

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

19 – 20 October 2011

Question No: SBT 826

Topic: Melbourne Airport

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Senator Cameron asked:

Senator CAMERON: I ask you to take on notice—you are the Productivity Commission—if you can provide the Senate with any figures where a service sector business is producing as much operating margin from revenue, on a proportional basis, as Melbourne airport. I think that is something that we would be interested in. I am sure the Melbourne public would be interested in that as well.

Mr Banks: Senator, as we are completing our final report we would have to think about the extent to which we can answer that question without tripping up ourselves and the government in relation to that final report. I think the point you are raising is about the profitability being excessive and that is something that we should take into account.

Answer:

The Commission has not evaluated 'other businesses' operating margins relative to Melbourne Airport's car parking business. However, with long lived infrastructure assets, there can be a pattern of negative returns in early years with high apparent returns in later years. This can be pronounced where further investment is required to meet projected demand.

The specific matter of Melbourne Airport's car parking business will be discussed in the Commission's final report on the Economic Regulation of Airport Services, which will be forwarded to the Government in mid-December. The Commissions' draft report observed that:

- the ACCC's 2009-10 monitoring report indicates that Melbourne Airport earned 12.6 per cent on its aeronautical assets, and 16.7 per cent for the airport as a whole before interest, tax and amortisation (EBITA).
- Melbourne airport's profit on car parking is heavily driven by volumes — its revenue yields per car park are lower than Sydney and Brisbane and on par with Adelaide (Table 8.6).