the airlines were relatively content with Melbourne Airport's management responsiveness, the ratings for almost all services and facilities were 'satisfactory'. The majority of the ratings are down on both the year and the last decade, with most of them dropping from 'good' to 'satisfactory' in relation to the latter.

Several airlines expressed concerns about congestion and its impact on on-time performance. In particular, one airline commented that the lack of a runway demand management system at Melbourne Airport resulted in delays, while several airlines commented that taxiways and aprons are congested during peak periods. Section 3.8 of this report shows that the on-time performance of airlines has fallen across the monitored airports in recent years.

Airlines' ratings for the standard of Melbourne Airport's management responsiveness improved from 'satisfactory' to 'good' in 2018–19. One airline commented that airport management is responsive and willing to work to resolve operational concerns, while another considered that engagement is at a high standard.

5.4.3 Passenger-related services and facilities

International terminal

Table 5.4.2 shows quality of service results for passenger-related services and facilities for Melbourne Airport's T2 international terminal. Similar to the previous year, passengers continued to rate all of the subjective indicators for this terminal favourably, with the majority of indicators being rated as 'good'. Passengers rated waiting time in the outbound immigration area as 'excellent'.

Airlines' ratings of all subjective indicators were within the 'satisfactory' category, with the rating for 'check-in standard' falling from 'good' in the previous year. Some airlines commented that check-in area space has reached capacity, and that floor layout and the location of check-in zones is below standard.

Airlines' ratings for the availability of baggage processing facilities remained unchanged over the year, but ratings for the standard of these facilities declined within the 'satisfactory' range. One airline commented that facilities are poor with limited capacity, while another airline commented that the inter-terminal bag transfer system needs improvement to reduce bag mishandling.

Airlines' ratings for both the availability and standard of aerobridges fell within the 'satisfactory' category over the year. Some airlines commented that there were not enough gates with aerobridges during peak periods, and several airlines considered cleanliness of aerobridges to be a problem.

Table 5.4.2 Melbourne Airport—indicators of quality of passenger-related services and facilities—international terminal: 2018–19, 1-year change and change since 2009–10

Category	Indicator	Data source	Indicator result 2018–19	1-year change	Change since 2009–10
Check-in	Check-in availability	Airline survey	Satisfactory	▼	▼*
	Check-in standard	Airline survey	Satisfactory	▼*	▼*
	Check-in waiting time	Passenger survey	Good	▼	▼
	Number of departing passengers per check-in desk, kiosk and bag drop facility (peak hour)	Objective indicator	6.6	▲	▲
Immigration	Waiting time in outbound Immigration area	Passenger survey	Excellent	▲	▲*
	Number of departing passengers per outbound Immigration desk (peak hour)	Objective indicator	45.6	–	▼
	Waiting time in inbound Immigration area	Passenger survey	Good	▲	▼
	Number of arriving passengers per inbound Immigration desk (peak hour)	Objective indicator	28.9	▲	▼
	Waiting time in inbound baggage inspection area	Passenger survey	Good	–	▼
	Number of arriving passengers per baggage inspection desk (peak hour)	Objective indicator	46.4	▲	▲
Information	Flight information display screens	Passenger survey	Good	▲	▲
	Number of passengers per flight information display screen (peak hour)	Objective indicator	21.4	▲	▼
	Number of passengers per information point (peak hour)	Objective indicator	N/A	N/A	N/A
	Signage and wayfinding	Passenger survey	Good	▲	▲

Notes: The rating categories are: very poor, poor, satisfactory, good and excellent. ▲ indicates an improvement; ▼ indicates a decline; – indicates no change. * Rating changed by a category over the period. N/A = not applicable

Table 5.4.2 Melbourne Airport—indicators of quality of passenger-related services and facilities—international terminal: 2018–19, 1-year change and change since 2009–10 (cont.)

Category	Indicator	Data source	Indicator result 2018–19	1-year change	Change since 2009–10
Baggage	Baggage processing facilities availability	Airline survey	Satisfactory	–	▼*
	Baggage processing facilities standard	Airline survey	Satisfactory	▼	▼*
	Average throughput of outbound baggage system (per hour)	Objective indicator	714.4	▲	▲
	Circulation space for inbound baggage reclaim	Passenger survey	Good	▲	▲
	Information display for inbound baggage reclaim	Passenger survey	Good	▲	▲
	Number of arriving passengers per m² of inbound baggage reclaim area (peak hour)	Objective indicator	2.0	▲	N/A
	Findability of baggage trolleys	Passenger survey	Good	▲	▼
	Number of passengers per baggage trolley (peak hour)	Objective indicator	1.3	▲	▼
Gate lounges	Seating in lounge area (quality and availability)	Passenger survey	Good	▲	▲
	Number of departing passengers per seat in gate lounges (peak hour)	Objective indicator	0.3	▲	–
	Crowding in lounge area	Passenger survey	Good	▲	▼
	Number of departing passengers per m² of lounge area (peak hour)	Objective indicator	0.2	–	▼
Amenities	Standard of washrooms	Passenger survey	Good	▼	▼
	Number of departing passengers per washroom (peak hour)	Objective indicator	94.0	▲	N/A
Aerobridges	Aerobridges availability	Airline survey	Satisfactory	▼	▼*
	Aerobridges standard	Airline survey	Satisfactory	▼	▼
	Percentage of international passengers arriving using an aerobridge	Objective indicator	96.6%	▼	▼
	Percentage of international passengers departing using an aerobridge	Objective indicator	99.3%	▲	▼
Security	Quality of security search process	Passenger survey	Good	▲	▼
	Number of departing passengers per security clearance system (peak hour)	Objective indicator	125.3	▲	▲

Notes: The rating categories are: very poor, poor, satisfactory, good and excellent. ▲ indicates an improvement; ▼ indicates a decline; – indicates no change. * Rating changed by a category over the period. N/A = not applicable.

Domestic terminal (T3)

Table 5.4.3 presents quality of service results for passenger-related services and facilities in Melbourne Airport's T3 domestic terminal, which is currently used by Virgin. Similar to the previous year, passengers rated all subjective indicators as 'good' in 2018–19, with all ratings increasing within the 'good' range except for findability of baggage trolleys (which fell within this range). This terminal may see further improvements next year with the recent completion of a project to upgrade the check-in facilities.

We do not report airline ratings or comments for T3 as there is only one user of the terminal.

Domestic terminal (T4)

Table 5.4.4 presents the quality of passenger-related services and facilities for Melbourne Airport's T4 domestic terminal, which is used by Jetstar, Tigerair, Regional Express and Airnorth. This terminal has generally received higher ratings since its major redevelopment in 2015.

Most of the passenger ratings for subjective indicators increased within the 'good' category in 2018–19, while the rating for check-in waiting time improved from 'good' to 'excellent'.

Most airline ratings either remained unchanged or fell over the year, with the rating for check-in availability declining from 'good' to 'satisfactory'. One airline commented that check-in facilities are reaching capacity during peak periods, with occasional outages leading to congestion issues.

Airline ratings for the standard of baggage processing facilities, on the other hand, increased within the 'satisfactory' range.

Table 5.4.3 Melbourne Airport—indicators of quality of passenger-related services and facilities—domestic terminal (T3): 2018–19, 1-year change and change since 2009–10

Category	Indicator	Data source	Indicator result 2018–19	1-year change	Change since 2009–10
Check-in	Check-in waiting time	Passenger survey	Good	▲	▼
	Number of departing passengers per check-in desk, kiosk and bag drop facility (peak hour)	Objective indicator	18.2	▲	▲
Baggage	Circulation space for inbound baggage reclaim	Passenger survey	Good	▲	▲
	Information display for inbound baggage reclaim	Passenger survey	Good	▲	N/A
	Number of arriving passengers per m² of inbound baggage reclaim area (peak hour)	Objective indicator	8.4	▼	N/A
	Findability of baggage trolleys	Passenger survey	Good	▼	▼
	Number of passengers per baggage trolley (peak hour)	Objective indicator	10.8	▼	▲
Information	Flight information display screens	Passenger survey	Good	▲	▲
	Signage and wayfinding	Passenger survey	Good	–	▲
	Number of passengers per flight information display screen (peak hour)	Objective indicator	31.4	▲	▲
Gate lounges	Seating in lounge area (quality and availability)	Passenger survey	Good	▲	▲
	Number of departing passengers per seat in gate lounges (peak hour)	Objective indicator	0.9	▼	▼
	Crowding in lounge area	Passenger survey	Good	▲	▲
	Number of departing passengers per m² of lounge area (peak hour)	Objective indicator	0.3	–	–
Amenities	Standard of washrooms	Passenger survey	Good	▲	▲
	Number of departing passengers per washroom (peak hour)	Objective indicator	182.4	▼	N/A
Aerobridges	Number of arriving domestic passengers per aerobridge (peak hour)	Objective indicator	82.9	▲	▲
	Number of departing domestic passengers per aerobridge (peak hour)	Objective indicator	76.0	▲	▲
Security	Quality of security search process	Passenger survey	Good	▲	▲
	Number of departing passengers per security clearance system (peak hour)	Objective indicator	130.3	▼	▲

Notes: The rating categories are; very poor, poor, satisfactory, good and excellent. ▲ indicates an improvement; ▼ indicates a decline; – indicates no change. N/A = not applicable. Airlines ratings are not included for confidentiality reasons.

Table 5.4.4 Melbourne Airport—indicators of quality of passenger-related services and facilities—domestic terminal (T4): 2018–19, 1-year change and change since 2009–10

Category	Indicator	Data source	Indicator result 2018–19	1-year change	Change since 2009–10
Check-in	Check-in availability	Airline survey	Satisfactory	▼*	N/A
	Check-in standard	Airline survey	Satisfactory	–	N/A
	Check-in waiting time	Passenger survey	Excellent	▲*	▲*
	Number of departing passengers per check-in desk, kiosk and bag drop facility (peak hour)	Objective indicator	13.5	▼	▲
Baggage	Baggage processing facilities availability	Airline survey	Satisfactory	–	N/A
	Baggage processing facilities standard	Airline survey	Satisfactory	▲	N/A
	Circulation space for inbound baggage reclaim	Passenger survey	Good	▲	▲
	Information display for inbound baggage reclaim	Passenger survey	Good	▲	N/A
	Number of arriving passengers per m² of inbound baggage reclaim area (peak hour)	Objective indicator	0.5	–	N/A
	Findability of baggage trolleys	Passenger survey	Good	▲	▲
	Number of passengers per baggage trolley (peak hour)	Objective indicator	8.3	▲	▲
Information	Flight information display screens	Passenger survey	Good	▲	▲
	Signage and wayfinding	Passenger survey	Good	▲	▲
	Number of passengers per flight information display screen (peak hour)	Objective indicator	22.0	▲	▲
Gate lounges	Seating in lounge area (quality and availability)	Passenger survey	Good	▲	▲
	Number of departing passengers per seat in gate lounges (peak hour)	Objective indicator	0.8	▼	–
	Crowding in lounge area	Passenger survey	Good	▲	▲
	Number of departing passengers per m² of lounge area (peak hour)	Objective indicator	0.3	–	–
Amenities	Standard of washrooms	Passenger survey	Good	▲	▲
	Number of departing passengers per washroom (peak hour)	Objective indicator	170.1	▼	N/A
Security	Quality of security search process	Passenger survey	Good	▲	▲
	Number of departing passengers per security clearance system (peak hour)	Objective indicator	170.1	▼	▼

Notes: The rating categories are; very poor, poor, satisfactory, good and excellent. ▲ indicates an improvement; ▼ indicates a decline; – indicates no change. *Rating changed by a category over the period. N/A = not applicable.Terminal 4 has no aerobridges or information points and as a result, no indicators are included for these measures.

5.5 Car parking

This section presents an overview of the car parking services available at or near Melbourne Airport. This section discusses car parking facilities (section 5.5.1), prices (section 5.5.2), financial results (section 5.5.3) and quality of service (section 5.5.4).

5.5.1 Car parking facilities and investments

Car parking facilities

Melbourne Airport provides multiple car parking facilities for both domestic and international passengers. There are two main multi-level car parks that are located 'at-terminal': At Terminal T123 (for access to Qantas, Virgin and international terminals) and At Terminal T4 (for access to Tiger, Jetstar, Rex or Airnorth services). While both offer premium parking options, the T123 car park also offers valet parking services.

The Long Term Car Park provides open air parking for longer stays. It is serviced by a free shuttle bus that picks up and drops off customers at the entrance of all terminals. An additional overflow car park known as the Value Car Park also operates during school holidays.

Melbourne Airport also provides a Value Short Stay option to provide customers with a cheaper, at-distance parking option for shorter stays (i.e. up to 4 hours). It has also introduced a 10-minute pick-up zone with 200 bays in proximity to T123.

Car parking and landside-related investments

Table 5.5.1 lists selected car parking and landside-related investments for Melbourne Airport. The airport completed its dynamic lane allocation project in 2018–19. This involved the construction of wayfinding signage on the main approach to the airport via Terminal Drive to manage traffic demand in the airports peak periods.

Table 5.5.1 Melbourne Airport—selected investments in car parking and landside access services

Description of investment	Amount ($m)	Started	Completed
Parking and forecourt optimisation project	n/p	Q1 2017	Q2 2019
Dynamic lane allocation project	n/p	Q3 2017	Q3 2018
Terminal 4 express elevated road link	n/p	Q3 2018	*Q1 2021*
Roads replacement and refurbishment project - Airport Drive	n/p	Q3 2018	*Q1 2020*
T4 car park expansion	n/p	*2024+*	*TBC*
T123 car park expansion	n/p	*2024+*	*TBC*
Centre Road duplication	n/p	*2023*	*2025*

Note: n/p = Not provided by the airport.

The Terminal 4 express elevated road link project was underway in 2018–19. This involves the development of a plan for a direct elevated connection from the Tullamarine Freeway into the Terminal 4 ground transport hub and pick-up and drop-off zones. Melbourne Airport is planning to duplicate Centre Road to cope with increased demand.

5.5.2 Car parking prices

This section presents an overview of prices for parking a car at Melbourne Airport. It also intends to help motorists identify how to get the most favourable rates.

The ACCC focuses on two common types of parking in particular:

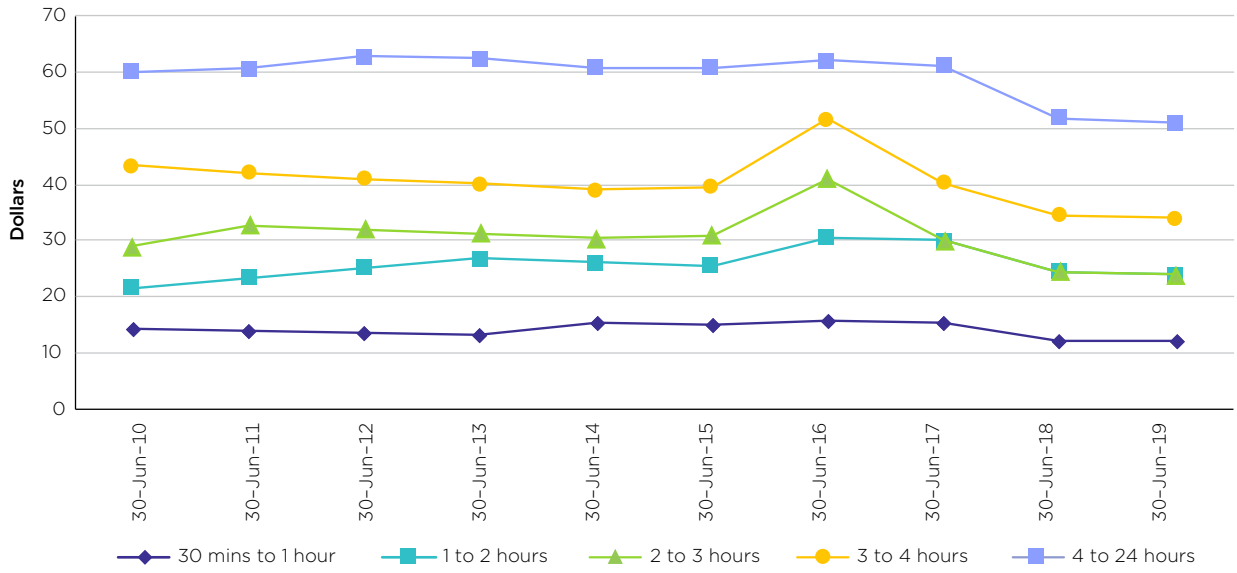
- short-term parking (up to a day) at a car park located at the terminal, with the motorist paying drive-up rates, and
- long-term parking (at least one day) at a car park located at distance from the terminal, with prices measured as the average rate paid by motorists who booked online.

Short-term parking at the terminal

Figure 5.5.1 displays trends in drive-up short-term prices for Melbourne Airport's At Terminal T123 car park. The At Terminal T4 car park currently offers the same listed prices for parking durations of up to 24 hours.

All prices remained constant in nominal terms in 2018–19, leading to real prices falling by 1.6 per cent. The airport significantly reduced its drive-up prices in March 2018, which has resulted in short-term parking for most durations now being cheaper in real terms than it was a decade ago. The only exception to this is parking for between 1 and 2 hours, which has increased by 10.7 per cent in real terms over the 10-year period.

Figure 5.5.1 Melbourne Airport—selected short-term parking prices (drive-up) at the At Terminal T123 car park: 30 June 2010 to 30 June 2019



Note: Real values in 2018–19 dollars.

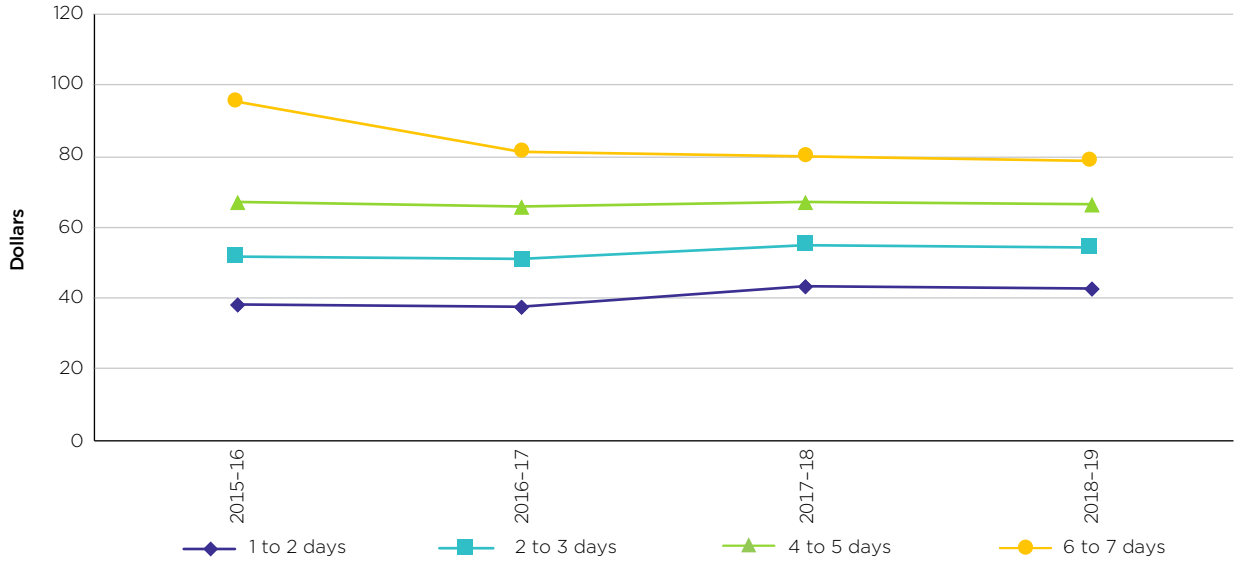
While many drive-up prices are cheaper than they were a decade ago, the product offering has also diversified with prices, throughput and revenue from premium and valet parking all increasing notably over the past year.

Long-term parking at-distance

Although Melbourne Airport provides long-term parking at its at-terminal car parks, price conscious motorists have the option of a cheaper car park at the Long Term Car Park. The Long Term Car Park offers free shuttle bus access to the terminal, with a bus scheduled every five minutes.

Figure 5.5.2 shows average prices paid by motorists who booked their long-term parking at the Long Term Car Park online over the past four years. The average price paid for all durations fell by between 0.9 per cent and 1.9 per cent in 2018-19. The average price paid for parking for 6–7 days was notably lower than it was in 2015–16.

Figure 5.5.2 Melbourne Airport—selected online average prices paid for long-term parking at the Long Term Car Park: 2015–16 to 2018–19



Note: Real values in 2018–19 dollars.

Opportunities for motorists to save on parking at Melbourne Airport

There are a number of ways that motorists can save on parking at Melbourne Airport. For example, price-conscious motorists can choose to park at the Long Term Car Park instead of at the terminal. While this will require a short shuttle bus trip of less than ten minutes, parking at the Long Term Car Park would have saved motorists between 42 and 51 per cent in parking rates in 2018–19.[30]

Another simple way to save on parking is to book it in advance online. Melbourne Airport offers online booking services for all parking durations. In 2018–19, average prices paid for long-term parking at the Long Term Car Park booked online were between 10 and 30 per cent lower than average drive-up prices for the same car park.[31] Most motorists appear to be aware of these savings as 61 per cent of motorists that park long-term book online.

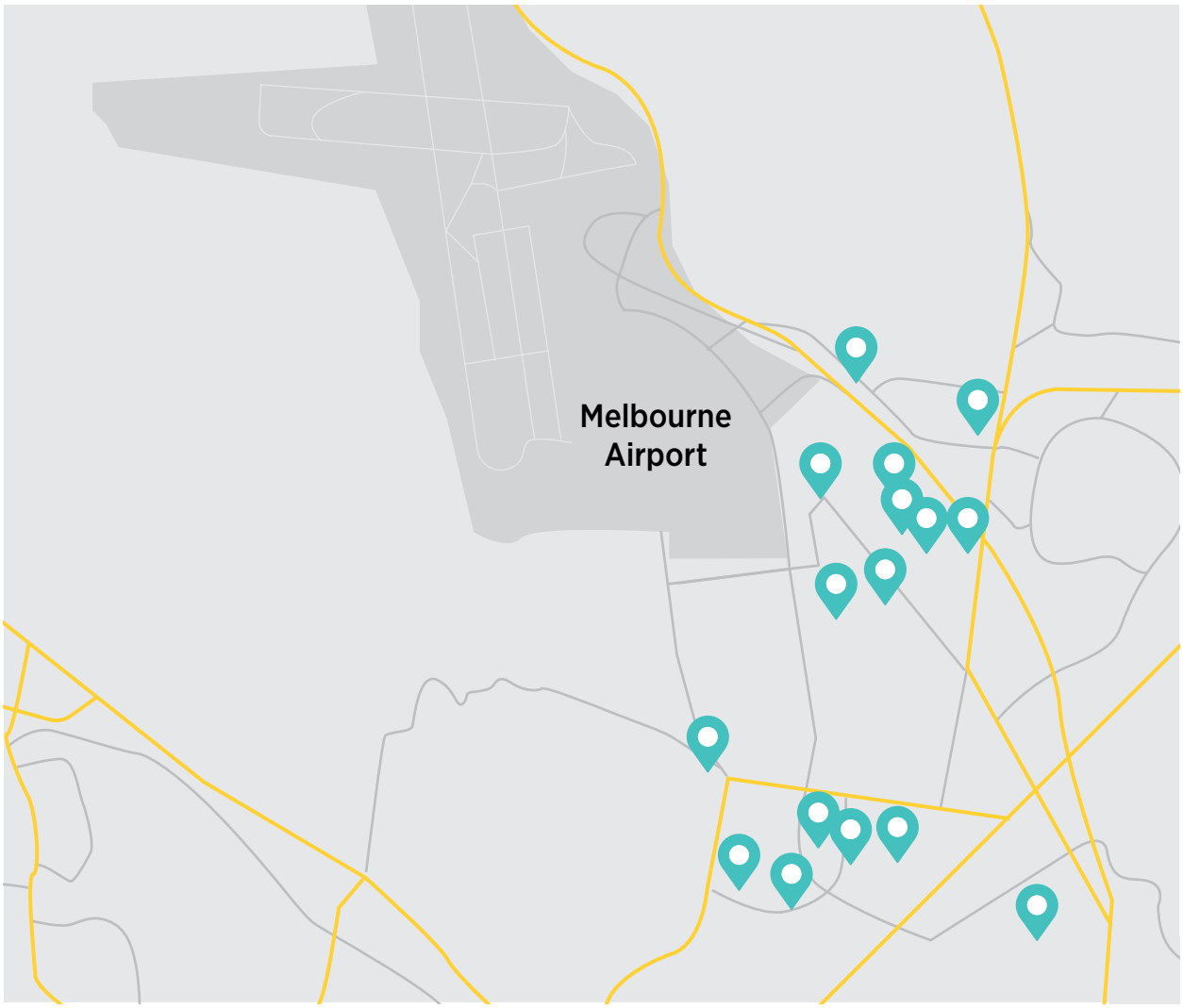
In addition to car parking provided by Melbourne Airport, motorists also have the option of shopping around at an independent off-airport car parking facility. Independent car parks are in reasonably close proximity to all of the monitored airports—that is, in the suburbs surrounding the airport—and provide a pick-up and drop-off shuttle bus service for users.

There are currently 16 independent off-airport car parking facilities located near Melbourne Airport. Figure 5.5.3 below shows the location of these facilities relative to the airport. These shuttles have a typical travel time ranging between 6 minutes and 14 minutes from the car park to the terminals.

30 This was calculated as the difference between the average price paid for long term parking at the At-Terminal T123 car park and the Long Term Car Park for all durations up to 7 days.

31 This was calculated as the difference between the average price paid for long term parking at the Long Term Car Park for online and drive-up prices for all durations up to 7 days.

Figure 5.5.3 Off-airport car parking facilities located near Melbourne Airport



If a motorist shopped around to find the cheapest rates, they had the potential to save up to 36 per cent from the airport's Long Term Car Park rates in 2018–19.[32] The saving depended on the length of stay and the independent car park chosen so it is recommended that motorists compare prices between different options.

In an attachment to Melbourne Airport's submission to the Productivity Commission's review of airport regulation, Houston Kemp said that Melbourne Airport's parking rates were similar to the average offered by competing independent car parks.[33] While independent car parks often charge by calendar day, the Long Term Car Park charges by 24-hour increment.

5.5.3 Car parking activity

Table 5.5.2 summarises the number of car parking spaces available at Melbourne Airport over the past decade, as well as the throughput of those facilities.

Total throughput in 2018–19 was 8723 vehicles per day, which was relatively consistent with the previous year. Demand for at-terminal car parks rose by 0.8 per cent to 6868 vehicles per day. In contrast, throughput of at-distance car parks fell by 1.7 per cent to 1855 vehicles per day.

32 This is calculated as the difference between the average price paid for booking long term parking online at the Long Term Car Park and the cheapest price for off-airport parking for a comparable duration for all durations up to 7 days.

33 Houston Kemp, *Car parking and ground access—market power assessment*, Houston Kemp, August 2018, p. 17.

The total number of car parking spaces at Melbourne Airport remained unchanged 2018–19. However, there was some reconfiguration of spaces, with the number of at-distance spaces increasing by 1.1 per cent to 13 948 spaces due to the removal of a redundant fuel tank. The number of at-terminal spaces fell by 0.7 per cent to 9866 spaces due to more space being made available for rental companies.

Car parking spaces at Melbourne Airport have grown over the past decade, yet total throughput has fallen despite rising passenger numbers. Over the past decade, the number of car parking spaces increased by 18.9 per cent. While the average daily throughput for at-distance car parks also increased by 30.0 per cent over that period, the throughput of at-terminal car parks fell by 8.0 per cent.

For the first time, the ACCC collected information from the monitored airports on the occupancy rate of their car parks. The Productivity Commission said that this data was important for identifying whether an airport was either restricting the number of car parks in order to charge high prices or charging excessively whereby the existing car spaces were not being used.

Melbourne Airport has reported that its average occupancy rate at at-terminal car parks was between 57.9 per cent and 60.1 per cent in 2018–19. During the peak periods, its occupancy rate rose to between 64.6 per cent and 69.8 per cent, while its maximum occupancy rate was between 93.4 per cent and 100.7 per cent over the year.

Melbourne Airport's at-distance car parking occupancy was higher in 2018–19. The at-distance car park saw an average occupancy rate of 78.6 per cent while its peak period occupancy was 83.8 per cent. The at-distance car park was fully occupied at least once in 2018–19.

Table 5.5.2 Melbourne Airport—number of car park spaces and average daily throughput: 2009–10 to 2018–19

		2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19
Number of car park spaces	At-terminal	7 529	7 529	7 441	7 441	7 279	6 824	9 501	10 201	9 935	9 866
	At-distance	12 500	12 500	12 100	12 250	14 500	13 830	13 830	13 402	13 790	13 948
	Staff	2 383	2 383	2 383	2 627	2 627	2 569	2 569	2 840	2 840	2 840
	Total airport	**22 412**	**22 412**	**21 924**	**22 318**	**24 406**	**23 223**	**25 900**	**26 443**	**26 565**	26 654
Annual throughput of car park facilities (thousand)	At-terminal	2 725	2 723	2 804	2 701	2 594	2 543	2 504	2 537	2 486	2 507
	At-distance	521	540	530	579	586	618	678	649	689	677
	Total airport	**3 246**	**3 263**	**3 334**	**3 279**	**3 180**	**3 161**	**3 182**	**3 186**	**3 174**	**3 184**
Average daily throughput of car park facilities	At-terminal	7 466	7 460	7 662	7 400	7 106	6 967	6 841	6 951	6 810	6 868
	At-distance	1 427	1 480	1 447	1 585	1 606	1 694	1 852	1 778	1 886	1 855
	Total airport	**8 893**	**8 940**	**9 110**	**8 985**	**8 711**	**8 661**	**8 693**	**8 729**	**8 697**	**8 723**

Car parking financial results

Table 5.5.3 reports Melbourne Airport's revenues, expenses and profits for car parking and total airport services from 2009–10 to 2018–19. Car parking revenue fell by 4.5 per cent in 2018–19 to $145.5 million. This result primarily reflected a full year of the significant reductions to drive-up prices that the airport implemented in March 2018. Another reason would be the continued increase in the number of motorists who receive the savings associated with booking parking online.

The operating profit (EBITA) from car parking declined by 10.0 per cent in 2018–19 to $77.5 million. A small increase in car parking expenses (up 2.6 per cent) helped to contribute to the drop in profit. Car parking earned a profit of 53.3 cents per dollar of revenue in 2018–19, down from 56.5 per cent the previous year. Operating profit margins for car parking have been notably lower since the airport changed its approach to allocating costs in 2015–16. Melbourne Airport's profit margin from car parking is the lowest of the monitored airports.

Melbourne Airport's revenue per car park space also fell in 2018–19, decreasing by 4.8 per cent to $5458. Expenses per car park space increased by 2.3 per cent, while operating profit per car park space fell by 10.3 per cent to $2909.

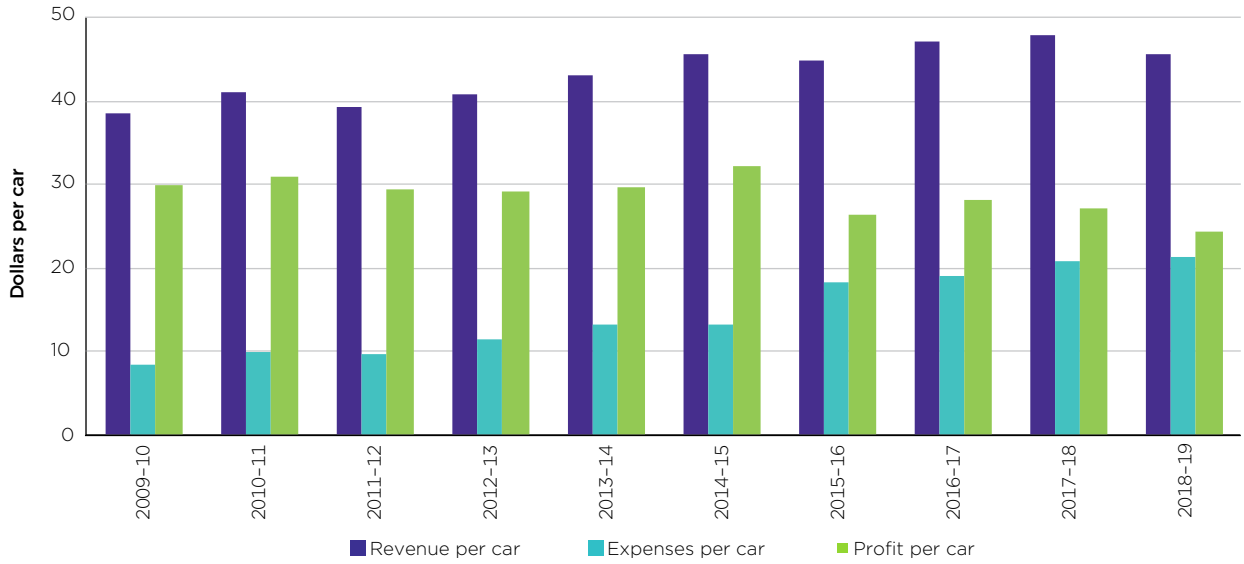
Table 5.5.3 Melbourne Airport— revenues, expenses and operating profits for car parking and total airport services: 2009–10 to 2018–19

		2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19
Revenue ($m)	Car parking	125.1	133.9	130.9	133.9	136.8	144.4	142.6	150.3	152.3	145.5
	Total airport	**605.7**	**636.9**	**654.4**	**698.1**	**754.4**	**804.6**	**884.6**	**962.8**	**1002.9**	**1019.9**
	Car parking % of total	20.6	21.0	20.0	19.2	18.1	17.9	16.1	15.6	15.2	14.3
Expenses ($m)	Car parking	27.7	32.4	32.3	38.0	42.3	42.1	58.5	60.5	66.2	67.9
	Total airport	**211.3**	**227.1**	**250.3**	**275.7**	**283.0**	**318.4**	**396.2**	**409.5**	**438.5**	**443.8**
Operating profit ($m)	Car parking	97.3	101.5	98.6	95.9	94.6	102.3	84.2	89.8	86.2	77.5
	Total airport	**394.4**	**409.8**	**404.1**	**422.4**	**471.5**	**486.2**	**488.5**	**553.8**	**564.5**	**576.1**
Profit margin (%)	Car parking	77.8	75.8	75.3	71.6	69.1	70.8	59.0	59.7	56.5	53.3
	Total airport	**65.1**	**64.3**	**61.7**	**60.5**	**62.5**	**60.4**	**55.2**	**57.5**	**56.3**	**56.5**
Revenue per space ($)		5 581	5 973	5 972	6 001	5 605	6 218	5 507	5 685	5 735	5 458
Operating expenses per space ($)		1 237	1 445	1 472	1 704	1 731	1 814	2 257	2 289	2 492	2 549
Operating profit per space ($)		4 343	4 528	4 499	4 298	3 874	4 404	3 250	3 396	3 243	2 909
Revenue per vehicle ($)		38.53	41.02	39.27	40.84	43.02	45.68	44.83	47.18	48.00	45.70
Operating expenses per vehicle ($)		8.54	9.92	9.68	11.60	13.29	13.32	18.37	19.00	20.85	21.34
Operating profit per vehicle ($)		29.99	31.10	29.59	29.25	29.74	32.35	26.45	28.18	27.14	24.36

Note: Real values in 2018–19 dollars.

Figure 5.5.4 presents Melbourne Airport's revenue, expenses and operating profit per car. Driven by a reduction in drive-up terminal car parking prices, the average revenue collected from each car that visited a car park at Melbourne Airport during 2018–19 decreased by 4.8 per cent to $45.70. A 2.3 per cent increase in expenses per car led to a 10.3 per cent reduction in the average operating profit earned from each car to $24.36 for the year. With per-vehicle expenses increasing at a greater rate than revenues over the past decade, operating profit per car has trended down.

Figure 5.5.4 Melbourne Airport—average car parking revenue, costs and profit per car: 2009–10 to 2018–19

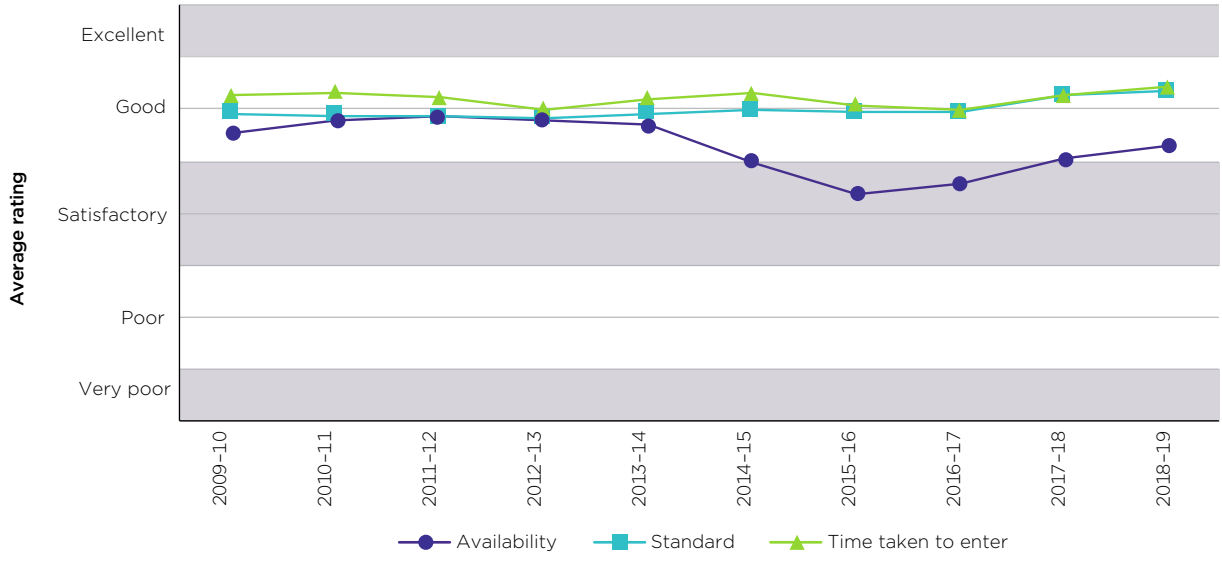


Note: Real values in 2018–19 dollars.

5.5.4 Car parking quality of service

Figure 5.5.5 summarises passenger survey ratings for the quality of Melbourne Airport's car parking facilities. It shows that passengers' levels of satisfaction with all three elements of car parking have improved in recent years. The ratings associated with the standard of and the time taken to enter car parking facilities improved within the 'good' category in 2018–19.

Figure 5.5.5 Melbourne Airport—passenger survey ratings of the quality of car parking facilities: 2009–10 to 2018–19



Source: Passenger surveys obtained from Melbourne Airport.

Passenger ratings for car parking availability increased the most out of the three measures in 2018–19, following a decline in the two years to 2015–16.

5.6 Landside access

In addition to car parking provided by Melbourne Airport, access to and from the airport is provided by bus, taxi, rideshare and off-airport car parking. To access the airport, service operators are often charged an access fee which is passed on to passengers.

5.6.1 Transport options and facilities

For passengers wishing to travel to and from Melbourne Airport, a number of alternative services are available. Services vary in price, timeliness and service quality.

Terminal pick-up and drop-off

Melbourne Airport offers a free 1-minute pick-up and drop-off zone for all terminals and a free 10-minute pick-up zone for drivers picking up arriving passengers from Terminal 1, 2 and 3. A wait zone is also provided near the Long Term Car Park which enables motorists to wait if their friend or relative is not yet ready to be collected. This zone allows motorists to wait for 20 minutes at no charge and up to 40 minutes for $2. Drivers must remain with their vehicles when accessing these zones.

Public and private buses

Melbourne Airport is serviced by Public Transport Victoria, which operates five timetabled public bus services from the T4 Ground Transport Hub.

There are multiple private buses that operate to and from Melbourne Airport and to areas throughout metropolitan Melbourne and across Victoria. The main service is the Skybus service, which runs express services regularly to and from the CBD and charges $19.75 one-way for adults. Skybus has expanded its operations in recent years and now provides services to and from six different locations.

Off-airport parking

Off-airport parking operators serviced the airport from 16 facilities in 2018–19. Section 5.5.2 provides more detail on the prices and locations of these operators.

Taxis

Taxi ranks are located across from terminals T1, T2 and T4, and a pre-booked pick-up zone is available in the outdoor section of the At Terminal T123 car park. A taxi ride from the airport to the CBD takes approximately 30–40 minutes and may cost between $50 and $70.

Ridesharing

Melbourne Airport is serviced by rideshare drivers from Uber, Ola, Didi, Shebah and GoCatch, with two pick-up zones available for standard services: lane 3 of the forecourt in front of T1/T2/T3 and level 2 inside the T4 Ground Transport Hub.

Private cars

Chauffeur, hire cars and limousines can be pre-arranged to pick-up passengers at any of the airport's terminals. Private cars must be pre-arranged as there are no service desks at the airport.

Bicycle

Bicycle racks are located on the ground floor of the At Terminal T1 T2 T3 car park.

5.6.2 Landside access revenue, volumes and charges

Melbourne Airport generates revenue from allowing various transportation service providers access to airport facilities. Table 5.6.1 displays the revenue generated by each transportation type between 2014–15 and 2018–19, along with the fee charged and the number of times each service provider accessed the airport.

Table 5.6.1 Melbourne Airport—landside access charges, access volumes and revenues: 2014–15 to 2018–19

Transport option	Measure	2014-15	2015–16	2016–17	2017–18	2018–19
Taxi	Price (per pick-up)	2.88	2.85	3.71	3.64	3.65
	Volume (000s)	2111.2	2188.1	2278.2	2055.1	1849.2
	Revenue ($000s)	**5614.1**	**5733.6**	**7116.9**	**6851.8**	**6309.0**
Rideshare	Price (per pick-up)	N/A	N/A	4.56	4.47	4.48
	Volume (000s)	N/A	N/A	N/A	627.3	994.4
	Revenue ($000s)	**N/A**	**N/A**	**N/A**	**2550.7**	**4038.0**
Private car	Price (30 minutes)[(a)]	4.27	4.22	4.14	4.07	4.00
	Volume (000s)	433.2	460.3	480.7	479.6	579.1
	Revenue ($000s)	**2511.7**	**2512.2**	**2531.2**	**2667.5**	**2859.0**
Private bus	Price (minimum fee)[(b)]	3.21	4.06	4.38	4.51	4.53
	Volume (000s)[(c)]	101.3	N/A	N/A	N/A	N/A
	Revenue ($000s)(d)	**6822.4**	**7001.4**	**8084.6**	**9208.4**	**10349.0**
Off-airport parking	Price (minimum fee)[(b)]	3.21	4.06	4.38	4.51	4.53
	Volume (000s)[(c)]	395.7	503.7	482.7	582.4	612.7
	Revenue ($000s)	**2121.7**	**2575.5**	**2480.4**	**2755.0**	**2635.0**
Public bus	Price	No charge	No charge	No charge	No charge	No charge
	Volume (000s)	N/A	N/A	31.2	37.7	18.5
	Revenue ($000s)	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**

Notes: Real prices in 2018–19 dollars. N/A = not applicable. (a) Melbourne Airport charges private cars based on length of stay. (b) Melbourne Airport levies a range of charges to private buses including off airport car parking operators, which are applied on the basis of different combinations of trip type, passenger numbers and for staff. (c) From 2014–15, Melbourne Airport reported off-airport car parking volumes inclusive of private bus volumes. (d) Private bus revenue is inclusive of revenue generated by SkyBus, however volumes exclude SkyBus.

Landside access volumes

Table 5.6.1 displays the number of times a group of transport service providers accessed Melbourne Airport's landside facilities between 2014–15 and 2018–19.

Taxi operators accessed Melbourne Airport the most of the reported transportation providers during 2018–19 (1.8 million times). However, the number of pick-ups by taxi operators is falling significantly due to the emergence of ride sharing services. The number of pick-ups by taxis declined by 10.0 per cent in 2018–19.

In contrast, the number of pick-ups made by rideshare operators went up by 58.5 per cent in 2018–19 to 994 446. The number of pick-ups by private car also grew strongly by 20.8 per cent (to 579 127). The increases in volumes for both rideshare and private car operators more than offset the decreases in access provided to taxi operators.

Between 2015–16 and 2018–19, overall landside access volumes increased by 28 per cent.

Many passengers also travel to and from the airport using SkyBus. However, unlike other private bus operators which have been included in off-airport parking volumes from 2014–15, SkyBus volumes have not been reported to the ACCC.

Landside access fees and charges

Melbourne Airport levies a landside access fee on businesses operating landside transport options. Taxis, rideshare operators and private car operators are only charged an access fee for pick-ups. The fee is included as a surcharge in the passenger's total fare.

Table 5.6.1 presents the landside access charges at Melbourne Airport since 2014–15. It shows that most charges remained relatively stable during 2018–19, and that rideshare access charges remained higher than taxi charges ($3.65 per pick-up compared to $4.48 per pick-up).

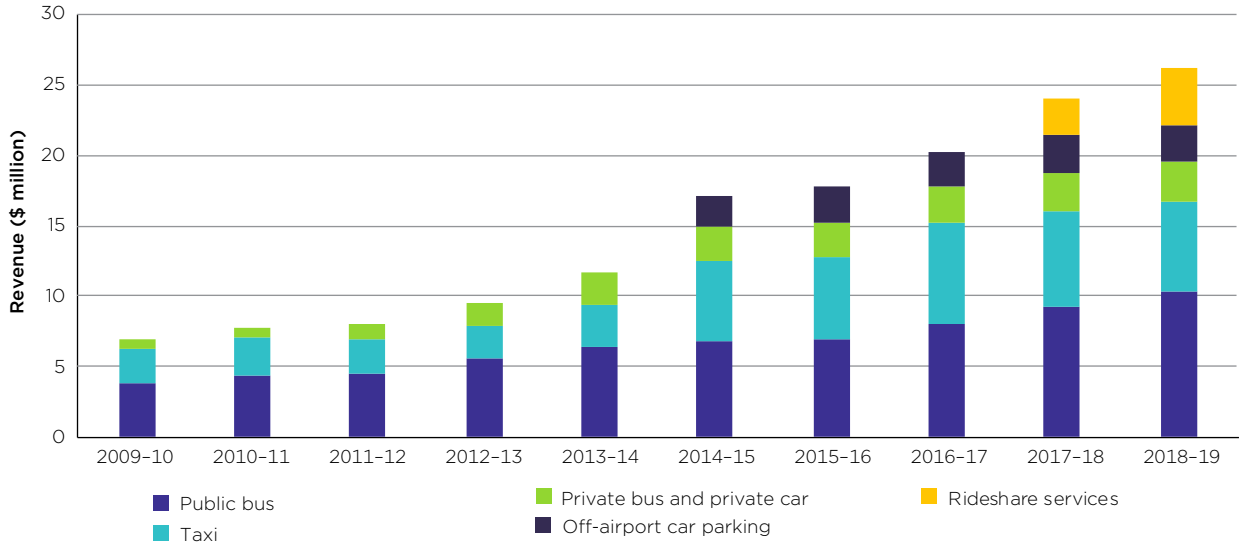
Melbourne Airport was the only monitored airport where rideshare access charges were higher than taxi access charges in 2018–19. However, taxi charges increased to $4.50 per trip from 1 September 2019. As such, taxi access charges and rideshare charges are now roughly equal. This new charge means that taxis will be paying 58 per cent more to access the airport than they did in 2015–16.

The charge for off-airport car park operators accessing the airport was relatively stable in 2018–19 ($4.53). However, these operators are paying 41 per cent more they were in 2014–15.

Landside access revenue

Figure 5.6.1 summarises Melbourne Airport's landside access revenue by transport mode since 2009–10. Landside revenue has almost quadrupled (273.8 per cent) over the past decade. It increased by 9.0 per cent in 2018–19 to $26.2 million. Much of this growth has been driven by increases in landside volumes, with rideshare volumes increasing by 58.3 per cent since 2017–18.

Figure 5.6.1 Melbourne Airport—landside access revenue by transport mode: 2009–10 to 2018–19



Note: Real values in 2018–19 dollars. Totals exclude any revenue from car rental operators.

Over the past decade, Melbourne Airport has consistently collected the most landside revenue from private bus operators including SkyBus. Revenue collected from private buses increased significantly during 2018–19, reaching $10.3 million (up 12.4 per cent). The growth over the last year is likely due to growing volumes with SkyBus expanding into new destinations in order to provide for a 'dramatically growing' market.[34] Increasing fees have also contributed to revenue growth from private bus operators over a longer period.

Whilst the revenue collected from rideshare services increased to $4.0 million (up 58.3 per cent), the revenue collected from taxi services decreased to $6.3 million during 2018–19 (down 7.9 per cent). These trends are consistent with changes in volumes for each transport mode.

34 SkyBus, 'SkyBus completes major overhaul of passenger infrastructure at Melbourne Airport', media release, 29 July 2019.

5.6.3 Quality of landside access services and facilities

Table 5.6.2 shows that the passengers rated Melbourne Airport's kerbside services and facilities, taxi facilities waiting time and kerbside space congestion as 'good' during 2018–19. All ratings improved from 2017–18, with the rating for taxi facilities waiting time improving back to 'good', following its fall to 'satisfactory' the previous year.

Table 5.6.2 Melbourne Airport—passenger ratings of the quality of landside access services and facilities: 2018–19, 1-year change and change since 2014–15

Terminal	Indicator	Rating category 2018–19	1-year change	Change since 2014–15
International and Domestic	Kerbside pick-up and drop-off facilities	Good	▲	▲
	Taxi facilities waiting time	Good	▲*	▲
	Kerbside space congestion	Good	▲	▲

Notes: The rating categories are; very poor, poor, satisfactory, good and excellent. ▲ indicates an improvement; ▼ indicates a decline; — indicates no change. *Rating changed by a category over the period.

6. Perth Airport

Key Points

- Perth Airport was the only monitored airport to show meaningful growth in the number of domestic passengers, which increased by 2.1 per cent to 10.1 million. However, international growth was far below the other airports at just 0.9 per cent (to 4.4 million). Overall, the number of passengers increased by 1.8 per cent to 14.6 million.
- The airport introduced lower charges in a new service agreement with airlines, which resulted in aeronautical revenue per passenger falling by 7.4 per cent to $15.22 in 2018–19. Total aeronautical revenue reduced by 5.7 per cent to $221.4 million despite the higher passenger numbers. Lower revenues and higher operating costs led to a fall in aeronautical operating profit (EBITA) by 19.2 per cent to $75.7 million. The airport's return on aeronautical tangible non-current assets decreased by 1.4 percentage points to 7.6 per cent.
- Perth Airport invested $46.2 million in aeronautical assets in 2018–19, representing just 4.6 per cent of the non-current aeronautical asset base. The airport has now had three consecutive years of low investment. The airport has reduced its investment in recent years following the completion of a $1 billion investment program and falling passenger numbers since the end of the mining boom.
- Revenue from car parking fell by 2.8 per cent to $61.7 million in 2018–19, which is the fifth consecutive year of decline. However, a notable fall in expenses enabled the airport to increase its operating profits from car parking by 6.2 per cent to $35.6 million. The operating profit margin from car parking grew to 57.6 per cent. Drive up prices for short-term car parking near the terminal increased slightly, with the prices for most durations more than double what they were a decade ago. There were mixed movements in the average price paid by motorists who booked their long-term parking at distance from the terminal.
- Perth Airport's overall quality of service rating declined slightly within the 'good' category in 2018–19, but still received the highest overall rating of the monitored airports for the third consecutive year. Passengers continue to rate the airport as 'good'. Airlines remain the most satisfied with Perth out of the monitored airports ('good'), but there was a material drop in average airline ratings in 2018–19 (particularly for passenger-related services at the international terminal).

6.1 Introduction

This chapter presents a detailed review of the performance of Perth Airport in the supply of aeronautical, car parking and landside access services.

The chapter is structured as follows:

- section 6.2 presents an overview of aeronautical activity, terminal configuration and aeronautical investments
- section 6.3 reports on prices and financial performance
- section 6.4 reports on the quality of aeronautical and total airport services
- section 6.5 presents a review of car parking services, and
- section 6.6 presents information on landside services.

The monitored airports are only required to provide information to the ACCC in relation to the terminals that they operate directly. At Perth Airport, the domestic terminal (T4) was operated by Qantas under a domestic terminal lease until its expiry at the end of January 2019.

The expiry of the domestic terminal lease means that this monitoring report will include the aeronautical revenues and expenses from these parts of the domestic terminal for the first time in figures for 2018–19 (albeit for just five months). Monitoring of quality of service at these parts of the domestic terminal will commence from 2019–20. The expiry of the domestic terminal leases will have no impact on the data presented in section 6.2 in relation to aeronautical activity, and where figures are presented for total airport operations.

Unless otherwise noted, dollar values presented throughout this report are in 2018–19 dollars, with all movements having been adjusted for inflation.

6.2 Airport overview and major aeronautical investments

This section provides an overview of Perth Airport and its activity and investment during 2018–19. It covers the volume of passengers, tonnes landed and aircraft movements (section 6.2.1), terminal configurations (section 6.2.2) and major investments (section 6.2.3).

6.2.1 Aeronautical activity levels

Figure 6.2.1 shows that Perth Airport's passenger numbers remain below the levels of the mining boom earlier in the decade. In 2018–19, the airport's passenger traffic grew by 1.8 per cent to 14.6 million. Perth was the only monitored airport to show meaningful growth in the number of domestic passengers, which increased by 2.1 per cent to 10.1 million. The airport advised that this growth was due to regional (intrastate) traffic as a result of strong economic activity in the Goldfields and the Pilbara. International growth was far below the other airports at just 0.9 per cent (to 4.4 million).

Figure 6.2.1 Perth Airport—volume of passengers, tonnes landed and aircraft movements: 2009–10 to 2018–19

Note: Domestic passenger numbers includes the domestic passengers that travel via an airline that use the terminal (T4) that is leased from the airport to Qantas under a domestic terminal lease.

Figure 6.2.1 also shows that the volume of tonnes landed slightly increased slightly during 2018–19, up 0.2 per cent to 5.9 million. Aircraft movements increased 1.6 per cent to 131 955.

6.2.2 Terminal configurations

Perth Airport has one international terminal and four domestic terminals (one of which also provides international services) located in two separate precincts:

- Terminal 1 (T1) International is a common-user terminal used by all international airlines located in the Airport Central Precinct. T1 Domestic, also located in the Airport Central Precinct, is used exclusively by Virgin Australia for its interstate and some regional services.
- Terminal 2 (T2) is a common-user domestic terminal located in the Airport Central Precinct, and services Alliance Airlines, Tigerair (interstate), Virgin Australia (regional) and Regional Express.
- Terminal 3 (T3) is a common-user terminal in the Airport West Precinct used by the Jetstar (domestic services) Network, Qantas, QantasLink and Airnorth. T3 is also used for all Qantas mainline international operations to Singapore, Auckland and London.
- Terminal 4 (T4) is a common-user domestic terminal in the Airport West Precinct that was operated by Qantas under lease until 31 January 2019.

6.2.3 Aeronautical investments

Table 6.2.1 lists selected aeronautical investments that were completed, initiated or planned at Perth Airport during 2018–19. A similar overview of car parking and landside-related investments can be found in section 6.5.3, while the airport's capital expenditure is discussed at 6.3.4.

Table 6.2.1 Perth Airport—selected investments in aeronautical services and facilities

Description of investment	Value ($m)	Started	Completed
Taxiway resurfacing program	8.9	Q1 2019	Q2 2019
T1 departure lounge toilet upgrade	3.9	Q1 2016	Q3 2018
Aerodrome apron floodlighting compliance upgrade	1.8	Q2 2017	Q3 2018
New runway project	486.0	Q3 2015	Q2 2027
International terminal upgrade	427.8	Q3 2017	Q2 2024
T1 international self check-in kiosk & bag drop	7.0	Q4 2017	Q4 2020
Airport Central infrastructure upgrades	40.3	*Q3 2019*	Q2 2029
CCTV network expansion	2.1	*Q3 2019*	Q2 2021

The airport completed only minor investment projects during 2018–19. However, it continued works on planning the development of an additional runway parallel to the current main runway, with 2019–20 focused on obtaining the necessary approvals to commence construction. The airport also continued work on expanding the international terminal to add a new departure lounge and associated contact gates.

Perth Airport also plans on making $40.3 million of investment in infrastructure upgrades to the Airport Central Precinct. The upgrades to all essential services are designed to accommodate the projected growth in passenger numbers, service new terminals and maintain levels of service.

6.3 Aeronautical price monitoring and financial performance results

This section presents Perth Airport's aeronautical price monitoring and financial reporting results. These results are categorised into prices (section 6.3.1), revenues, costs and profits per passenger (section 6.3.2), total revenues, costs and profits (section 6.3.3), capital expenditure and asset values (section 6.3.4) and rate of return on tangible non-current assets (section 6.3.5). All pricing and financial data are presented in real terms with values in 2018–19 dollars.

6.3.1 Prices

Airports require airlines to pay charges for the use of the airfield and terminals. Some charges are levied on a per-passenger basis and others are based on aircraft size (maximum take-off weight (MTOW)).The most significant aeronautical charges are typically per-passenger charges for the airline to use runway and the relevant terminal.

Airports publish list prices (or 'conditions of use') that represent the maximum charge applicable to an airline operating out of the airport. However, airports typically enter into negotiations that result in airlines paying rates below the list prices (see box 6.3.1). The Australian Airports Association (AAA) found that the major Australian airports discounted charges for domestic and international flights by an average of 24.0 and 9.8 per cent respectively in 2016–17.[35]

35 Australian Airports Association, *AAA submission to the Productivity Commission*, 2018, p. 32.

Box 6.3.1 Perth Airport's aeronautical service agreements

Perth Airport has separate agreements with most airlines relating to aeronautical charges, as well as terms and conditions of use. The current agreement period commenced on 1 July 2018. Perth Airport has executed its commercial agreements with all airlines operating from Perth Airport terminals except for Qantas. Perth Airport adopted a building block methodology to determine the charges.

As at November 2019, negotiations between Perth Airport and Qantas were continuing, indicating that there has been no underlying contractual agreement for Qantas' operations at T1 International and T3 domestic since 1 July 2018. Perth Airport advised that operators without an agreement with the airport are bound by the Conditions of Use inclusive of rack rates.[36]

Table 6.3.1 presents the schedule of aeronautical charges that applies to all aircraft operators who have not entered into a separate agreement with Perth Airport during 2018–19. It also shows how these charges have changed in real terms between 2014–15 and 2018–19.

The majority of Perth Airport's published charges increased during 2018–19, with the main exceptions being the international and domestic per-passenger terminal charges. The domestic terminal charge dropped substantially by 38.8 per cent to $10.97 per passenger, while the international terminal charge fell modestly (10.4 per cent) to $11.89 per passenger.

Published landing charges went up by about a quarter in 2018–19. Landing charges for regular passenger transport were $5.94 per passenger for both international and domestic passengers, a 24.6 per cent increase from last year.

In 2018–19, the domestic combined landing and terminal charges dropped significantly by 25.5 per cent to $16.91 per passenger, while the international combined landing and terminal charge fell slightly (1.2 per cent) to $17.83 per passenger.

36 Perth Airport, *Productivity Commission: Economic Regulation of Airports,* submission, September 2018, pp. 54–57.

Table 6.3.1 Perth Airport— schedule of aeronautical charges and movements over time: 2014–15 to 2018–19

	Charge per unit ($)	Indexed list prices (2018–19 base year = 100)				
	2018–19	2014–15	2015–16	2016–17	2017–18	2018–19
Landing fees						
Basic landing charge						
International regular passenger transport (per arriving and departing passenger)	5.94	73.2	77.0	77.5	80.2	100.0
Domestic and regional regular passenger transport (per arriving and departing passenger)	5.94	73.2	77.0	77.5	80.2	100.0
Fixed wing (GA, freight and other) (per tonne MTOW)	10.83	82.5	83.0	82.9	81.6	100.0
Rotary wing (per tonne MTOW)	5.41	82.6	83.1	82.9	81.7	100.0
Minimum landing charge						
Fixed wing (per landing)	50.38	82.6	83.1	82.9	81.8	100.0
Rotary wing (per landing)	25.19	82.6	83.1	82.9	81.6	100.0
Basic aircraft parking charge (GA) (per aircraft per day)	45.00	82.6	83.2	83.0	81.7	100.0
Aircraft storage charge	12.24	82.6	83.1	82.9	81.6	100.0
Peak-period minimum movement charge (on airfield usage)[a]	247.26	93.5	94.0	103.2	92.4	100.0
Passenger-related services and facilities						
International terminal charge (per arriving and departing passenger)	11.89	97.8	98.7	109.9	111.6	100.0
Common user terminal equipment (CUTE) usage charge (per departing international passenger)	N/A	N/A	N/A	N/A	N/A	N/A
Domestic terminal charge (per per arriving and departing passenger)	10.97	150.7	161.2	162.5	163.5	100.0
Government mandated security charges						
Counter terrorism first response—regular passenger transport (per passenger)	1.20	87.5	97.7	95.9	103.5	100.0
Counter terrorism first response—freight and other (aircraft > 20 tonne) (per tonne MTOW)	1.12	87.8	97.9	96.2	103.8	100.0
International passenger and checked bag screening (per departing international passenger)	5.37	113.5	79.6	115.7	79.4	100.0
Common user domestic terminal passenger and checked bag screening (per departing domestic passenger)	3.50	164.9	110.2	153.1	141.2	100.0

Notes: Real indexed prices are in 2018–19 dollars. Charges include GST. (a) Peak period minimum charges apply to both arrival and departure movements. N/A indicates not available.

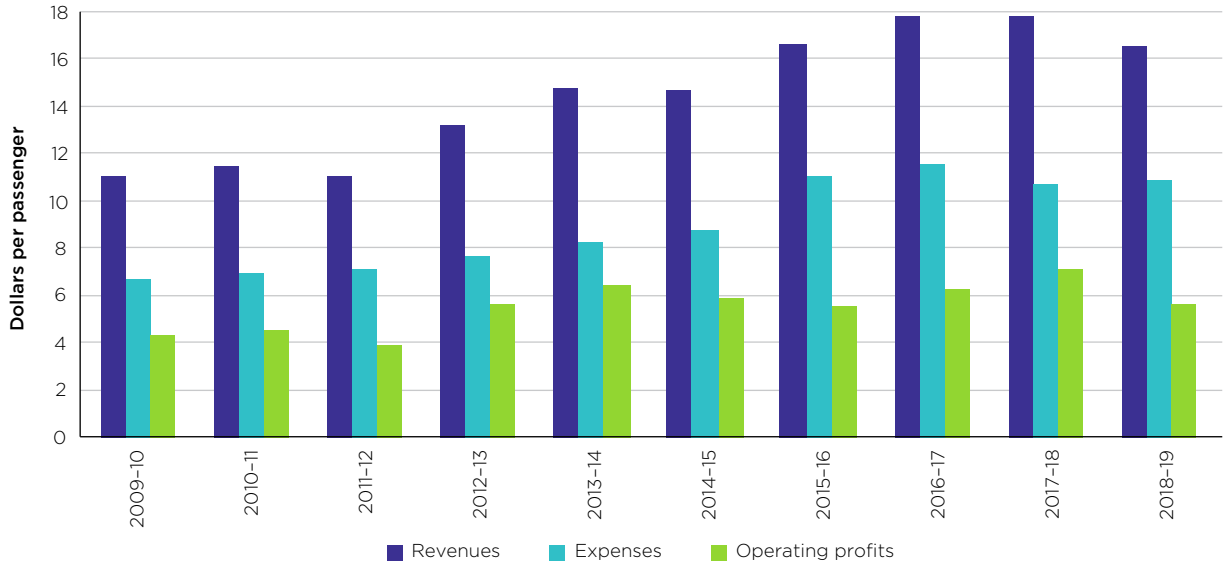
During 2018–19, the international passenger and checked bag screening charge increased by 25.9 per cent to $5.37 per departing passenger. However, the domestic passenger and checked bag screening charge declined by 29.2 per cent to $3.50.

Unlike the other monitored airports, Perth Airport charges similar rates for domestic and international airlines. Using the published charges in table 6.3.1, international airlines would incur $24.40 in passenger charges compared to $21.61 for domestic airlines. The discrepancy in charges actually paid by airlines under aeronautical service agreements may be greater than this given that, as noted earlier, the AAA said that domestic charges are typically discounted at a higher rate than international charges.

6.3.2 Revenues, costs and profits per passenger for aeronautical services

Aeronautical revenue per passenger is a useful proxy measure of the various aeronautical charges applied by airports. Figure 6.3.1 shows Perth Airport's aeronautical revenues, costs and operating profits (EBITA) per passenger in real terms over the past decade.

Figure 6.3.1 Perth Airport—aeronautical revenue, expenses and operating profit per passenger: 2009–10 to 2018–19



Note: Real values in 2018–19 dollars.

Perth Airport's aeronautical revenue per passenger decreased by 7.4 per cent in 2018–19 to $15.22, the largest decline over the decade. A key reason for the fall is a significant reduction in charges for airlines as part of a new 7-year aeronautical service agreement commencing from July 2018. Despite the fall over the past year, Perth Airport's aeronautical revenue per passenger has grown by 50.5 per cent over the last decade.

Aeronautical operating expenses per passenger at Perth Airport increased by 1.5 per cent to $10.01 in 2018–19. This increase was due to the inclusion of costs related to Perth Airport assuming operation of T4 from Qantas from 1 February 2019, as well as depreciation of tangible assets and security costs. The combination of lower revenue and higher expenses per passenger pushed down aeronautical operating profit by 20.6 per cent to $5.21 per passenger in 2018–19, which is the largest decline in operating profit recorded since the monitoring regime began.

6.3.3 Revenues, costs and profits for aeronautical and total airport services

Table 6.3.2 presents Perth Airport's revenues, expenses and operating profits (EBITA) for aeronautical and total airport services from 2009–10 to 2018–19. Total aeronautical revenue decreased by 5.7 per cent to $221.4 million in 2018–19. This decline is the first in four years and occurred despite growth in passenger numbers, particularly those travelling domestically. Over the past decade, aeronautical revenue at Perth Airport has more than doubled.

During 2018–19, total aeronautical expenses increased by 3.2 per cent to $145.7 million, following a reduction of 7.3 per cent in the previous year. This growth was due to the inclusion of five months' worth of expenses related to Perth Airport assuming operation of the Qantas domestic terminal (T4), and additional depreciation for T3. The airport advised that its operating expenses would have fallen if not for these two items. Perth Airport's operating expenses have increased by 126.3 per cent since 2009–10.

As a result of the decrease in revenue and increase in expenses, Perth Airport's aeronautical operating profit (EBITA) decreased by 19.2 per cent to $75.7 million in 2018–19. This represents a significant contrast to 2017–18 when the airport grew its operating profit by 14.9 per cent. Over the past decade, Perth Airport's operating profits have grown by 82.3 per cent. Perth Airport earned an operating profit margin of 34.2 per cent from aeronautical activities in 2018–19, down from 39.9 per cent in the previous year.

On a total airport basis, Perth Airport's revenue decreased by 7.3 per cent in 2018–19 to $493.8 million, while operating profit dropped by 15.7 per cent to $237.4 million. Over the past decade, total airport revenue and operating profit have grown by 65.6 per cent and 38.5 per cent respectively.

Table 6.3.2 Perth Airport—revenues, expenses and profits for aeronautical and total airport services: 2009–10 to 2018–19

		2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19
Revenue ($m)	Aeronautical	105.9	120.4	134.7	179.1	202.2	199.4	221.3	233.8	234.9	221.4
	Total airport	**298.2**	**345.9**	**824.0**	**734.8**	**414.8**	**458.7**	**481.1**	**561.1**	**532.7**	**493.8**
	Aero % of total airport	35.5	34.8	16.4	24.4	48.7	43.5	46.0	41.7	44.1	44.8
Operating expenses ($m)	Aeronautical	64.4	72.8	87.3	103.3	113.6	119.3	147.2	152.2	141.1	145.7
	Total airport	**126.8**	**144.1**	**166.3**	**194.4**	**207.4**	**217.5**	**250.6**	**260.4**	**251.1**	**256.3**
Operating profit ($m)	Aeronautical	41.6	47.7	47.4	75.8	88.6	80.1	74.0	81.7	93.8	75.7
	Total airport	171.4	201.7	657.7	540.4	207.4	241.2	230.4	300.7	281.6	237.4
Profit margin (%)	Aeronautical	39.2	39.6	35.2	42.3	43.8	40.2	33.5	34.9	39.9	34.2
	Total airport	**57.5**	**58.3**	**79.8**	**73.5**	**50.0**	**52.6**	**47.9**	**53.6**	**52.9**	**48.1**
Revenue per passenger ($)	Aeronautical	10.11	10.51	10.12	12.19	13.55	13.50	15.26	16.36	16.43	15.22
Operating expenses per passenger ($)	Aeronautical	6.15	6.35	6.56	7.03	7.62	8.08	10.16	10.65	9.87	10.01
Operating profit per passenger ($)	Aeronautical	3.97	4.16	3.56	5.16	5.94	5.42	5.11	5.71	6.56	5.21

Note: Real values in 2018–19 dollars.

Table 6.3.3 Perth Airport—non-current assets for aeronautical services and total airport services: 2009–10 to 2018–19 ($m)

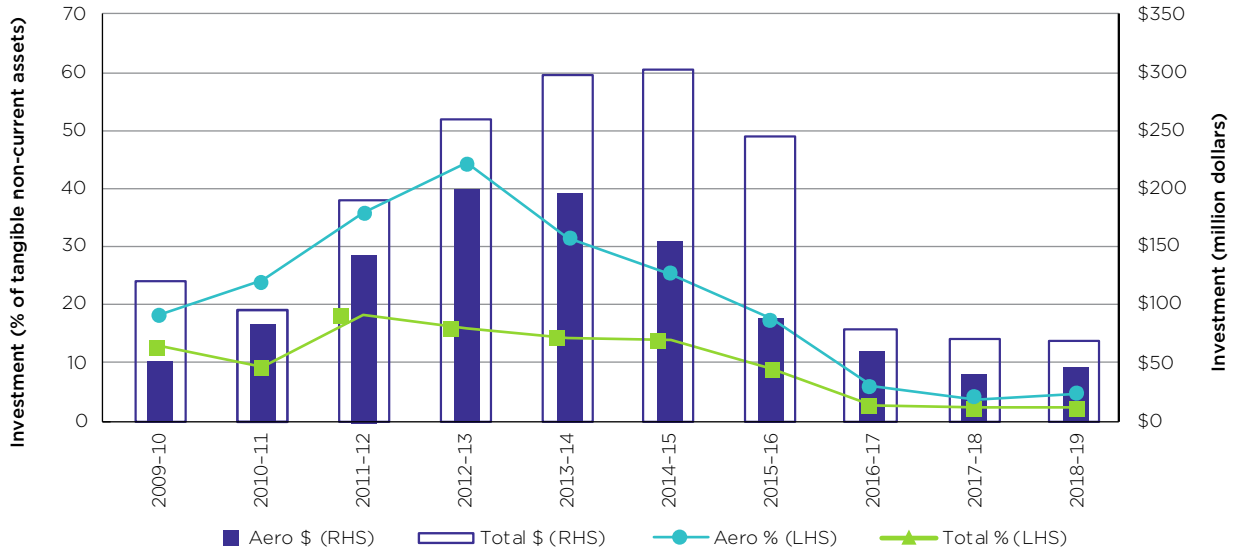
		2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19
Investment property	Aeronautical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Total airport	**459.8**	**437.9**	**862.2**	**419.5**	**417.9**	**468.5**	**714.9**	**690.5**	**690.0**	**703.4**
Land	Aeronautical	20.5	19.6	19.0	18.3	17.6	0.0	0.0	0.0	0.0	0.0
	Total airport	**36.8**	**39.1**	**37.9**	**736.7**	**656.2**	**759.8**	**526.3**	**578.9**	**574.0**	**544.7**
Property, plant and equipment	Aeronautical	316.3	375.0	435.1	605.4	762.4	917.2	1 022.0	1 042.4	996.5	962.5
	Total airport	**503.4**	**558.2**	**694.9**	**896.9**	**1 113.1**	**1 321.7**	**1 479.9**	**1 453.2**	**1 404.8**	**1 359.9**
Intangibles	Aeronautical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Total airport	**546.8**	**529.6**	**515.3**	**502.2**	**488.4**	**480.6**	**613.8**	**470.5**	**462.8**	**462.1**
Other tangible non-current assets	Aeronautical	0.0	0.0	0.0	0.0	0.0	17.1	16.7	16.2	15.7	15.2
	Total airport	**13.8**	**11.4**	**23.6**	**6.5**	**0.0**	**196.3**	**130.4**	**203.3**	**179.9**	**282.3**
Total tangible non-current assets	Aeronautical	336.8	394.6	454.1	623.7	780.0	934.3	1 038.6	1 058.5	1 012.2	977.7
	Total airport	**1 013.8**	**1 046.6**	**1 618.5**	**2 059.7**	**2 187.1**	**2 746.3**	**2 851.4**	**2 925.9**	**2 848.7**	**2 890.3**
Total non-current assets	Aeronautical	336.8	394.6	454.1	623.7	780.0	934.3	1 038.6	1 058.5	1 012.2	977.7
	Total airport	**1 560.6**	**1 576.2**	**2 133.8**	**2 561.9**	**2 675.5**	**3 226.9**	**3 465.2**	**3 396.4**	**3 311.5**	**3 352.4**

Note: Real values in 2018–19 dollars.

6.3.4 Capital expenditure and asset values

Figure 6.3.2 below shows Perth Airport's capital expenditure for aeronautical and total airport services over the past decade. Over this period, Perth Airport has invested a total of $1.7 billion in total airport assets, of which $1.2 billion related to aeronautical assets. The airport invested $46.2 million in aeronautical operations in 2018–19 (see section 6.2.3 for a discussion of specific investments).

Figure 6.3.2 Perth Airport—investment in aeronautical and total airport services: 2009–10 to 2018–19[37]



Note: Real values in 2018–19 dollars.

Figure 6.3.2 also presents Perth Airport's rate of investment—presented as additions as a percentage of tangible non-current assets—across both aeronautical and total airport operations. In contrast to the capital expenditure dollar amounts shown in the chart, this shows Perth Airport's investment over time relative to the size of its existing asset base.

The chart shows that capital additions as a proportion of assets have fallen significantly since a peak of 44.5 per cent in 2012–13. It decreased to 3.5 per cent in 2017–18 and increased slightly to 4.6 per cent in 2018–19. The slowdown in investment follows Perth Airport's $1 billion investment program and coincides with a decline in passenger traffic at the airport in recent years following the end of the mining boom. Perth Airport's investment in total airport operations in 2018–19 was $68.8 million, the lowest in the past decade.

As previously mentioned, Perth Airport took back operational responsibility for the Qantas domestic terminal (T4) during the year (31 January 2019). Taking back operations of a terminal and its associated facilities previously developed by the relevant airline can result in an increase in an airport's asset base. However, this development has not yet impacted on Perth Airport's asset base in this year's monitoring report because the airport and Qantas have not yet reached agreement over the fair market value of the terminal, which will be paid by the airport.[38]

Table 6.3.3 shows Perth Airport's tangible non-current assets for aeronautical and total airport services in real terms over the past decade. The total value of tangible non-current assets at the airport was $2.9 billion as at the end of 2018–19, of which $977.7 million were aeronautical assets. The value of aeronautical assets fell by 3.4 per cent in 2018–19, as a result of a decrease in the value of property, plant and equipment by 3.4 per cent as well as a fall in other tangible non-current assets of 2.9 per cent.

Despite the recent fall in aeronautical asset values, Perth Airport's aeronautical asset base has almost tripled over the past decade as a result of $1 billion of investment in new terminal facilities, while its total passenger numbers have increased by 38.9 per cent over the 10-year period.

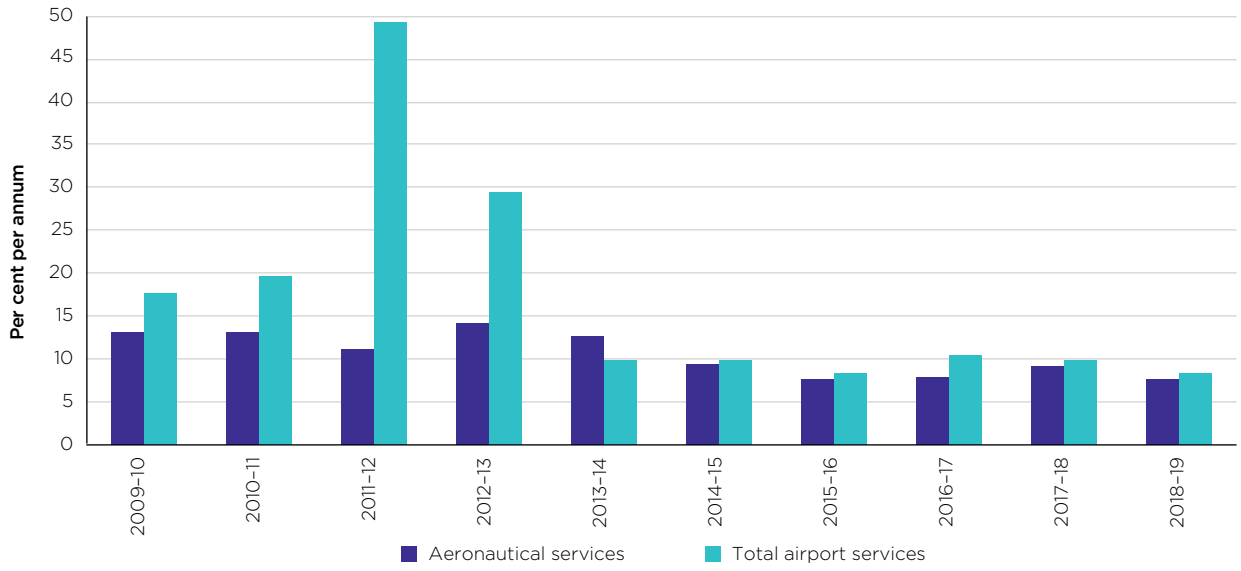
37 ACCC has revised some data points in this chart based on clarification from Perth Airport.

38 Daniel Mercer, 'Perth Airport takes back control of Qantas terminal', *The West Australian*, 16 February 2019.

6.3.5 Rates of return on tangible non-current assets

Rate of return is a key measure of profitability. This measure is defined as EBITA as a percentage of average tangible non-current assets. Figure 6.3.3 shows the rate of return for aeronautical services and total airport operations at Perth Airport over the past decade.

Figure 6.3.3 Perth Airport—rate of return (EBITA) on tangible non-current assets for aeronautical and total airport services: 2009–10 to 2018–19



Note: The spike in 2011–12 reflects an increase in Perth Airport's valuation of non-aeronautical investment property during that financial year. Perth Airport has explained that the increase was primarily due to a change in asset valuation methodology. Under standard accounting rules, the effects of revaluations of investment property are also reflected in revenues and margins.

During 2018–19, Perth Airport's return on aeronautical assets declined by 1.4 percentage points to 7.6 per cent. This fall primarily reflects the significant decline in operating profit in the year. Looking more broadly over the past decade, rates of return have fallen as a result of the significant growth in the asset base, as operating profit has also increased over this period. For total airport services, the rate of return on tangible non-current assets decreased from 9.8 per cent in 2017–18 to 8.3 per cent in 2018–19.

6.4 Quality of aeronautical and total airport services

Ratings of the quality of service offered at each airport are derived from surveys of both airlines and passengers as well as various objective indicators of performance collected from the airport.

This section presents Perth Airport's ratings for quality of total airport services (section 6.4.1), terminal and aircraft-related services and facilities (section 6.4.2), and passenger-related services and facilities for international and domestic terminals (section 6.4.3).

6.4.1 Total airport services

For each airport, the ACCC calculates a single overall quality of service rating, which covers aeronautical, car parking and, to a lesser degree, landside operations. The overall rating represents the average score that the airport achieved across a large number of measures based on airline surveys, passenger surveys and objective indicators. The methodology for calculating this rating is explained in section A4.2.3 in appendix A4.

Figure 6.4.1 shows that Perth Airport's overall quality of service rating fell slightly within the 'good' range in 2018–19. The airport's overall rating has remained relatively stable following a period of notable improvement over several years since 2013–14. The airport has now had the highest overall rating of the four monitored airports for three years in a row.

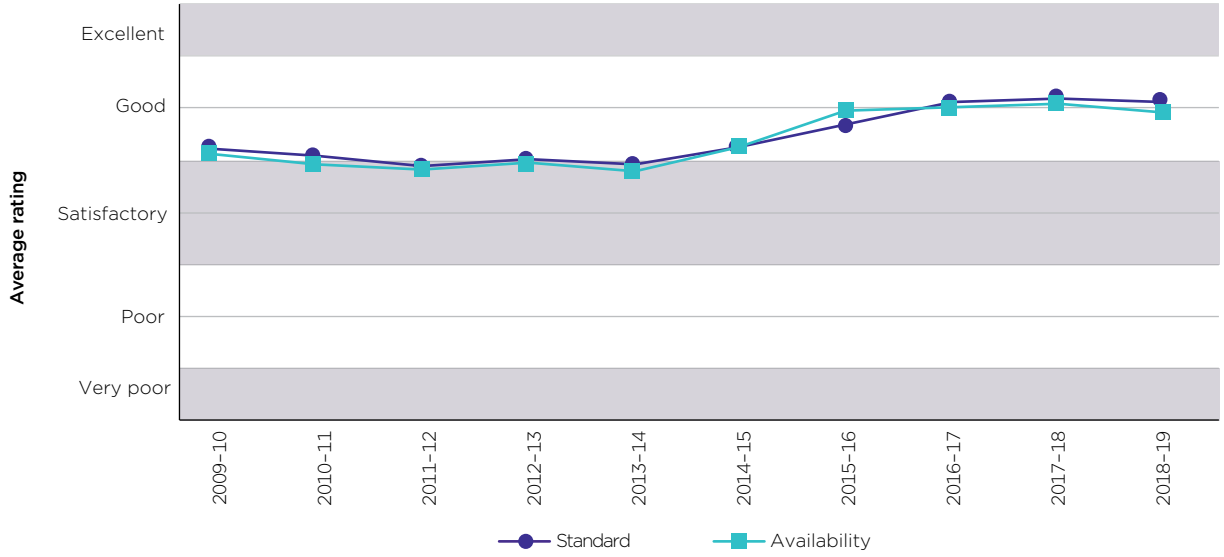
Figure 6.4.1 Perth Airport— ratings of overall quality of service, passenger surveys and airline surveys: 2009–10 to 2018–19

Source: Airline surveys, passenger surveys and objective indicators obtained from Perth Airport.

Following six years of improvement, Perth Airport's average rating from airline surveys fell materially within the 'good' category, and is now at the lower end of this range. This appears to be mostly driven by lower airline ratings for passenger-related services and facilities (discussed in section 6.4.3 below). On the other hand, passenger ratings were relatively unchanged at the upper end of the 'good' range, where they have remained for most of the past decade.

Figure 6.4.2 below shows that Perth Airport's average ratings for the standard and availability of total airport services both remained relatively unchanged around the middle of the 'good' category in 2018–19. They have remained at this level for several years following a notable improvement since 2013–14.

Figure 6.4.2 Perth Airport—average ratings for standard and availability of total airport services and facilities: 2009–10 to 2018–19



Source: Airline surveys, passenger surveys and objective indicators obtained from Perth Airport.

6.4.2 Terminal and aircraft-related services and facilities

Figure 6.4.3 shows that in 2018–19, Perth Airport's average quality of service ratings for the T1 international terminal fell within the 'good' category. The airport's average rating for domestic terminal facilities also decreased slightly. Notwithstanding these declines, Perth Airport's past investment in its terminals appears to have contributed to notable improvements in its terminal ratings over recent years.

Figure 6.4.3 Perth Airport—average ratings for international and domestic terminal facilities, and aircraft-related services and facilities: 2009–10 to 2018–19

Source: Airline surveys, passenger surveys and objective indicators obtained from Perth Airport.

The average rating for aircraft-related services is determined solely by airline surveys. Figure 6.4.3 shows that the rating for aircraft-related activities continued to improve within the 'good' range in 2017–18. This rating has now improved for nine years in a row, and appears to be driven by Perth Airport's significant investment in aeronautical assets over recent years.

Table 6.4.1 shows how airlines rated specific aspects of aircraft-related services and facilities. All indicators were rated as 'good' in 2018–19 except the standard of aircraft parking facilities

('satisfactory'). The majority of the indicators received improved ratings from last year, all within the same categories. Compared to a decade ago, all indicators have improved, with most increasing from 'satisfactory' to 'good'.

Table 6.4.1 Perth Airport—airline ratings of quality of individual aircraft-related services and facilities: 2018–19, 1-year change, and change since 2009–10

Category	Indicator	Rating category 2018–19	1-year change	Change since 2009–10
Runway	Availability	Good	▲	▲*
	Standard	Good	–	▲
Taxiways	Availability	Good	▲	▲*
	Standard	Good	▼	▲*
Aprons	Availability	Good	▲	▲*
	Standard	Good	▲	▲*
Aircraft parking	Availability of facilities and bays	Good	▲	▲**
	Standard of facilities and bays	Satisfactory	▲	▲*
Ground handling	Availability of services and facilities	Good	▼	▲*
	Standard of services and facilities	Good	▲	▲*
Management responsiveness	Availability	Good	▲	▲*
	Standard	Good	▼	▲*

Notes: The rating categories are: very poor, poor, satisfactory, good and excellent. ▲ indicates an improvement; ▼ indicates a decline; – indicates no change. */** Rating changed by one/two categories over the period.

Airline ratings for the availability of runways, taxiways, aircraft parking and aprons all increased within the 'good' category over the year. Several airlines noted improved operations at Perth Airport, in particular as a result of runway and taxiway works.

Airline ratings for the standard of management responsiveness fell within the 'good' category over the year. While some airlines commented that responsiveness is good with issues addressed in a timely manner, others considered that response times are slow, with airport staff changes affecting performance.

6.4.3 Passenger-related services and facilities

T1 International terminal

The ratings for the quality of passenger-related services and facilities for the T1 international terminal are shown in table 6.4.2.

All airline ratings for the international terminal fell over the year, with most ratings dropping from 'good' to 'satisfactory'. In particular, airline ratings for both the availability and standard of check-in services and facilities fell from 'good' to 'satisfactory'. Some airlines commented that poor availability and allocation of check-in desks were an issue, as well as ageing desks and IT equipment. The ACCC understands that Perth Airport plans to install Common User Self Service (CUSS) check-in facilities during 2020, which will aim to increase capacity in the check-in area to aid passenger flows.

Similarly, airline ratings for the availability and standard of baggage processing facilities also fell from 'good' to 'satisfactory'. One airline considered that baggage systems are designed poorly and are unable to cope with peak quantities of baggage, while several other airlines cited ongoing baggage system outages. In response, the airport advised the ACCC that its baggage system reliability is consistently over 99.5 per cent. It also advised that it supports the implementation of baggage tracking system (as per IATA Resolution 753) but the airline community has resisted.

Airline ratings for the standard of aerobridges fell within the 'satisfactory' category, while ratings for availability fell from 'good' to 'satisfactory'. Several airlines commented that aerobridges are ageing and

have been prone to malfunction and leaking during rain. One airline also considered that aerobridges are not suited to newer generation aircraft.

Most of the quality indicators for the international terminal from passenger surveys achieved a 'good' rating in 2018–19, while 'waiting time in the outbound immigration area' and 'quality of security search process' were both rated as 'excellent'. Most passenger quality indicators improved when compared to the previous year, with 'quality of security search process' improving from 'good' to 'excellent'.

Table 6.4.2 Perth Airport—indicators of quality of passenger-related services and facilities—TI international terminal: 2018–19, 1-year change and change since 2009–10

Category	Indicator	Data source	Rating category 2018–19	1-year change	Change since 2009–10
Check-in	Check-in availability	Airline survey	Satisfactory	▼*	▲*
	Check-in standard	Airline survey	Satisfactory	▼*	–
	Check-in waiting time	Passenger survey	Good	▲	▲
	Number of departing passengers per check-in desk, kiosk and bag drop facility (peak hour)	Objective indicator	13.3	▼	▼
Immigration	Waiting time in outbound Immigration area	Passenger survey	Excellent	▲	▲*
	Number of departing passengers per outbound Immigration desk (peak hour)	Objective indicator	50.6	▼	▼
	Waiting time in inbound Immigration area	Passenger survey	Good	▲	▲
	Number of arriving passengers per inbound Immigration desk (peak hour)	Objective indicator	21.3	▼	▲
	Waiting time in inbound baggage inspection area	Passenger survey	Good	▲	▲
	Number of arriving passengers per baggage inspection desk (peak hour)	Objective indicator	32.5	▼	▼
Information	Flight information display screens	Passenger survey	Good	▲	▲
	Number of passengers per flight information display screen (peak hour)	Objective indicator	10.0	▼	▲
	Number of passengers per information point (peak hour)	Objective indicator	1175.0	▼	▼
	Signage and wayfinding	Passenger survey	Good	▲	▲

Notes: The rating categories are: very poor, poor, satisfactory, good and excellent. ▲ indicates an improvement; ▼ indicates a decline; – indicates no change. *Rating changed by a category over the period.

Table 6.4.2 Perth Airport—indicators of quality of passenger-related services and facilities—T1 international terminal: 2018–19, 1-year change and change since 2009–10 (cont.)

Category	Indicator	Data source	Rating category 2018–19	1-year change	Change since 2009–10
Baggage	Baggage processing facilities availability	Airline survey	Satisfactory	▼*	▲
	Baggage processing facilities standard	Airline survey	Satisfactory	▼*	▼
	Average throughput of outbound baggage system (per hour)	Objective indicator	276.8	▼	▲
	Circulation space for inbound baggage reclaim	Passenger survey	Good	▲	▲
	Information display for inbound baggage reclaim	Passenger survey	Good	▼	▲
	Number of arriving passengers per m2 of inbound baggage reclaim area (peak hour)	Objective indicator	0.1	–	N/A
	Findability of baggage trolleys	Passenger survey	Good	▲	▲
	Number of passengers per baggage trolley (peak hour)	Objective indicator	1.4	▼	▼
Gate lounges	Seating in lounge area (quality and availability)	Passenger survey	Good	▼	▲
	Number of departing passengers per seat in gate lounges (peak hour)	Objective indicator	0.4	–	▲
	Crowding in lounge area	Passenger survey	Good	▲	▲
	Number of departing passengers per m2 of lounge area (peak hour)	Objective indicator	0.1	–	▲
Amenities	Standard of washrooms	Passenger survey	Good	▲	▲
	Number of departing passengers per washroom (peak hour)	Objective indicator	63.3	▼	N/A
Aerobridges	Aerobridges availability	Airline survey	Satisfactory	▼*	▲*
	Aerobridges standard	Airline survey	Satisfactory	▼	▲*
	Percentage of arriving international passengers using an aerobridge	Objective indicator	100.0%	–	▲
	Percentage of departing international passengers using an aerobridge	Objective indicator	100.0%	–	▲
Security	Quality of security search process	Passenger survey	Excellent	▲*	▲*
	Number of departing passengers per security clearance system (peak hour)	Objective indicator	151.8	▼	▲

Notes: The rating categories are: very poor, poor, satisfactory, good and excellent. ▲ indicates an improvement; ▼ indicates a decline; – indicates no change. *Rating changed by a category over the period. N/A = not applicable.

T1 Domestic terminal

Table 6.4.3 shows quality of service measures for the T1 domestic terminal, which was completed in 2015 and is a common user terminal, despite currently being used exclusively by Virgin Australia.

All of the passenger survey indicators increased in 2018–19, with most being rated as 'good'. Three indicators rated by passengers—check-in waiting time, flight information displays, and signage and wayfinding—all improved from 'good' to 'excellent' over the period.

Since Virgin Australia is currently the only airline to use the terminal, table 6.4.3 does not show airline survey results.

T2 Domestic terminal

Table 6.4.4 shows quality of service measures for passenger-related services and facilities for the T2 domestic terminal. The terminal has been operating since March 2013, primarily to meet the travel demands of the resource sector and intrastate passengers. Airlines flying from T2 include Alliance Airlines, Tigerair (interstate), Virgin Australia (regional) and Regional Express.

During 2018–19, all T2-related indicators were rated as 'good' by passengers, with most passenger ratings increasing within the 'good' category when compared to the previous year.

Airline ratings either fell or remained unchanged in 2018–19. Ratings for the availability of check-in services fell within the 'good' category, while ratings for the standard of these services dropped from 'excellent' to 'good' over the year. Similarly, airline ratings of the availability of baggage processing facilities fell from 'excellent' to 'good'.

Table 6.4.3 Perth Airport—indicators of quality of passenger-related services and facilities—T1 domestic terminal: 2018–19, 1-year change

Category	Indicator	Data source	Indicator result 2018–19	1-year change
Check-in	Check-in waiting time	Passenger survey	Excellent	▲*
	Number of departing passengers per check-in desk, kiosk and bag drop facility (peak hour)	Objective indicator	8.5	▲
Baggage	Circulation space for inbound baggage reclaim	Passenger survey	Good	▲
	Information display for inbound baggage reclaim	Passenger survey	Good	▲
	Number of arriving passengers per m^2 of inbound baggage reclaim area (peak hour)	Objective indicator	0.2	▼
	Findability of baggage trolleys	Passenger survey	Good	▲
	Number of passengers per baggage trolley (peak hour)	Objective indicator	2.2	▼
Information	Flight information display screens	Passenger survey	Excellent	▲*
	Number of passengers per flight information display screen (peak hour)	Objective indicator	6.6	▼
	Number of passengers per information point (peak hour)[(a)]	Objective indicator	N/A	N/A
	Signage and wayfinding	Passenger survey	Excellent	▲*
Gate lounges	Seating in lounge area (quality and availability)	Passenger survey	Good	▲
	Number of departing passengers per seat in gate lounges (peak hour)	Objective indicator	0.2	▲
	Crowding in lounge area	Passenger survey	Good	▲
	Number of departing passengers per m^2 of lounge area (peak hour)	Objective indicator	0.1	–
Amenities	Standard of washrooms	Passenger survey	Good	▲
	Number of departing passengers per washroom (peak hour)	Objective indicator	89.5	▲
Aerobridges	Number of arriving domestic passengers per aerobridge (peak hour)	Objective indicator	35.2	▲
	Number of departing domestic passengers per aerobridge (peak hour)	Objective indicator	35.8	▼
Security	Quality of security search process	Passenger survey	Good	▲
	Number of departing passengers per security clearance system (peak hour)	Objective indicator	89.5	▲

Notes: The rating categories are; very poor, poor, satisfactory, good and excellent. ▲ indicates an improvement; ▼ indicates a decline; – indicates no change, *Rating changed by a category over the period. (a) Perth Airport does not have any information points in T1 domestic terminal. Airline ratings are not included for confidentiality reasons. N/A = not applicable.

Table 6.4.4 Perth Airport—indicators of quality of passenger-related services and facilities—T2 domestic terminal: 2018–19, 1-year change

Category	Indicator	Data source	Indicator result 2018–19	1-year change
Check-in	Check-in availability	Airline survey	Good	▼
	Check-in standard	Airline survey	Good	▼*
	Check-in waiting time	Passenger survey	Good	▲
	Number of departing passengers per check-in desk, kiosk and bag drop facility (peak hour)	Objective indicator	27.2	▼
Baggage	Baggage processing facilities availability	Airline survey	Good	▼*
	Baggage processing facilities standard	Airline survey	Good	–
	Circulation space for inbound baggage reclaim	Passenger survey	Good	▼
	Information display for inbound baggage reclaim	Passenger survey	Good	▲
	Number of arriving passengers per m² of inbound baggage reclaim area (peak hour)	Objective indicator	0.2	–
	Findability of baggage trolleys	Passenger survey	Good	▼
	Number of passengers per baggage trolley (peak hour)	Objective indicator	7.9	▼
Information	Flight information display screens	Passenger survey	Good	▼
	Number of passengers per flight information display screen (peak hour)	Objective indicator	11.1	▼
	Number of passengers per information point (peak hour)	Objective indicator	490.0	▼
	Signage and wayfinding	Passenger survey	Good	▲
Gate lounges	Seating in lounge area (quality and availability)	Passenger survey	Good	▲
	Number of departing passengers per seat in gate lounges (peak hour)	Objective indicator	0.8	▼
	Crowding in lounge area	Passenger survey	Good	▲
	Number of departing passengers per m² of lounge area (peak hour)	Objective indicator	0.3	▼
Amenities	Standard of washrooms	Passenger survey	Good	▲
	Number of departing passengers per washroom (peak hour)	Objective indicator	122.5	▼
Security	Quality of security search process	Passenger survey	Good	▲
	Number of departing passengers per security clearance system (peak hour)	Objective indicator	163.3	▼

Notes: The rating categories are; very poor, poor, satisfactory, good and excellent. ▲ indicates an improvement; ▼ indicates a decline; – indicates no change. *Rating changed by a category over the period.

Table 6.4.5 Perth Airport—indicators of quality of passenger-related services and facilities—T3 domestic terminal: 2018–19, 1-year change and change since 2009–10

Category	Indicator	Data source	Indicator result 2018–19	1-year change	Change since 2009–10
Check-in	Check-in waiting time	Passenger survey	Good	▼	▼
	Number of departing passengers per check-in desk, kiosk and bag drop facility (peak hour)	Objective indicator	12.1	▲	▲
Baggage	Circulation space for inbound baggage reclaim	Passenger survey	Good	▼	▼
	Information display for inbound baggage reclaim	Passenger survey	Good	▲	▲
	Number of arriving passengers per m² of inbound baggage reclaim area (peak hour)	Objective indicator	0.4	▼	N/A
	Findability of baggage trolleys	Passenger survey	Good	▲	▲
	Number of passengers per baggage trolley (peak hour)	Objective indicator	4.4	▲	▼
Information	Flight information display screens	Passenger survey	Good	▲	▲
	Number of passengers per flight information display screen (peak hour)	Objective indicator	7.4	▲	▲
	Number of passengers per information point (peak hour)	Objective indicator	422.0	▲	▲
	Signage and wayfinding	Passenger survey	Good	▲	▲
Gate lounges	Seating in lounge area (quality and availability)	Passenger survey	Good	▲	▼
	Number of departing passengers per seat in gate lounges (peak hour)	Objective indicator	0.4	▲	▲
	Crowding in lounge area	Passenger survey	Good	▲	–
	Number of departing passengers per m² of lounge area (peak hour)	Objective indicator	0.1	–	▲
Amenities	Standard of washrooms	Passenger survey	Good	▲	▲
	Number of departing passengers per washroom (peak hour)	Objective indicator	141.3	▲	N/A
Aerobridges	Number of arriving domestic passengers per aerobridge (peak hour)	Objective indicator	65.4	▲	▼
	Number of departing domestic passengers per aerobridge (peak hour)	Objective indicator	84.8	▼	▼
Security	Quality of security search process	Passenger survey	Good	▲	▲
	Number of departing passengers per security clearance system (peak hour)	Objective indicator	106.0	▲	▲

Notes: The rating categories are; very poor, poor, satisfactory, good and excellent. ▲ indicates an improvement; ▼ indicates a decline; – indicates no change. Airline ratings are not included for confidentiality reasons. N/A = not applicable.

T3 Domestic terminal

Table 6.4.5 above shows quality of service measures for the T3 domestic terminal, which is a common-user terminal used by Jetstar (domestic services), Network, Qantas and QantasLink. As only a few airlines use the terminal, airline survey results are not shown.

All of the quality of service indicators rated by passengers received a 'good' rating in 2018–19, with most indicators increasing within this category.

6.5 Car parking

This section presents an overview of the car parking services available at or near Perth Airport. This section discusses car parking facilities (section 6.5.1), prices (section 6.5.2), activity (section 6.5.3), financial results (section 6.5.4) and quality of service (section 6.5.5).

6.5.1 Car parking facilities and investments

Car parking facilities

There are two main car parking precincts at Perth Airport: T1/T2 and T3/T4. T1/T2 are serviced by individual at-terminal car parks and common at-distance car parks, while T3/T4 are serviced by common at-terminal and at-distance car parks. The T3/T4 precinct also includes a premium, undercover 'Fast Track' car park in front of the terminals.

Perth Airport's at-distance parking areas are serviced by free shuttle buses that operate every 10 minutes. The airport also offers free parking for 10 minutes at the at-terminal car parks and for the first hour in all at-distance car parks. At-terminal and at-distance parking can be booked online except for some short-term durations.

In addition to these two parking precincts is the General Aviation parking area, which is in proximity to regional airline terminals. It is targeted at particular groups such as fly-in-fly-out workers.

Car parking and landside-related investments

Table 6.5.1 shows selected investment projects in relation to car parking and landside access. In 2018–19, Perth Airport completed a new forecourt monitoring and control system at Terminal 2.

Table 6.5.1 Perth Airport—selected investments in car parking and landside access services

Description of investment	Value ($m)	Started	Completed
T2 forecourt monitoring and control system	1m	Q3 2016	Q2 2019
Ground transport payment system upgrade	0.7m	Q1 2018	Q2 2019
T2 motorcycle parking expansion	0.1m	Q3 2018	Q1 2019
Perth Airport works for the Forrestfield Airport Link	31m	Q3 2016	*Q1 2020*
Taxi access infrastructure development	4m	Q4 2016	*Q3 2020*
T1 forecourt bay finding technology rollout	0.2m	Q3 2018	*Q3 2019*
FY20-29 road networks renewals program	10m	*Q3 2020*	*Q2 2029*

The works for the Forrestfield Airport Link at Perth Airport is underway in 2018–19. The project involves the construction of a pedestrian link bridge in Airport Central.

The airport is scheduled to commence its FY20–29 road networks renewals program, which involves renewal of the airport road network to reduce the risk of road failures and unplanned road closures.

6.5.2 Car parking prices

This section presents an overview of prices for parking a car at Perth Airport. It also intends to help motorists identify how to get the most favourable rates.

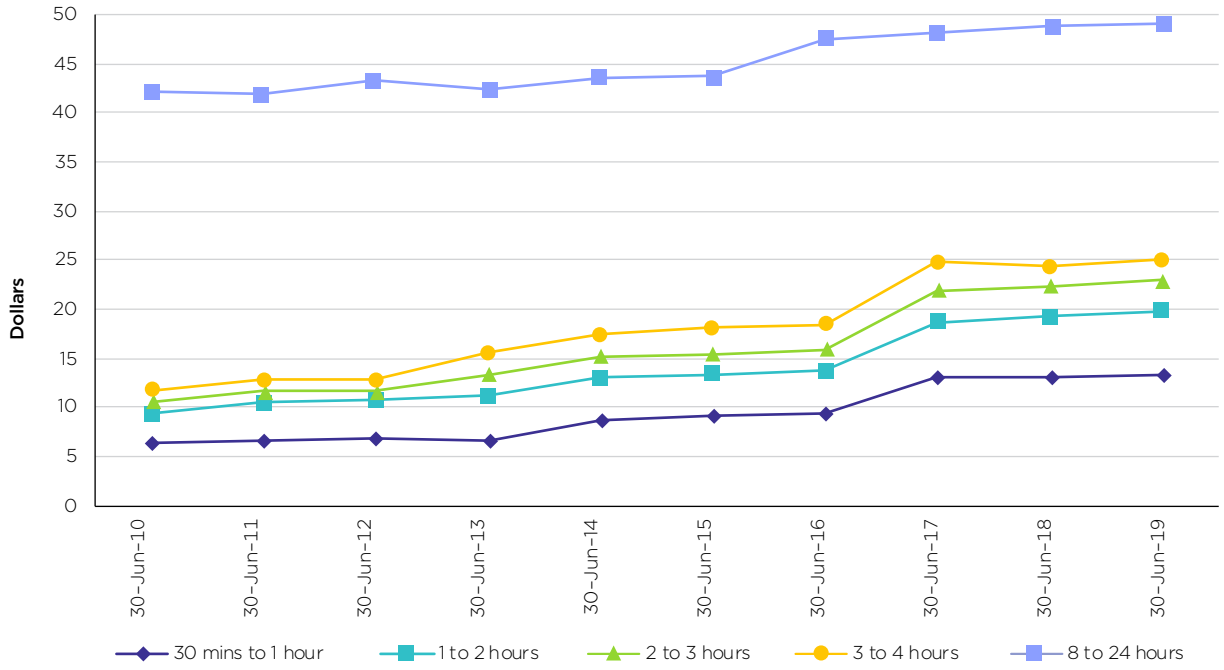
The ACCC focuses on two common types of parking in particular:

- short-term parking (up to a day) at a car park located at the terminal, with the motorist paying drive-up rates, and
- long-term parking (at least one day) at a car park located at distance from the terminal, with prices measured as the average rate paid by motorists who booked online.

Short-term parking at terminal

Figure 6.5.1 shows that most at-terminal drive-up parking prices trended upwards in 2018–19. The largest increase was in the price to park for between 2 and 3 hours, which increased by 2.9 per cent to $23. Most at-terminal car parking prices have doubled over the decade, with the price of parking for 1 to 2 hours increasing by 110.8 per cent from $9.12 to $19.80.

Figure 6.5.1 Perth Airport—selected at-terminal parking prices (drive-up): 30 June 2010 to 30 June 2019



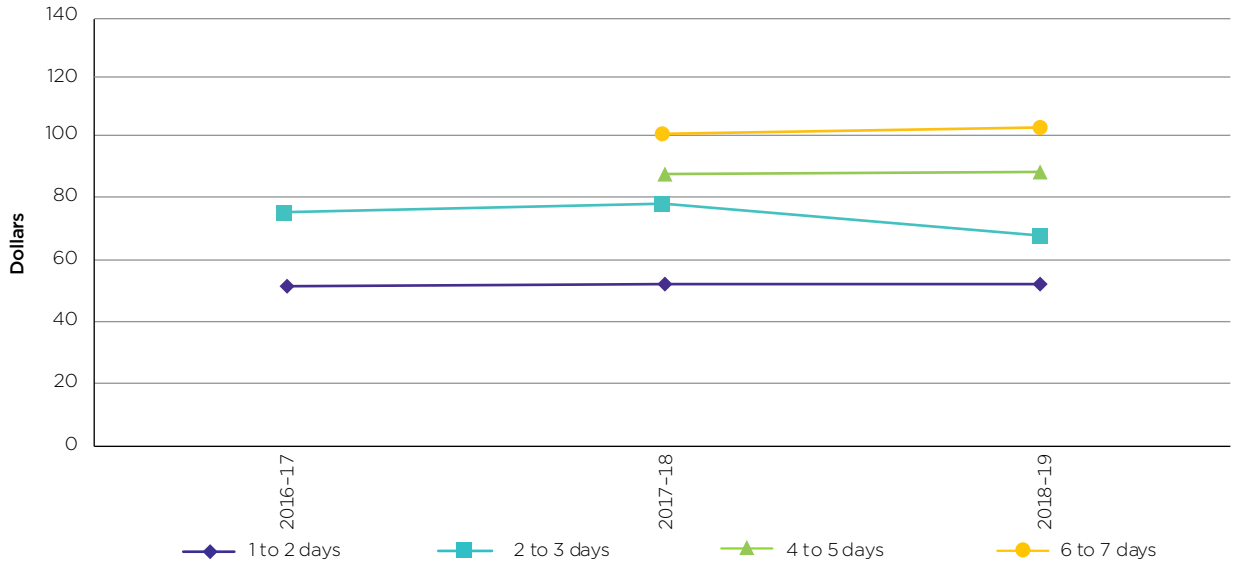
Note: Real values in 2018–19 dollars.

Long-term parking at-distance

Although Perth Airport provides long-term parking at its at-terminal car parks, price conscious motorists have the option of a cheaper at-distance car park at the long-term car parks. The long term car parks offers free shuttle bus access to the terminal, with a bus scheduled every 10 minutes.

Figure 6.5.2 shows the online average price paid for parking at the at-distance T1/T2 long-term car park over the past three years, showing mixed changes. The price paid for 6 to 7 days parking increased by 2.0 per cent in 2018–19 while the price paid for 2 to 3 days decreased by 13.1 per cent. Prices paid for the other durations were constant.

Figure 6.5.2 Perth Airport—online average price paid for parking for at-distance parking: 2016–17 to 2018–19



Note: Real values in 2018–19 dollars.

Perth Airport's average prices for long-term parking at-distance are second only to Sydney Airport in 2018–19.

Opportunities for motorists to save on parking at Perth Airport

There are a number of ways that motorists can save on parking at Perth Airport. For example, price-conscious motorists can choose to park at the long-term car park instead of the short-term car parks at the terminal. While this will require a short shuttle bus trip, motorists who parked at the long-term car parks would have saved between 45 and 60 per cent in parking rates in 2018–19.[39]

Another simple way to save on parking is to book it in advance online. Perth Airport offers online booking services for all parking durations. In 2018–19, average prices paid for long-term parking at the T1/T2 and T3/T4 long-term car parks booked online were up to 19 per cent lower than average drive-up prices for the same car park for stays of up to 7 days.[40] The savings for longer stays are higher. Most motorists are not aware of these savings as only 35 per cent of motorists that park long-term choose to book online.

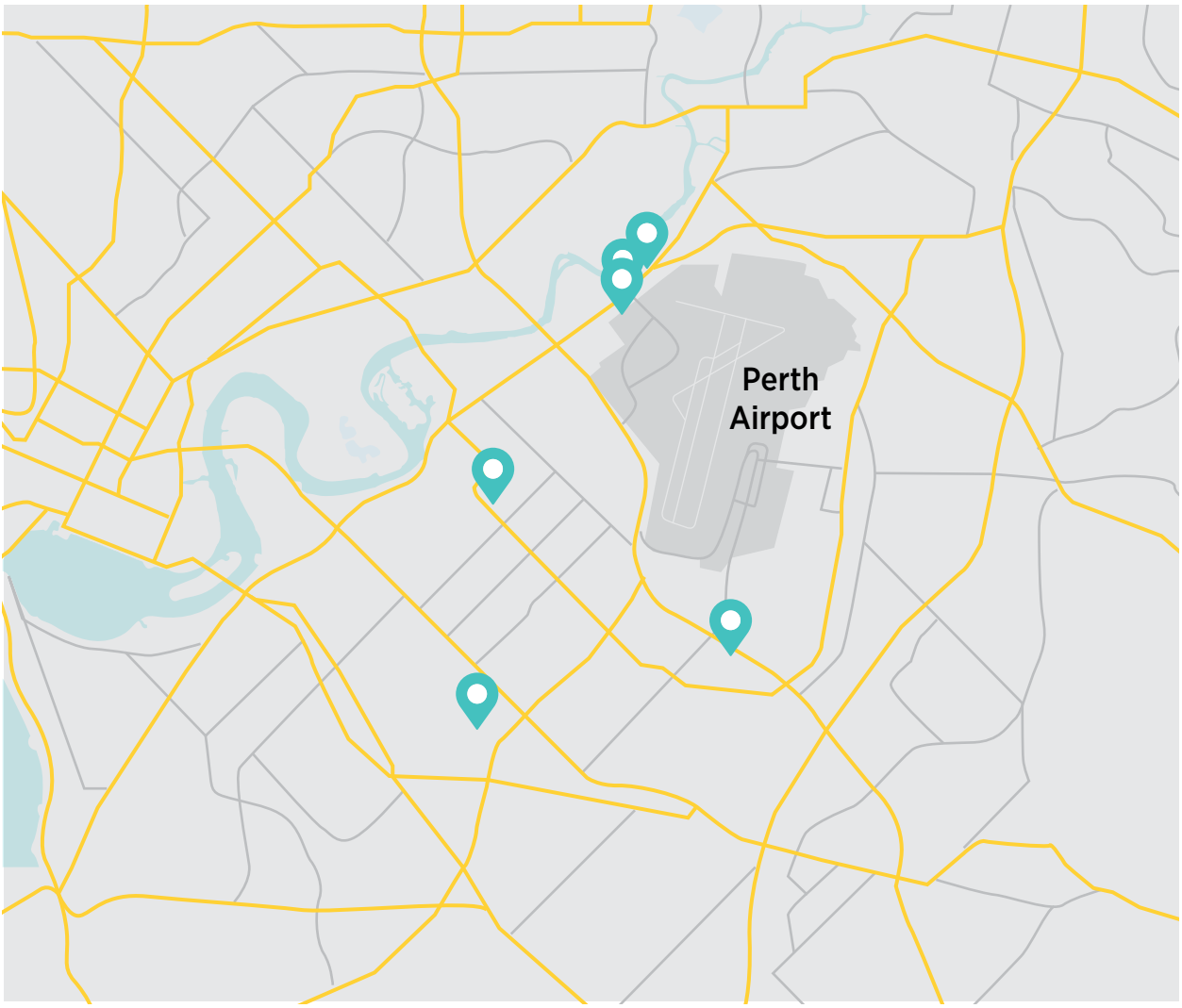
In addition to car parking provided by Perth Airport, motorists also have the option of shopping around at an independent off-airport car parking facility. Independent car parks are often in reasonably close proximity to the airport—that is, in the suburbs surrounding the airport—and provide a pick-up and drop-off shuttle bus service for users.

There are currently six independent off-airport car parking facilities located near Perth Airport. Figure 6.5.3 below shows the location of these facilities relative to the airport. These shuttles have a typical travel time ranging between 5 minutes and 15 minutes from the car park to the terminals.

39 This is calculated as the difference between the average price paid for long term parking at the T1/T2 and T3/T4 short-term car parks and the T1/T2 & T3/T4 long-term car parks for all durations up to 7 days.

40 This is calculated as the difference between the average price paid for long term parking at the T1/T2 and T3/T4 long-term car parks for online and drive-up prices for all durations up to 7 days.

Figure 6.5.3 Off-airport car parking facilities located near Perth Airport



In 2018–19, if a motorist shopped around to find the cheapest rates, they had the potential to save up to 26 per cent from the airport's T1/T2 long-term car park rates in 2018–19.[41] The saving depended on the length of stay and the independent car park chosen so it is recommended that motorists compare prices between different options.

In an attachment to Perth Airport's submission to the Productivity Commission's review of airport regulation, Houston Kemp said that Perth Airport offers at least one option that is priced below the average off-airport price across every time band.[42] While independent car parks often charge by calendar day, Perth Airport charges by 24-hour increment.

41 This is calculated as the maximum difference between the average price paid for long term parking at the T1/T2 and T3/T4 long-term car parks and the cheapest price for off-airport parking for a comparable duration for all durations up to 7 days.

42 Houston Kemp, Car parking and ground access – market power assessment, A report for Perth Airport, Houston Kemp August 2018, p. i.

6.5.3 Car parking activity

Table 6.5.2 shows the number of car parking spaces available and the throughput of car parking facilities at Perth Airport over the last ten years.

Total annual throughput declined by 9.7 per cent to 1.7 million in 2018–19, or 4 766 cars per day. This continues a declining trend over the past decade and is the lowest throughput recorded over the period. The decline over the past year is potentially caused by customers opting out of car parking towards other options such as free pick-ups and drop-offs and rideshare. The increase in car parking prices over this time, including a doubling of drive-up prices for at-terminal car parks, has likely contributed to the declining usage.

There were a total of 22 081 car parking spaces across Perth Airport in 2018–19. This was 367 spaces (1.6 per cent) less than what was available in 2017–18 due to Skybridge construction activity. Over the decade, the number of car parking spaces has almost doubled.

For the first time, the ACCC collected information from the monitored airports on the occupancy rate of their car parks. The Productivity Commission said that this data was important for identifying whether an airport was either restricting the number of car parks in order to charge high prices or charging excessively whereby the existing car spaces were not being used. For 2018–19, Perth Airport has reported that its at-terminal average car parking occupancy rate was 58.7 per cent. During the peak periods, its occupancy rate rose to 65.7 per cent and it was at maximum occupancy at least once in 2018–19.

Perth Airport's at-distance car parking occupancy was lower in 2018–19. Perth's at-distance car parks saw an average occupancy rate of 33.2 per cent while its peak period occupancy was 35.1 per cent. The at-distance car park saw a maximum occupancy of 59.7 per cent in 2018–19.

Table 6.5.2 Perth Airport—number of car park spaces and average daily throughput: 2009–10 to 2018–19

		2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19
Number of car park spaces	T3/T4 short-term	1 719	1 719	1 769	1 714	1 714	1 714	1 714	1 666	1 602	1 602
	T3/T4 long-term	6 055	7 082	8 485	8 796	8 796	8 796	8 796	8 796	8 754	8 754
	T1/T2 short-term	663	663	663	961	1 145	1 357	1 914	1 844	1 827	1 460
	T1/T2 long-term	1 778	3 792	3 792	4 600	6 374	9 367	9 367	9 367	9 323	9 323
	Staff	1 311	1 295	917	972	972	972	972	972	942	942
	Total airport	**11 526**	**14 551**	**15 626**	**17 043**	**19 001**	**22 206**	**22 763**	**22 645**	**22 448**	**22 081**
Annual throughput of car park facilities (thousand)	T3/T4 short-term	990	1 054	1 054	1 030	902	857	701	537	493	483
	T3/T4 long-term	173	230	343	387	363	345	237	183	168	158
	T1/T2 short-term	715	733	720	747	847	874	1 132	1 172	1 055	964
	T1/T2 long-term	48	66	67	93	138	137	144	142	140	135
	Total airport	**1 926**	**2 083**	**2 185**	**2 257**	**2 249**	**2 212**	**2 214**	**2 034**	**1 856**	**1 740**
Average daily throughput of car park facilities	T3/T4 short-term	2 712	2 888	2 879	2 822	2 472	2 347	1 914	1 471	1 352	1 325
	T3/T4 long-term	475	630	938	1 060	994	945	648	501	459	432
	T1/T2 short-term	1 959	2 007	1 968	2 047	2 320	2 394	3 094	3 211	2 890	2 640
	T1/T2 long-term	130	181	184	254	377	375	393	389	384	370
	Total airport	**5 276**	**5 706**	**5 970**	**6 182**	**6 162**	**6 061**	**6 049**	**5 573**	**5 086**	**4 766**

Note: Car parking throughput does not include free period usage.

6.5.4 Car parking financial results

Table 6.5.3 lists Perth Airport's revenues, expenses and operating profit (EBITA) for car parking and total airport services from 2009–10 to 2018–19. Revenue from car parking fell by 2.8 per cent to $61.7 million in 2018–19, which is driven by a fall in throughput. With car parking expenses falling by a greater rate, operating profits from car parking rose by 6.2 per cent to $35.6 million.

Perth Airport made an operating profit margin of 57.6 per cent in 2018–19, up from 52.7 per cent last year. This compares to a margin of 68.8 per cent from five years ago.

Car parking revenue and expenses per parking space all fell during 2018–19. Revenue per space fell by 1.2 per cent in real terms to $2795, while expenses per space fell by 11.5 per cent to $1184. Car parking profit per space rose by 8.0 per cent to $1611.

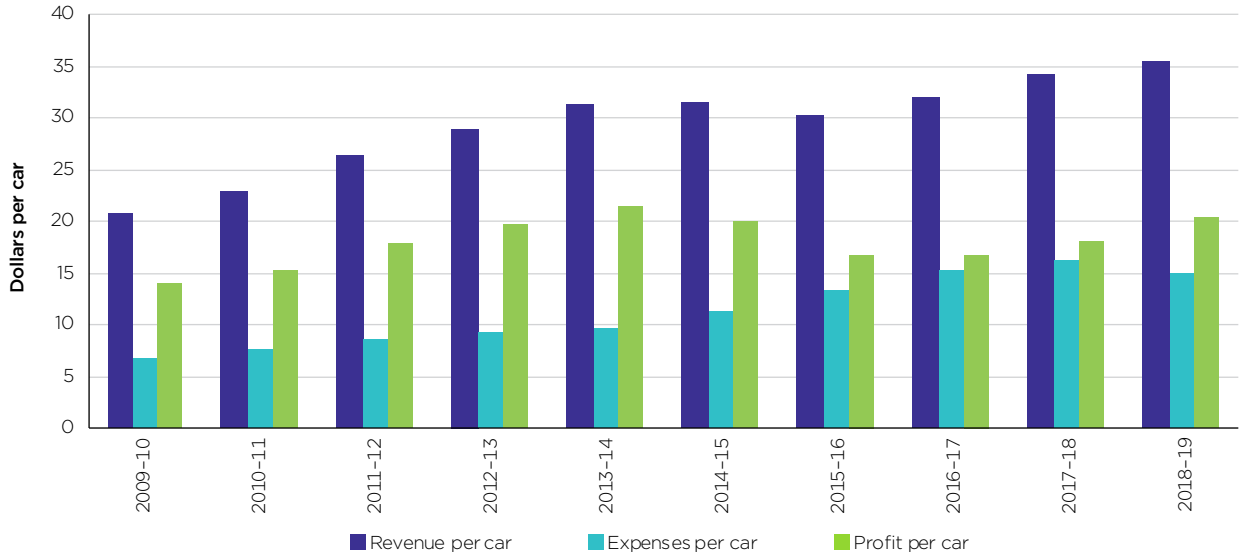
Table 6.5.3 Perth Airport— revenue, expenses and operating profits for car parking and total airport services: 2009–10 to 2018–19

		2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19
Revenue ($m)	Car parking	40.1	48.0	57.8	65.3	70.4	69.5	67.0	65.3	63.5	61.7
	Total airport	**298.2**	**345.9**	**824.0**	**734.8**	**414.8**	**458.7**	**481.1**	**561.1**	**532.7**	**493.8**
	Car parking % of total	13.4	13.9	7.0	8.9	17.0	15.2	13.9	11.6	11.9	12.5
Expenses ($m)	Car parking	12.9	15.9	18.8	21.0	22.0	25.2	29.7	31.1	30.0	26.2
	Total airport	**126.8**	**144.1**	**166.3**	**194.4**	**207.4**	**217.5**	**250.6**	**260.4**	**251.1**	**256.3**
Operating profit ($m)	Car parking	27.2	32.1	39.0	44.3	48.4	44.3	37.3	34.2	33.5	35.6
	Total airport	**171.4**	**201.7**	**657.7**	**540.4**	**207.4**	**241.2**	**230.4**	**300.7**	**281.6**	**237.4**
Profit margin (%)	Car parking	67.8	66.9	67.5	67.9	68.8	63.7	55.6	52.4	52.7	57.6
	Total airport	**57.5**	**58.3**	**79.8**	**73.5**	**50.0**	**52.6**	**47.9**	**53.6**	**52.9**	**48.1**
Revenue per space ($)		3 476	3 297	3 697	3 831	3 704	3 132	2 942	2 884	2 830	2 795
Operating expenses per space ($)		1 120	1 091	1 201	1 231	1 156	1 137	1 305	1 372	1 338	1 184
Operating profit per space ($)		2 356	2 206	2 496	2 599	2 548	1 995	1 637	1 512	1 492	1 611
Revenue per vehicle ($)		20.81	23.04	26.44	28.93	31.29	31.44	30.25	32.11	34.22	35.48
Operating expenses per vehicle ($)		6.70	7.63	8.59	9.30	9.77	11.41	13.42	15.28	16.19	15.03
Operating profit per vehicle ($)		14.10	15.41	17.85	19.63	21.52	20.02	16.83	16.83	18.04	20.45

Note: Real values in 2018–19 dollars.

Figure 6.5.4 shows Perth Airport's revenues, expenses and operating profits per car. Car parking revenue per vehicle increased by 3.7 per cent in 2018–19 to $35.48, while operating expenses per vehicle fell by 7.1 per cent to $15.03, driven by lower depreciation. Operating profit per vehicle increased by 13.4 per cent to $20.45.

Figure 6.5.4 Perth Airport—average car parking revenue, costs and profit per car: 2009–10 to 2018–19

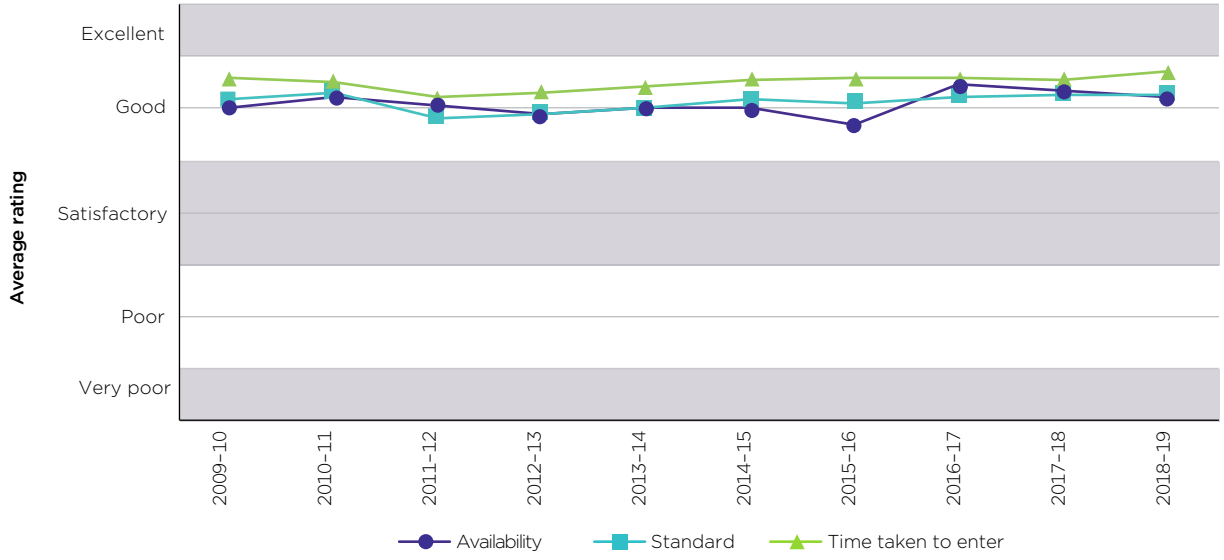


Note: Real values in 2018–19 dollars.

6.5.5 Car parking quality of service

Figure 6.5.5 shows that T1/T2 passenger ratings of parking availability, standard and time taken to enter were largely stable in 2018–19, remaining within the 'good' category.

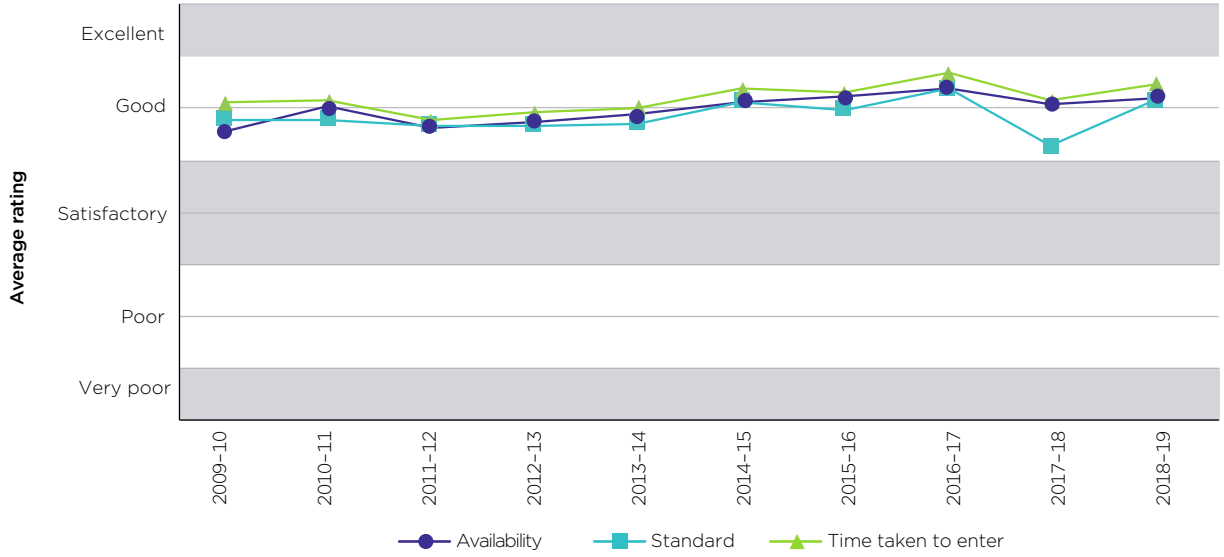
Figure 6.5.5 Perth Airport—passenger survey ratings of the quality of car parking facilities at the international terminal: 2009–10 to 2018–19



Source: Passenger surveys obtained from Perth Airport.

Figure 6.5.6 shows the T3/T4 passenger ratings of car park availability, standard, and time taken to enter car parks. All three indicators increased within the 'good' category in 2018–19, largely reversing the declines in 2017–18.

Figure 6.5.6 Perth Airport—passenger survey ratings of the quality of car parking facilities at the domestic terminal: 2009–10 to 2018–19



Source: Passenger surveys obtained from Perth Airport.

6.6 Landside access

In addition to car parking provided by Perth Airport, access to and from the airport is provided by bus, taxi, rideshare and off-airport car parking. To access the airport, service operators are often charged an access fee which is passed on to passengers.

6.6.1 Transport options and facilities

For passengers wishing to travel to and from Perth Airport, a number of alternative services are available. Services vary in price, timeliness and service quality.

Terminal pick-up and drop-off

Perth airport offers free immediate pick-up and drop-off zones at each precinct and an express option at T2 allowing drivers five minutes to complete their pick-up or drop-off. Long-term parking can also be used for free, provided it is used for less than an hour.

Public and private buses

Transperth operates buses to and from the city, with bus route 380 running from the T1/T2 precinct and bus route 40 from the T3/T4 precinct. Bus route 40 offers a direct route between the airport and the city, whereas route 380 has other stops.

Perth Airport is also serviced by several private bus operators connecting the airport to the suburbs and the city. Private bus fares start from $25 for a one-way trip from the airport to the city.

Off-airport car parking

Off-airport car parking operators serviced Perth Airport from six facilities in 2018–19. Section 6.5.2 provides more detail on the locations of these operators and the prices the off-airport car parking operators charge.

Taxis

Taxi ranks are located at the front of all terminals at Perth Airport, as well as on Valentine Road within the General Aviation area. A taxi ride from the airport to the CBD costs approximately $46 and takes roughly 20 minutes.

Ridesharing

Perth Airport is serviced by rideshare drivers from Uber, Ola and Didi. The airport provides eight dedicated pick-up bays for rideshare services: five in the T1/T2 precinct and three in the T3/T4 precinct.

Private cars

Private car (such as limousines) services can be pre-booked for pick-up at Perth Airport.

6.6.2 Landside access revenue, volumes and charges

Perth Airport generates revenue from allowing various transportation service providers access to airport facilities. Table 4.6.1 displays the revenue generated by each transportation type between 2014–15 and 2018–19, along with the fee charged and the number of times each service provider accessed the airport.

Table 6.6.1 Perth Airport—landside access charges, access volumes and revenues: 2014–15 to 2018–19

Transport option	Measure	2014–15	2015–16	2016–17	2017–18	2018–19
Taxi	Price (per pick-up)	2.14	3.16	3.11	3.05	3.00
	Volume (000s)	1266.3	1139.0	994.1	928.9	847.4
	Revenue ($000s)	**2459.3**	**2769.3**	**2808.9**	**2574.7**	**2313.0**
Rideshare	Price (per pick-up)	N/A	N/A	3.11	3.05	3.00
	Volume (000s)	N/A	N/A	208.8	548.0	768.8
	Revenue ($000s)	**N/A**	**N/A**	**614.7**	**1521.7**	**2099.0**
Private car	Price (per entry)[a]	3.21	4.74	4.66	4.57	4.50
	Volume (000s)	112.7	99.6	81.8	80.4	86.4
	Revenue ($000s)	**328.0**	**360.4**	**346.9**	**330.4**	**361.0**
Private bus, public bus and off-airport parking	Price	No charge	No charge	No charge	No charge	No charge
	Volume (000s)	N/A	N/A	N/A	N/A	N/A
	Revenue ($000s)	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**

Notes: Real prices in 2018–19 dollars. N/A = not applicable. (a) Perth Airport charges private cars based on length of stay. The minimum charged is $4.50 for a stay between 10 minutes and 1 hour.

Landside access volumes

Table 6.6.1 displays the number of times a group of transportation service providers accessed Perth Airport's facilities between 2014–15 and 2018–19. As seen at other airports, the emergence of rideshare operators has resulted in a fall in pick-ups by taxis. Taxis were responsible for 847 376 pick-ups in 2018–19, down 8.8 per cent. The number of pick-ups by taxis have fallen by a third since 2014–15. In contrast, rideshare volumes increased to 768 772 during 2018–19 (up 40.3 per cent). Between 2014–15 and 2018–19, overall landside access volumes increased by 42.2 per cent.

Landside access fees and charges

Perth Airport levies a landside access fee on businesses operating landside transport options. Taxis and rideshare operators are only charged an access fee for pick-ups. The fee is included as a surcharge on the passenger's total fare.

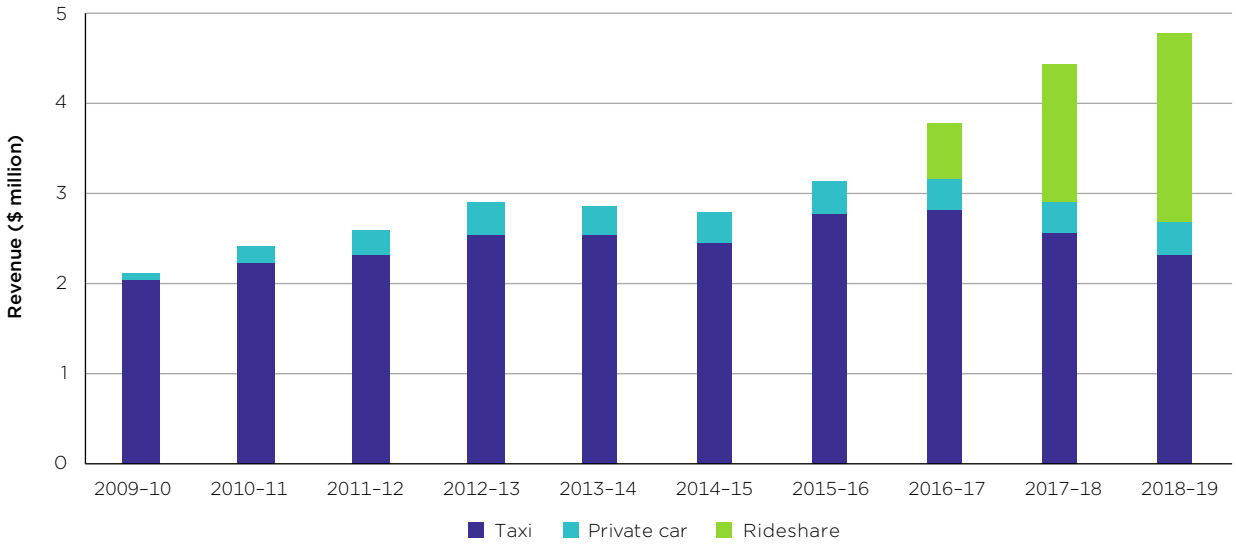
Table 6.6.1 shows that all charges remained constant in nominal terms during 2018–19, thus decreasing in real terms. Perth Airport has not changed reported access prices in the last three years, setting $3.00 per pick-up for taxi and rideshare and $4.50 for private car stays between 10 minutes and 1 hour.

Landside access revenue

Figure 4.6.1 summarises landside access revenue by transport mode since 2009–10. Perth Airport's total landside access revenue increased for the fourth straight year, increasing 7.8 per cent to $4.8 million

during 2018–19. Part of this growth has been driven by increases in landside volumes, with rideshare volumes increasing by 40.3 per cent since 2017–18. Landside revenue was 125.2 per cent higher in 2018–19 than it was a decade ago.

Figure 6.6.1 Perth Airport—landside access revenue by transport mode: 2009–10 to 2018–19



Note: Real prices in 2018–19 dollars. Totals exclude revenue from car rental operators. Revenue from rideshare services commenced in December 2016.

Perth Airport generated revenue of $2.3 million from providing access to taxi operators during 2018–19. Whist taxi revenue has been the largest source of reported landside revenue over the decade, it is becoming less significant due to the fall in volumes. Meanwhile, revenue collected from rideshare operators grew 37.9 per cent in 2018–19 to $2.1 million.

6.6.3 Quality of landside access services and facilities

Table 6.6.2 shows that the passengers rated Perth Airport's kerbside services and facilities, taxi facilities waiting time and kerbside space congestion as 'good' during 2018–19. Whilst most ratings have improved since 2014–15, those at T1/T2 have worsened over the past year.

Table 6.6.2 Perth Airport—passenger ratings of the quality of landside access services and facilities: 2018–19, 1-year change and change since 2014–15

Terminal	Indicator	Rating category 2018–19	1-year change	Change since 2014–15
International, Domestic & General Aviation (T1/T2)	Kerbside pick-up and drop-off facilities	Good	▼	▲
	Taxi facilities waiting time	Good	▼	▲
	Kerbside space congestion	Good	▼	▼
Domestic (T3/T4)	Kerbside pick-up and drop-off facilities	Good	▲	▲
	Taxi facilities waiting time	Good	▲	▲
	Kerbside space congestion	Good	▼	▲

Notes: The rating categories are: very poor, poor, satisfactory, good and excellent. ▲ indicates an improvement; ▼ indicates a decline; — indicates no change.

7. Sydney Airport

Key Points

- Sydney Airport, the busiest airport in Australia, had the slowest growth out of the four airports with total passengers increasing by just 1.0 per cent in 2018–19 to 45.7 million. The number of domestic passengers (down 0.6 per cent to 27.5 million) fell for the first time since 2011–12. International passengers grew by 3.5 per cent to 18.2 million.
- Aeronautical revenue per passenger increased by 3.0 per cent to $19.66 during 2018–19. Total aeronautical revenue grew by 4.0 per cent to $897.8 million. Aeronautical expenses rose by 4.1 per cent in the same period to $493.4 million, while aeronautical operating profit (EBITA) grew by 4.0 per cent to $404.4 million. The aeronautical return on non-tangible assets increased marginally to 12.5 per cent, which is the highest the airport has recorded over the 17-year lifespan of the monitoring regime.
- Sydney Airport invested $285.8 million in aeronautical facilities in 2018–19. This investment represented 8.8 per cent of total aeronautical tangible non-current assets, up from 5.1 per cent in the previous year. Much of the aeronautical investment in recent years has gone into the international terminal.
- Sydney's car parking services continue to be the most profitable of the four monitored airports, earning 68.1 cents for every dollar of revenue. Operating profit decreased by 6.2 per cent to $91 million due to a combination of falling revenue and rising expenses. Sydney Airport is generally more expensive than the other monitored airports for both short-term and long-term parking. Drive-up prices for short-term car parking near the terminal remained relatively stable in 2018–19, while average prices paid for long-term parking (when booked online) at the Blu Emu car park generally remained stable. Passengers' satisfaction with the quality of the car parking facilities has increased notably over the last two years.
- Sydney Airport's overall quality of service rating increased within the 'good' category in 2018–19, following the improvement from 'satisfactory' last year for the first time since 2004–05. The airport's overall rating is the highest it has achieved since the monitoring regime began. Passenger quality of service ratings ('good') have continued the upward trend of recent years, while airline ratings fell slightly over the year ('satisfactory'). Airlines raised particular concerns about the reliability and capacity of baggage handling facilities at both terminals as well as levels of airside foreign object debris (FOD).

7.1 Introduction

This chapter presents a detailed review of the performance of Sydney Airport in the supply of aeronautical, car parking and landside access services. The chapter is structured as follows:

- section 7.2 presents an overview of aeronautical activity, terminal configuration and aeronautical investments
- section 7.3 reports on prices and financial performance
- section 7.4 reports on the quality of aeronautical and total airport services
- section 7.5 presents a review of car parking, and
- section 7.6 presents a view of landside services.

The monitored airports are only required to provide information to the ACCC in relation to the terminals that they operate directly. At Sydney Airport, Qantas operated domestic terminal T3 under a domestic terminal lease until late 2015. This means that since that time, the monitoring report has included aeronautical revenues and expenses from this terminal. Taking back operations of the terminal and its associated facilities previously developed by Qantas also resulted in a notable increase to Sydney Airport's asset base in 2015–16. T3 has also been incorporated into the reporting of quality of service at the airport since 2015–16. The cessation of the domestic terminal lease has not impacted on the data presented in section 7.2 in relation to aeronautical activity, and where figures are presented for total airport operations.

Unless otherwise noted, dollar values presented throughout this report are in 2018–19 dollars, with all movements having been adjusted for inflation.

7.2 Airport overview and major investments

This section presents an overview of Sydney Airport, including aeronautical activities relating to volume of passengers, tonnes landed and aircraft movements (section 7.2.1), terminal configurations (section 7.2.2) and major aeronautical investments (section 7.2.3).

7.2.1 Aeronautical activity levels

Figure 7.2.1 shows that Sydney Airport's passenger traffic grew by 1.0 per cent in 2018–19 to 45.7 million. Notably, the airport reported its first fall in domestic passenger traffic since 2011–12 with passengers declining by 0.6 per cent to 27.5 million. International passengers increased by 3.5 per cent to 18.2 million.

Figure 7.2.1 Sydney Airport—volume of passengers, tonnes landed and aircraft movements: 2009–10 to 2018–19

Note: International passenger numbers between 2010–11 and 2017–18 (inclusive) have been revised slightly upwards from previous monitoring reports.

Figure 7.2.1 also shows that the volume of tonnes landed increased by 1.8 per cent in 2018–19 to 18.6 million. Aircraft movements increased by 0.4 per cent to 346 306.

7.2.2 Terminal configurations

Sydney Airport has one international terminal and two domestic terminals that are located in two precincts:

- Terminal 1 (T1)—the international terminal—is a common user terminal used by all airlines flying internationally to and from Sydney Airport.
- Terminal 2 (T2) is a domestic common-user terminal used by a number of domestic and regional airlines, including Virgin Australia, Jetstar, Regional Express and Tigerair.
- Terminal 3 (T3) is a common-user domestic terminal that was operated by Qantas under domestic terminal lease until late 2015. Qantas had operational responsibility of the terminal during the reporting period with this responsibility transitioning to Sydney Airport over recent years.

7.2.3 Airport investments

Table 7.2.1 lists selected aeronautical investments that were completed, initiated or planned at Sydney Airport during 2018–19. An overview of car parking and landside-related investments can be found in section 7.5.3.

Table 7.2.1 Sydney Airport—selected investments in aeronautical services and facilities

Description of investment	Value ($m)	Started	Completed
T1 international gate lounge upgrades	40-50	Q1 2017	Q1 2019
T2 domestic pier B improvement project	25-30	Q1 2018	Q2 2019
Airfield security fence upgrades	5-10	Q2 2018	Q4 2018
T1 international departures entry point redevelopment	25-30	Q1 2018	*Q3 2019*
T2 domestic loading dock redevelopment	10-15	Q3 2017	*Q3 2019*
Airfield asphalt patching & line marking	5-10	Q4 2018	*Q3 2020*
Airfield south-east sector apron expansion	100-150	*Q3 2019*	*Q4 2022*

During 2018–19, Sydney Airport completed the first phase of works on T2 domestic pier B, adding 340 square metres of space. Sydney Airport intends on using the space to provide retail services and passenger seating. It also completed T1 international gate lounge redevelopment works at gates 30 to 37 and 50 to 63 in order to enhance wayfinding and providing additional seating.

Sydney Airport continued works on redeveloping the T1 international departures entry point. These works add two entry points into the emigration and security area, as well as two entry points into passport control.

Sydney Airport also plans on expanding pier A of the international terminal by adding four contact gates with two new bays and additional bussing. While the project is still in the design phase, the airport has estimated that it will increase international gate capacity and passenger dwelling area significantly.

7.3 Aeronautical price monitoring and financial performance results

This section examines aeronautical prices (section 7.3.1) and the financial performance of Sydney Airport. Financial performance results include revenues, costs and profits per passenger (section 7.3.2), total revenues, costs and profits (section 7.3.3),capital expenditure and asset values (section 7.3.4) and rate of return on tangible non-current assets (section 7.3.5). All pricing and financial data is presented in real terms with values in 2018–19 dollars.

Financial data presented in this report is based on the 'line-in-the-sand' approach to asset values (see box 3.3.2). This allows for a more consistent approach across all monitored airports with regard to revaluations of assets after 30 June 2005.

7.3.1 Prices

Airports require airlines to pay charges for the use of the airfield and terminals. Some charges are levied on a per-passenger basis and others are based on aircraft size (maximum take-off weight (MTOW)).The most significant aeronautical charges are typically per-passenger charges for the airline to use runway and the relevant terminal.

Airports publish list prices (or 'conditions of use') that represent the maximum charge applicable to an airline operating out of the airport. However, airports typically enter into negotiations that result in airlines paying rates below the list prices (see box 7.3.1). The Australian Airports Association (AAA) found that the major Australian airports discounted charges for domestic and international flights by an average of 24.0 and 9.8 per cent respectively in 2016–17.[43]

Box 7.3.1 Sydney Airport's aeronautical service agreements

Sydney Airport implemented its current five-year agreement with international airlines during 2015–16. It contains a service level agreement with a set of key performance indicators covering baggage, passenger facilitation and satisfaction, peak planning/resource allocation and bussing. Other components include a rebate mechanism and common service standards for cleaning, maintenance and terminal presentation.

In 2018, Sydney Airport commenced discussions with domestic airlines operating at Terminal 2 (Virgin and Jetstar) in relation to the next set of airline service agreements. Sydney Airport said that the new agreements would incorporate elements of the 2015 international airline agreement to include service level agreements with each airline as well as a medium-term investment strategy.[44]

Table 7.3.1 presents the published list prices for aeronautical services at Sydney Airport during 2018–19, as well as their movements between 2014–15 and 2018–19. The published international passenger service charge went up by 4.8 per cent to $33.44 in 2018–19, while the domestic runway

43 Australian Airports Association, *AAA submission to the Productivity Commission*, 2018, p. 32.

44 Sydney Airport, *Submission to the Productivity Commission: Economic Regulation of Airports*, submission, September 2018, pp. 53–58.

charge increased by 6.4 per cent to $5.56. Charges for regional services including runway, apron, security and passenger all decreased in real terms by 1.6 per cent during 2018–19. Over the past five years, the international passenger service charge and domestic runway charge increased by 19.5 and 18.5 per cent respectively.

In its review of the economic regulation of airports, the Productivity Commission said that Sydney Airport's high international charges was one indicator that could present cause for concern if considered in isolation.[45] Using the published charges from table 7.3.1, an international airline would incur $38.23 per passenger in passenger service and security charges. This compares to $17.23 of published charges for a T2 domestic airline.

The discrepancy in charges actually paid by airlines under aeronautical service agreements may be even greater than this given that, as noted earlier, the AAA said that domestic charges are typically discounted at a higher rate than international charges. The Productivity Commission said that the divergence in growth rates between international and domestic charges could reflect the higher levels of competition, and lower levels of airline countervailing power, in the downstream market for international air transport.[46]

45 Productivity Commission, *Economic regulation of Airports*, 2019, p. 2.

46 Productivity Commission, *Economic regulation of Airports*, 2019, p. 16.

Table 7.3.1 Sydney Airport—schedule of published aeronautical charges and movements over time: 2014–15 to 2018–19

	Charge per unit ($)	Indexed list prices (2018–19 base year = 100)				
	2018–19	2014–15	2015–16	2016–17	2017–18	2018–19
Aeronautical services – aircraft movement facilities and activities						
International passenger services charge (per passenger)[a]*	33.44	83.7	90.4	93.1	95.4	100.0
Domestic passenger services charge (per passenger)[b]*	5.56	84.4	87.6	90.0	94.0	100.0
Runway charge—non-passenger movements and GA (per MTOW)*	6.85	85.5	88.5	90.8	97.5	100.0
Runway charge—regional services (per MTOW)**	3.78	106.8	105.3	103.5	101.6	100.0
Landing charge—rotary wing (per movement)	33.00	106.8	105.4	103.6	101.6	100.0
Apron charge—major aprons (per 15 minutes)	38.50	106.8	105.4	103.6	101.6	100.0
Apron charge—GA aprons—regional services (per day)	66.00	106.8	105.4	103.6	101.6	100.0
Apron charge—GA aprons—0 to 20 tonnes (per day)	154.00	99.2	105.4	103.6	101.6	100.0
Apron charge—GA aprons—20 to 40 tonnes (per day)	209.00	101.2	105.4	103.6	101.6	100.0
Apron charge—GA aprons—greater than 40 tonnes (per day)	308.00	103.0	105.4	103.6	101.6	100.0
Domestic terminal infrastructure charge	Commercial agreement	N/A	N/A	N/A	N/A	N/A
Aircraft refuelling services	Commercial agreement	N/A	N/A	N/A	N/A	N/A
T3 domestic terminal infrastructure	Commercial agreement	N/A	N/A	N/A	N/A	N/A
Light and emergency aircraft maintenance	Commercial agreement	N/A	N/A	N/A	N/A	N/A
Aeronautical services – passenger processing facilities and activities						
International security charges—including passenger screening, checked bag screening and additional security measures (per passenger)[c]	4.79	103.0	102.7	101.5	100.7	100.0
T2 domestic passenger facilitation charge (per passenger)[d]	9.44	106.8	105.4	103.6	101.6	100.0
T2 regional passenger facilitation charge (per passenger)[d]	4.95	106.8	105.4	103.6	101.6	100.0
T2 domestic security charges—including passenger screening, checked bag screening and additional security measures (per passenger)[e]	1.80	117.1	103.9	94.3	100.7	100.0
T2 regional security charges—including passenger screening and checked bag screening (per passenger)[f]	0.96	106.8	105.7	103.9	101.6	100.0
T2 new investment charge (per passenger)[g]	0.44	106.8	105.4	103.6	101.6	100.0
International check-in counters (per hour)	26.88	100.2	99.6	99.2	99.6	100.0
Terminal access roads (per vehicle - various charges)[h]	4.00	106.9	108.0	103.6	101.6	100.0

Minimum charges						
Minimum charge for runway use (per movement)	66.00	106.8	105.4	103.6	101.6	100.0
Minimum charge for regional services (0 - 5 tonnes)	33.00	71.2	70.3	69.1	101.6	100.0
Minimum charge for regional services (5 - 10 tonnes)	45.38	106.8	105.4	103.6	101.6	100.0
Minimum charge for regional services (over 10 tonnes)	55.00	106.8	105.4	103.6	101.6	100.0

Notes: Real indexed prices are in 2018–19 dollars. Charges include GST.

N/A Not applicable.

* Minimum charge for runway use is applicable.

** Minimum charge for regional air services is applicable.

(a) Charged per arriving and departing international passenger, excluding transfer and transit passengers, and infants and positioning crew. Applies to runway use and terminal facilities.

(b) Charged per arriving and departing domestic passenger, excluding infants and positioning crew. Applies to runway use, however, commercially agreed charges also applied.

(c) Charged as a component of the international PSC, and recovers the cost of passenger screening, checked bag screening and additional security measures. This charge includes an element that relates to security charges.

(d) Levied per arriving and departing passenger, excluding infants and positioning crew. This is a scheduled charge—specific arrangements apply under commercial agreements with major users.

(e) Applies to domestic users of T2 to recover the cost of passenger, checked bag screening and additional security measures. This charge includes an element that relates to security charges—note comments in (d) above.

(f) Applies to regional users of T2 to partly recover the cost of passenger and checked bag screening.

(g) Levied per arriving and departing domestic passenger in T2.

(h) Levied on vehicle pick-ups to recover costs associated with the provision of ground access facilities.

Aeronautical services to regional air services

The provision of aeronautical services by Sydney Airport for regional air services is declared for the purpose of the price notification regime under Part VIIA of the *Competition and Consumer Act 2010*. Sydney Airport must notify the ACCC if it intends to increase the price of such services. The ACCC must then decide whether to object to the proposal.

In assessing notifications from Sydney Airport for an increase in charges, the ACCC must give special consideration to the Australian Government's policy for price increases. This policy includes that for each financial year, over the three years from 1 July 2019, the total revenue-weighted increases in the price for notified aeronautical services and facilities at Sydney Airport should be limited to the increases in inflation as measured by the consumer price index.

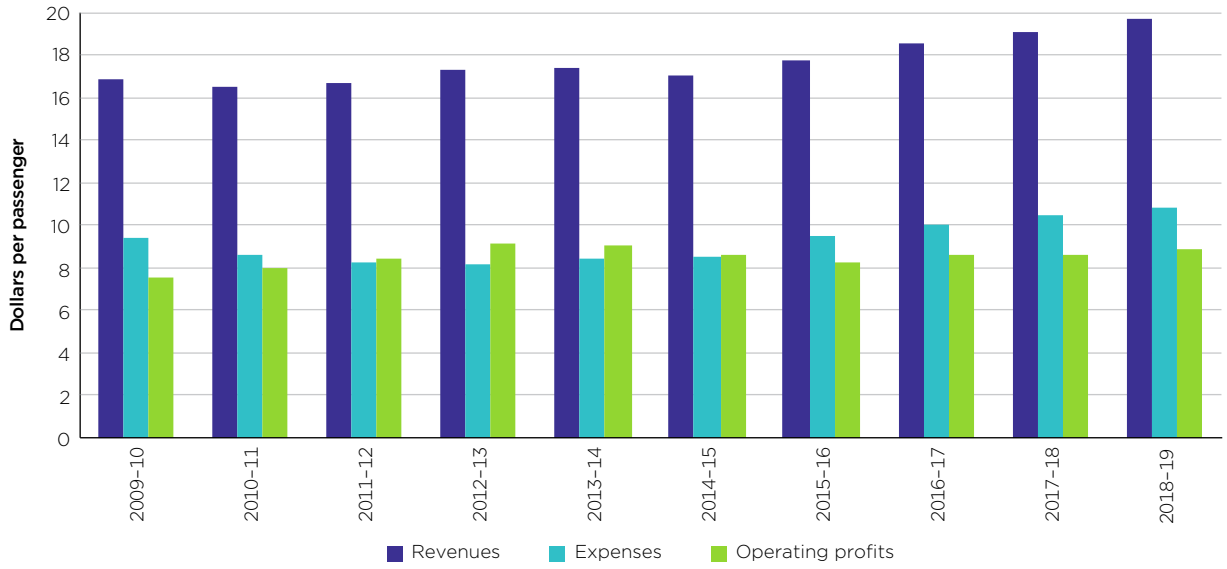
On 4 April 2019, the then Assistant Treasurer, the Hon. Stuart Robert MP announced the continuation of the regional air services declaration at Sydney Airport until 30 June 2022.

The ACCC did not receive a price notification from Sydney Airport during 2018–19.

7.3.2 Revenues, costs and profits per passenger for aeronautical services

Aeronautical revenue per passenger is a useful proxy measure of the various aeronautical charges applied by airports. Figure 7.3.1 displays the aeronautical revenues, costs and profits per passenger at Sydney Airport from 2009–10 to 2018–19. Expenses and profits have been calculated using the line-in-the-sand approach to asset valuations (see box 3.3.2).

Figure 7.3.1 Sydney Airport—aeronautical revenues, expenses and operating profit per passenger: 2009–10 to 2018–19



Notes: Real values in 2018–19 dollars. Figures between 2010–11 and 2017–18 (inclusive) have been revised slightly downwards from previous monitoring reports due to revised passenger numbers.

The chart shows that aeronautical revenue per passenger increased by 3.0 per cent to $19.66 during 2018–19. This increase appears to be primarily driven by an increase in per-passenger aeronautical charges (see table 7.3.1), in particular for international airlines. Another factor would have been the increase in the number of international passengers. Sydney Airport reported that international passengers accounted for 38 per cent of the total passenger share but drove 70 per cent of the total aeronautical revenues during the first half of 2019.47

In 2018–19, aeronautical expenses per passenger at Sydney Airport increased by 3.0 per cent to $10.80. This was driven by increases in the depreciation of tangible assets and security costs. Operating profit (EBITA) per passenger increased by 2.9 per cent to $8.86. Figure 7.3.1 highlights that on a per passenger basis, operating profit has remained stable over recent years because aeronautical costs have grown faster than aeronautical revenues. Over the past decade, aeronautical revenue and operating profit per passenger increased by 16.3 and 17.2 per cent respectively. Sydney Airport's aeronautical revenue and profit per passenger have remained the largest of the monitored airports over the past decade.

47 Sydney Airport, (2019), Half year results presentation to investors, 15 August. https://assets.ctfassets.net/v228i5y5k0x4/5gIHKkNamLpS9LTPpawUEr/e9dec816c43d88926c32b31181cef390/HY19_Results_Pres.pdf.

7.3.3 Revenues, costs and profits for aeronautical and total airport services

Table 7.3.2 presents the revenues, expenses and profits for aeronautical and total airport services over the last decade in 2018–19 dollars. It uses the line-in-the-sand (excluding landfill) approach to asset valuations.

Sydney Airport's total aeronautical revenue increased by 4.0 per cent to $897.8 million in 2018–19. As with the growth in aeronautical revenue per passenger, this growth appears to be the result of the increase in aeronautical charges as well as an increase in the number of international passengers. Over the past decade, Sydney Airport has reported the lowest increase in aeronautical revenue of the monitored airports with an increase of 52.2 per cent.

Total aeronautical expenses grew by 4.1 per cent to $493.4 million in 2018–19. A number of expense items contributed to the increase with the largest rise in absolute terms attributable to depreciation of tangible assets (up 3.9 per cent). Security costs grew by 4.0 per cent, while salaries and wages expenses increased by 9.1 per cent.

Aeronautical operating profit (EBITA) increased by 4.0 per cent to $404.4 million during 2018–19. Over the past decade, the airport's aeronautical operating profit grew by 53.4 per cent. Sydney Airport's aeronautical operating profit margin (EBITA as a percentage of revenue) has been trending downwards but remained relatively unchanged at 45.0 per cent during 2018–19.

Table 7.3.2 Sydney Airport—revenues, expenses and profits for aeronautical and total airport services—line in the sand approach (excluding landfill): 2009–10 to 2018–19

		2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19
Revenue ($m)	Aeronautical	589.9	612.8	620.4	656.1	674.8	687.0	747.9	810.5	863.0	897.8
	Total airport	**1 085.5**	**1 124.4**	**1 146.1**	**1 198.7**	**1 244.8**	**1 271.3**	**1 365.8**	**1 468.2**	**1 565.7**	**1 611.1**
	Aero % of total airport	54.3	54.5	54.1	54.7	54.2	54.0	54.8	55.2	55.1	55.7
Operating expenses ($m)	Aeronautical	326.2	316.8	307.6	309.2	324.2	340.9	398.9	436.7	474.1	493.4
	Total airport	**458.9**	**448.1**	**435.6**	**429.9**	**438.4**	**466.7**	**537.0**	**578.9**	**630.6**	**652.6**
Operating profit ($m)	Aeronautical	263.7	296.1	312.8	346.9	350.6	346.1	349.0	373.8	388.9	404.4
	Total airport	**626.6**	**676.4**	**710.5**	**768.8**	**806.3**	**804.6**	**828.8**	**889.3**	**935.1**	**958.5**
Profit margin (%)	Aeronautical	44.7	48.3	50.4	52.9	52.0	50.4	46.7	46.1	45.1	45.0
	Total airport	**57.7**	**60.2**	**62.0**	**64.1**	**64.8**	**63.3**	**60.7**	**60.6**	**59.7**	**59.5**
Revenue per passenger ($)	Aeronautical	16.90	16.54	16.68	17.29	17.42	17.07	17.71	18.54	19.09	19.66
Operating expenses per passenger ($)	Aeronautical	9.35	8.55	8.27	8.15	8.37	8.47	9.45	9.99	10.48	10.80
Operating profit per passenger ($)	Aeronautical	7.55	7.99	8.41	9.14	9.05	8.60	8.27	8.55	8.60	8.86

Note: Real values in 2018–19 dollars.

Line-in-the-sand—including landfill

The value of landfill assets was not included in the asset base provided by Sydney Airport when asset values were locked in (for monitoring purposes) on 1 July 2005. The ACCC therefore presents two versions of Sydney Airport's line-in-the-sand financial accounts, one with the value of the landfill included and one without. The preceding discussion presented line-in-the-sand accounts without the value of landfill assets, while this section reports those accounts including landfill. The value for this landfill as at 30 June 2019 was $147.4 million.

Table 7.3.3 shows Sydney Airport's aeronautical revenues, expenses and operating profits over the past decade including landfill asset values. While there is no difference between revenue reported for the line-in-the-sand accounts that exclude landfill and those that include it, total expenses were 0.4 per cent larger in 2018–19 for the accounts including landfill.

Table 7.3.3 Sydney Airport—revenues, expenses and operating profits for aeronautical services including landfill in real terms: 2009–10 to 2018–19

	2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19
Revenue ($m)	589.9	612.8	620.4	656.1	674.8	687.0	747.9	810.5	863.0	897.8
Operating expenses ($m)	328.6	318.3	309.8	311.3	326.3	342.9	400.9	438.7	476.0	495.3
Operating profit ($m)	261.3	294.5	310.6	344.8	348.6	344.0	347.0	371.9	387.0	402.5
Profit margin (%)	44.3	48.1	50.1	52.6	51.7	50.1	46.4	45.9	44.8	44.8

Note: Real values in 2018–19 dollars.

Table 7.3.4 Sydney Airport—non-current assets for aeronautical services and total airport services in real terms—line-in-the-sand excluding landfill: 2009–10 to 2018–19 ($m)

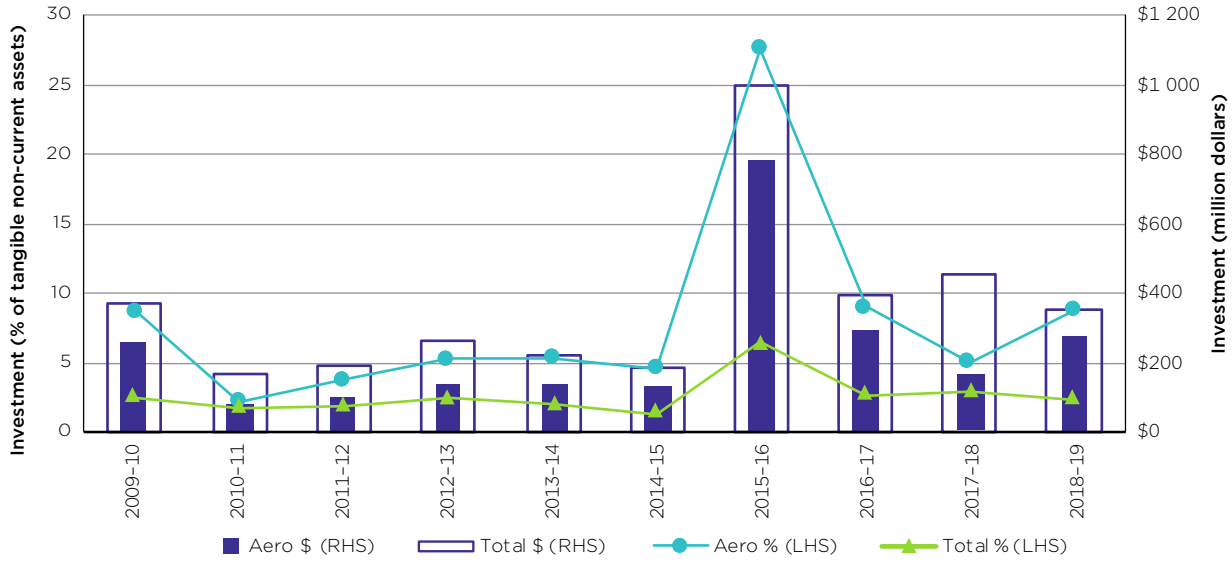
		2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19
Investment property	Aeronautical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Total airport	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Land	Aeronautical	1 497.8	1 245.8	1 204.2	1 164.3	1 286.0	1 249.4	1 217.5	1 182.6	1 146.0	1 113.4
	Total airport	**2 192.9**	**1 909.3**	**1 844.6**	**1 782.3**	**1 714.5**	**1 665.3**	**1 622.6**	**1 575.6**	**1 526.5**	**1 482.8**
Property, plant and equipment	Aeronautical	1 835.6	1 706.2	1 641.6	1 633.9	1 614.4	1 568.3	2 143.2	2 200.2	2 094.5	2 106.0
	Total airport	**2 429.8**	**2 303.7**	**2 239.0**	**2 269.2**	**2 242.5**	**2 165.6**	**3 122.6**	**3 180.4**	**3 263.4**	**3 206.3**
Intangibles	Aeronautical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Total airport	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**8.2**	**8.0**
Other tangible non-current assets	Aeronautical	52.9	50.3	42.7	38.2	36.8	30.2	20.1	17.2	17.2	16.6
	Total airport	**4 606.8**	**5 600.7**	**6 475.0**	**7 150.6**	**11 039.0**	**11 394.4**	**10 399.8**	**10 659.9**	**10 430.5**	**10 641.9**
Total tangible non-current assets	Aeronautical	3 386.3	3 002.4	2 888.6	2 836.5	2 937.1	2 847.8	3 380.9	3 400.1	3 257.7	3 236.0
	Total airport	**9 229.5**	**9 813.7**	**10 558.5**	**11 202.1**	**14 996.1**	**15 225.3**	**15 144.9**	**15 415.9**	**15 220.4**	**15 331.0**
Total non-current assets	Aeronautical	3 386.3	3 002.4	2 888.6	2 836.5	2 937.1	2 847.8	3 380.9	3 400.1	3 257.7	3 236.0
	Total airport	**9 229.5**	**9 813.7**	**10 558.5**	**11 202.1**	**14 996.1**	**15 225.3**	**15 144.9**	**15 415.9**	**15 228.6**	**15 339.0**

Note: Real values in 2018–19 dollars.

7.3.4 Capital expenditure and asset values

Figure 7.3.2 below shows Sydney Airport's capital expenditure for aeronautical and total airport services over the past decade. Over this period, Sydney Airport has invested a total of $3.6 billion in total airport assets, of which $2.5 billion related to aeronautical assets.

Figure 7.3.2 Sydney Airport—investment in aeronautical and total airport services: 2009–10 to 2018–19



Note: The investment that occurred in 2015–16 were primarily as a result of the lease of T3 reverting from Qantas to Sydney Airport. Real values in 2018–19 dollars.

Sydney Airport invested $285.8 million in aeronautical operations in 2018–19. While specific investment projects are discussed in section 7.2.3, the major additions were buildings ($134 million), land improvement ($77.9 million) and plant and machinery ($44.9 million). The airport invested $353.6 million across the whole of its operations.

Figure 7.3.2 also presents Sydney Airport's rate of investment—represented as additions as a percentage of tangible non-current assets—across both aeronautical and total airport operations. In contrast to the capital expenditure dollar amounts shown in the chart, this shows Sydney Airport's investment over time relative to the size of its existing asset base.

Sydney Airport's rate of investment in 2018–19 was 8.8 per cent for aeronautical operations and 2.3 per cent for the total airport. Aeronautical capital additions as a proportion of asset values were higher in 2018–19 than the levels observed in most years over the past decade. The $997.3 million record-high value of the additions (27.6 per cent of aeronautical assets) that occurred in 2015–16 were primarily as a result of the lease of T3 domestic terminal reverting from Qantas to Sydney Airport.

Table 7.3.4 presents Sydney Airport's tangible non-current assets for aeronautical and total airport services in real terms from 2009–10 to 2018–19. The line-in-the-sand approach to asset valuations has been used. The total value of tangible non-current assets at the airport was $15.3 billion in 2018–19, of which $3.2 billion were aeronautical assets.

Despite taking back the T3 domestic terminal from Qantas in September 2015, Sydney Airport's aeronautical tangible non-current assets have only grown by 12 per cent in the past eight years, while non-aeronautical tangible non-current assets have significantly grown by 57.7 per cent in the same period. This may reflect the airport focusing investment on retail facilities, as well as possibly more limited opportunities for aeronautical capacity expansion (due to the aircraft movement quota, overnight curfew and limited land) than the other monitored airports.

Line-in-the-sand assets—including landfill

Table 7.3.5 shows that the total value of aeronautical tangible non-current assets including the value of landfill at Sydney Airport was $3.4 billion during 2018–19, down 0.8 per cent from 2017–18. This amount is 4.6 per cent higher than the line-in-the-sand asset value that does not include landfill assets.

Table 7.3.5 Sydney Airport—non-current assets for aeronautical services under the line-in-the-sand approach including landfill in leasehold land: 2009–10 to 2018–19 ($m)

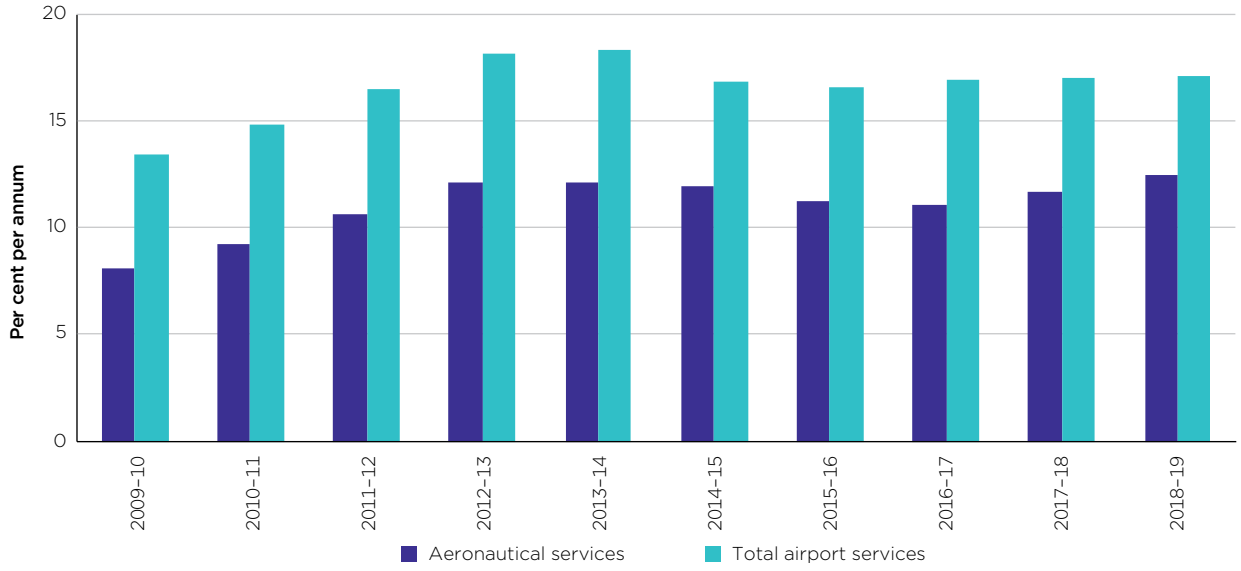
	2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19
Investment property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Land	1 706.1	1 435.5	1 387.5	1 341.5	1 456.4	1 414.9	1 378.8	1 339.2	1 297.7	1 260.8
Property, plant and equipment	1 835.6	1 706.2	1 641.6	1 633.9	1 614.4	1 568.3	2 143.2	2 200.2	2 094.5	2 106.0
Intangibles	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other tangible non-current assets	52.9	50.3	42.7	38.2	36.8	30.2	20.1	17.2	17.2	16.6
Total tangible non-current assets	3 594.6	3 192.1	3 071.9	3 013.6	3 107.5	3 013.3	3 542.1	3 556.7	3 409.4	3 383.4

Note: Real values in 2018–19 dollars.

7.3.5 Rates of return on tangible non-current assets

Rate of return is a key measure of profitability. This measure is defined as EBITA as a percentage of average tangible non-current assets. Figure 7.3.3 presents the rate of return on tangible non-current assets for aeronautical and total airport services over the past decade.

Figure 7.3.3 Sydney Airport—rate of return (EBITA) on tangible non-current assets for aeronautical and total airport services: 2009–10 to 2018–19



During 2018–19, Sydney Airport's return on tangible non-current aeronautical assets increased by 0.8 percentage points to 12.5 per cent. This is the highest return recorded by the airport over the 17-year lifespan of the monitoring regime. The total airport rate of return on tangible non-current assets was 17.1 per cent during 2018–19, and has remained around this level for the past five years.

The ACCC notes that while it uses an unindexed asset base for calculating return on assets, Sydney Airport uses asset base indexation when setting prices (in line with its privatisation model). Asset indexation does not affect the long-term present value of aeronautical investments and results in a more stable price path over time.[48] However, asset indexation increases the aeronautical asset base and, all else equal, reduces the return on assets. Therefore the unindexed return on assets figures presented in figure 7.3.3 are likely to be 2–3 percentage points higher than Sydney Airport's own reported returns using an indexed asset base.

Line-in-the-sand assets including landfill—rates of return on tangible non-current assets

The rate of return on average aeronautical tangible non-current assets (including landfill) was 11.9 per cent during 2018–19. This is 0.6 percentage points below the return for aeronautical services when landfill assets are not included.

The rate of return on average tangible non-current assets (including landfill) for total airport services was 16.6 per cent in 2018–19. This is 0.5 percentage points below the return for total airport services excluding landfill assets.

48 Productivity Commission, (2019), Economic Regulation of Airports Inquiry Report, p. 187.

7.4 Quality of aeronautical and total airport services

Passenger and airline perceptions of airport services are used in this report to gauge the quality of service offered at each airport. Quality of service ratings are derived from these survey results and also from various objective indicators collected from monitored airports.

This section presents Sydney Airport's ratings for quality of total airport services (section 7.4.1), terminal and aircraft-related services and facilities (section 7.4.2), and passenger-related services and facilities for international and domestic terminals (section 7.4.3).

7.4.1 Total airport services

For each airport, the ACCC calculates a single overall quality of service rating, which covers aeronautical, car parking and, to a lesser degree, landside operations. The overall rating represents the average score that the airport achieved across a large number of measures based on airline surveys, passenger surveys and objective indicators. The methodology for calculating this rating is explained in section A4.2.3 in appendix A4.

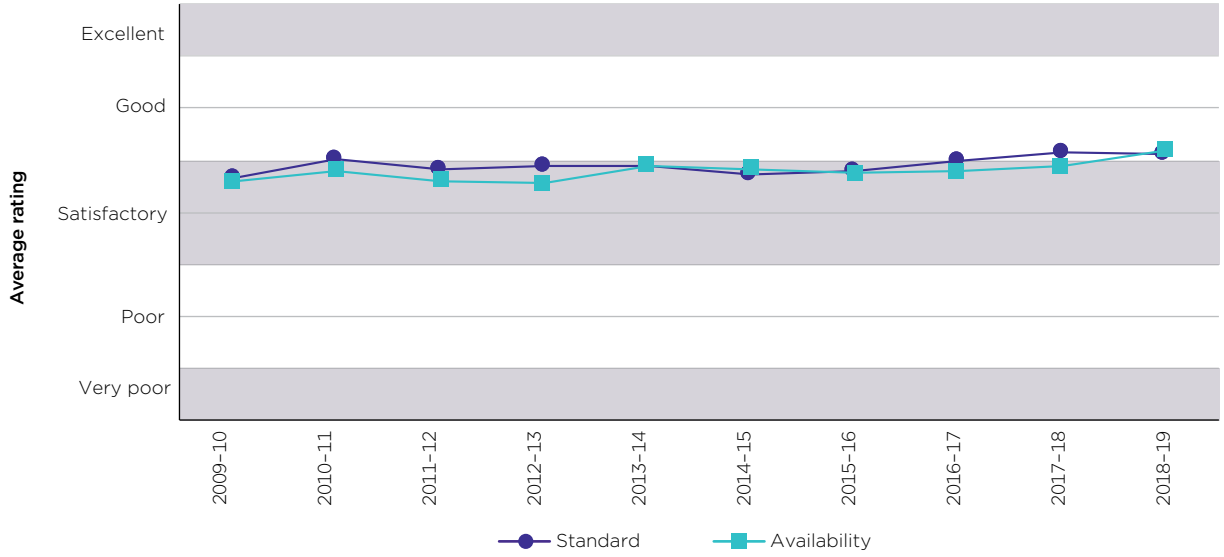
Figure 7.4.1 below shows that in 2018–19 Sydney Airport's overall rating improved slightly within the 'good' category. This was driven by an increase in passenger ratings, while average airline ratings fell slightly within the 'satisfactory' range. This is the airport's highest overall rating since the monitoring regime began and the second year in the past decade that the airport has achieved an overall rating of 'good'.

Figure 7.4.1 Sydney Airport—ratings of overall quality of service, passenger surveys, and airline surveys: 2009–10 to 2018–19

Source: Airline surveys, passenger surveys and objective indicators obtained from Sydney Airport.

Figure 7.4.2 presents Sydney Airport's average ratings in measures that relate specifically to either the availability or standard of services and facilities over the past decade. The average rating for the standard of services declined slightly, while the rating for availability increased and moved into the 'good' category for the first time in the past ten years.

Figure 7.4.2 Sydney Airport—average ratings for standard and availability of total airport services and facilities: 2009–10 to 2018–19

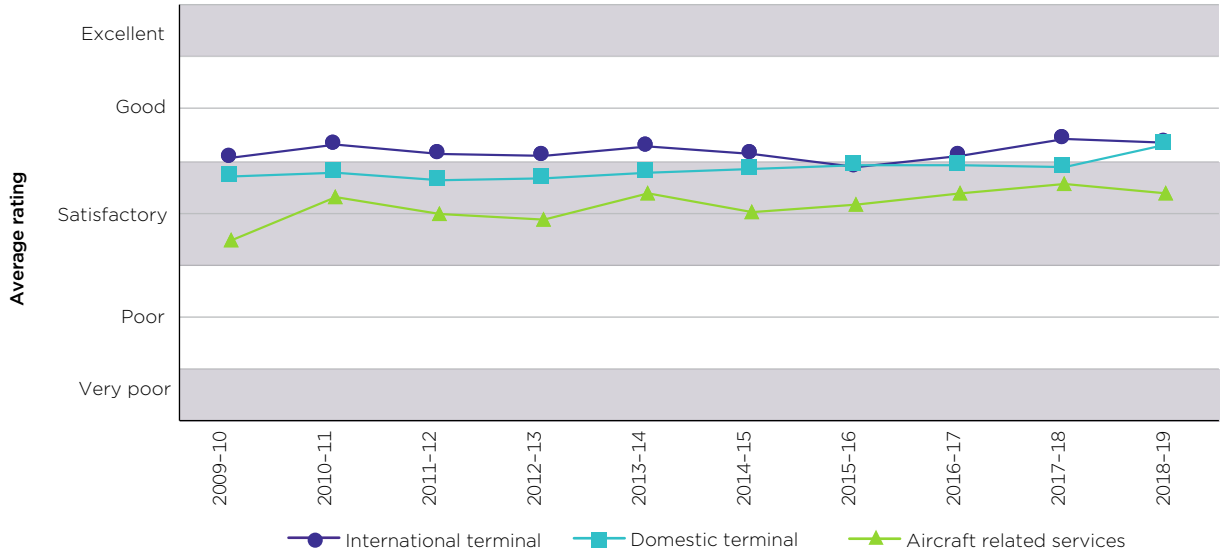


Source: Airline surveys, passenger surveys and objective indicators obtained from Sydney Airport.

7.4.2 Terminal and aircraft-related services and facilities

Figure 7.4.3 shows average ratings for international and domestic terminal facilities, and aircraft-related services at Sydney Airport. Average ratings for the international terminal fell slightly within the 'good' category in 2018–19, while there was a notable improvement in ratings for the domestic terminal and a shift from 'satisfactory' to 'good'. This may reflect the recent completion of improvement works to pier B of the T2 domestic terminal (discussed in section 7.2.3 above).

Figure 7.4.3 Sydney Airport—average ratings for international and domestic terminal facilities, and aircraft-related services and facilities: 2009–10 to 2018–19



Source: Airline surveys, passenger surveys and objective indicators obtained from Sydney Airport.

The average rating for aircraft-related services is determined solely by airline surveys. This rating declined within the 'satisfactory' range over the year. Table 7.4.1 shows airlines' ratings of specific aircraft-related services and facilities. During 2018–19, most ratings fell when compared to the previous year. Airline ratings of Sydney Airport's management responsiveness fell in 2018–19, with ratings for both availability and standard dropping from 'good' to 'satisfactory'. While some airlines noted good relationships with the airport, others considered responsiveness to be inconsistent and at times delayed, citing management and staffing changes.

Table 7.4.1 Sydney Airport—airline ratings of quality of individual aircraft-related services and facilities: 2018–19, 1-year change, and change since 2009–10

Category	Indicator	Rating category 2018–19	1-year change	Change since 2009–10
Runway	Availability	Satisfactory	▼*	▲
	Standard	Good	▼	▲*
Taxiways	Availability	Satisfactory	▲	▲
	Standard	Good	▲*	▲*
Aprons	Availability	Satisfactory	▲	▲
	Standard	Satisfactory	▼	–
Aircraft parking	Availability of facilities and bays	Poor	▼*	▲
	Standard of facilities and bays	Satisfactory	▼	▲*
Ground handling	Availability of services and facilities	Satisfactory	▼	▲
	Standard of services and facilities	Satisfactory	▼	▲
Management responsiveness	Availability	Satisfactory	▼*	▲
	Standard	Satisfactory	▼*	▲

Notes: The rating categories are: very poor, poor, satisfactory, good and excellent. ▲ indicates an improvement; ▼ indicates a decline; – indicates no change. *Rating changed by a category over the period.

In contrast to most other measures, the ratings for the standard and availability of taxiways both improved. The rating for the standard of taxiways moved from 'satisfactory' to 'good'.

Airline ratings for runways and aircraft parking all declined. Ratings for the availability of runways fell from 'good' to 'satisfactory' while ratings for the availability of aircraft parking falling from 'satisfactory' to 'poor'. Several airlines commented that runway congestion is a problem, particularly during peak periods. Similarly, regarding aircraft parking, many airlines considered that capacity is a major issue and impacts on-time performance.

A common theme across airline commentary regarding airside services at Sydney Airport was the issue of foreign object debris (FOD). Many airlines considered that there was excessive FOD on runways, taxiways, aprons and in aircraft parking areas at Sydney Airport. One airline commented that it is a significant safety challenge that has been raised with Sydney Airport on multiple occasions, however an ongoing solution has not been implemented.

These concerns have also been raised recently by the Board of Airline Representatives of Australia (BARA). In its submissions to the PC's review of airport regulation, BARA considered that FOD levels at Sydney Airport in particular were unacceptably high. BARA submitted that excessive FOD is detrimental to efficient airline operation, causing damage to aircraft and aviation equipment and additional costs for airlines.[49]

Sydney Airport addressed BARA's concerns in its own submissions to the PC's inquiry. It considered that FOD is predominantly generated by airlines and the ground handlers they engage, and that airlines have a key role to play in supporting the airport's initiatives to reduce FOD.[50] However, Sydney Airport also noted that it is in the process of implementing an improved Airport Operating Licence,

49 BARA, Submission to the Productivity Commission's Draft Report: Economic regulation of airports, March 2019, p. 14.

50 Sydney Airport, Supplementary submission to the Productivity Commission, May 2019, p. 8.

which is intended to facilitate improved operational standards and control FOD effectively with airlines' support.[51]

7.4.3 Passenger-related services and facilities

International terminal

Table 7.4.2 presents quality of service results for passenger-related services and facilities at the international terminal. Sydney Airport's investment in its international terminal continues to be reflected in more satisfied passenger and airline customers.

Airline ratings of the international terminal were mixed in 2018–19. The service quality indicators for baggage processing facilities declined in 2018–19. The rating for the availability of baggage facilities fell within the 'satisfactory' category while the rating for the standard of those facilities dropped from 'satisfactory' to 'poor'. Airlines commented that the baggage system was unreliable and frequently broke down, with several noting that the system was prone to mishandling baggage (particularly that relating to transfer passengers).

Mishandling of baggage, particularly international transfer baggage, is another issue that was raised by BARA in its submissions to the PC review. BARA considered this to be an issue impacting the travel experience of international passengers, and one that imposes additional costs on airlines but not on airports.[52]

Sydney Airport also addressed this in its submissions to the PC's inquiry.[53] It considered that responsibility for baggage handling is shared between airports and airlines. Sydney Airport also said that it has invested significantly in the international terminal baggage system, and is working with airlines to understand the reasons for mishandled baggage and develop solutions.

On the other hand, airline ratings for the availability of check-in services improved from 'satisfactory' to 'good' over the year, while ratings for the standard of these services fell within the 'satisfactory' range. One airline commented that check-in kiosks are ageing and in need of updating, while another considered that the standard of check-in counters and surrounding area is poor.

Airline ratings for the availability of aerobridges increased within the 'satisfactory' category, while ratings for standard decreased. Several airlines commented that aerobridges are ageing and prone to malfunction and leaking during rain, while some airlines considered that cleanliness is a problem.

During 2018–19, passenger ratings of the international terminal were generally positive with ratings for most indicators improving within the 'good' category over the year. Only two indicators rated by passengers decreased (but still within the 'good' category): 'waiting time in the outbound immigration area' and 'standard of washrooms'.

51 Sydney Airport, Supplementary submission to the Productivity Commission, May 2019, p. 8.

52 BARA, Submission to the Productivity Commission's Draft Report: Economic regulation of airports, March 2019, p. 13.

53 Sydney Airport, Supplementary submission to the Productivity Commission, May 2019, p. 7.

Table 7.4.2 Sydney Airport—indicators of quality of passenger-related services and facilities—international terminal: 2018–19, 1-year change and change since 2009–10

Category	Indicator	Data source	Indicator result 2018–19	1-year change	Change since 2009–10
Check-in	Check-in availability	Airline survey	Good	▲*	▲*
	Check-in standard	Airline survey	Satisfactory	▼	▲
	Check-in waiting time	Passenger survey	Good	▲	▲
	Number of departing passengers per check-in desk, kiosk and bag drop facility (peak hour)	Objective indicator	10.4	▼	▼
Immigration	Waiting time in outbound Immigration area	Passenger survey	Good	▼	▲
	Number of departing passengers per outbound Immigration desk (peak hour)	Objective indicator	74.8	▼	▼
	Waiting time in inbound Immigration area	Passenger survey	Good	▲	▲
	Number of arriving passengers per inbound Immigration desk (peak hour)	Objective indicator	61.3	▼	▼
	Waiting time in inbound baggage inspection area	Passenger survey	Good	▲	▲
	Number of arriving passengers per baggage inspection desk (peak hour)	Objective indicator	53.3	▼	▼
Information	Flight information display screens	Passenger survey	Good	▲	▲
	Number of passengers per flight information display screen (peak hour)	Objective indicator	5.3	▼	▲
	Number of passengers per information point (peak hour)	Objective indicator	260.3	▲	▲
	Signage and wayfinding	Passenger survey	Good	▲	▲

Notes: The rating categories are: very poor, poor, satisfactory, good and excellent. ▲ indicates an improvement; ▼ indicates a decline; — indicates no change. N/A = not applicable.
*Rating changed by a category over the period.

Table 7.4.2 Sydney Airport—indicators of quality of passenger-related services and facilities—international terminal: 2018–19, 1-year change and change since 2009–10 (cont.)

Category	Indicator	Data source	Indicator result 2018–19	1-year change	Change since 2009–10
Baggage	Baggage processing facilities availability	Airline survey	Satisfactory	▼	▼
	Baggage processing facilities standard	Airline survey	Poor	▼*	▼*
	Average throughput of outbound baggage system (per hour)	Objective indicator	1421.2	▲	▲
	Circulation space for inbound baggage reclaim	Passenger survey	Good	▲	▲
	Information display for inbound baggage reclaim	Passenger survey	Good	▲	▲
	Number of arriving passengers per m^2 of inbound baggage reclaim area (peak hour)	Objective indicator	0.3	–	N/A
	Findability of baggage trolleys	Passenger survey	Good	▲	▲
	Number of passengers per baggage trolley (peak hour)	Objective indicator	1.0	▲	–
Gate lounges	Seating in lounge area (quality and availability)	Passenger survey	Good	▲	▲
	Number of departing passengers per seat in gate lounges (peak hour)	Objective indicator	0.4	–	–
	Crowding in lounge area	Passenger survey	Good	▲	▲*
	Number of departing passengers per m^2 of lounge area (peak hour)	Objective indicator	0.2	▲	–
Amenities	Standard of washrooms	Passenger survey	Good	▼	▲
	Number of departing passengers per washroom (peak hour)	Objective indicator	128.7	▼	N/A
Aerobridges	Aerobridges availability	Airline survey	Satisfactory	▲	▲
	Aerobridges standard	Airline survey	Satisfactory	▼	▲
	Percentage of arriving international passengers using an aerobridge	Objective indicator	94.4%	–	▼
	Percentage of departing international passengers using an aerobridge	Objective indicator	93.7%	▼	▼
Security	Quality of security search process	Passenger survey	Good	▲	▲
	Number of departing passengers per security clearance system (peak hour)	Objective indicator	134.1	▼	▼

Notes: The rating categories are: very poor, poor, satisfactory, good and excellent. ▲ indicates an improvement; ▼ indicates a decline; – indicates no change. *Rating changed by a category over the period. N/A = not applicable.

Domestic precinct

Table 7.4.3 presents the quality of service ratings for passenger-related services and facilities in the domestic precinct (which covers terminals 2 and 3) at Sydney Airport. The results for both terminals have been combined at the request of Sydney Airport.

Airline ratings for the domestic precinct were mixed in 2018–19, with half increasing and half falling.

Airline ratings for the standard and availability of baggage processing facilities both fell within the 'poor' category in 2018–19. Airlines commented that the baggage system is unreliable and unable to cope with demand during peak periods.

While airline ratings for check-in availability improved within the 'good' category, ratings for the standard of these services fell within the 'satisfactory' category. One airline commented that the capacity of check-in facilities is not adequate, while another airline considered that the check-in area and supporting infrastructure is not consistent with first world airport standards.

Airline ratings for the standard and availability of aerobridges both increased within the 'satisfactory' category over the year.

In 2018–19, passenger ratings for all indicators for the domestic terminal were 'good' and improved from the previous year.

Table 7.4.3 Sydney Airport—indicators of quality of passenger-related services and facilities—domestic precinct (T2/T3): 2018–19, 1-year change

Category	Indicator	Data source	Indicator result 2018–19	1-year change
Check-in	Check-in availability	Airline survey	Good	▲
	Check-in standard	Airline survey	Satisfactory	▼
	Check-in waiting time	Passenger survey	Good	▲
	Number of departing passengers per check-in desk, kiosk, and bag drop facility (peak hour)	Objective indicator	17.5	▲
Baggage	Baggage processing facilities availability	Airline survey	Poor	▼
	Baggage processing facilities standard	Airline survey	Poor	▼
	Number of arriving passengers per m^2 of inbound baggage reclaim area (peak hour)	Objective indicator	0.4	–
	Circulation space for inbound baggage reclaim	Passenger survey	Good	▲
	Information display for inbound baggage reclaim	Passenger survey	Good	▲
	Findability of baggage trolleys	Passenger survey	Good	▲
	Number of passengers per baggage trolley (peak hour)	Objective indicator	16.9	▼
Information	Flight information display screens	Passenger survey	Good	▲
	Signage and wayfinding	Passenger survey	Good	▲
	Number of passengers per flight information display screen (peak hour)	Objective indicator	15.2	▼
	Number of passengers per information point (peak hour)	Objective indicator	1093.4	▲
Gate lounges	Seating in lounge area (quality and availability)	Passenger survey	Good	▲
	Crowding in lounge area	Passenger survey	Good	▲
	Number of departing passengers per seat in gate lounges (peak hour)	Objective indicator	0.5	–
	Number of departing passengers per m^2 of lounge area (peak hour)	Objective indicator	0.3	–
Amenities	Standard of washrooms	Passenger survey	Good	▲
	Number of departing passengers per washroom (peak hour)	Objective indicator	154.5	▲
Aerobridges	Aerobridges availability	Airline survey	Satisfactory	▲
	Aerobridges standard	Airline survey	Satisfactory	▲
	Number of arriving domestic passengers per aerobridge (peak hour)	Objective indicator	82.4	▼
	Number of departing domestic passengers per aerobridge (peak hour)	Objective indicator	90.0	▼
Security	Quality of security search process	Passenger survey	Good	▲
	Number of departing passengers per security clearance system (peak hour)	Objective indicator	190.2	▲

Notes: The rating categories are; very poor, poor, satisfactory, good and excellent. ▲ indicates an improvement; ▼ indicates a decline; – indicates no change. *Rating changed by a category over the period.

7.5 Car parking

This section presents an overview of the car parking services available at or near Sydney Airport. This section discusses car parking facilities and investments (section 7.5.1), prices (section 7.5.2), activity (section 7.5.3), financial results (section 7.5.4), and quality of service (section 7.5.5).

7.5.1 Car parking facilities and investments

Car parking facilities

Sydney Airport provides a range of car parking services and facilities. There are two at-terminal precincts that are located close to the domestic and international terminal respectively.

The domestic precinct consists of two multi-level facilities (P1/P2 and P3) that provide both short-term and longer-term parking. The P1/P2 car park is located closest to the domestic terminals and includes a dedicated 'Guaranteed Space' area, while the P3 car park is a longer (8 minute) walk away from the domestic terminals and offers discounted day rates as well as an express pick-up area.

The international precinct consists of a multi-level facility (P7) that provides both short and longer-term parking. In September 2018, the airport opened the northern multi-level car park (P6) which was expanded to provide three additional floors of short-term parking to the public and an additional bridge for access to P7.

There is also a third long-term car park (Blu Emu) located at a short distance from the terminals. A free regular shuttle bus service transports users between the car park and the domestic terminal.

Car parking and landside-related investments

Table 7.5.1 provides a summary of the largest car parking and landside-related investments that have been completed, commenced or planned during 2018–19. Investments completed during 2018–19 include the T1 ground access improvements which included a new exit road from Departures Plaza and Arrivals Court to Airport Drive.

Table 7.5.1 Sydney Airport—selected investments in car parking and landside access services

Description of investment	Value ($m)	Started	Completed
Ground access improvements - T1	10-20m	Q4 2015	Q4 2018
Ground access management	1-5m	Q4 2016	Q4 2018
Parking customer service improvements	1-5m	Q3 2016	Q2 2019
Ground access management	5-10m	Q1 2019	*Q4 2023*
Car park enhancements	1-3m	Q2 2019	*Q3 2020*
Parking customer service improvements	0.5-2m	Q2 2019	*Q3 2020*
Ground access management - T2/T3	10-50m	*Q3 2019*	*Q4 2023*
Ground access improvement	5-10m	*Q3 2019*	*Q4 2023*
Car park enhancements	4-5m	*Q1 2020*	*Q2 2022*

Sydney Airport commenced ground access management improvements in 2018–19. This involved the redesign of the domestic priority pick-up area to enhance throughput and decrease congestion. Sydney Airport is planning to commence ground access management upgrades for T2/T3 after 2018–19. This will involve an expansion of the P3 car park to include a pedestrian corridor and the construction of a multi-level ground transport interchange for the Sydney Gateway.

7.5.2 Car parking prices

This section presents an overview of prices for parking a car at Sydney Airport. It also intends to help motorists identify how to get the most favourable rates.

The ACCC focuses on two common types of parking in particular:

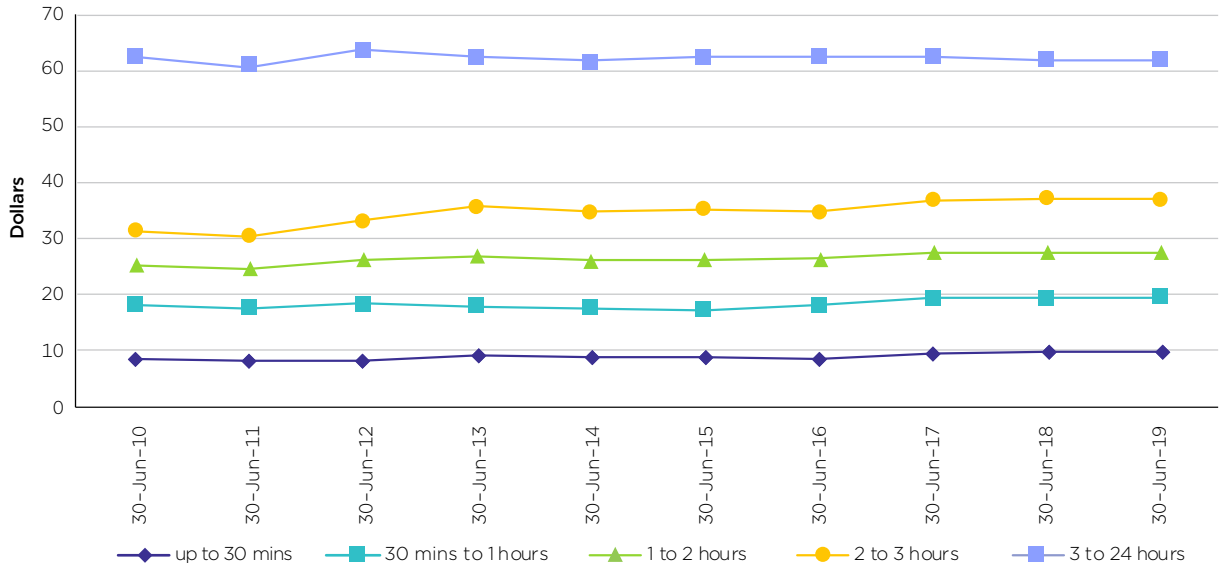
- short-term parking (up to a day) at a car park located at the terminal, with the motorist paying drive-up rates, and
- long-term parking (at least one day) at a car park located at distance from the terminal, with prices measured as the average rate paid by motorists who booked online.

Short-term parking at the terminal

Figure 7.5.1 displays trends in drive-up short-term car parking prices at Sydney Airport's domestic (P1/P2) and international (P7) at-terminal car parks. Both car parks currently offer the same listed prices for parking durations of up to 24 hours.

Most prices remained relatively stable in 2018–19, increasing by 0.5 per cent or less. The exception to this was parking for 2 to 3 hours which decreased by 0.3 per cent to $37.00 over the year.

Figure 7.5.1 Sydney Airport—selected short-term at-terminal parking prices (drive-up): 30 June 2010 to 30 June 2019



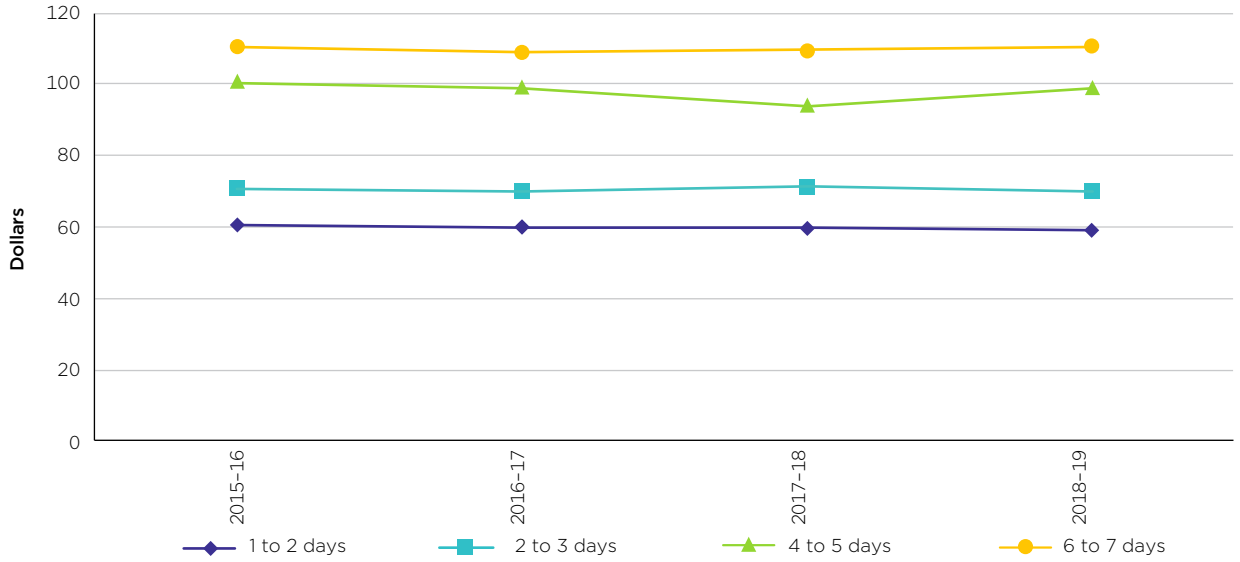
Note: Real values in 2018–19 dollars.

Long-term parking at-distance

Although Sydney Airport provides long-term parking at its at-terminal car parks, price-conscious motorists have the option of a cheaper at-distance car park at the Blu Emu Car Park. The Blu Emu Car Park offers free shuttle bus access to the domestic terminal, with a bus scheduled every 15 minutes.

Figure 7.5.2 shows a selection of online average prices paid for parking at the Blu Emu at-distance car park. Average prices paid have generally remained stable but the average price paid for 4 to 5 days parking increased by 5.7 per cent since 2017–18.

Figure 7.5.2 Sydney Airport—online average prices paid for long-term at-distance parking at Blu Emu car park: 2015–16 to 2018–19



Note: Real values in 2018–19 dollars.

Opportunities for motorists to save on parking at Sydney Airport

There are a number of ways that motorists can save on parking at Sydney Airport. For example, price-conscious motorists departing from the domestic terminals can choose to park at the Blu Emu Car Park instead of at the terminal. While this will require a short shuttle bus trip, motorists who parked at the Blu Emu Car Park could have saved between 36 and 60 per cent in parking rates in 2018–19.[54]

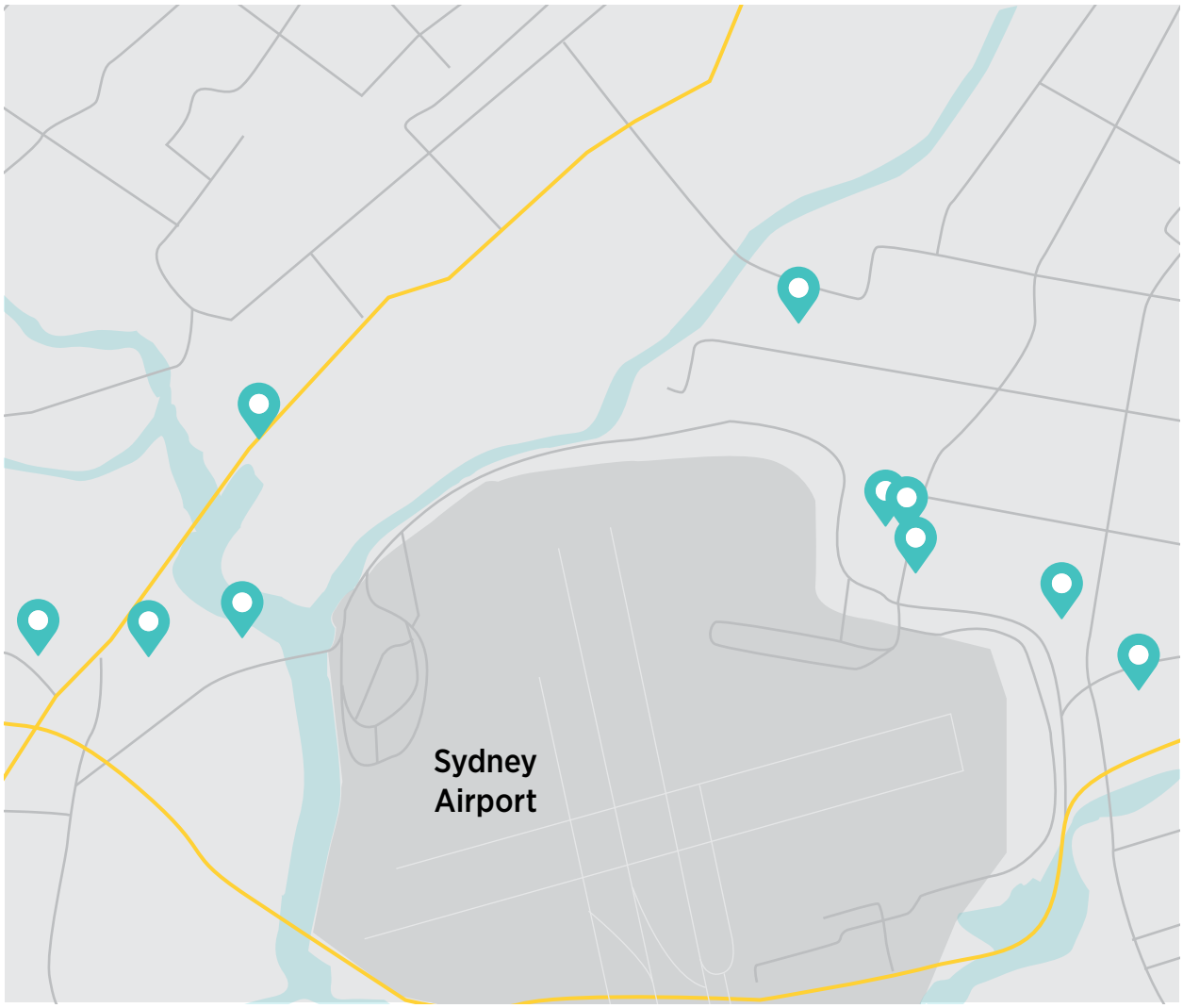
Another simple way to save on parking is to book it in advance online. Sydney Airport offers online booking services for all parking durations. In 2018–19, average prices paid for long-term parking at the Blu Emu Car Park booked online were between 8 and 21 per cent lower than average drive-up prices for the same car park. Most motorists appear to be aware of these savings as 63 per cent of motorists that park long-term book online.

In addition to car parking provided by Sydney Airport, motorists also have the option of shopping around at an independent off-airport car parking facility. Independent car parks are often in reasonably close proximity to a major airport—that is, in the suburbs surrounding the airport—and provide a pick-up and drop-off shuttle bus service for users.

There are currently 10 independent off-airport car parking facilities located near Sydney Airport. Figure 7.5.3 shows the location of these facilities relative to the airport. The shuttle bus have a typical travel time ranging between 5 minutes and 17 minutes from the car park to the terminals.

54 The indicative saving was determined by comparing the average drive-up prices paid for long-term parking at the P3 Car Park and the Blu Emu Car Park for all durations up to 7 days.

Figure 7.5.3 Off-airport car parking facilities located near Sydney Airport



While shopping around will uncover the best rates, online prices paid were generally slightly lower at the Blu Emu Car Park compared to off-airport car park operators.[55] While independent car parks often charge by calendar day, the Blu Emu car park charges by 24-hour increments.

7.5.3 Car parking activity

Table 7.5.2 summarises the number of car parking spaces and the throughput of those facilities at Sydney Airport over the decade to 2018–19.

Average daily throughput fell by 4.8 per cent across the airport's car parks, despite a 0.3 per cent increase in passengers in 2018–19. This was driven by decreases in throughput at the domestic and international at-terminal car parks of 1.9 per cent and 5.6 per cent respectively. This may be attributable to changing consumer preferences towards alternative options such as free pick-up, ridesharing and the train.

The total number of car parking spaces at Sydney Airport decreased by 3.8 per cent to 18 178 spaces during 2018–19. This change is mostly attributable to a reduction in the spaces at the Blu Emu car park, decreasing by 7.1 per cent to 5781 spaces. The number of spaces at the international terminal also decreased by 3.4 per cent to 7630 spaces to make space for an overflow area for free drop offs. The number of spaces at the domestic terminal remained relatively constant at 4767 spaces.

55 This is calculated as the maximum difference between the average price paid for long term parking at the Blu Emu Car Park and the cheapest price for off-airport parking for a comparable duration for all durations up to 7 days.

For the first time, the ACCC collected information from the monitored airports on the occupancy rate of their car parks. The Productivity Commission said that this data was important for identifying whether an airport was either restricting the number of car parks in order to charge high prices or charging excessively whereby the existing car spaces were not being used. Sydney Airport has reported that its at-terminal average car parking occupancy rate was between 60.6 per cent and 75.9 per cent in 2018–19. During the peak periods, its occupancy rate rose to between 65.9 per cent and 79.0 per cent, while it was at full occupancy at least once over the year.

Sydney Airport's at-distance car parking occupancy was lower than the at-terminal car parks. Sydney's at-distance car park had an average occupancy rate of 50.7 per cent while its peak period occupancy was 52.2 per cent. The at-distance car park had a maximum occupancy of 88.1 per cent in 2018–19.

Table 7.5.2 Sydney Airport—number of car park spaces and average daily throughput: 2009–10 to 2018–19

		2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018-19
Number of car park spaces	Domestic terminal	3 458	3 244	3 207	3 599	4 446	4 367	3 889	4 888	4 779	4 767
	International terminal	2 170	2 306	1 882	3 257	6 301	6 008	6 105	6 267	7 897	7 630
	Long-term (Blu Emu)	4 194	4 307	5 694	5 817	6 117	6 117	5 939	5 939	6 222	5 781
	Staff	2 326	2 414	2 333	3 149	N/A	N/A	N/A	N/A	N/A	N/A
	Total airport	**12 148**	**12 271**	**13 116**	**15 822**	**16 864**	**16 492**	**15 933**	**17 094**	**18 898**	**18 178**
Annual throughput of car park facilities (thousand)	Domestic terminal	1 146	1 561	1 513	1 548	1 926	1 960	1 982	1 396	1 238	1 214
	International terminal	1 761	1 888	1 983	2 179	2 388	2 414	2 482	2 721	2 857	2 698
	Long-term (Blu Emu)	229	232	228	246	240	246	245	210	195	172
	Total airport	**3 136**	**3 680**	**3 724**	**3 972**	**4 555**	**4 621**	**4 708**	**4 327**	**4 290**	**4 084**
Average daily throughput of car park facilities	Domestic terminal	3 139	4 278	4 133	4 240	5 277	5 370	5 415	3 824	3 391	3 327
	International terminal	4 824	5 171	5 418	5 969	6 543	6 615	6 781	7 455	7 827	7 392
	Long-term (Blu Emu)	628	634	624	673	659	675	668	576	535	471
	Total airport	**8 591**	**10 083**	**10 176**	**10 882**	**12 479**	**12 660**	**12 864**	**11 856**	**11 754**	**11 190**

7.5.4 Car parking financial results

Table 7.5.3 presents that financial results for Sydney Airport's car parking operations. It shows that revenues fell 3.6 per cent in 2018–19 to $133.6 million. Revenues have been declining since 2015–16 as passengers seek alternative transport to and from the airport.

Operating profits (EBITA) from car parking have exhibited a similar trend in recent years. In 2018–19, operating profits fell by a further 6.2 per cent to $91.0 million. The fall in profits was also due to a slight increase (2.4 per cent) in expenses to $42.7 million.

Over the past decade, Sydney Airport's car parking operating profits increased by 10.7 per cent. The airport earns 68.1 cents in profit for every dollar of revenue in 2018–19, which is the lowest in the past decade but it is higher than the operating margin for total airport services of 59.5 per cent. This also represents the highest rate among the four monitored airports for the sixth consecutive year.

Sydney Airport's revenue and expenses per car park space increased during 2018–19 while profit per space fell during the same period.

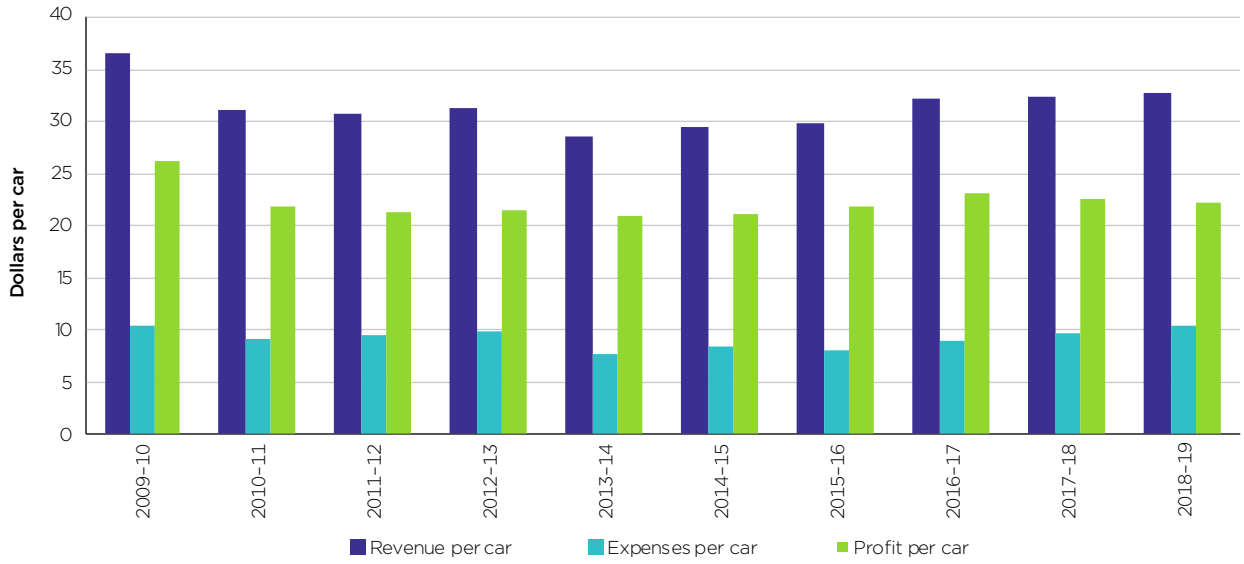
Table 7.5.3 Sydney Airport— revenues, expenses and operating profits for car parking and total airport services: 2009–10 to 2018–19

		2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018-19
Revenue ($m)	Car parking	114.6	114.4	114.6	124.5	130.4	136.5	141.0	139.7	138.6	133.6
	Total airport	**1 085.5**	**1 125.6**	**1 146.1**	**1 198.7**	**1 244.8**	**1 271.3**	**1 365.8**	**1 468.2**	**1 565.7**	**1 611.1**
	Car parking % of total	10.6	10.2	10.0	10.4	10.5	10.7	10.3	9.5	8.9	8.3
Operating expenses ($m)	Car parking	32.4	33.7	35.4	38.9	34.8	38.7	37.9	39.2	41.7	42.7
	Total airport	**458.9**	**448.1**	**435.6**	**429.9**	**438.4**	**466.7**	**537.0**	**578.9**	**630.6**	**652.6**
Operating profit ($m)	Car parking	82.2	80.7	79.2	85.6	95.7	97.8	103.1	100.5	96.9	91.0
	Total airport	**626.6**	**676.4**	**710.5**	**768.8**	**806.3**	**804.6**	**828.8**	**889.3**	**935.1**	**958.5**
Profit margin (%)	Car parking	71.7	70.6	69.1	68.8	73.3	71.6	73.1	71.9	69.9	68.1
	Total airport	**57.7**	**60.1**	**62.0**	**64.1**	**64.8**	**63.3**	**60.7**	**60.6**	**59.7**	**59.5**
Revenue per space ($)		9 432	9 322	8 738	7 867	7 735	8 278	8 847	8 170	7 335	7 351
Operating expenses per space ($)		2 669	2 745	2 699	2 458	2 061	2 348	2 378	2 292	2 205	2 346
Operating profit per space ($)		6 763	6 577	6 038	5 409	5 674	5 930	6 468	5 877	5 130	5 005
Revenue per vehicle ($)		36.5	31.1	30.8	31.3	28.6	29.5	29.9	32.3	32.3	32.7
Operating expenses per vehicle ($)		10.3	9.2	9.5	9.8	7.6	8.4	8.0	9.1	9.7	10.4
Operating profit per vehicle ($)		26.2	21.9	21.3	21.5	21.0	21.2	21.9	23.2	22.6	22.3

Notes: Real values in 2018–19 dollars. Staff car parking spaces have been excluded from the analysis since 2013–14 and may affect comparability over the decade.

Figure 7.5.4 shows that the average revenue collected from each car that visited a car park at Sydney Airport during 2018–19 increased by 1.3 per cent to $32.72. However, a 7.5 per cent increase in expenses per car led to a 1.4 per cent reduction in the average operating profit earned from each car ($22.27).

Figure 7.5.4 Sydney Airport—average car parking revenue, costs and profit per car: 2009–10 to 2018–19

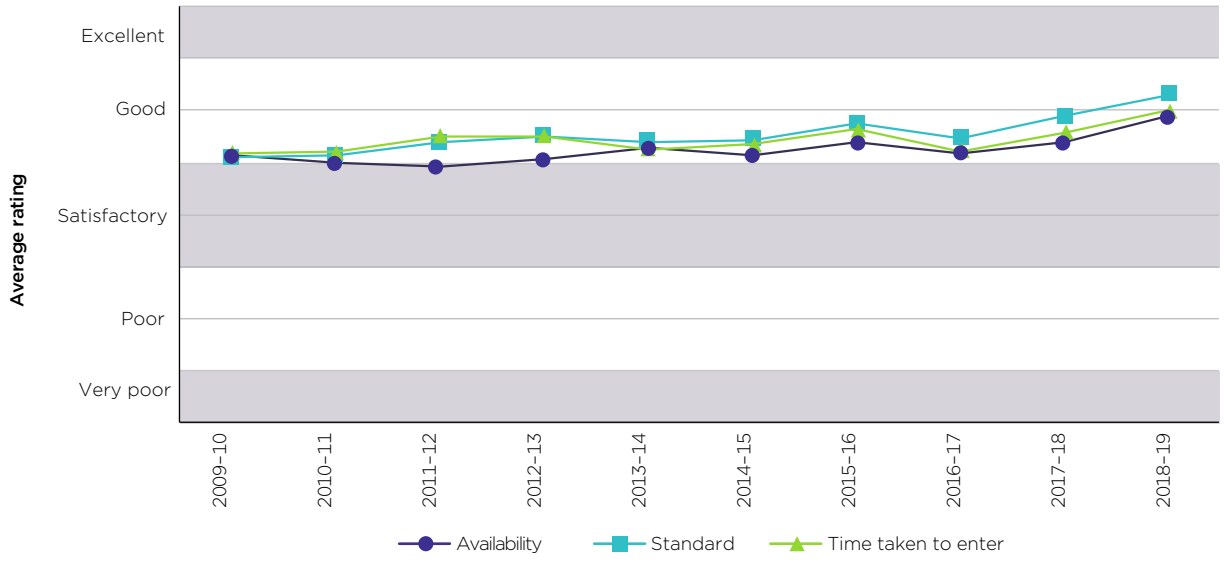


Note: Real values in 2018–19 dollars.

7.5.5 Car parking quality of service

The satisfaction of passengers with the quality of Sydney Airport's car parking facilities has increased notably in recent years. Figure 7.5.5 presents passenger survey ratings for the quality of car parking facilities at Sydney Airport's international terminal. Ratings across all three indicators have improved significantly within the 'good' category across the last two years. This increase may have been driven in part by the ground access improvements that were completed in 2018–19. These include a rollout of new digitised wayfinding gantries to help motorists reach their destination.

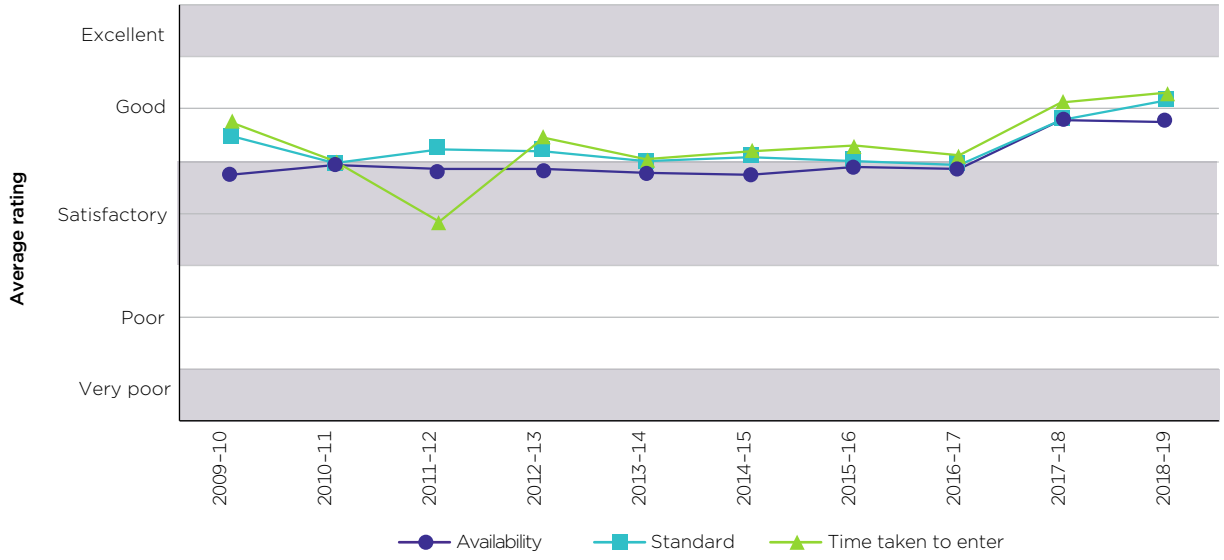
Figure 7.5.5 Sydney Airport—passenger survey ratings of the quality of car parking facilities at the international precinct: 2009–10 to 2018–19



Source: Passenger surveys obtained from Sydney Airport.

Passengers are also notably more satisfied with the car parking facilities at the domestic terminal than they were a couple of years ago. Figure 7.5.6 shows improvements were observed in the ratings for the standard and time taken to enter, however the rating for availability fell slightly in 2018–19.

Figure 7.5.6 Sydney Airport—passenger survey ratings of the quality of car parking facilities at the domestic precinct: 2009–10 to 2018–19



Source: Passenger surveys obtained from Sydney Airport.

7.6 Landside access

In addition to car parking provided by Sydney Airport, access to and from the airport is provided by bus, train, taxi, rideshare and off-airport car parking. To access the airport, service operators are often charged an access fee which is passed on to passengers.

7.6.1 Transport options and facilities

For passengers wishing to travel to and from Sydney Airport, a number of alternative services are available. Services vary in price, timeliness and service quality.

Terminal pick-up and drop-off

Sydney Airport offers free immediate pick-up and drop-off zones at domestic and international terminals. For domestic passengers, the express pick-up zone is free for up to 15 minutes and the Blue Emu car park is free for one hour.

Train

Both domestic and international terminals are serviced by rail operated by the NSW Government, using privately owned and operated train stations. A one-way trip for an adult to the CBD costs $19.40 and takes roughly 13 minutes.

The fare is comprised of a train fare and an airport station access fee. The NSW government offers discounts on the train fare if an Opal card or contactless payment card is used, and if travel is in an off-peak period. The station access fee is capped weekly.

Public and private buses

Public buses on route 400 between Bondi Junction and Eastgardens and 420 between Eastgardens and Burwood stop at both the T1 international and T3 domestic terminals. A single ticket bus fare on this service will cost between $2.90 and $6.00, however buses do not travel to the CBD.

A number of private shuttle bus operators also service Sydney Airport, including Redy2Go and Airport Connect, which both offer $18 services to the CBD.

Off-airport parking

Off-airport car parking operators serviced the airport from ten facilities in 2018–19. Section 7.5 provides more detail on the prices and locations of these operators.

Taxis

Each terminal at Sydney Airport has its own sheltered taxi rank. A taxi trip to the CBD from Sydney Airport will cost approximately $45–$55 one way and will take roughly 20 minutes.

Ridesharing

Both domestic and international terminals at Sydney Airport are serviced by rideshare drivers from Uber, Ola, Bolt, Shebah, Go Catch and others. For both the domestic and international terminals, pre-booked rideshare is available from the priority pick-up zone.

Private cars

Private car (such as limousines) services can be pre-booked at all Sydney Airport terminals. Limousines are also available for those who have not booked inside the arrivals area of T1 international. Sydney Airport provides dedicated pickup areas for Limousines and Hire Cars at both the International and Domestic terminals.

Bicycles

Sydney Airport provides undercover bicycle racks on level 1 of the T1 international terminal and adjacent to the express pick-up area in the T2/T3 domestic precinct.

7.6.2 Landside access revenue, volumes and charges

Sydney Airport generates revenue from allowing various transportation service providers access to airport facilities. Table 7.6.1 displays the revenue generated by each transportation type between 2014–15 and 2018–19, along with the fee charged and the number of times each service provider accessed the airport.

Table 7.6.1 Sydney Airport—landside access charges, access volumes and revenues: 2014–15 to 2018–19

Transport option	Measure	2014-15	2015–16	2016–17	2017–18	2018–19
Taxi	Price (per pick-up)	4.27	4.32	4.40	4.57	4.60
	Volume (000s)	3204.3	3244.3	3091.4	2975.1	2728.0
	Revenue ($000s)	**12449.3**	**12744.5**	**12285.9**	**12251.6**	**11407.0**
Rideshare / priority pick-up	Price (per pick-up)	N/A	N/A	4.14	4.07	4.20
	Volume (000s)	N/A	N/A	535.6	918.6	1456.7
	Revenue ($000s)	**N/A**	**N/A**	**2329.1**	**3843.3**	**6223.0**
Private car	Price (minimum fee)[a]	5.34	5.43	5.49	8.34	8.40
	Volume (000s)	464.4	518.8	517.4	531.6	517.9
	Revenue ($000s)	**2689.0**	**3015.3**	**3808.7**	**4296.6**	**4965.0**
Private bus and off-airport parking	Price (minimum fee)[b]	N/A	N/A	N/A	N/A	N/A
	Volume (000s)[c]	327.2	315.6	285.9	260.6	269.6
	Revenue ($000s)[c]	**2787.3**	**2753.6**	**2579.9**	**2392.8**	**2436.0**
Public bus	Price (b)	N/A	N/A	N/A	N/A	N/A
	Volume (000s)	N/A	N/A	N/A	N/A	N/A
	Revenue ($000s)	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**

Notes: Real prices in 2018–19 dollars. N/A = not applicable. (a) Sydney Airport charges private cars based on length of stay and terminal. (b) Private bus, off-airport parking and public bus operators are charged multiple different access fees. (c) Sydney Airport does not report disaggregated revenue from private bus and off-airport parking operators.

Landside access volumes

Table 7.6.1 displays the number of times a group of transportation service providers accessed Sydney Airport's facilities between 2014–15 and 2018–19. The number of pick-ups provided by rideshare operators continued to grow strongly in 2018–19 (58.6 per cent). Rideshare and priority pick-up users accounted for 1.5 million pick-ups, compared to 2.7 million pick-ups by taxis (down 8.3 per cent). Taxi pick-ups have decreased for the third straight year. Between 2014–15 and 2018–19, overall landside access volumes increased by 22.1 per cent.

Landside access fees and charges

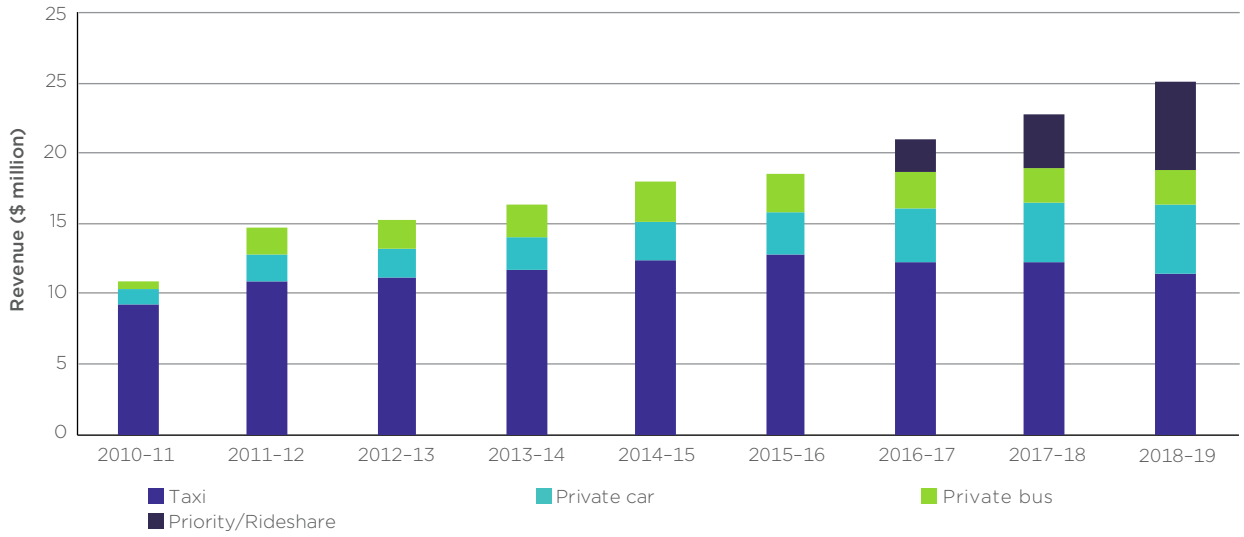
Sydney Airport levies a landside access fee on businesses operating landside transport options. Taxis and rideshare operators are only charged an access fee for pick-ups. The fee is included as a surcharge in the passenger's total fare.

Table 7.6.1 presents the landside access charges at Sydney Airport since 2014–15. Whilst access charges for taxis remained relatively unchanged ($4.60 per pick-up) during 2018–19, rideshare and priority pick-up charges increased by 3.3 per cent ($4.20 per pick-up).

Landside access revenue

Figure 7.6.1 summarises landside access revenue by transport mode since 2009–10. Sydney Airport's total landside access revenue increased to $25.0 million during 2018–19, up 9.9 per cent. Part of this growth has been driven by increases in landside volumes, with priority/rideshare volumes increasing by 58.6 per cent since 2017–18. This completes a decade of continuous landside revenue growth, with landside revenue up 132.8 per cent since 2009–10.

Figure 7.6.1 Sydney Airport—landside access revenue by transport mode: 2009–10 to 2018–19



Notes: Real prices in 2018–19 dollars. Totals exclude revenue from car rental operators. Ride-share only represents a proportion of priority/rideshare revenue. This category also includes other vehicles that accessed the airport via priority pick-up zone including pre-booked taxis, some private cars and paid public pick-up. Reporting of rideshare revenue for Sydney Airport in 2016–17 was for a partial year only (from September 2016).

Taxis have consistently generated the most revenue for Sydney Airport of the reported landside operators. Taxis contributed $11.4 million during 2018–19, down 6.9 per cent. Revenue generated from taxi operators has decreased for three straight years.

Meanwhile, revenue generated from rideshare and priority pick-up increased to $6.2 million during 2018–19 (up 61.9 per cent), as did revenue generated from private car operators which reached $5.0 million (up 15.6 per cent).

Decreased revenue generated by taxis at Sydney Airport over the last three years reflects falling taxi volumes since the introduction of rideshare in 2016–17. However, increased revenue from rideshare and priority pick-ups has more than offset the decrease in taxi revenue due to growth in pick-up volumes and higher charges.

7.6.3 Quality of landside access services and facilities

Table 7.6.2 shows that passenger satisfaction with the quality of Sydney Airport's landside services and facilities have generally improved both over the year and the decade. At each terminal, the kerbside services and facilities and the waiting time for taxi facilities were rated 'good' during 2018–19. Kerbside space congestion was 'satisfactory' during 2018–19.

Table 7.6.2 Sydney Airport—passenger ratings of the quality of landside access services and facilities: 2018–19, 1-year change and change since 2015–16

Terminal	Indicator	Rating category 2018–19	1-year change	Change since 2015–16
International	Kerbside pick-up and drop-off facilities	Good	▲	▲
	Taxi facilities waiting time	Good	▲	▲
	Kerbside space congestion	Satisfactory	▼	▼
Domestic terminal (T2)	Kerbside pick-up and drop-off facilities	Good	▲	▲
	Taxi facilities waiting time	Good	▲	▲
	Kerbside space congestion	Satisfactory	▲	▲
Domestic terminal (T3)	Kerbside pick-up and drop-off facilities	Good	▲	▲
	Taxi facilities waiting time	Good	▲	▲
	Kerbside space congestion	Satisfactory	▲	▲

Notes: The rating categories are: very poor, poor, satisfactory, good and excellent. ▲ indicates an improvement; ▼ indicates a decline; — indicates no change.

A1. History of airport reporting in Australia

A1.1 Privatisation of airports

The Australian Government established the Federal Airports Corporation (FAC) in the 1980s to own and manage airports on a commercial basis. Initially the FAC was required to notify the relevant Minister prior to setting or varying aeronautical charges. In 1991, the government declared the FAC's aeronautical charges under s. 21 of the *Prices Surveillance Act 1983*. The declaration required the FAC to notify the Prices Surveillance Authority (PSA) prior to raising its aeronautical charges.

In 1995, the government decided to privatise all 22 FAC airports (through leasing arrangements) to improve the efficiency of airport investment and operations, and to facilitate innovative management.[56] The sales were largely undertaken in two phases, during 1997 to 2003. Phase one included Brisbane, Melbourne and Perth airports, while phase two included Adelaide, Darwin and Canberra airports. Sydney Airport was corporatised in 1998, but not privatised until 2002.

The privatisation of these airports was accompanied by a transitional regulatory framework designed to limit the potential for the airports to exercise their market power. The regulatory regime, which was administered by the ACCC[57], consisted of:

- a price notification regime that applied to aeronautical services
- a price cap (Consumer Price Index (CPI) minus X) on prices for aeronautical services
- price monitoring of certain aeronautical related services
- cost pass-through provisions for efficient new investment and government mandated security services.

The airports subject to price regulation were also subject to quality of service monitoring to ensure that airport assets were not allowed to run down at the expense of service standards.

The government stated that it would determine the subsequent, ongoing regulatory framework after a detailed review.

56 Department of the Parliamentary Library Australia, *Turbulent Times: Australian Airline Issues 2003, Research Paper No. 10*, 2003.

57 This was under Part VIIA of the then *Trade Practices Act 1974*.

A1.2 Productivity Commission inquiries into the price regulation of airport services

A1.2.1 Productivity Commission 2002 Inquiry

In December 2000, the government referred the review of the regulatory arrangements for airports to the Productivity Commission (PC). The review was concluded in 2002. The government accepted the PC's recommendation that price notification and price caps under the PSA should be discontinued for the relevant airports, with the exception of regional air services at Sydney Airport.[58] Additionally, the PC recommended that the ACCC should monitor prices at Adelaide, Brisbane, Canberra, Darwin, Melbourne, Perth and Sydney airports for a five-year period, and that a review of price regulation of airport services should be conducted at the end of that period to ascertain the need for future regulation. The government supported the PC's recommendation that quality of service monitoring be continued at all price monitored airports, with some modifications.

A1.2.2 Productivity Commission 2006 Inquiry

In 2006, the PC conducted another review of the price regulation of airport services. In its response to the PC's recommendations, the government announced that the airport price and quality of service monitoring would continue for a further six year period and that, following this period, an independent review of the regulatory regime would be undertaken in 2012. The government supported the PC's recommendation that the monitoring regime should only apply to Adelaide, Brisbane, Melbourne, Perth and Sydney airports. Canberra and Darwin airports were excluded because the PC considered these airports to have less market power.

A1.2.3 Productivity Commission 2011 inquiry

In December 2010, the government brought forward the PC's next review of the economic regulation of airport services from 2012. The PC's review found that there had been a number of positive outcomes under the existing monitoring regime, including:

- strong investment in new aeronautical assets
- a generally good level of service provision, and
- reasonable aeronautical charges, revenues and profits compared to international benchmarks.

The PC found no evidence of any systemic misuse of market power by the airports, taking into account investment outcomes and international benchmarks. However, the PC considered that Brisbane, Melbourne, Perth and Sydney airports' market power was a concern and recommended the continuation of the existing price and quality of service monitoring arrangements with some amendments to the regime.

The government agreed with the PC's recommendations to continue monitoring, with another review of the economic regulation of airport services scheduled for 2018. The government also asked the ACCC to conduct a review of quality of service monitoring, which was completed in June 2013. The government agreed in principle with the recommendation that the ACCC take steps to make as much of its underlying methodology publicly available as possible and focus on trends over time at a given airport.

On 12 June 2012, the government issued new directions pursuant to s. 95ZF (Part VIIA) of the *Competition and Consumer Act 2010* (CCA). It directed the ACCC to monitor the prices, costs and profits related to the supply of aeronautical services and car parking services at the four specified airports, with Adelaide Airport being removed from the monitoring regime. The government stated that these arrangements would continue until 2020.

58 Productivity Commission, *Price regulation of airport services*, report no. 19, Canberra, January, 2002.

A1.2.4 Productivity Commission 2019 inquiry

In June 2018, the Australian government requested the PC to undertake a further inquiry into the economic regulation of airports. The PC reported in 2019 that it had found that the existing reporting framework remained fit for purpose.

The PC considered that on balance, most indicators of operational efficiency (including costs and service quality), aeronautical revenue and charges, and profitability are within reasonable bounds. It said that each airport had generated returns sufficient to enable investment while not earning excessive profits, and passengers consider airports to have good service quality.

In relation to car parking, the PC's report said that airport car park prices are consistent with the costs of service provision (including the opportunity cost of land) and the need to manage congestion.

The government responded to the PC's final report on 11 December 2019. It broadly agreed with the findings and supported many of the recommendations. The government supported the recommendation that improvements should be made to the monitoring regime to better inform reviews of airport performance.

The government said that it would consult to determine the necessary amendments to Part 7 of the *Airports Regulations 1997* to implement the recommendation. The government further supported a recommendation for the ACCC to review the way that it monitors the airports' quality of service.

A2. Airport reporting framework

The ACCC's regulatory role involves monitoring the performance of the airports under directions issued pursuant to the *Competition and Consumer Act 2010* (CCA) as well as the *Airports Act 1996* (Airports Act) and associated regulations.

Furthermore, regional air services provided by Sydney Airport are subject to the price notification regime under Division 4 of the CCA.

A2.1 Prices, costs and profits monitoring

A2.1.1 Aeronautical and car parking services monitoring

A direction, which was made pursuant to s. 95ZF of Part VIIA of the CCA and issued on 12 June 2012, requires the ACCC to monitor the prices, costs and profits related to the supply of aeronautical services and facilities by Brisbane, Melbourne, Perth and Sydney airports. This direction took effect on 1 July 2012, replacing Direction 29.

A second direction, which was made pursuant to s. 95ZF of Part VIIA of the CCA and issued on 12 June 2012, requires the ACCC to monitor the prices, costs and profits relating to the supply of car parking services by Brisbane, Melbourne, Perth and Sydney airports. This direction took effect on 1 July 2012, replacing Direction 31 issued on 7 April 2008.

Subsection 95G(7) requires the ACCC to have particular regard to the following matters in performing this monitoring function:

- the need to maintain investment and employment, including the influence of profitability on investment and employment
- the need to discourage a person who is in a position to substantially influence a market for goods or services from taking advantage of that power in setting prices
- the need to discourage cost increases arising from increases in wages and changes in conditions of employment inconsistent with principles established by relevant industrial tribunals.

A2.1.2 Financial accounts

Under Part 7 of the Airports Act and Part 7 of the *Airports Regulations 1997* (Airports Regulations), the ACCC collects and reports annual regulatory accounting statements, including an income statement, balance sheet and statement of cash flows, from the four monitored airports.

In particular, regulation 7.03 of the Airports Regulations, under subsection 141(2) of the Airports Act, stipulates that a specified airport must prepare a financial report which separately shows the financial details in relation to the provision of aeronautical and non-aeronautical services. Under regulation 7.06 of the Airports Regulations, airports must lodge these accounts with the ACCC within 90 days of the end of the relevant accounting period.

The ACCC's price monitoring and financial reporting information requirements for airport operators are outlined in the *ACCC Airport prices monitoring and financial reporting guideline* from June 2009.[59]

A2.2 Quality of service monitoring

Part 8 of the Airports Act provides for the ACCC to monitor the quality of services and facilities at the specified airports. More specifically, Part 8 provides for:

- quality of service aspects to be specified in the Airport Regulations

59 This is available on the ACCC's website.

- the ACCC to monitor and evaluate the quality of the aspects of airport services and facilities against criteria determined by the ACCC
- records to be kept and retained in relation to quality of service matters
- information to be provided to the ACCC by airport operators and other relevant parties, including airlines, relevant to quality of service matters
- the ACCC to publish reports relating to the monitoring or evaluation of the quality of aspects of airport services and facilities.

Regulation 8.01A of the Airports Regulations specifies the particular aspects of passenger-related and aircraft-related services and facilities for which the ACCC should monitor and evaluate quality of service. Schedule 2 of the Airports Regulations splits each required aspect into a variety of measures for which the airports must keep data. Regulation 8.03 of the Airports Regulations requires the specified airports to give the ACCC copies of the quality of service records for a financial year within 90 days after the end of that financial year.

In June 2013, the ACCC completed a review of quality of service monitoring, which was requested by the government following the PC's 2011 inquiry into the economic regulation of airport services. The review recommended a number of amendments to the Airports Regulations. As a result, the Airports Regulations were amended in July 2014 to include some new objective indicators (e.g. number of departing passengers per check-in desk, bag drop and check-in kiosk during peak hour) and to remove other ones (e.g. the percentage of hours when more than 80 per cent of check-in desks are in use).

The ACCC's approach to its quality of service monitoring role is outlined in its *Airport quality of service monitoring guideline* from June 2014.[60]

The ACCC expects to commence a review in to the quality of service monitoring in 2020 as part of the government's response to the PC's 2019 inquiry.

A2.3 Regulatory oversight of regional air services at Sydney Airport

Prices charged by Sydney Airport for aeronautical services and facilities provided to regional air services are regulated under the price notification regime in Part VIIA of the CCA. Declaration 94 issued under s. 95X of the CCA requires Sydney Airport to notify the ACCC if it intends to increase the prices for regional air services. Declaration 94 was issued on 5 May 2016 to replace Declaration 93. It commenced on 1 July 2016 and will cease 30 June 2019.

The ACCC must assess any proposed price and either:

- not object to the increase
- not object to an increase that is lower than the proposed increase, or
- object to the proposed increase.

In undertaking its assessment of price notifications provided by Sydney Airport, the ACCC is directed by a direction made under section 95ZH of the CCA to give special consideration to the Government's policy.

Direction no. 35 provides that to facilitate continuing access to Sydney Airport by operators of regional air services, the total revenue-weighted percentage increase in prices over three years from 1 July 2016, or part thereof, should not exceed the total percentage increase in the Consumer Price Index over that same period. Direction no. 35 replaces the previous Direction no. 34.

60 This is available on the ACCC's website.

A3. Services provided by airports

Services and facilities provided by airports are categorised as either aeronautical (section A3.1) or non-aeronautical services (section A3.2).

A3.1 Aeronautical services

The ACCC's direction to monitor the prices, costs and profits related to the supply of aeronautical services and facilities by the monitored airports refers to Part 7 of the Airports Regulations. Part 7 defines aeronautical services as those services and facilities at an airport that are necessary for the operation and maintenance of civil aviation at the airport.

Some of the aircraft-related aeronautical services and facilities provided by airports are:

- runways, taxiways, aprons, airside roads and airside grounds
- airfield and airside lighting
- aircraft parking sites
- ground handling (including equipment storage and refuelling)
- airside freight handling and staging areas essential for aircraft loading and unloading.

The basis of charging for aeronautical services can vary across airports. In general, airports determine charges based on a variety of factors, such as the number of passengers, maximum take-off weight (MTOW), duration and time of day. While some airports levy charges for each aeronautical service component, other airports bundle some of those services.

Some of the passenger-related aeronautical services and facilities provided by airports include:

- necessary departure and holding lounges, and related facilities
- aerobridges and buses used in airside areas
- facilities to enable the processing of passengers through customs, immigration and biosecurity (quarantine)
- check-in counters and related facilities (including any associated queuing areas)
- terminal access roads and facilities in landside areas (including lighting and covered walkways)
- baggage, handling and reclaiming facilities.

Terminals operated by airlines under a domestic terminal lease are not included within the definition of aeronautical services and facilities (see section 1.2).

Charges for access to terminals are generally levied on the basis of the number of passengers per aircraft and type of flight.

A3.2 Non-aeronautical services

Airports also provide a number of non-aeronautical services such as car parking and leasing space for retail outlets, hotels, corporate parks and factory outlets. As discussed in appendix 2, the ACCC monitors the airports' car parking activities in a similar manner to aeronautical services. However, the ACCC's monitoring role does not extend to other non-aeronautical services and facilities.

A4. Methodology

This appendix explains the methodology used by the ACCC in preparing the measures used in this report for monitoring prices, costs and profits, financial reporting and quality of service.

Further information can be found in the following publications on the ACCC website:

- *Airport prices monitoring and financial reporting guideline* and
- *Guideline for quality of service monitoring at airports.*

A4.1 Prices, costs and profits

The monitoring results in chapters 3 to 7 of this report relate to the financial performance of the monitored airports including prices, costs and profits. While these results may serve as indirect indicators of economic efficiency, they do not indicate conclusively whether or not the airports are exercising their market power to earn monopoly rents. The limitations of this data are discussed in A4.3.

A4.1.1 Aeronautical and total airport measures

The ACCC uses aeronautical revenue per passenger as an indicator of the airports' average prices, and profits and returns on aeronautical assets as an indicator of the airports' profitability. The ACCC also reports on total airport revenue, costs and profits.

There have been some changes in the scope of aeronautical services in the past. This has resulted in the inclusion of revenue of some services (e.g. aircraft refuelling) in the airports' regulatory accounts, which were previously excluded.[61] This is one of the issues that affects the comparison of data across airports and over time.

Prices

The ACCC uses aeronautical revenue per passenger as a proxy measure of changes in average airport prices. The ACCC has reported on changes in this measure since 2003–04.

Ideally the ACCC would use a direct measure of prices in the form of a price index. However, in most cases it is not possible for the ACCC to compile such an index. For example, the price of using an airport cannot simply be measured by adding up the different charges in place at a given point in time because charges can be levied on different bases—such as on a per passenger basis or by aircraft weight. Also, airports might offer discounts for certain periods or to certain users, or there might be charges in place, which affect some users but not others.

In addition, the price changes for particular airport users may vary depending on the composition of the airport services they utilise and the times at which they use them. For example, the costs of a domestic flight to an airline are likely to be different to those associated with an international flight due to differing security and processing requirements. Similarly, changes in price structure imposed by an airport might affect users in different ways (e.g. lowering the costs for one user while raising them for another).

The regulatory accounts for individual airports are available on the ACCC's website.[62] The schedules of published aeronautical charges for each airport are included in the individual airport chapters (chapters 4 to 7). Where possible, the ACCC has reported on the percentage change in list prices for aeronautical services in real terms.

61 Brisbane, Perth and Sydney airports treated the revenue they derived from aircraft refuelling as non-aeronautical under Direction 27 (1 July 2002 to 30 June 2007), while subsequent Directions required aircraft refuelling to be included as aeronautical revenue.

62 For further information, see www.accc.gov.au/regulated-infrastructure/airports-aviation/airports-monitoring.

Costs and profits

This ACCC reports a number of profitability measures in this report. The use and interpretation of these measures are discussed below.

Operating profits[63]

In this report, one profitability measure used is earnings before interest, tax and amortisation (EBITA). This measure takes into account depreciation costs. EBITA is reported separately for the total airport and a business component such as aeronautical or car parking operations. The ACCC also reports operating profit as a percentage of revenue i.e. operating profit margin.

The ACCC has reported on changes in aeronautical operating expenses per passenger and aeronautical profit per passenger since 2002–03. Aeronautical profit excluding security costs is not discussed in this report because government mandated security revenue is set to recover the costs associated with security services and does not affect the overall profitability of the airports.

EBITA provides a measure of airport operating performance, as distinct from financial performance. It is useful for revealing trends in operating performance over time. However, as a measure of profitability it does not take into account the full capital cost associated with the provision of services. Since it also includes non-cash items such as depreciation, operating margin does not provide a measure of net cash flow from airport operations either.

Rates of return

Rate of return measures can also inform analyses of profitability. The rate of return measure used by the ACCC in this report is 'return on assets,' which may be expressed in a number of forms (e.g., pre- or post-tax returns, and including or excluding interest expenses and/or depreciation and amortisation). The ACCC's approach to calculating rates of return in this report is discussed below.

Since rate of return measures can be susceptible to assets revaluations made by individual airports, the ACCC uses the line-in-the-sand approach to asset valuations that removes the effects of such revaluations (see box 3.3.2).

Return on assets

This report also looks at the rate of return that airports earn from their assets. This measure consists of EBITA on the average value (of opening and closing balances) of tangible non-current assets. The ratio provides a measure of the efficiency with which an entity uses its assets to produce operating profit before interest, tax and amortisation. Given the limitations in using a return on equity measure for the monitored airports, the ACCC considers that a return on assets measure is a more useful indicator of an airport's rate of return and operating performance.

EBITA on average tangible non-current assets is not affected by management decisions regarding capital structure, which can significantly affect interest expenses and tax payable, and therefore post-tax returns. Financing decisions do not reflect the operating profitability of providing airport services. Therefore, measures of EBITA on average tangible non-current assets allow for a more comparable basis for comparing operating performance across airports.

Non-tangible assets are excluded to limit the extent to which airport owners' expectations of growth in value (as reflected in goodwill or lease premiums) may obscure changes in the profitability of providing services. In particular, lease premiums paid could reflect the expectation of future price and profit increases that take advantage of the airports' monopoly power.

While having some advantages, measures of return on assets also have their limitations. For example, they are affected by the airport operator's valuation of its assets. Since the ACCC's monitoring regime commenced, a number of airports have revalued their assets upwards, thereby lowering the measure of return on assets. A line-in-the-sand (LIS) measure was introduced in 2007–08 to reduce the effect of such revaluations (discussed below).

63 The ACCC has previously used the term 'aggregate margins'.

Finally, in preparing this report the ACCC has not assessed the appropriateness of airport asset valuations as it has done in some other industries where prices are regulated. However, this report does provide details of asset values reported by the airports over time.

'Line-in-the-sand' aeronautical asset base

The ACCC has required airport operators to report under the LIS approach since 2007–08.[64] Under this approach, the value of an airport's aeronautical asset base is determined to be the value of tangible non-current assets as at 30 June 2005,[65] adjusted for depreciation, additions (or new investment) and disposals for subsequent reporting periods. This information was required in addition to the airport operators' regulatory accounts based on Australian International Financial Reporting Standards (AIFRS) (which include any revaluations to the assets recorded since 30 June 2005).

The LIS approach removes the effect of revaluations of aeronautical assets by airports for monitoring purposes from 30 June 2005 onwards. For example, an upward revaluation of a tangible non-current aeronautical asset occurring after 30 June 2005 would be recognised in the regulatory accounts prepared under AIFRS but not in the LIS asset base. As a result, to the extent that subsequent revaluations have taken place, the LIS asset base is lower. There is also a flow-on effect of a lower value of depreciation under the LIS approach and, therefore, lower operating expenses.

Previously where applicable, the ACCC has provided details of the LIS values in the price monitoring section of this report and comments in relation to the effect of reporting the data on this basis. So far, only Brisbane Airport and Sydney Airport have revalued their assets since 30 June 2005. Since the 2016–17 airport monitoring report, the ACCC has stopped reporting non-LIS values and has only used the LIS values in its reporting.

A4.1.2 Airport car parking

The ACCC monitors and reports on airport car parking prices, revenue, costs and profits (in real terms[66]) under a direction issued on 12 June 2012 pursuant to s. 95ZF of Part VIIA of the CCA. The ACCC also reports on changes in the supply of airport car parking, and the quality of airport car parking services.

In addition to drive-up rates, the ACCC commenced collecting prices for booking airport car parking online for the 2014–15 report following consultation with the monitored airports. The ACCC has compared drive-up, online and the average of these two charges that customers pay at the monitored airports.

Landside access charges and revenues

The ACCC also collects information on landside access charges and revenues although it is not required to do so under a ministerial direction. Access to airport land and in particular, landside areas controlled by airport operators is a necessary input in the supply of downstream services such as taxis, buses and off-airport parking. The suppliers of these services require landside access to drop-off and/or pick-up airport users at the terminals.

As a result, airports may have incentives to obstruct competition from alternative transport modes to on-airport car parking by imposing excessive charges or restrictive terms and conditions for landside access. Such behaviour may shift demand to an airport's own car parking services. Therefore, the ACCC also collects information about airports' charges for operators who provide competing services to on-airport car parking as well as the amount of revenue received from those operators.

64 This approach was recommended by the PC in its 2006 inquiry and was supported by the government. The PC said that some airports revalued assets for a range of non-price reasons and the intention of revaluations is 'to provide a justification for higher charges at some stage in the future'. The PC considered that it was inappropriate to base increases in aeronautical charges on asset revaluations.

65 Airport revaluations that occurred prior to the 30 June 2005 cut-off date remain in the LIS asset base.

66 All price and data outcomes are reported in real terms with 2018–19 as the base year.

A4.2 Quality of service

Quality of service monitoring complements price monitoring because, instead of increasing prices, an airport with market power may decide to cut costs by lowering its service standards.

The ACCC monitors the quality of service at the facilities that are subject to price monitoring, including:

- airside facilities such as runways, taxiways and aprons
- terminal facilities such as international departure lounges and baggage systems
- car parking
- taxi facilities and kerbside pick-up and drop-off points.

However, domestic terminals leased to airlines are not within the scope of the quality of service monitoring program.

Further information on the ACCC's approach can be found in the *Guideline for quality of service monitoring at airports* on the ACCC website.

A4.2.1 Issues concerning interpretation of results

A variety of factors outside the immediate control of the airport operator may influence the quality of service results. For example, the staffing and provision of IT equipment for check-in services by airlines and the staffing by the on-airport government border agencies may affect the quality of experience for passengers as they pass through an airport. This in turn may influence those passengers' ratings of the airport. Airservices Australia, airlines and other service providers may also affect quality outcomes such as causing delays in aircraft departure.

In addition, investment in terminal infrastructure is 'lumpy' and there may be a lag between an increase in passenger and flight numbers and an increase in the capacity of airport infrastructure. Such a lag could highlight capacity constraints reflected in the quality of service indicators and therefore identify areas for increased investment.

To inform its analysis of the monitoring data, the ACCC provides airports with the opportunity to explain where there have been mitigating circumstances influencing the results of monitoring.

A4.2.2 Sources of information

The quality of service analysis in this report draws on information from a number of different sources. These sources include airport operators' surveys of passengers, airlines and landside operators.[67]

Airport operators

Airport operators provide the ACCC with a range of objective data related to the number or size of various facilities and throughput at those facilities. These include the number of passengers at peak hours, the number of aerobridges and the size of gate lounges. The ACCC has converted these numbers and sizes to indicators of quality of service, such as the number of passengers per square metre of lounge area during peak hour.

The derived objective indicators are shown in charts in the body of the report. The data on which these objective indicators are based can be found in a spreadsheet on the ACCC's website http://www.accc.gov.au/regulated-infrastructure/airports-aviation/airports-monitoring. Measures relating to the size of facilities are generally presented as at the end of the relevant financial year, whereas measures of throughput—such as numbers of passengers or bags—relate to the whole financial year, unless otherwise specified (such as daily or during peak hour).

67 Landside operators include taxi and bus industry bodies, as well as off-airport car parking operators.

Passenger perception surveys

The passenger perception surveys are arranged by each airport and may differ in their coverage and detail. However, these surveys should provide information consistent with that specified in the Airports Regulations and quality of service guidelines. The areas covered include passenger check-in, security clearance, government inspection, gate lounges, washrooms, baggage processing and trolleys, signage and wayfinding, car parking and airport access for arriving and departing passengers.

These surveys ask respondents to rate their level of satisfaction with the airport facilities on a scale from 1 to 5 (table A4.2.1). These are then converted into five ratings ranging from 'very poor' to 'excellent'.

Table A4.2.1: Ratings of satisfaction for airport facilities and services

Scales	1–1.49	1.50–2.49	2.50–3.49	3.50–4.49	4.5–5
Average ratings	Very poor	Poor	Satisfactory	Good	Excellent

The average ratings for each indicator in the passenger perception surveys are shown for each airport. The average ratings for domestic terminals and international terminals are presented over time where possible.

Airline surveys

The ACCC conducts an annual survey of airlines about their perception of the quality of facilities they used at the monitored airports. Questions relate to both terminal facilities (aerobridges, check-in and baggage processing) and airside facilities (runways, taxiways, aprons, aircraft gates and ground equipment sites). Airlines are asked to rate two aspects of these facilities:

- availability—that is, the availability of infrastructure and equipment and the occurrence of delays in gaining access to those facilities
- standard—that is, the ability of equipment to perform the function intended, the reliability of the equipment and the probability of it breaking down.

The airlines are also asked to rate the airport operator's responsiveness or approach to addressing problems and concerns with the above facilities. Full details of the questions are contained in a spreadsheet on the ACCC's website http://www.accc.gov.au/regulated-infrastructure/airports-aviation/airports-monitoring.

The scale used for airline ratings is the same as that of the passenger perceptions surveys and shown in table A4.2.1 above. Ratings given by airlines were averaged across airlines to give an average rating for each facility at each airport. The rating given by each airline is given equal weight, regardless of the number of passengers flown or flights. Airlines are also given the opportunity to provide an explanation of their ratings.

Given that airlines may potentially have an incentive to deliberately under-report quality for the airports, the ACCC verifies the airlines' responses when needed. In particular, if an airline gives an airport a rating of below 'satisfactory', the ACCC will seek comments and additional information from the airline, and provide the relevant airport operator with an opportunity to respond to non-confidential commentary by the airlines.

Under the ACCC monitoring regime, airlines are not required to provide survey information for the domestic facilities they operate themselves under domestic terminal leases.

Because airline surveys are conducted on a voluntary basis, airlines' participation in the ACCC's survey varies each year with typically only a small number of responses received by the ACCC. As a result, service quality ratings obtained from airline survey results tend to vary more than passenger ratings. This may impact on the reliability of the overall service quality ratings for the monitored airports.

A4.2.3 Calculating overall quality of aeronautical service ratings for each airport

For each airport, the ACCC calculates a single overall quality of service rating in relation to total services at the airport. As for each of the many specific measures of quality of service, the overall rating is a score out of five. A score of between 1 and 1.49 represents 'very poor' performance, while a score between 4.50 and 5 represents 'excellent' performance.

The overall rating is calculated using a combination of the results from airline surveys, passenger surveys, and objective indicators (e.g. the number of departing passengers per check-in desk, kiosk and bag drop facility during peak hour).

The overall rating is the simple average of the scores that the airport achieved against each of the specific quality of service measures from airline surveys, passenger surveys and objective indicators. For example, Sydney Airport scored an average of 3.60 across 105 performance measures in 2018–19. Among those measures, 30 were obtained from airline surveys, 48 were from passenger surveys and the remaining 27 were objective indicators.

While the airports' performance against the quality of service measures in the airline surveys and passenger surveys are already rated as scores out of five, ratings of performance against objective indicators need to be calculated.

This process consists of producing a set of benchmarks for each measure based on how the four airports performed against that measure. If an airport's performance against that measure is equal to the average performance across the four airports in that year, it will receive a score of 3 out of five. If an airport performs better than the benchmark average, it will receive score of 4 or 5 depending how close its performance is compared to the benchmark. Similarly if its performance is below the benchmark, it will be rated 1 or 2.

An implication of this methodology is that an airport's rating with respect to objective indicators is relative to that of the other three airports. This means an airport can report the same raw performance figures to the ACCC as the previous year, but find its rating for that measure going up or down. It also means that it is not possible for all airports to be rated highly or rated poorly. This is not the case for an airport's ratings based on airline and passenger surveys, which are independent of ratings given to the other airports.

A4.3 Limitations of monitoring

Monitoring does not directly restrict the airports from increasing prices and/or lowering service quality. Nor does it provide the ACCC with a general power to intervene in the airports' setting of terms and conditions of access to the airports' infrastructure.

In addition, the ACCC's monitoring of airports is limited in scope and does not enable the ACCC to assess in detail whether an airport has exercised market power to earn monopoly profits (discussed further below).

A4.3.1 Monitoring information cannot be used to assess the appropriateness of the level of prices and profits

When assessing the level of prices and profits, it is common regulatory practice to undertake an assessment of the firm's economic returns against their efficient long-run costs for providing services. This may involve a public process to rigorously determine an economic value of the firm's asset base (i.e. the regulatory asset base (RAB)) and the firm's required rate of return on capital (i.e. the weighted average cost of capital (WACC)).

In the case of airports, however, the benchmark for efficient long run costs has not been set. Instead, the airports' asset values under monitoring are based on their accounting values rather than their economic value. Importantly, the accounting value of assets may include revaluations that have been undertaken at the airports' discretion and that can distort assessments of airports' performance. For

example, in some years, some airports have revalued their assets upwards, which lowers their return on assets. Consequently, the airports' asset values under monitoring do not provide a reliable indicator of the airports' RAB, which is needed to make a meaningful assessment of whether the airports are earning monopoly rents.

As discussed earlier, the ACCC has adopted the 'line-in-the-sand' approach since 2007–08 to address the issues associated with the airports revaluing their assets. However this approach only removes any asset valuations that have occurred after 30 June 2005.

A4.3.2 Judgement about the airports' performance cannot be made based on trends in the airports' prices, profits and quality of service alone

An airport that is already pricing at or near monopoly levels may only report gradual (rather than sharp) increases in prices and profitability over time. Therefore trends in prices and profitability alone cannot tell us conclusively whether an airport is extracting monopoly profits. Further, monitoring cannot clearly distinguish between various factors that may contribute to increasing profitability, some of which may raise cause for concern about an airport's performance while others may not. For example, increasing profitability by increasing prices whilst lowering or holding constant quality of services over a sustained period of time may indicate an airport exercising market power, which may be a concern. In contrast, increasing profitability due to increased efficiency in operations or economies of scale may not necessarily raise concerns.

A4.3.3 Monitoring does not provide meaningful comparisons of the prices, profits and quality of service across airports

Because the airports' approaches to valuing their assets may vary, it is difficult to meaningfully compare profitability between the airports based on reported return on assets. There are also some other specific reasons that make comparisons difficult.

For example, the ACCC's monitoring role for aeronautical services relates only to those terminals that are owned and operated by the airports. However, some of the airports' domestic terminals are leased and operated by airlines and are not subject to the ACCC's monitoring. Therefore, the revenues, prices, costs, profits and quality of service associated with those terminals are not included in the monitoring results presented in this report. Such terminals include the Qantas domestic terminals at Melbourne and Perth airports, as well as the Qantas and Virgin Australia domestic terminals at Brisbane Airport. In 2015, Sydney Airport purchased the Qantas domestic terminal so it is now included in the monitoring regime.

In the case of airport car parking, the range of services provided by the airports varies significantly with some parking provided in close proximity to the airport terminals for convenience, while some car parking is located at a distance from the terminals. Comparisons of airport car parking prices, revenues, costs and profits are therefore complicated by these various car parking configurations.

A4.4 Consultation

The ACCC provides the monitored airports with the opportunity to provide comments in their quality of service and price monitoring submissions for the ACCC airport monitoring report. This process allows the airports to provide explanations as to why ratings or objective data have changed in the period. In addition, in order to ensure the accuracy of the data, the monitored airports are given an opportunity to comment on their respective chapters of the report as well as chapter 3 that looks at the performance across the monitored airports. Where appropriate, the ACCC has incorporated these comments into the report, particularly where these comments provide a possible explanation for changes in ratings.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