



3 February, 2014

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Dear Andrew

Request for Information in relation to Taxi Access Fee at Melbourne Airport

I refer to Susan Ghantous' email to Sarah Renner of Melbourne Airport of 28 January 2014 requesting detailed information on the costs associated with providing taxi facilities at Melbourne Airport. The request was a follow up to Melbourne Airport's submission to the Essential Services Commission's Taxi Fare Review 2013-14 and also makes reference to a "Cost and Assumptions" document which was attached to an early draft of Melbourne Airport's submission provided to the ESC, but which was not included in and which did not form part of its final submission.

I am concerned that the information request is indicative of a misunderstanding within the ESC of the purpose of Melbourne Airport's submission and the limited scope of the ESC's role with respect to setting Melbourne Airport's taxi access charge.

As you are no doubt aware, a range of Melbourne Airport's charges, including taxi charges, are subject to the Commonwealth Government's price monitoring regime set out in the Direction made by the Assistant Treasurer on 12 June 2012 and pursuant to section 96ZF of the *Competition and Consumer Act 2010* (Cth). This regulatory model was endorsed by the Productivity Commission in 2007 and again in 2012 following the abolition of price controls in 2002.

It concerns us that the information requested includes a review of the costs for necessary new investment. We note that this methodology for price setting was found to be an inappropriate mechanism for establishing prices in an aviation infrastructure context and has not been used since the abolition of price controls in 2002. The

inappropriateness of the necessary new investment regime can be seen from a range of pricing adjustments, including Melbourne Airport's taxi charge, which occurred across the Australian airport sector upon its removal.

The information request seeks an extremely detailed breakdown of the individual components of the operating and capital costs associated with providing infrastructure and services to taxis at Melbourne Airport and goes well beyond that which were required to keep and report under the price monitoring regime. This suggests to us that the ESC wishes to review and play a role in determining or approving the amount at which the Melbourne Airport taxi access charge is set.

It is not within the scope of the ESC's function in reviewing taxi fares in Victoria to review and approve the third party infrastructure access charges that form part of those fares, including Melbourne Airport's taxi access charge, and we consider any proposal to do so would be contrary to the Victorian government's commitment to ongoing regulatory reform and red tape reduction as it would replicate existing regulatory mechanisms for price setting at Australia's privatised airports and potentially impose an inconsistent regime.

The main purposes of Melbourne Airport's submission were to:

- notify the ESC that Melbourne Airport's taxi access charge would be increasing and to provide some background explanation to the ESC about why that is happening;
- support a 100% pass through of the increased taxi access charge to the passenger, given it is the passengers who are the ultimate beneficiaries of the investment by Melbourne Airport in taxi infrastructure and services; and
- support a concurrent increase to the driver handling fee to approximately \$0.70 (which is separate from and additional to the taxi access charge and which is set by the ESC).

The purpose of the submission was not to seek an endorsement by the ESC of the amount of the Melbourne Airport taxi access charge. The Melbourne Airport taxi access charge is analogous to other access charges levied by infrastructure operators throughout Victoria and the amounts of which, we understand, are likewise not subject to approval or endorsement by the ESC. Melbourne Airport supports the taxi access charge being passed through to the passenger in its entirety as currently is the case with road tolls (including CityLink, EastLink and Peninsula Link) and the existing taxi access charge.

In timing implementation of its revised access charge to be concurrent with the new fare structure under consideration by the ESC and making submissions to the ESC in support of a full pass through of the revised charge together with an increase to the driver handling fee, Melbourne Airport is seeking to:

- minimise customer confusion by implementing all fee changes at the same time; and
- support taxi drivers by ensuring that the timing of any increased pass through of costs by the driver to passengers matches that of the increase to the taxi access charge.

We consider the information provided by Melbourne Airport to the ESC in its submission was sufficient to illustrate the explanations provided by Melbourne Airport about the importance to the consumer of the capital infrastructure and operational services provided to support taxi services at Melbourne Airport and the cost to Melbourne Airport in providing these. On the basis of our current understanding of the proper role of the ESC, the information requested is not relevant to the ESC's determination of the amount and structure of taxi fares and provision of the detailed information requested would be overly burdensome and arguably disproportionate to the issue.

It is for these reasons that Melbourne Airport does not propose to provide the information requested. Melbourne Airport is willing to provide further assistance to the ESC in response to reasonable and relevant requests.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Carly Dixon', written in a cursive style.

**CARLY DIXON
GENERAL MANAGER
CORPORATE & PUBLIC AFFAIRS**