

**INQUIRY INTO REMOVING OR REDUCING STATION  
ACCESS FEES AT SYDNEY AIRPORT**

**Organisation:** Airport Link Company Pty Ltd

**Date received:** 13/11/2013

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13 November 2013

**RECEIVED**

13 NOV 2013

The Hon Natasha Maclaren-Jones MLC  
Committee Chair  
General Purpose Standing Committee No. 3  
Parliament House  
Macquarie Street  
SYDNEY NSW 2000

Dear Ms Maclaren-Jones

**Re: Inquiry into removing or reducing station access fees  
at Sydney Airport**

We refer to your letter of the 26<sup>th</sup> of September 2013 regarding the NSW Legislative Council's General Purpose Standing Committee No 3 ("the Committee").

Airport Link Company Pty Ltd ("ALC") acknowledges that the NSW Legislative Council has instructed the Committee to undertake an *Inquiry into removing or reducing station access fees at Sydney Airport*. We appreciate your invitation for ALC to make a submission to the Inquiry and provide this letter in response.

### **Background to ALC**

In February 1995, RailCorp awarded ALC a concession ("the Concession") to construct the four railway stations on the Airport Line between Sydney's CBD and Sydney Airport.

The Airport Line PPP was the largest transport project associated with the Sydney Olympics. The Airport Line stations were opened on the 20<sup>th</sup> of May 2000 in readiness for that event and have now been in continuous operation for 13 years.

ALC holds the exclusive right to operate the ALC Stations on the Airport Line. The Stations are:

- International Airport, beneath the International Airport Terminal, 11.4 km south of the Sydney CBD;

- Domestic Airport, beneath the Domestic Terminals, 9.9 km south of the Sydney CBD;
- Mascot, a suburban station 8.4 km south of the Sydney CBD; and
- Green Square, a suburban station 5.9 km south of the Sydney CBD.

The rights were conveyed by the State Rail Authority (now RailCorp) to ALC by the terms of the Original Stations Agreement executed in 1995 and subsequently varied by *the Restated Stations Agreement (2005) New Southern Railway* dated the 13 October 2005 ("the RSA").

Passengers travelling to, from, or between ALC Stations purchase a "Combined Ticket" comprising:

- a Station Usage Fee ("SUF") which entitles the passenger to use the relevant ALC Station; and
- a Rail Train Fare component ("RTF") which entitles the passenger to use the relevant RailCorp (now Sydney Trains) train service.

Combined Tickets, for both fees, are sold at ALC and RailCorp stations. Subject to the RSA, RailCorp is entitled to receive all revenue from RTF regardless of the point of sale and ALC is likewise entitled to all/part of revenue from SUF.

Today, ALC directly employs 75 staff to manage and operate the stations, and also engages contractors for security, cleaning and property maintenance services. Total annual operating costs are in the range of \$20 million.

It is projected that ALC will support more than 12 million passenger movements this current financial year (2013/14). In fact, more than 50 million passengers have been accommodated on the Airport Line since 2000, with rapid growth being particularly experienced during the past five years following new ownership in 2007 and new management in 2008.

Notably, at the airport stations, Airport Link has experienced significant growth since 2009. This has been the result of significant infrastructure investment and new marketing and servicing initiatives. Combined with the excellent support of Railcorp's train services, this has resulted in a 50% patronage increase, or an additional two million yearly passengers at ALC's airport stations to now more than six million during this current financial year.

In 2013, as a result of this patronage growth, the RSA revenue share mechanism reached the threshold whereby ALC and RailCorp each share 50% of the economics of ALC. It is expected that the next threshold will be reached in FY15. At this point, Railcorp will receive 85% of the economics of ALC.

ALC's strategic position is well recognised in Sydney Airport's Ground Transport Strategy. ALC's Market Share of airport passenger traffic has grown strongly during the past five years, and the Company is willing to participate in any discussions the New South Wales Government may wish to conduct regarding further increasing this patronage.

With that background, ALC provides the Committee with the following comments in response to the questions outlined in the Inquiry's *Terms of Reference*.

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**a) current patronage on the airport line**

During the most recent financial year, 2012/13, the Airport Line stations accommodated 11.41 million passengers, being a 13.69% increase on the previous year.

This patronage was apportioned as:

Domestic	3.86 million passengers – being an annual increase of 11.19%
International	1.98 million passengers – being an annual increase of 8.87%
Green Square	2.43 million passengers – being an annual increase of 22.85%
Mascot	3.13 million passengers – being an annual increase of 13.47%
Total Stations	11.41 million passengers - being an increase of 13.69%

During the current Financial Year 2013/14 ALC forecasts that it will undertake the following passenger activity:

Domestic	4.21 million passengers
International	2.20 million passengers
Green Square	2.62 million passengers
Mascot	3.37 million passengers
Total Stations	12.40 million passengers

**b) the impact of a fare reduction on patronage at Green Square and Mascot**

On the 7 March 2011, the Station Usage Fees (SUF) at Mascot and Green Square Stations, which until that time had been paid by the travelling public, were removed. In their place a "Shadow SUF" was introduced between Railcorp and ALC.

For reference, as a guide, in February 2011 a single adult fare from Mascot or Green Square to, say, Circular Quay, was \$5.80 – comprising \$3.20 of RTF and \$2.60 of SUF. On the 7 March 2011 this became \$3.20 – being a 45% reduction.

This action was beneficial to rail patronage at these two stations.

ALC acknowledges that a range of statistical methods could be used to assess the patronage growth impact of this fare reduction and notes there is no single, precise way to determine an exact figure.

However, ALC considers the best way to analyse the result is to compare the passenger statistics during 2010 (which had no fare reduction) to 2011 and the early months of 2012 – which all include the March 2011 fare reduction benefits.

In doing so, it is also necessary to deduct an estimate of the organic growth that would have occurred regardless of the fare change. Once that is undertaken, ALC determines that:

**Mascot Station**

The March 2011 fare reform improved patronage by +39% at Mascot Station.

**Green Square Station**

The March 2011 fare reform improved patronage by +114% at Green Square Station.

**Comment on differences in these growth rates**

It is interesting to consider the possible reasons why the growth rates differ at the two stations.

ALC's anecdotal view is that the main source of patronage growth is public transport modal shift from buses to rail. ALC assumes that, post the fare reduction, there was a greater movement of passengers from those alternative transport services to Green Square Station, than there was at Mascot Station, where other public transport service options are far fewer or do not exist at all.

However, ALC considers that the 2011 pricing change at Mascot and Green Square Stations only has limited relevance to any hypothetical implementation of SUF changes at the Airport Stations. That is because the decision-making determinants of an airport passenger are far wider ranging and not as price sensitive as a commuter or residential passenger.

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**c) The impact on patronage if the station access fee was removed or reduced at the airport stations**

The Airport Stations have the following GST-inclusive SUFs:

Adult Single	\$12.30
Adult Return	\$24.60
Adult Weekly	\$20.00
Concession Single	\$9.60
Concession Return	\$14.50
Concession Weekly	\$17.00

ALC recognises that any estimate of pricing elasticity regarding the SUF is likely to be highly uncertain and subject to a number of assumptions.

In the first instance, whilst ALC considers that the March 2011 fare reduction provided a 39% patronage improvement at Mascot and a 114% improvement at Green Square, ALC is hesitant to apply similar levels to any hypothetical airport station SUF reduction due to very significant differences in the nature of the overall contestable market.

ALC considers that airport passengers make travel decisions based on a far greater range of factors, *which are largely not price sensitive*. These particular characteristics of airport passengers include:

- Business travellers;
- Business travellers whose employers typically pay the costs of transport;
- Travellers not confident with public transport and so prefer a taxi, at whatever cost;
- Travellers who previously have experienced poor public transport, and prefer a taxi, despite the additional cost;
- Travellers with voluminous and or heavy baggage;
- Travellers rushing for flights or meetings;
- Tired travellers seeking the fastest and easiest physical travel alternative, i.e. a taxi;
- Travellers unfamiliar with the city, preferring to take a taxi;
- Travellers unfamiliar with the Sydney Rail network;

- Travellers seeking point to point (i.e. door to door) travel, and preferring a taxi, at whatever cost;
- Travellers not wishing to change at Central Station;
- Family and friends delivering airport passengers by car;
- Travellers not living near train lines; and
- Affluent travellers, who are much less sensitive to pricing differentials.

These are all aspects, very specific to airport travellers and very separate to price, which impact upon travel decisions. Price is isolated and not a determining element in many instances.

Nevertheless, ALC does consider that the entire removal of the SUF would drive a patronage increase, although the quantum of the increase is difficult to estimate.

As a general guide, the complete removal of the SUF at these stations would provide ticket pricing outcomes such as these examples:

	<b>Full Adult Including SUF</b>	<b>Full Adult Exc. SUF</b>	<b>Hypothetical Reduction</b>
Domestic to City	\$15.90	\$3.60	77%
Domestic to Bondi Junction	\$16.70	\$4.40	73%
Domestic to Parramatta	\$17.30	\$5.00	71%
Domestic to Liverpool	\$17.30	\$5.00	71%
International to City	\$16.70	\$4.40	73%
International to Chatswood	\$17.30	\$5.00	71%
International to Epping	\$17.30	\$5.00	71%
International to Blacktown	\$18.90	\$6.60	65%

Note 1: these are examples only, there are hundreds of actual ticket combinations.

Note 2: these amounts include GST.

ALC estimates that removal of the full SUF could potentially increase train passengers to and from the airport in the overall range of 20% to 40%.

As a base calculation, for the Financial Year 2013/14, ALC estimates that Airport Stations' patronage will be in the range of 6.4 million passengers, comprising 4.2 million at Domestic Station and 2.2 million at International Station.

Therefore, on the hypothetical assumption that the SUF was removed entirely, and that drove a patronage increase of 20% to 40%, there could be 1.28 million to 2.56 million additional passengers in the first year.

### **Comment on a reduction of SUF**

It is more difficult to estimate the likely patronage increase (if any) resulting from a *reduced* SUF.

It will clearly depend on the amount of the reduction and ALC can only speculate as to the impact on patronage.

However, ALC does believe that any reduction would have to be significant for it to yield any notable patronage benefit. In other words, a small reduction in the SUF would likely have no, or at least very low, impact. A significant SUF reduction would be required to stimulate any material patronage increase.

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### **d. The funding implications of removing or reducing the station access fee.**

The funding implications for Government would be driven by a range of factors.

These may include a reduction in cash flow received via the ALC revenue share mechanism, potential increase in RTF receipts from increased patronage, additional Airport Line service costs, possible road maintenance savings, and so on.

Many of these are beyond ALC's ability to meaningfully assess and are best considered by the Government.

Those matters aside, ALC can illustrate one element of the funding implications – namely, the foregone SUF - for the coming Financial Year 2014/15.

During this period, the SUF generated at the Airport Stations is forecast to be \$65 million.

This is an aspect for the State to consider in assessing the funding implications if the SUF was entirely removed.

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### **d) The contract provisions in relation to the station access fee**

The SUF provisions are described in the *Restated Stations Agreement* which is dated 13th October 2005.

Clause 11 of the RSA provides that:



*“...from time to time, ALC may determine (and upon determination notify Railcorp) the amount of Station Usage Fee payable for the Station Ticket. As between Railcorp and ALC, ALC is entitled to all of the Station Usage Fees in respect of Station Tickets and the Station Ticket component of Combined Tickets.”*

A useful summary of the RSA is found on the NSW Treasury website<sup>1</sup>.

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**e) Potential benefits to Port Botany and congestion on roads in and around the airport including the M5.**

ALC feels unqualified to specifically comment on the potential benefits of road activity around Port Botany and the M5, but makes the following general estimates for the Committee's assistance.

ALC estimates that full removal of the SUF could potentially generate (in the range of) 20% - 40% more passengers.

That being the case, assuming car travel of 1.25 passengers per car<sup>2</sup>, at least one million car journeys could potentially be eliminated on an annual basis.

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**f) Other measures to increase patronage on the airport line**

ALC offers two measures for the Committee's consideration:

**1. Government and public service travel**

Consideration could be given to instructing NSW government entities and their employees to travel to and from Sydney Airport by train.

This would deliver a financial and environmental benefit to the State of New South Wales whilst also enhancing Airport Line utilisation and reducing road congestion around Sydney Airport and Port Botany.

**2. Escalators at Platforms 20 & 21 and 22 & 23 at Central Station**

A specific challenge to Airport Line passengers is the lack of escalators at Central Station's Platforms 20 & 21 and 22 & 23.

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1. [http://www.treasury.nsw.gov.au/\\_data/assets/pdf\\_file/0009/3105/railways-contract.pdf](http://www.treasury.nsw.gov.au/_data/assets/pdf_file/0009/3105/railways-contract.pdf)  
2. <http://chartingtransport.com/tag/car-occupancy/>

Each day, thousands of passengers use those platforms to access the Airport Line, travelling either to or from Sydney Airport. One lift is at the city end of those platforms.

Lack of escalators on these platforms is particularly undesirable because a large portion of passengers travelling to or from the airport have luggage. At every hour of the day one can observe many passengers, and often foreign travellers, lugging heavy baggage up and down the stairs at Central Station, en-route to or from Sydney Airport. It is a struggle for all and a particular burden for the elderly and families with children.

The installation of escalators at those Central Station platforms would be of tremendous benefit to the travelling public and certainly enhance patronage on the Airport Line.

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**g) Any other related matter**

ALC has no contribution to this aspect of the Terms of Reference.

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ALC trusts this letter will assist the Committee with their *Inquiry into removing or reducing station access fees at Sydney Airport*. We would be pleased to provide any further assistance or answer any questions associated with this submission.

Yours faithfully

Tim Anderson  
Chief Executive