



Australian
Competition &
Consumer
Commission

Airport quality of service monitoring

Discussion Paper

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Glossary

Aspect	A particular airport service or facility. (For example, aerobridges.) Aspects are listed in the Regulations.
Availability	Describes the capacity of an airport's service or facilities or the ability to provide services or facilities. An assessment of <i>availability</i> gives an indication of whether Airport Operators are undertaking capacity-enhancing investment.
Criteria	A measure used to monitor or evaluate the quality of an <i>aspect</i> . (For example, 'percentage of international passengers arriving using an aerobridge'.)
Determination	A notice in writing by the ACCC of the <i>criteria</i> against which the monitoring and evaluation of an <i>aspect</i> will be performed. A <i>determination</i> in this document does not refer to a legislative instrument.
Performance indicator	The previous term used to describe <i>criteria</i> . Remains the term described in the Airports Regulations 1997 in Schedules 2 and 3.
Regulations	Airports Regulations 1997.
Standard	Describes the physical condition of an airport's service or facilities. An assessment of <i>standard</i> gives an indication of whether services or facilities meet the <i>standard</i> requirements of users.

Summary

This Discussion Paper is being circulated to airport stakeholders for consultation. It covers the following issues related to the quality of service monitoring that applies to Adelaide, Brisbane, Melbourne (Tullamarine), Perth and Sydney (Kingsford Smith) airports from 1 July 2007.

- The ACCC has a responsibility to make a *determination* of the *criteria* against which *aspects* must be monitored and evaluated against under the *Airports Act 1996*. This discussion paper outlines the ACCC's obligations under the legislation and the steps involved in meeting these responsibilities.
- The ACCC has conducted a review of the current quality of service monitoring regime and the applicable *criteria* used to monitor and evaluate quality of service outcomes. The ACCC has consulted with the Department of Transport and Regional Services and the Department administered by the Treasurer in preparing this discussion paper.
- This discussion paper implements the Government's support for the PC's recommendation of the Productivity Commission Inquiry Report that:

In examining opportunities to improve and streamline quality monitoring, the ACCC should give particular attention to:

- whether it remains necessary to report survey responses from the Australian Customs Service;
- how best to eliminate overlap between the airline and passenger satisfaction surveys, and between these surveys and other quantitative indicators; and
- whether greater emphasis should be placed on comparative passenger satisfaction results contained in authoritative international benchmarking exercises.

The ACCC now invites comments from stakeholders.

1. Introduction

1.1. Background

This Discussion Paper covers quality of service monitoring applying to certain airports from 1 July 2007 and has been circulated for consultation with airport stakeholders.

Quality of service at major airports has been monitored by the ACCC since 1 July 1997. It originally formed part of the package of regulatory measures established by the Government following the privatisation of the major Australian airports.

Quality of service monitoring was originally introduced to complement price cap regulation, and has been retained under price monitoring arrangements to:

- reinforce commercial incentives for airports to maintain appropriate service standards; and
- enhance transparency and comparability between airports, and in so doing, assist airport users negotiating with airports and governments to address regulatory matters pertaining to airport activities.

The ACCC has monitored airport quality of service since 1997. A review of the Airports Act conducted by the Department of Transport and Regional Services (DoTARS) occurred in 2002, while two Productivity Commission reviews, encompassing the quality of service monitoring regime, were conducted in 2002 and 2006.

In November 2002, the then Deputy Prime Minister and Minister for Transport and Regional Services announced that the Australian Government would be conducting a review of the Airports Act. The four key issues that emerged from the review were the need for:

- refining the planning and development approval regime (including clarifying perceived ambiguities to the interpretation of s.32 of the Airports Act);
- integrating the overall legislative framework by addressing and resolving cross-overs between Parts 7 and 8 of the Airports Act and the Trade Practices Act 1974;
- clarifying and refining processes associated with the current noise management arrangements applying at the leased Federal airports; and
- implementing an outcomes-based regulatory framework for environment matters.

1.2. Amendments to the Airports Act and the 2006 Productivity Commission Review

In April 2007, the Airports Act was amended in response to the findings of the 2002 review of the Airports Act. The ACCC had anticipated these amendments when it published its *Guidelines for quality of service monitoring at airports* in March 2004.

During 2006, the Productivity Commission (PC) conducted an inquiry into the regulation of airport services and provided the Government with its inquiry report entitled '*Review of Price Regulation of Airport Services*'. The Government released its response to the PC's inquiry report on 30 April 2007.

The PC's Inquiry Report states that:

Quality of service monitoring is intended to complement price monitoring by identifying misuse of market power by airports through either degrading service standards or 'gold plating' services. In addition, assessment of service quality helps to put price movements in context – especially where quality improvements sought by customers have necessitated new investment.¹

The PC's Inquiry Report recommended that:

(Recommendation 5.3) In examining opportunities to improve and streamline quality monitoring, the Australian Competition and Consumer Commission should give particular attention to:

- whether it remains necessary to report survey responses from the Australian Customs Service;
- how best to eliminate overlap between the airline and passenger satisfaction surveys, and between these surveys and other quantitative indicators; and
- whether greater emphasis should be placed on comparative passenger satisfaction results contained in authoritative international benchmarking exercises.

The Government responded by supporting this recommendation and noted:

The Government accepts the [Productivity] Commission's finding that the risk of significant misuse of market power by airports to degrade service quality is low. Consistent with the Government's commitment to reduce the regulatory burden on business, wherever practicable, quality of service reporting under the new price monitoring regime will be streamlined and designed to provide more meaningful information that takes into account the practicalities, complexities and evolving nature of service delivery. In developing and implementing the quality of service reporting framework, regard will be given to the issues identified in this recommendation.

In June 2007, the Airport Regulations were amended to reflect the change in the definition of 'aeronautical services and facilities' (see further below). However, the

¹ Productivity Commission, *Review of Price Regulation of Airport Services*, Inquiry Report, 14 December 2006, p. 116

Airport Regulations have not yet been amended to reflect the changes made to the Airports Act in April 2007 which require the ACCC to *determine* the *criteria* to be used for quality of service monitoring. This is discussed further, below.

This Discussion Paper outlines the ACCC's draft approach to its quality of service monitoring role under the Airports Act. In particular the Discussion Paper covers the following issues:

- the scope of this review
- objectives of quality of service monitoring
- international benchmarking exercises
- the approach to determining quality of service *criteria*
- review of quality of service criteria
- implementation and reporting including information requirements
- process of this review

1.3. Scope of this review

The legislative framework for the ACCC's role in reviewing the *criteria* is set out in Appendix A. In summary, ACCC's role is to *determine criteria* to be used in the monitoring of quality of service at monitored airports. This determination process is a consultative one. The outcome of this consultation process will be a *determination* of the *criteria* used by the ACCC to monitor and evaluate the quality of services and facilities at the five monitored airports against the *aspects* as set out in Table 1:

Table 1: Aspects for the purposes of monitoring and evaluating quality of service²

- | | |
|------------------------------------|--|
| • Runway, apron and taxiway system | • Security clearance |
| • Gates and aircraft parking | • Gate lounges |
| • Aerobridges | • Baggage |
| • Ground service equipment | • Baggage trolleys |
| • Freight facilities | • Flight information display and signs |
| • Check-in | • Washrooms |
| • Government inspection | • Car parking |
| | • Airport access |

The ACCC notes that, with the exception of car parking, all of the *aspects* identified in Table 1 fall within the definition of aeronautical services and facilities that became effective on 1 July 2007.

² Source: Airports Regulations 1997, Schedule 2, Part 1

The ACCC also notes that the Airport Regulations³ need to be amended to reflect the change in the coverage of the new regime to include only Adelaide⁴, Brisbane, Melbourne, Perth and Sydney airports. The Airport Regulations, as currently drafted, require that a different set of *aspects* apply to Adelaide airport. This Discussion Paper has been prepared on the basis that all of the *aspects* will apply to the five monitored airports.

2. Approach to quality of service monitoring

2.1. Objectives of quality of service monitoring

The ability to compare price, cost and quality levels across a range of service providers, or under different regulatory conditions, may assist an evaluation of market outcomes. Accordingly, the ACCC's quality monitoring program aims to gather and report data on measures that facilitate judgments on changes in service quality over time as well as possible comparisons between airports.

The ACCC considers that the objectives⁵ of quality of service monitoring, while minimising the cost of compliance for Airport Operators, are to:

- assist in the assessment of an Airport Operator's conduct in a prices monitoring environment (in light of the independent review which will be undertaken at the end of the monitoring arrangements and 'show cause' provisions); and
- improve the transparency of airport performance in order to:
 - discourage Airport Operators from providing unsatisfactory standards for services which are associated with significant market power;
 - provide information to users of airport facilities, including passengers and the aviation industry, as a basis for improved consultation and negotiation on pricing and investment proposals;
 - highlight changes in service quality over time;
 - facilitate inter-airport comparisons and benchmarking; and
 - assist the Government in addressing other public interest matters.

³ Specifically, Reg. Part 8 and Schedule 2.

⁴ The ACCC notes that, in the past, Adelaide airport has provided the ACCC with information – such as passenger survey results – equivalent to that required of Brisbane, Melbourne, Perth and Sydney airports. This was in addition to its regulatory obligations under the Airport Regulations.

⁵ These objectives are based on those as set out in the ACCC publication, *Guidelines for monitoring quality of service at airports*, Revised March 2004, p.11.

2.2. Responsibility for quality of service standards - the issue of 'control'

The Government's response to the PC's 2002 inquiry stated:

that quality of service indicators be reviewed, to ensure that the monitored services remain within the control of airport operators...but [the Government] notes that benchmark comparisons between airports is facilitated by an overall view of service quality.⁶

The ACCC, in developing the quality of service monitoring program that would apply from 2002-03, took into account this response.

The ACCC notes however that the issue of control continues to be of interest. The PC's 2006 Inquiry Report noted concerns expressed by some Airport Operators that the current monitoring process effectively treats airports as responsible for some quality of service problems beyond their direct control (such as Customs desks).⁷ In particular, Adelaide airport noted in its submission the following:

Some of the information used by the ACCC to gauge quality (for example, passenger surveys) encompassed services not directly under the control of airports – particularly in the areas of queuing for check in and border control...Airports, including Adelaide, provide extensive counters for airline and border agency services who tend to underutilize (sic) the facility allegedly due to budget and staffing level constraints affecting the service quality outcome.

More precisely, the Primary Line counter in T1 (at the request of the border agencies) was set at 12 staff positions. As far as is known to [Adelaide airport] the maximum number of staff ever used on these positions has been five since operations began in October 2005...

Similarly, road transport (taxis and public busses) are dictated by other agencies even though the drop off and pick up infrastructure has been provided to meet demand.⁸

The ACCC acknowledges that there are relatively few significant airport services which are totally under the 'direct control' of an Airport Operator. The provision of services that are of primary importance to passengers and freight forwarders, such as check-in, customs and immigration, security, baggage reclaim, cargo processing and on-time airline performance, are unlikely to be the sole responsibility of the Airport Operator. Rather, they commonly reflect the combined responsibilities of a number of entities, including airlines, government agencies, the Airport Operator and sub-lessees of the Airport Operator. For example, the waiting time at check-in counters will depend on the facilities provided by the airport owner and the staff provided by the airline.

⁶ Minister for Transport and Regional Services and the Treasurer, *Joint Press Release, Productivity Commission Report on Airport Price Regulation*, 13 May 2002, available at <http://www.treasurer.gov.au/tsr/content/pressreleases/2002/024.asp>

⁷ Productivity Commission, *Review of Price Regulation of Airport Services*, Inquiry Report, 14 December 2006, p.117

⁸ Adelaide submission to the Productivity Commission, *Review of Price Regulation of Airport Services*, Inquiry Report, 14 December 2006, p.14-15

It would therefore appear necessary for the quality of service monitoring program to continue to include services over which an Airport Operator may not have direct control or may have only partial control. The ACCC notes that an Airport Operator, as owner of the head lease for an airport, is in a position to at least influence the quality of services. Section 152 of the Airports Act indicates that the coverage of the quality of service monitoring program is not restricted by the level of control exercisable over a service by an airline operator. In this regard, section 152 provides that Part 8 of the Act applies:

... to an airport service or facility if the service or facility is provided:

- (a) by an airport-operator company; or
- (b) by a person other than an airport-operator company under an agreement with an airport-operator company.

2.3 Quantitative and subjective measures

In previous Guidelines, the ACCC has favoured the use of quantitative measures as far as possible. Quantitative measures are generally easier to verify than subjective measures and can quantify the level of service provided. However, in many cases customer perception surveys represent the most effective means of obtaining an assessment of quality of service that is of most relevance to the end user. Examples of services that are more appropriately monitored through customer perception surveys are the general *standard* of terminal facilities, such as the adequacy of flight information, directions, waiting lounge comfort, *availability* of baggage trolleys and the cleanliness of washrooms.

2.4 Authoritative international benchmarking exercises

In its inquiry report, the PC stated:

The ACCC should continue to allow the use of passenger satisfaction results from international benchmarking exercises – such as Airport Service Quality survey undertaken by the Airport Council International.⁹

The Government's response supported the PC Inquiry Report's recommendation that "...in examining opportunities to review and streamline quality monitoring, the (ACCC) should give particular attention to ... whether greater emphasis should be placed on comparative passenger satisfaction results contained in authoritative international benchmarking exercises".¹⁰

⁹ Productivity Commission, *Review of Price Regulation of Airport Services*, Inquiry Report, 14 December 2006, p. 120

¹⁰ Minister for Transport and Regional Services and the Treasurer, *Joint Press Release, Productivity Commission Report on Airport Price Regulation*, 30 April 2007, p. 12

DoTARS considers there is value in airports choosing to adopt a consistent approach of submitting the Airport Service Quality (ASQ) passenger survey data conducted by Airport Council International (ACI) for inclusion in the ACCC's annual QSM report.

The ACCC proposes to continue its practice of accepting, in lieu of passenger surveys conducted by Airport Operators, surveys of passengers conducted on an authoritative and independent basis that may be used in international benchmarking exercises, such as the ACI's ASQ survey program. This is applied for Sydney airport passenger survey information, whereby Sydney airport completes the ACCC's QSM template using the data extracted from the ASQ survey.

The ACCC notes that in some instances, the criteria in the ASQ survey does not match identically the criteria prescribed in the template. In those circumstances, Sydney airport has applied a best fit, for example, while the ASQ survey asks passengers to separately rate both the cleanliness of washrooms and the availability of washrooms the current criteria requires a rating on the *standard* of washrooms. In contrast, the ASQ survey does not facilitate a response from passengers on the following *criteria* and no alternative *criteria* is available:

- crowding in lounge areas;
- information display regarding inbound baggage location
- circulation space for baggage pick up
- waiting time in inbound baggage inspection area

In view of this, if the ASQ survey is voluntarily adopted by each of the monitored airports, it will be appropriate to alter the specific subjective passenger survey *criteria* to reflect that data which is collected by that survey.

Where an Airport Operator has been undertaking authoritative international benchmarking exercises over a number of years but has not reported that information to the ACCC, the ACCC may require that the Airport Operator provides some historical information prior to agreeing that such benchmarking exercises can replace existing passenger surveys. In the case that an Airport Operator has not previously undertaken authoritative international benchmarking exercises, the ACCC may require that the Airport Operator conduct both the authoritative international benchmarking exercise and continue a previous approach to passenger surveys for a transition period.

Additionally, an Airport Operator proposing to replace its existing passenger surveys with data collected through authoritative international benchmarking exercises must agree with the ACCC the level of data that the ACCC requires in order to undertake its quality of service monitoring.

The ACCC seeks comments on:

- whether its existing policy of accepting data from authoritative international benchmarking exercises should be continued or amended;

- whether Airport Operators would be willing to adopt a particular survey program for monitoring purposes, such as the Airport Service Quality survey program conducted by Airport Council International; and
- the costs and benefits of Airport Operators adopting a particular survey program for monitoring purposes.

2.5 Australian Customs Service and Airline perception survey information

ACS perception survey

As background, the PC Inquiry Report stated that the ACCC should give particular attention to:

...the possibility of dispensing with commentary and qualitative survey results from the Australian Customs Service. A number of airports have expressed concerns over what they regard as ‘unsubstantiated’ comments provided by employees of the Customs Service...and, as Melbourne airport (sub.DR55, p. 12) argued, it appears incongruous to include explicit commentary from the Australian Customs Service and not from other public sector service providers. Continued inclusion of this commentary may be a source of unnecessary tension since airport performance in enabling provision of these services could continue to be monitored by passenger satisfaction surveys – which are a broader measure of service quality, potentially encompassing more than the relationship between the service provider and the airport – and by quantitative indicators (such as the number of inspection desks available)¹¹

The ACCC includes in its monitoring program information from a quality of service monitoring survey of airport services and facilities completed by the Australian Customs Service (ACS).

The ACCC recognises that the services that are required to be provided by ACS are not within the direct ‘control’ of an Airport Operator and can significantly contribute to the overall processing time international passengers spend in the terminal. However, ACS does have a relationship with the airport in so far as the Airport Operator has an obligation to ensure that ACS is provided with sufficient services and facilities to facilitate its efficient operation. As such, the views of the ACS are important as a source of information in assessing an Airport Operator’s quality of service.

In recognition of some of the matters that were raised during the PC inquiry, the ACCC has taken steps, when drafting the 2005–06 quality of service report, to address the concerns raised by airports regarding the use of information from the ACS survey. This may address some Airport Operators’ concerns that “the survey can be very biased according to the ‘whim’ of the interviewee.”¹² Further, in compiling the quality of service report, it is the ACCC’s practice to provide Airport Operators with an extract of

¹¹ Productivity Commission, *Review of Price Regulation of Airport Services*, Inquiry Report, 14 December 2006, p. 119

¹² Adelaide Airport Limited, submission (No.23) to the Productivity Commission, *Review of Price Regulation of Airport Services*, Inquiry Report, 14 December 2006 p. 14

the draft report for accuracy checking and comment. Where appropriate, the ACCC incorporates Airport Operators' comments into the report, particularly where these comments provide possible explanation for changes in ratings. This process provides the Airport Operator an opportunity to provide comment to the ACCC on the information presented by all stakeholders including ACS.

The ACS survey assists in analysing results from the passenger perception survey that reports on waiting times for immigration, baggage and government inspection.

Alternatively, the DoTARS has suggested that those QSM matters concerning inwards and outwards international passenger clearance processes are being considered and progressed in a thorough manner through the Passenger Facilitation Taskforce. Although limited public information is available, the ACCC understands that the Taskforce has been established to consider the implications of the projected growth in inbound tourism numbers over the next decade, giving specific attention to ensuring that boarded security arrangements, and elements of the service delivery chain over which the Government has influence are able to accommodate the growth in tourist numbers and the introduction of new wide-bodied aircraft. The Taskforce is chaired by the ACS and includes membership from the Department of Immigration and Citizenship, the Australian Quarantine Inspection Service and DoTARS.

ACCC seeks comments on:

- whether the current criteria relating to Government Inspection should be maintained or modified; and
- whether the operation of both the Airport Passenger Facilitation Taskforce and the National Facilitation Forum are sufficient to monitor and address quality of service issues associated with the airports' provision for Government Inspection services and, as such, whether the ACCC should discontinue seeking survey responses from ACS.

In its submission to the PC inquiry, Melbourne airport expressed concern that the views of the ACS would still be considered under the new regime. Melbourne airport suggested that

'...it seems illogical to consider its views and not those of the Civil Aviation Safety Authority, Airservices Australia, the Australia Quarantine and Inspection Service, the Department of Immigration and Multicultural and Indigenous Affairs and various Commonwealth and state law enforcement agencies – all of who access the airport by statutory right and over whom airports have no capacity to exercise market power in relation to the monitored services as there are no market transactions occurring.'¹³

On this point, the ACCC does not propose to expand the quality of service monitoring regime to extend to other Government agencies. This proposition is in light of the Government's response that the quality of service regime should be streamlined. The ACCC is of the view that the ACS response can act as a proxy for those other

¹³ Melbourne Airport, submission (No.13) to the Productivity Commission, *Review of Price Regulation of Airport Services*, Inquiry Report, 14 December 2006, p. 12

Government agencies that operate from within the monitored airports under statutory right. From a passenger's point of view, the services provided by ACS are likely to be the most prominent of the government inspection services. The ACCC also notes a consistent time series of information has been collected each year since 2002–03 using the survey responses of the ACS.

Airline perception survey

Airport operators have raised various concerns regarding the contribution of airline perception surveys to the QSM regime including the statistical significance of the survey information in light of the small number of responses available. In addition, concerns have been raised that airline responses lack openness and transparency.

ACCC seeks comments on:

- whether it should continue to seek perception survey responses from airlines; and/or
- whether the current range of responses should be restricted to a more limited range of *aspects* of airport services and facilities; and/or
- whether there are alternative *criteria* available to evaluate airport performance of *aspects* that are currently assessed using airline responses.

3. Approach to determining criteria

3.1. Government Response

As noted above, the Government's response to the PC's review accepted that the risk of significant misuse of market power by airports to degrade service quality is low. The response also noted that:

'Consistent with the Government's commitment to reduce the regulatory burden on business, wherever practicable, quality of service reporting under the new price monitoring regime will be streamlined and designed to provide more meaningful information that takes into account the practicalities, complexities and evolving nature of service delivery. In developing and implementing the quality of service reporting framework, regard will be given to the issues identified in (the Inquiry Report's) recommendation.'¹⁴

The issues referred to are:

- whether it remains necessary to report survey responses from the Australian Customs Service;
- how best to eliminate overlap between the airline and passenger satisfaction surveys, and between these surveys and other quantitative indicators; and

¹⁴ Minister for Transport and Regional Services and the Treasurer, *Joint Press Release, Productivity Commission Report on Airport Price Regulation*, 30 April 2007, p. 13

- whether greater emphasis should be placed on comparative passenger satisfaction results contained in authoritative international benchmarking exercises.¹⁵

3.2. Major aviation industry trends

The ACCC's QSM regime has remained largely unchanged since 1997, apart from a review conducted by the ACCC prior to commencement of monitoring in 2002–03. The ACCC notes that since that time, the aviation industry has experienced various developments due to a number of significant events and trends. In view of this, the ACCC has had regard to the following issues in drafting this Discussion Paper:

- two PC inquiries conducted in 2001 and 2006;
- significant investment in aeronautical infrastructure;
- development of commercial relationships between airports and airlines;
- entry of low cost carriers, both international and domestic; and
- substantial development of non-aeronautical assets.

In view of these changes, in particular the entry and development of low cost carriers, it is proposed that the following additional guidance be provided to airlines when completing user perception surveys.

Availability: the amount of the service made available to an airline relative to demands for the service, the level of service sought and the airline's preparedness to pay for the service sought/provided.

Standard: the standard/condition of the facility supplied, and condition in which it is generally maintained, having regard to the standard sought by the individual airline.

As discussed further below, the ACCC directs airlines to only provide a perception rating and comment on those services and facilities the Airport Operator provides and which the airline uses. For example, some low cost carriers may not wish to use aerobridges and, as such, the ACCC would direct them not to provide a perception rating for these facilities.

3.3. Principles for determining criteria

The ACCC has developed principles for determining criteria which are based on the criteria for determining quality of service performance indicators under the previous monitoring regime.¹⁶ These criteria have been augmented to reflect the Government's policy of streamlining the monitoring and reducing the regulatory burden on business.

The ACCC is conscious of the importance of minimising the cost of the monitoring program to Airport Operators. However, this needs to be balanced against the expectation that firms in competitive industries routinely maintain comprehensive databases on many aspects of their businesses.

¹⁵ Ibid.

¹⁶ See ACCC, *Guidelines for monitoring quality of service at airports*, Revised March 2004, p.19.

In its approach to monitoring quality of service at airports, the ACCC has sought to utilise quantitative measures based on information that is readily available from the Airport Operator itself, airport users and other government agencies. However, in some cases use of subjective measures will be required, for example, passenger perception surveys. The ACCC's current practice is to accept surveys that are undertaken 'in-house' by Airport Operators provided that the operators consult closely with the ACCC on both the contents of the survey and the methodology used and provide an associated statutory declaration supporting the results of such a survey.

From the ACCC's perspective the surveys need to gather information which is relevant to the ACCC's quality of service monitoring program. One feature of this is comparability of survey data across airports. The ACCC also needs to be satisfied that the data collected and the methodology and processes used target priority areas, are unbiased, and are statistically robust. In this context auditing and verification procedures will be important.¹⁷

In determining *criteria* for monitoring and evaluating the quality of services and facilities at monitored airports in accordance with s. 155 of the Airports Act, the ACCC has taken the view that the *criteria* should:¹⁸

- relate to the ACCC's prices monitoring program, that is, the *criteria* should cover aeronautical services and incorporate both airline and passenger *criteria*;
- relate to significant services, that is, associated with a relatively large proportion of airport expenditure or revenue generation, or with a critical role in the movement of passengers or freight by air;
- be important to users;
- be measured through the use of existing relevant information as far as possible;
- be verifiable and not susceptible to manipulation; and
- implement the Government's policy to streamline the quality of service regime with a view to addressing any overlap that may exist amongst *criteria* associated with a similar *aspect*;
- implement the Government's commitment to reduce the regulatory burden on business, wherever practicable.

¹⁷ The Airport Regulations provide at reg 8.03(3) information given to the ACCC in accordance with the quality of service requirements of the regulations, must be verified by statutory declaration by, in the case of monitored airports, a director of the corporation.

¹⁸ As noted above, this list is based on the principles set out in: ACCC, *Guidelines for monitoring quality of service at airports*, Revised March 2004, p.19.

An assessment of the *availability* of services can be obtained by *criteria* which measure the utilisation of major facilities (actual usage relative to the capacity of facilities) and also *criteria* relating to final quality of service outcomes in terms of waiting times or delays associated with services and crowding associated with use of facilities. *Criteria* to measure the general *standard* of services provided are also identified.

As outlined above in Section 1.3, the ACCC must have regard to the *aspects* detailed in the Airports Regulations when making a *determination* on the *criteria* against which the ACCC monitors and evaluates quality of service by Airport Operators.

This Discussion Paper therefore presents a service-by-service analysis of the current measures used to report on service quality. Table 2 (below) sets out, for each *aspect*, the corresponding *criteria* which are used to measure quality of service. In the case where several *criteria* are used to measure a particular *aspect*, Table 2 provides an analysis of the extent to which those *criteria* may be complementary or whether there may be some degree of duplication or ‘overlap’.

3.4. The coverage of quality of service criteria

In general terms, the following types of measures are currently used as information sources:

- direct measures of waiting times at major passenger processing stages;
- customer perception surveys relating to the *standard* of service and facilities made available in terminals and associated with ground access;
- measures of capacity utilisation for major facilities (average usage in comparison to capacity for peak periods, and, where appropriate, overall);
- questionnaires/surveys to airlines relating to the *standard* and *availability* of services; and
- information from airlines relating to the *standard* of facilities provided to them (excluding safety related issues covered by the Civil Aviation Safety Authority (CASA)).

The specific *criteria* identified in Table 2 encompass a variety of these types of measures, including aircraft delay, *availability* of aerobridges, waiting times and crowding associated with passenger processing facilities, equipment *availability* and the *standard* of facilities.

Information for these indicators will generally need to be obtained from sources such as customer perception surveys, airline surveys and information from Airport Operators and related parties, such as Airservices Australia, on the capacity of facilities and its utilisation. Other *criteria* may be used where direct measures are not practicable.

It should be noted that the *criteria* are designed to be used in conjunction with each other rather than in isolation. In some instances this means the raw data requested may

be combined with other measures to gauge, for example, the level of utilisation of a facility.

4. Review of quality of service criteria

In 2002 the ACCC undertook a review of the measures used to assess quality of service at airports and the type of information sourced in anticipation of amendment to the Airports Act. At that time the ACCC carried out an extensive process of consultation and assessment. As a result of this process, the ACCC developed the approach to quality of service monitoring that has applied since 2002. This approach was designed so that there is a complementarity between airline and passenger satisfaction surveys and between these surveys and other quantitative indicators in the sense that these indicators measure a service from different perspectives.

The example of check-in desks illustrates this approach. Passengers are surveyed so that an average check-in waiting time can be calculated. This is a measure of the quality of service experienced by the end users. However, other measures are required to analyse the underlying causes of a particular service level provided or changes in services levels. A quantitative indicator provides a measure of the percentage of hours with more than 80 per cent of check-in desks in use. This indicates the check-in desk capacity being offered by the Airport Operator and its utilisation by airlines. To assist in assessing utilisation levels, airlines are surveyed on the *availability* and *standard* of check-in facilities. These various sources of information provide for a basis for analysis and can in some instances provide an insight as to the cause of a perceived change in service quality.

Table 2 below, shows all the *aspects* as outlined in the Airport Regulations.

In Table 2, the first column sets out the *aspect* – that is, the service or facility that is to be monitored. Listed alongside each *aspect* are the relevant *criteria* used to assess the performance of that *aspect*. The second column of Table 2 lists the *criteria* that are derived from passenger surveys. The third column lists the current quantitative *criteria* measuring utilisation. The fourth column lists the criteria that are derived from the surveys of the airlines which measures the *standard* and *availability* of services. The final column lists the *criteria* relating to government inspection services that are derived from the survey of the Australian Customs Service. Note that not all *aspects* have *criteria* from each information source. For example, information regarding aerobridges is currently collected only two sources: airline surveys and quantitative information provided by Airport Operators.

Table 2: Current quality of service aspects and associated criteria

Aspect		Criteria		
Indicator of...	Quality of service offered to end users	Capacity Offered and Capacity Utilised	Standard and availability of service offered to intermediate users	Standard and availability of service offered to government inspection services
Info Source	<i>Passenger surveys</i>	<i>Quantitative indicators</i>	<i>Airline surveys</i>	<i>ACS survey</i>
<i>Passenger-related– International</i>				
Aerobridges		Percentage of international passengers arriving using an aerobridge Percentage of international passengers departing using an aerobridge	Aerobridges Availability Aerobridges Standard	
Check-in	Check-in - waiting time	Percentage of hours with more than 80 per cent of check-in desks in use	Check-in Availability Check-in Standard	
Government inspection	Immigration area - inbound - waiting time Baggage inspection - inbound - waiting time Government inspection - outbound - waiting time	Number of arriving passengers per inbound immigration desk during peak hour Number of arriving passengers per baggage inspection desk during peak hour Number of departing passengers per outbound migration desk during peak hour		Arrival - immigration - availability Arrival - immigration - standard Arrival - baggage inspection - availability Arrival - baggage inspection - standard Departures - immigration - availability Departures - immigration - standard

Security clearance	Security clearance - quality of search process	Number of departing passengers per security clearance system during peak hour	
Gate lounges	Gate lounges - quality and availability of seating Gate lounges – crowding	Number of departing passengers per seat in gate lounges during peak hour Number of departing passengers per square metre of lounge area during peak hour	
Baggage	Baggage reclaim - waiting time Baggage reclaim - information display Baggage reclaim – circulation space	Average throughput of outbound baggage system, bags per hour	Baggage Facilities Availability Baggage Facilities Standard
Baggage trolleys	Baggage trolleys – findability	Number of passengers per baggage trolley during peak hour	
Flight information display and signs	Flight information display screens Signage and wayfinding	Number of passengers per flight information display screen during peak hour Number of passengers per information point during peak hour	
Washrooms	Washrooms – standard		

Passenger-related– Domestic

Aerobridges		Percentage of international passengers departing using an aerobridge	Aerobridges Availability Aerobridges Standard
Check-in	Check-in - waiting time	Percentage of hours with more that 80 per cent of check-in desks in use	Check-in Availability Check-in Standard
Security clearance	Security clearance - quality of search process	Number of departing passengers per security clearance system during peak hour	
Gate lounges	Gate lounges - quality and availability of seating	Number of departing passengers per seat in gate lounges during peak hour	

	Gate lounges – crowding	Number of departing passengers per square metre of lounge area during peak hour	
Baggage	Baggage reclaim - waiting time Baggage reclaim - information display Baggage reclaim - circulation space	Average throughput of outbound baggage system, bags per hour	Baggage Facilities Availability Baggage Facilities Standard
Baggage trolleys	Baggage trolleys - findability	Number of passengers per baggage trolley during peak hour	
Flight information display and signs	Flight information display screens Signage and wayfinding	Number of passengers per flight information display screen during peak hour Number of passengers per information point during peak hour	
Washrooms	Washrooms – standard		

Landside-related – International and Domestic

Car parking	Car-parking - standard Car-parking - availability Car-parking - time taken to enter	Average daily throughput, short term car park, cars per day	
Airport access	Kerbside space - congestion Kerbside drop-off and pick-up facilities Taxi facilities – standard		

Aircraft-related – International and Domestic

Runway, apron and taxiway system			Runways Availability Runways Standard Taxiways Availability
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	Taxiways Standard Apron Availability Apron Standard
Gates and aircraft parking	Gates Availability Gates Standard
Ground service equipment	Ground Service Sites Availability Ground Service Sites Standard

Management

	Availability of Addressing Quality Service Standard of Addressing Quality Service	Management approach to concerns
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The following discussion provides some context for the information presented in Table 2. This may assist interested parties to comment on the appropriateness of maintaining or amending the current approach to quality of service monitoring.

4.1. Aerobridges, check-in and security clearance

Measurement of the aerobridge *aspect* consists of quantitative *criteria* measuring aerobridge utilisation for arriving and departing passengers and an airline perception survey for *availability* and *standard* of the aerobridge facilities. There may appear to be an overlap in the sense that the airline perception survey makes a subjective judgement with regard to the level of aerobridges facilities available and a calculation of percentage of passengers arriving/departing using an aerobridge may appear to cover the same issue. However, for example, a low cost airline may wish to minimise its costs by not utilising airport aerobridge facilities. In this case, the quantitative measure of utilisation might show a fall in the percentage of passengers using aerobridges, but the airline perception survey would show that airlines are satisfied with this level of aerobridge *availability*. This is because airlines are instructed to respond to the QSM survey in response to those services and facilities accessed by the airline. In this instance, airlines not utilising aerobridge facilities should not respond to a survey question regarding aerobridges as it is not applicable.

In addition, the airline survey response to the *standard* of aerobridge facilities is the only measure of the actual *standard* of quality of aerobridge facilities. A measurement of the *standard* of a facility or service may be described as whether the services or facilities are of a sufficient character for example, torn carpet or a lack of air-conditioning on an aerobridge may not be considered up to that appropriate *standard*.

The ACCC notes that in the past, Airport Operators have only been requested to provide information on aerobridge use by international passengers. It is unclear to the ACCC why this quantitative measure should not also apply to domestic passenger use where the Airport Operator provides such facilities. As such, the ACCC is considering collecting information on aerobridge use by domestic passengers from 2007–08.

The *criteria* used to assess the quality of check-in facilities are, like aerobridges, drawn from a number of sources. The quality of check-in facilities is monitored by responses from passenger (*waiting time*) and airline surveys (measuring *availability* and *standard*) and also a quantitative *criteria* (measuring check-in desk utilisation). The indicators are intended to be complementary and to create a broad understanding of the quality experienced and the factors affecting quality. For example, a response observed from the passenger survey may indicate a longer waiting time than reported in previous periods. The quantitative measure of ‘percentage of hours with more than 80 per cent of check-in desk in use’ provides an indication of the extent to which check-in desks that are provided by the Airport Operator are being used by the airlines. As such, a measure indicating high utilisation may indicate that the Airport Operator may not be providing a sufficient number of check-in desks. Alternatively, a measure indicating low utilisation may indicate that the Airport Operator is providing a sufficient number of check-in desks but the airlines are not utilising them. In this case, responses from the airlines survey that cover *availability* and *standard* of check-in facilities could indicate whether the airlines are satisfied with the check-in desks being provided by the Airport

Operator. This would in turn indicate that the actions of the airlines, rather than the Airport Operator, are affecting the quality of the check-in service experienced by passengers. However despite this, a number of issues arise upon which the ACCC now seeks comment as listed below.

Security clearance currently has two measures of quality: a quantitative *criteria* measuring the number of passengers per security clearance system during peak hour and a passenger perception survey response on the quality of the security clearance process.

While the ACCC maintains that the Airport Operator has control, even if indirect, over most services and facilities within the airport, passengers judgement of the level of quality of the security clearance process may be skewed by a view that the Airport Operator has control over the processes conducted by Government security agencies.

ACCC seeks comments on:

- whether information on aerobridge use by domestic passengers is available from Airport Operators;
- whether the *criteria* addressing the quality of the security search process should be replaced with a passenger perception survey waiting time response;
- whether the percentage thresholds currently applied are the most appropriate (for instance, should the measure of percentage of hours with more than 80 per cent of check-in desks use be increased to 90 or even 95?);
- whether the quantitative measures are still the most appropriate and, if not, how could they be refocussed (for example, whether check-in availability should be measured only for periods of peak activity);
- whether the impact of new options for check-in affects the need to continue or modify the existing approach to monitoring check-in desks.
- whether the Airport Operator has a sufficient degree of control over the quality of security clearance services to justify the current passenger perception survey response addressing the quality of the security search process; and
- whether the *criteria* addressing the quality of the security search process should be replaced with a passenger perception survey waiting time response;

4.2. Government inspection

As discussed above at Section 1.2, the Government supported the recommendation of the PC Inquiry Report that the ACCC ‘...should give particular attention to whether it remains necessary to report survey responses from the Australian Customs Service...’¹⁹ For further discussion on the appropriateness of ACS perception survey information, see the discussion at Section 2.4.

¹⁹ Minister for Transport and Regional Services and the Treasurer, *Joint Press Release, Productivity Commission Report on Airport Price Regulation*, 30 April 2007, p. 12

4.3. Gate lounges, baggage services, and flight information displays and signs

Gate lounges are assessed using two quantitative indicators (measuring passengers per seat and per floor area) and two passenger perception survey results (measuring seating quality and crowding). The ACCC notes that the number of passengers per square metre of lounge area during peak hour is a measure of the quality of this service.

ACCC seeks comments on:

- whether to remove the passenger perception survey *criteria* concerning gate lounge crowding given passengers are already asked to respond to a question concerning the *standard* and *availability* of seating.

Baggage services are also an area on which the ACCC seeks comment. The quantitative *criteria*, which is based on the number of hours the baggage system is in operation over the financial year divided by the total number of bags processed, provides a measure of the capacity of the baggage system. However, measurement of the capacity of a baggage system should focus on how well it meets demand during peak hour. An alternative quantitative criterion may be ‘average throughput of outbound baggage system, bags during peak hour’ as this would provide a better indication of an airport’s baggage system capacity.

ACCC seeks comments on:

- whether information sufficient to measure ‘average throughput of outbound baggage system, bags during peak hour’ is likely to be available from Airport Operators; and
- whether the current quantitative criteria (measuring ‘average throughput of outbound baggage system, bags per hour’) should be discontinued.

The surveys of passengers and airlines provide two perspectives of the baggage handling process. Airlines respond to the survey from the perspective of the ‘air-side’ of the baggage system process, for instance *availability* of a baggage belt for arriving baggage. The passenger survey reports on how long it takes for passengers to reclaim their baggage. The *standard* of baggage facilities on the ‘air-side’ is currently measured by the airline perception survey. On the ‘terminal side’, the *standard* of baggage facilities is only measured by surveys of passenger perceptions of circulation space around baggage reclaim areas.

The *aspect* of flight information display and signs is measured in three ways. The current passenger survey provides separate responses for perceptions of: (1) information display for baggage reclaim; (2) flight information display screens; and (3) signage and wayfinding.

In the past, the ACCC has reported the quantitative FID, information point and baggage trolley measures as ‘service per passenger during peak hour’. Due to the unavailability

of data from some airport operators the ACCC has been using a measure based on different peak hours for arriving and departing passengers. For instance, an airport may have a peak hour commencing at of 7.00 am for arriving passengers but a peak hour commencing at 7.00 pm for departing passengers. The ‘per passenger during peak hour’ measures have been calculated as the sum of arriving and departing passengers despite this peak measure not reflecting the one single hour. Subject to information being made available by airport operators the ACCC proposes to calculate total demand during peak hour to reflect the higher of either arriving or departing passengers during peak hour plus the average passenger level in the opposite passenger category. See the following example:

Airport A	Peak hour	Peak hour passenger numbers	Corresponding period peak passenger numbers	Peak hour measure used
Arriving passengers	7.00am to 7.59am	1,598	683	2,281
Departing passengers	9.00pm to 9.59am	953	390	1,343

In the example above, if the peak hour measure was used in the manner previously calculated the airport peak hour measure would be overstated at 2,551. The proposed approach will use 2,281 in quantitative criteria and would better reflect the demand for services and facilities at airports during peak periods.

ACCC seeks comments on:

- whether these three measures could be combined into an overarching passenger perception survey question concerning information display and signage;
- whether information is available to the airports to facilitate corresponding peak period passenger numbers to facilitate the calculation above; and
- alternatively, whether the quantitative measure of FIDS per passenger during peak hour should be removed given the variability of the size of FIDS.

4.4. Baggage trolleys and washrooms

Baggage trolleys and washrooms are services that are important to passengers. Furthermore, such facilities and services provided directly by the Airport Operator to passengers. Currently, there is both a quantitative indication of the airport’s provision of baggage trolleys for passenger use (the number of passengers per baggage trolley during peak hour) and a passenger perception survey response concerning the findability of the baggage trolleys. It is not apparent that any overlap exists in the current *criteria* for assessing these facilities although see the discussion above concerning peak period measures for proposed future approach.

There is currently only one measure related to washrooms – a passenger survey question on washroom *standard*. The ASQ survey requests passengers to rate the ‘cleanliness of washrooms/toilets’ and the ‘availability of washrooms/toilets’.

ACCC seeks comments on:

- whether the passenger perception survey response concerning washrooms should be extended to include two separate *criteria* of 1) cleanliness and 2) availability of facilities in line with the ASQ survey.

4.5. Car parking and airport access

The Government’s response to the PC inquiry noted the Government will be asking the ACCC to monitor car parking prices at the major airports separately from the aeronautical price monitoring regime.²⁰ To this end, the ACCC has received a request from the Hon Chris Pearce MP, Parliamentary Secretary to the Treasurer, that the ACCC monitor car parking prices at those airports that are subject to the monitoring regime. The ACCC notes that this informal monitoring extends only to car parking prices at monitored airports. While the Airports Regulations continue to identify car parking as an *aspect* that is subject to monitoring, the ACCC will consider the issue of car park monitoring separately. This Discussion Paper has therefore been prepared on the understanding that the Airport Regulations will be amended to remove car parking as an *aspect* of the monitoring regime..

4.6. Airside services and facilities

Airservices Australia provides certain data to indicate the adequacy of airport runways to handle traffic. Airservices currently records a number of measures regarding peak-hours arrival performance on a monthly basis at Brisbane, Melbourne and Sydney airports and just recently Perth airports. The facilities necessary to gather this data have not yet been installed at Adelaide airport. Airservices Australia’s measures relate to the busiest morning peak hour at each of the three airports, generally 7.30 to 8.30 am, averaged across all days in the month or year specified.

The Airservices Australia measures have been devised as a guide to its own performance in handling air traffic, but they also give some indication of airport constraints and therefore the adequacy of runway infrastructure or management. For example, if demand is consistently close to operationally agreed capacity for the peak hour, it would suggest that there is little spare capacity for increased traffic at that time. However, the full extent of capacity constraints cannot be seen from this data alone because the agreed arrival rate may have already been limited by constraints such as airport infrastructure. Potential demand in excess of capacity, which might, for

²⁰ Minister for Transport and Regional Services and the Treasurer, *Joint Press Release, Productivity Commission Report on Airport Price Regulation*, 30 April 2007, p. 2

example, indicate the need for new infrastructure, may therefore not be observed in this data. The current monitoring program addresses this by drawing on responses from the airline survey regarding whether the expectations of users (that is, the airlines) are being met. The airline survey provides information on perceptions of runway, taxiway and apron *availability* and *standard*.

4.7. Management responsiveness

The quality of service *criteria* currently include an assessment of the Airport Operators approach to addressing airline and ACS negotiations and concerns. This is not an *aspect* for the purposes of the Airport Regulations, however the ACCC includes this measure as a tool to gauge the Airport Operator's commitment to meeting the requirements of airport stakeholders. The ACCC proposes to continue seeking input from airlines and ACS on the issue of airport management on the basis that it is consistent with the Government's Aeronautical Pricing Principles. That is, two elements of the aeronautical pricing principles are:

that prices (including service level specifications and any associated terms and conditions of access to aeronautical services) should:

- (c)(i) be established through commercial negotiations undertaken in good faith, with open and transparent information exchange between the airports and their customers and utilising processes for resolving disputes in a commercial manner (for example, independent commercial mediation/binding arbitration) [and]
- (e) that service-level outcomes for aeronautical services provided by the airport operators should be consistent with users' reasonable expectations.²¹

The Government's response also advised that

following the release of the ACCC's annual report on price and service quality outcomes, but also having regards to other relevant information, the Minister, following consultation with the Treasurer, will issue a statement indicating whether the Government will be asking any of the monitored airports to 'show cause' as to why their conduct should not be subject to more detailed scrutiny.²²

Airline and ACS survey responses concerning the approach to management of the commercial relationship Airport Operators maintain with stakeholders may assist in informing the Minister (in consultation with the Treasurer) of the Airport Operators overall conduct. By way of background, the ACCC normally conducts a process of review of airline comments in the QSM survey and identifies only specific issues to report. Airport Operators are afforded the opportunity to review a draft of that the airport's part of the report (which includes commentary from airlines and ACS) for accuracy. The ACCC does not currently circulate the airline or ACS survey responses in an effort to preserve anonymity and prevent compromising a stakeholder's commercial position.

²¹ Minister for Transport and Regional Services and the Treasurer, *Joint Press Release, Productivity Commission Report on Airport Price Regulation*, 30 April 2007, pp. 8-9

²² *Ibid.* p. 6

The ACCC does, however, seek comments on:

- in light of comments relating to the Passenger Facilitation Task Force, whether survey responses concerning airport quality of service should continue to be sought from ACS and reported by the ACCC;
- whether to condense the airline survey response *criteria* (which cover both the *availability* and *standard* of system for addressing concerns) into a single question, such as ‘management approach to quality of service concerns’. The airline criteria would then be similar to that sourced from the ACS survey; and/or
 - alternatively, whether to not seek airline responses to surveys with respect to management responsiveness.

5. Implementation and Reporting

5.1. Information requirements

The *Airports Regulations* (Reg 8.02) require that monitored airports keep records on the matters listed in Schedule 3 of the *Airport Regulations*. Regulation 8.03 in turn provides that those monitored airports that are obliged to keep records under reg. 8.02 must give a copy of the record for a financial year to the ACCC within one month after the end of the financial year. (Part 8 of the *Airports Regulations* is reproduced at Appendix A.) It is from these records that the ACCC sources the information it requires to monitor and evaluate that quality of service *aspects*. As currently drafted, the *Airport Regulations*²³ distinguish between ‘Phase I’ and ‘Phase II’ airports. As noted above, the *Airports Regulations* will need to be amended such that the five monitored airports will be required to keep records on all of the ‘matters’ described in Appendix B.

In broad terms, the *Airports Regulations* require that Airport Operators maintain and provide to the ACCC certain records for the following services:

1. **Aircraft parking**
2. **Aerobridges**
3. **Check-in**
4. **Government inspection (inbound)**
5. **Government inspection (outbound)**
6. **Security clearance**
7. **Gate lounges**
8. **Baggage system (outbound):**

²³ See Schedule 3, Part 1.

9. **Baggage system (inbound)**
10. **Car parking.**

The ACCC notes that the information requirements of the *Airports Regulations* do not extend to all of the *aspects* listed in Table 1. The ACCC's responsibility under s.155 extends to making a *determination* of the *criteria* against those *aspects* identified in Table 1. For example, Ground Service Equipment and Freight Facilities are both services required to be monitored but for which the Regulations do not require that Airport Operators keep information. As such, Airport Operators will be required to maintain and provide information beyond that which is described in reg. 8.02. However, the ACCC does not intend to impose any regulatory requirement on the monitored airports that is additional to that which applied in the previous monitoring regime.

5.2. Provisions for requiring further information

The quality of service monitoring program is complementary to the ACCC's prices monitoring role. An important objective associated with the program is to identify changes over time in the quality of aeronautical services, such that future reviews of airport conduct are provided with relevant information.

The basis of the ACCC's quality of service monitoring program will be the collection and reporting of results against the *determined criteria* for airport services. However, in some circumstances it may be appropriate for the monitoring program to extend beyond this. Although information based on the *criteria* will provide information on changes over time in service levels, it may not provide an adequate explanation of those changes. In this sense, the reports against *criteria* can act as triggers to seek further information to assist with interpretation of initial results.

In the first instance, the ACCC may seek the assistance of those parties that have provided information to clarify or further explain changes or trends that are identified. This reflects the approach the ACCC has taken in preparing previous monitoring reports.

Should further inquiry be necessary, the Airports Act provides for the ACCC to obtain information in relation to service quality. The *Airports Regulations* may confer upon the ACCC the power to specify any additional information it may require, in the form it requires, to assist with the monitoring and evaluation the quality of an *aspect*. Although the *regulations* do not currently confer such power to the ACCC, there does remain scope within the Airports Act for the Minister to amend the *regulations* to confer such power.

Where such powers are relied upon by the ACCC, the ACCC will be able to take into account relevant confidentiality considerations, including not disclosing information

relating to particular airlines. The formal protection of such information is provided for under the Airports Act.²⁴

Further information on the treatment of confidential information is set out in the ACCC draft Airports Reporting Guideline (September 2007).

5.3. Analysis and interpretation of data

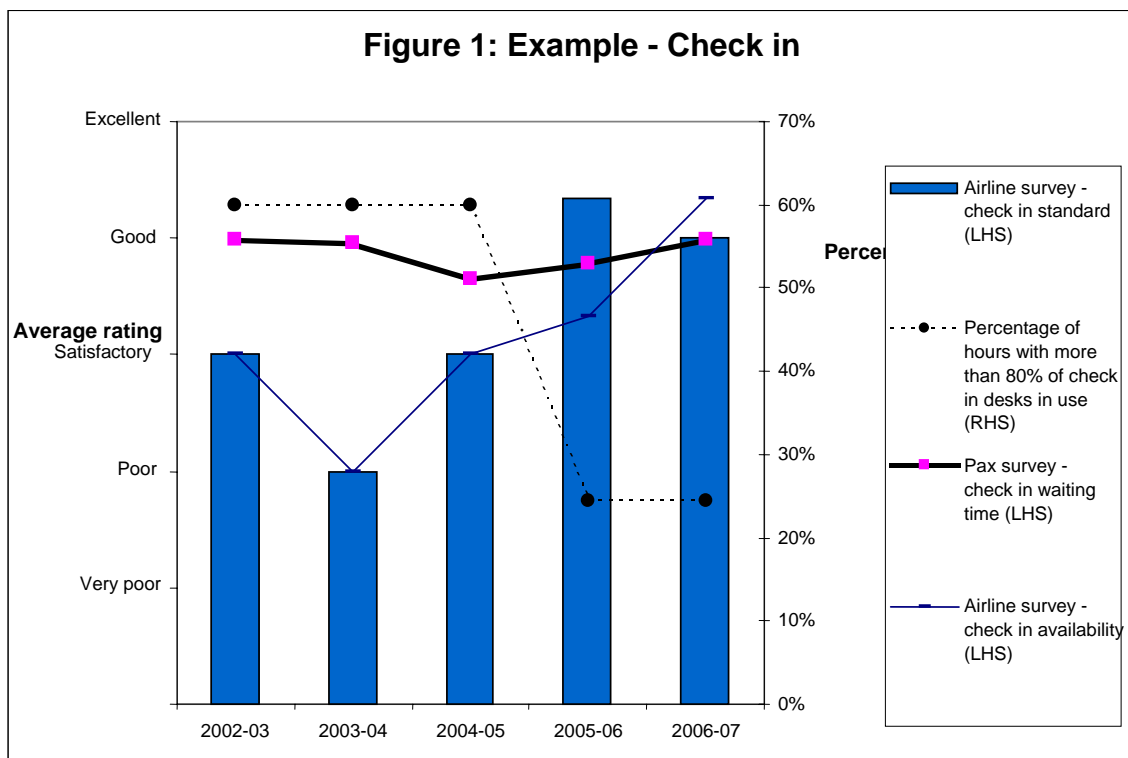
Given the diverse responsibility for delivery and quality of airport services, the ACCC is aware that in some cases, the results from the monitoring program may require qualification and further investigation. The ACCC is conscious that interpretation of the *criteria* used to measure quality of service may be complex and will take this into account in its analysis. Further, where there is the possibility of mitigating circumstances (whether favourable or otherwise) influencing the results of monitoring, the ACCC welcomes, and in some instances will seek, comments and additional information from Airport Operators, particularly where falling levels of service are apparent over a number of periods.

In the case of services which are not under the direct control of the Airport Operator, the ACCC may seek information on the cause or causes of adverse performance and, as appropriate, note this in the monitoring reports.

In seeking to draw conclusions from comparisons of different levels of quality of service, the ACCC will take into account the fact that performance is likely to differ between airports.

In undertaking a review of the criteria on a service-by-service basis (as set out in Part 3, above) the ACCC has also revisited how it intends to present the results of the monitoring program in its annual monitoring reports. The presentation of quality of service monitoring information in previous ACCC reports may not have clearly reflected the way in which the program measured the quality of particular services. For example, previous monitoring reports presented results based on the source of the information (such as airline surveys, passenger surveys, etc). The ACCC's view is that presenting the monitoring results based on service improves the report's readability and provides a more useful basis to present an analysis. Under this approach, all monitoring information related to a service will be presented in a single graph, regardless of the source of that information. On this basis, starting with its report on the 2006-07 year, the ACCC will present the monitoring results on a service-by-service basis. Figure 1 (below) provides an example (based on actual data) that illustrates this revised approach.

²⁴ Section 158.



Sample Commentary: Over the reporting period passengers have rated the check in facilities as between satisfactory and good with a peak in 2006–07 at good. During the 2005–06 year, the Airport Operator increased the number of check-in desks provided. Since this expansion, airlines have rated the *standard* of check in facilities between good and excellent over the period of operation. Prior to this, the standard of these facilities was rated between poor and satisfactory. Similarly, airlines rated the *availability* of check in facilities from a low of poor in 2003–04 to between good and excellent in 2006–07. These results coincided with a large drop in the percentage of hours with more than 80 per cent of check in desks in use which began in 2005–06.

5.4. Publication by ACCC

The ACCC has the discretion to decide what information is reported. This means that, although airports may be required to provide certain information, the ACCC is not required to report on that information. Section 157 of the Airports Act provides only that the ACCC ‘... may publish reports relating to the monitoring or evaluation of the quality of aspects of airport services and facilities specified in regulations’ (emphasis added). Notwithstanding this provision, the ACCC has in the past taken the view that the publication of all available information is in the best interests of stakeholders and the general public.

The ACCC intends to publish the findings of its quality of service monitoring program on an annual basis in a single report with price monitoring outcomes in accordance with the Government’s response to the PC’s 2006 recommendation number 5.4:

Under the new price monitoring regime, price and quality of service outcomes will be published annually in a single report. The Government considers that publishing price and

service quality outcomes in a single report will enable better analysis of the link between quality of service and the pricing and investment cycles.²⁵

In publishing its findings the ACCC will not necessarily publish data on all specific *criteria*, but will summarise underlying trends. As outlined above, the ACCC may seek to discuss data on the *criteria* with the relevant Airport Operators and other interested parties in order to understand the underlying causes of changes in quality of service. These discussions can be an important input into the ACCC's monitoring of airport quality and will be reflected in the published reports.

The reports will focus on changes in airport quality performance over time. In the case of any reporting on services not under the direct control of the Airport Operator, the ACCC may seek information on the causes of perceived changes in performance and note them as appropriate in monitoring reports.

Quality of service monitoring results will be published as part of the ACCC's annual regulatory reports for monitored airports. They may also be published in individual reports or general publications such as the ACCC Journal or ACCC Annual Report.

6. Submissions on this Discussion Paper

The ACCC invites submissions on any aspect of this Discussion Paper.

Submissions should be submitted by 11 January **2008**, and addressed to:

Mr David Salisbury
Director – Transport Monitoring and Analysis
Australian Competition and Consumer Commission
GPO Box 520
MELBOURNE VIC 3001

Or emailed to:

david.salisbury@acc.gov.au and airport.group@acc.gov.au

²⁵ Minister for Transport and Regional Services and the Treasurer, *Joint Press Release, Productivity Commission Report on Airport Price Regulation*, 13 May 2002, p.13

Appendix A: Legislative background to the ACCC review of criteria

This Appendix sets out the provisions of Part 8 of the Airports Act and Regulations that underpin the ACCC's role in reviewing the criteria for quality of service at monitored airports.

Part 8 of the Airports Act provides for the ACCC to monitor quality of service at certain leased airports. Part 8 contains provisions relating to quality of service monitoring and reporting. In general terms Part 8 provides that:

- Measures of quality of service (ie. *criteria*) are specified in *regulations* (s.155(1));
- the ACCC has the function of monitoring and evaluating the quality of the *aspects* of airport services and facilities specified in the regulations (s.155(1));
- the monitoring and evaluation of an *aspect* specified in the *regulations* must be against the *criteria determined* by the ACCC in writing in relation to the *aspect* (s.155(2));
- the *regulations* may require information about quality of service matters to be given to the ACCC (s.156);
- the ACCC may publish reports about its monitoring and evaluation under the Airports Act (s.157);
- certification, by statutory declaration, of information provided (s.156(3)); and
- protection of information given to the ACCC (s.158).

The PC's Inquiry Report notes

A proposed amendment to the Airports Act, currently before the Parliament, will enable the ACCC - following consultation with the Department of Transport and Regional Services and the Australian Government Treasury - to decide which quality of service indicators should be reported by airports for monitoring purposes. (Currently, the indicators against which airport performance is assessed are set out in regulations issued under the Airports Act.)²⁶

Here the PC Inquiry Report makes reference to the April 2007 amendments to the Airports Act at section 155 which now provides that:

²⁶ Productivity Commission, *Review of Price Regulation of Airport Services*, Inquiry Report, 14 December 2006, p. 119

(1) In addition to any functions conferred on the ACCC by other laws, the ACCC has the function of monitoring and evaluating the quality of the aspects of airport services and facilities specified in the regulations.

Note: For specification by class, see subsection 13(3) of the *Legislative Instruments Act 2003*.

(2) The monitoring and evaluation of an aspect specified for the purposes of subsection (1) must be against the criteria determined by the ACCC in writing in relation to the aspect.

(3) Before determining criteria under subsection (2), the ACCC must consult the Department and the Department administered by the Treasurer.

Determinations

(4) The ACCC must give a free copy of a determination under subsection (2) to any person who asks for a copy.

(5) A determination under subsection (2) is not a legislative instrument.

The Explanatory Memorandum of the Airports Bill provides the context for these amendments and states²⁷:

Section 155 (ACCC to monitor quality of services and facilities)

179. This item provides for aspects of airport services and facilities (for example passenger processing through terminals and baggage processing), monitored by the ACCC, to be specified in the regulations, and for monitoring and evaluation to be against set criteria determined by the ACCC following consultation with the Department of Transport and Regional Services and Treasury.
180. Consequential to the above, Division 3 of Part 8 of the Act (sections 153 and 154), which provided for the regulations to clarify those performance indicators that could be used in monitoring quality of service and facilities is to be repealed.
181. Item 153 also states that a determination by the ACCC concerning the quality of services and facilities at a specified airport is not a legislative instrument. The provision is included to assist readers, as the instrument is not a legislative instrument within the meaning of section 5 of the *Legislative Instruments Act 2003*.²⁸

Section 155 refers to the *aspects* which are listed in the Airport Regulations²⁹. The *aspects* in the Airport Regulations are essentially a list of services and facilities provided by an airport, such as 'Government Inspection' and 'Gate Lounges'. In the current version of the Airport Regulations, each of those *aspects* is accompanied by *performance indicators*. These *performance indicators* prescribe a number of measures of the quality of each *aspect*, such as 'Number of passengers using aerobridges for embarkation during the year'. Under the amendments to the Airports Act, these

²⁷ See item 153.

²⁸ The Parliament of the Commonwealth of Australia, House of Representatives, *Airports Amendment Bill 2006*, Explanatory Memorandum, at Item 153

²⁹ See Airports Regulations 1997, Schedule 2, Part 1

performance indicators will be replaced by the *criteria* that ACCC must *determine*. This Discussion Paper has been drafted on the basis that the *aspect* will remain as listed but the *performance indicators* as currently listed in the Airport Regulations will be deleted once the ACCC has *determined* the new *criteria* as a result of this consultation process.

Part 8 of the Airports Regulations is reproduced below:

Part 8 Quality of service monitoring

8.01 Performance indicators

- (1) For section 153 of the Act, the performance indicators set out in Part 1 of Schedule 2 are specified for the following airports:
 - (a) Brisbane Airport;
 - (b) Melbourne (Tullamarine) Airport;
 - (c) Perth Airport;
 - (d) Sydney (Kingsford-Smith) Airport.
- (2) The performance indicators set out in Part 2 of Schedule 2 are specified for the following airports:
 - (a) Adelaide Airport;
 - (b) Alice Springs Airport;
 - (c) Canberra Airport;
 - (d) Coolangatta Airport;
 - (e) Darwin Airport;
 - (f) Hobart Airport;
 - (g) Launceston Airport;
 - (h) Townsville Airport.

8.02 Records that must be kept regarding quality of service matters

- (1) For subsection 156 (1) of the Act, the airport-operator company for an airport must keep a record, for each financial year beginning on or after 1 July 2000, for the airport, of the following matters:
 - (a) for an airport mentioned in subregulation 8.01 (1) — each matter mentioned in Part 1 of Schedule 3;
 - (b) for an airport mentioned in subregulation 8.01 (2) — each matter mentioned in Part 2 of Schedule 3.

Note 1 The record could be in electronic form: see *Acts Interpretation Act 1901*, section 25.

Note 2 Transitional provisions are made for the financial year beginning on 1 July 2000: see *Airports Amendment Regulations 2000 (No. 1)*, regulation 4.

- (2) An airport-operator company must retain such a record for 5 years after the end of the financial year to which the record relates.

Note For penalty, see s 156 (5) of the Act.

- (3) However, the airport-operator company for an airport need not comply with subregulations (1) and (2) about a matter, if a service or facility to which the matter relates is provided for the airport under an agreement with the airport-operator company by a person other than the airport-operator company.
- (4) Instead, the person providing the service or facility must comply with subregulations (1) and (2) about the matter as if any reference in the subregulations to the airport-operator company were a reference to the person.

Note An airport-operator company that fails to comply with this regulation commits an offence against subsection 156 (5) of the Act. That subsection provides for a penalty of 50 penalty units for each such offence.

8.03 Giving information to ACCC

- (1) A person who is obliged to keep a record for an airport under regulation 8.02 must give a copy of the record for a financial year to the ACCC within 1 month after the end of the financial year.

Note The record could be in electronic form: see *Acts Interpretation Act 1901*, s 25.

- (2) If an airport-operator company carries out a survey about a performance indicator, the company must give the ACCC a document setting out the results within 1 month after the end of the financial year in which the survey is carried out.

Note The document could be in electronic form: see *Acts Interpretation Act 1901*, s 25 (c).

- (3) Information given to the ACCC under this regulation must be verified by statutory declaration by:
 - (a) if the person obliged to give the information is an individual — the person, or a manager or executive officer employed by the person; or
 - (b) if the person is a corporation — a director of the corporation.

Note An airport-operator company that fails to comply with this regulation commits an offence against subsection 156 (5) of the Act. That subsection provides for a penalty of 50 penalty units for each such offence.

Appendix B: Information required by *Airports Regulations*.

The *Airports Regulations* (Reg 8.02) require that monitored airports keep records on the matters listed in Schedule 3 of the *Airport Regulations*. Regulation 8.03 in turn provides that those monitored airports that are obliged to keep records under reg. 8.02 must give a copy of the record for a financial year to the ACCC within one month after the end of the financial year. It is from these records that the ACCC sources the information it requires to monitor and evaluate that quality of service *aspects*. As currently drafted, the *Airport Regulations*³⁰ distinguish between ‘Phase I’ and ‘Phase II’ airports. As noted above, the *Airports Regulations* will need to be amended such that the five monitored airports will be required to keep records on all of the ‘matters’ described in Table 3 (below).

Table 3 sets out the records that Airport Operators are required to maintain and provide to the ACCC.

Table 3 Information required by *Airports Regulations*.³¹

- 1. Aircraft parking:**
 - 1.1 Number of aircraft parking bays on 30 June in the year
- 2. Aerobridges:**
 - 2.1 Number of passengers using aerobridges for embarkation in the year
 - 2.2 Total number of passengers embarking in the year
 - 2.3 Percentage of passengers using aerobridges for embarkation during the year
 - 2.4 Number of passengers using aerobridges for disembarkation in the year
 - 2.5 Total number of passengers disembarking in the year
 - 2.6 Percentage of passengers using aerobridges for disembarkation during the year
 - 2.7 Number of aerobridges on 30 June in the year
- 3. Check-in:**
 - 3.1 Number of hours during the year when more than 80% of check-in desks are in use
 - 3.2 Total number of hours during the year when any check-in desks are open
 - 3.3 Percentage of hours during the year when more than 80% of the total number of check-in desks are in use
 - 3.4 Number of check-in desks on 30 June in the year

³⁰ See Schedule 3, Part 1.

³¹ ‘Matters’ have been reproduced from *Airports Regulations* 1997, Schedule 3, Part 1

4. Government inspection (inbound):

Immigration

4.1 Number of inbound immigration desks on 30 June in the year

Baggage inspection

4.2 Number of baggage inspection desks on 30 June in the year

5. Government inspection (outbound):

5.1 Number of outbound immigration desks on 30 June in the year

6. Security clearance:

6.1 Number of security clearance systems on 30 June in the year

7. Gate lounges:

7.1 Number of seats in gate lounges on 30 June in the year

8. Baggage system (outbound):

8.1 Total number of bags handled by baggage handling equipment in the year

8.2 Total number of hours during the year baggage handling equipment is in use

8.3 Capacity of baggage handling equipment (in bags per hour) on 30 June in the year

9. Baggage system (inbound):

9.1 Capacity of the baggage reclaim system (in bags per hour) on 30 June in the year

10. Car parking:

10.1 Total throughput of the car park (in vehicles) in the year

10.2 Number of days car park is open during the year

10.3 Number of car parking spaces available to the public (including disabled parking) on 30 June in the year