

Melbourne Airport (MAP) Information Request

1. Purpose of request

The Essential Services Commission (ESC) has reviewed the Cost and Assumptions document (Attachment A) dated December 2013 and the Taxi Fare Review 2013-14 Response to Call for Ideas submission dated January 2014 provided by MAP.

The ESC is seeking to gain a better understanding of the services, operational activities, costs and capital expenditure associated with the operation of Melbourne Airport Taxi pick-up services to facilitate the ESC's review of the proposed change in the Taxi Parking (Access) Fee.

2. Defining the Service

Please provide a detailed definition of the taxi services that MAP is collecting the access fees for. Delineate the services provided to taxis and consumers.

[Please note the ESC is expecting there to be a nexus between the service definition, the activities, operating costs and capital expenditure items described in the sections below.]

3. Associated activities and operating costs

Please provide the information set out in the following tables. This information should provide the ESC with an understanding of the resources and activities undertaken to support the provision of taxi services set out in Section 2 above.

For all expenditure and costing information please indicate if the amount is GST inclusive or exclusive.

Operational Information

A. Facilities committed to the provision of taxi services

Please list the facilities (e.g. taxi loading bays, ranks etc.) committed to the provision of taxi services.

Property description	Location	Area sq m/no. of parking spaces	Facility key features	Other

B. Operating Activity – Human Resources

Please describe the level of human resources committed to the provision of taxi services and management practices.

Please provide:

- For positions associated with the provision of taxi services, an organisation chart with position titles
- The number of taxi rank attendants and a description of how the resources are deployed. For example, number of attendants by location and time of day, differences between weekend and weekday rostering and so on.

C. Non-Staff Operating Activity

The ESC seeks to gain an understanding of the nature, scope and breadth of the activities associated with the provision of taxi services.

Please describe the major operating activities associated with providing taxi services. The following table is provided by way of example of the type of information and level of detail required.

Activity Description	Description of scope of services (1) E.g. Pick-up and disposal of waste	Total amount	Location E.g. Melrose Drive Snake Pit	Level of activity per month (2) E.g. 2,000 times	Rate (\$) per unit of activity (2) E.g. \$200 per cubic metre
Waste Collection		[Cubic metres]			
Land side cleaning		[Times per month]			
Land side gardening		[Times per month]			
Energy		[MWhr per month]			
Equipment servicing (Describe major equipment)		[Times per month]			
Facility maintenance		[Labour hour] [Material]			
SmarteCarte					
Ticketing costs					
Please list other activities					
Notes: 1. In describing the scope of services please also describe the extent to which the service relates to taxi services and any other direct airport service which participates in the benefit of the expenditure. 2. Please state the basis of the activity and cost measures. For example, is it based on current actual activity and cost or forecast activity and cost?					

D. Equipment and technology

List the key equipment and technology deployed in the provision of taxi services.

Equipment Description	Value	Location	Average Age	Remaining Life	Year of next asset refresh

Financial Information

E. Taxi Access Revenue

Please complete the following table. Amounts are to be presented on a GST inclusive basis.

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Airside passenger arrivals												
No. of taxi pick-ups												
Access Revenue (GST inclusive)												

F. Other access fee activity – operating costs and revenue

Cost Setting: Please describe MAP’s practices/methods used to determine costs that relate to taxi services from other access or airport activity. For example, does the cost base relate to actual cost, forecast cost, levelised cost and how are the costs identified and/or allocated.

To what extent do the taxi operating costs described in the Cost and Assumptions document dated December 2013 relate to other access or airport activity?

In respect of rank supervision costs, the ACCC, *Melbourne Airport – necessary new investment taxi charge proposal 2001 Decision* p.8 stated the following, “ ... APAM states that some of these costs are being recovered from tenants, particularly domestic terminal operators”. Are Staff Costs set out in the Cost and Assumptions document net of these recoveries? How does MAP now account for these recoveries?

Access Fee Setting: Please describe MAP’s approach to determining access fees for taxi and other access services.

G. Operating expenditure

The ESC is seeking to better understand the make-up of costs presented in the Cost and Assumptions document dated December 2013 provided by MAP. Please complete the tables below.

For each operating cost item indicate whether the item is a direct, shared/allocated direct costs or an indirect cost. Where the costs are shared/allocated or indirect please describe the basis of allocation.

Indicate the extent to which these costs can be attributed to or are also for the benefit of other airport services e.g. bus, hire car etc.

Staff cost items	Amount (\$) (1)	Direct (S), Shared Direct (SD) Indirect (I)	If shared or indirect, the portion of the total cost allocated	Source and basis of determination (2)
Internal labour costs by category:				
[provide list]				
Labour on-costs by category				
[provide list]				
Third party staff costs by service provider:				
[Provide list]				
Total Staff Costs	\$2,338,033			
1. Please confirm whether these amounts are GST inclusive or exclusive				
2. Please indicate whether the costs are based on actual costs and the relevant period, forecast costs, or levelised costs.				

To the extent possible the cost line items used in the table below should be similar to those used in sub-section C Non-staff Operating Costs above.

Maintenance and Cleaning	Amount (\$) (1)	Direct (S), Shared Direct (SD) Indirect (I)	If shared or indirect, the portion of the total cost allocated	Source and basis of determination (2)
Maintenance costs by category:				
[provide list]				
Cleaning costs by category				
[provide list]				
Other costs by category:				
[Provide list]				
Total Maintenance and Cleaning Costs	\$1,908,236			
1. Please confirm whether these amounts are GST inclusive or exclusive				
2. Please also indicate whether the costs are based on actual costs and the relevant period, forecast costs, or levelised costs.				

H. Capital Expenditure

Describe major capital expenditure activity associated with providing taxi services since 2001.

Description of capital expenditure	Acquisition year	\$ (GST Exclusive)	Asset Life (years)	New or Replacement

Describe major capital expenditure activity associated with providing taxi services over the next 5 years

Description of capital expenditure	Acquisition year	\$ (GST Exclusive)	Life (years)	New or Replacement
T1 Taxi Rank Upgrade		\$125K		
Melrose Holding Yard Facilities Upgrade		\$900K		

4. Key factors driving MAPs request to increase the Taxi Parking Access Fee

A. Cost Comparison to 2001 submission to ACCC

The 2001 ACCC Decision provides a cost point of reference. The table below sets out information provided by Melbourne Airport to inform the 2001 ACCC Decision and the Cost and Assumption information dated December 2013 provided by MAP.

Cost line item	Information provided to ACCC in 2001 \$'000	MAP December 2013 \$'000
Staff costs	\$1,300 (rank supervision costs before terminal operator recovery) \$75 (additional staff – supervision and administration) \$1,375 total	\$2,338
Operating costs of new taxi queuing system	\$359 (excluding land rent and additional staff)	\$1,908 (maintenance and cleaning) \$213 (net SmartCarte) \$2,121 total
Total	\$1,734	\$4,459

The ESC seeks to understand what factors have contributed to the increase in costs. To that end the ESC seeks MAP's comments supported by relevant quantitative analysis to support the cause of the increase in costs.

To the extent the scope of the cost items are different, the ESC seeks MAP's comments explaining the change in scope and the reason these cost items are now included.

B. Forecast Operating Cost

The ESC is seeking to gain an understanding of the level of actual and forecast costs. The ESC seeks MAP's best view of the forecast operating costs associated with providing taxi services over the next five years and a description of the key factors causing costs to change over the forecast period.

To the extent possible the cost line items used in the table below should be similar to those used in sub-section C Non-staff Operating Costs above.

	2011/12 Actual	2012/13 Actual	2013/14 Forecast	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast	2017/18 Forecast
Staff costs (by key cost categories)							
Maintenance and cleaning costs (by key cost categories)							
SmartCarte costs							
Total							

5. Pick-up activity information

The ESC is seeking to understand the relationship between the volume of passenger arrivals and taxi pick-ups. The ESC is also seeking to gain an understanding of the forecast level of activity.

	2013/14 Forecast	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast	2017/18 Forecast
Airside Passenger Arrivals					
Taxi Pick-ups					

6. Driver Handling Fees

The ESC seeks to gain an understanding of the costs incurred by the taxi operator/driver associated with the operation of MAP's taxi pick-up regime.

What activities are drivers required to undertake associated with customer pick-up activities?

How far is the Melrose taxi holding bay from airport taxi ranks? Does travelling this distance represent an incremental cost compared to taxi arrangements prior to the development of the Melrose facility?

What administration costs do drivers incur associated with tracking fees incurred and preparing their Business Activity Statements (BAS)? Is a monthly or quarterly statement provided by MAP to drivers to assist in the preparation of the BAS?

7. General matters

1. MAP to confirm whether operating costs, capital expenditure and access fees included in the Cost and Assumptions – December 2013 document are stated inclusive of GST. Note: Staff costs usually exclude GST.
2. The 2001 ACCC Decision sought to recover incremental expenditure and only that part which could be attributable to additional capacity. No recovery was provided for rank labour costs. Furthermore the charge would be in place for a limited time. The ESC seeks MAP's comments on how the existing fee mechanism relates to the scheme set out by the ACCC.