Department of Infrastructure and Transport, Australian Customs and Border Protection Service, Department of Immigration and Citizenship and Department of Agriculture, Fisheries and Forestry

Submission to the Australian Competition and Consumer Commission (ACCC) discussion paper for the review of quality of service monitoring

1. <u>Introduction</u>

This submission has been prepared jointly by the Department of Infrastructure and Transport in conjunction with Australian Customs and Border Protection Service, Department of Immigration and Citizenship and the Department of Agriculture, Fisheries and Forestry (the border agencies). The Department and border agencies welcome the opportunity to contribute to the ACCC discussion paper for the review of airport quality of service monitoring. The paper provides a good basis on which to consider and analyse the current system of information and data gathering as well as the objective criteria which underpins quality of service monitoring at Australia's airports. The Department and border agencies broadly agree with the approach outlined in the discussion paper and support the retention of a mix of passenger and airline surveys with objective criteria as a basis for analysis and reporting.

The National Aviation White Paper, released on 16 December 2009, outlines the Government's policy settings and long term approach towards its aviation objectives:

- Giving the industry the certainty and incentives to invest for the long term;
- Maintaining and improving Australia's excellent safety record;
- Giving proper consideration to the interests of travellers and users of airports; and
- Better managing the impacts of aviation activities on communities and the environment.

This review of quality of service monitoring objective criteria provides an opportunity to further align the quality of service monitoring regime with Government policy objectives, particularly in terms of enhancing regulatory certainty and ensuring the interests of travellers and airport users are upheld.

This submission is prepared in line with the findings of the Productivity Commission's (PC) Inquiry into the Economic Regulation of Airport Services. The PC found that overall, the monitoring program appears to have been effective, with some improvements warranted. As stated in its submission to the PC Inquiry, the Department and border agencies support continued monitoring and reporting of the quality of service provided by the major airports. Monitoring the quality of service that airports provide to airport customers forms an important aspect of airport economic regulation and gives assurance to airport users, and to the Australian Government, that airports are not reducing standards in order to maximise profits. Monitoring also provides useful information on service standards that support pricing negotiations and capital investment proposals.

However, in line with directions indicated in the Government's National Aviation Policy White Paper, the Department and border agencies also believe quality of service monitoring should go beyond purely checking for the exercise of airport monopoly power to provide a more transparent and meaningful picture of airport performance over time for the travelling public. Equal emphasis should be given to the reporting of services which promote efficiency and the use of innovation and technology to provide better overall services to airport users and of those services which are

considered below standard. Quality of service monitoring should provide not only a deterrent to misusing market power, but also an incentive to perform well and engage in best practice. Accordingly, this submission aims to propose some specific enhancements which may contribute to improving the quality of service monitoring regime's validity and reliability and increase its value as a tool to achieve transparency.

Additionally, the Department and border agencies understand all four monitored airports currently undertake quality of service monitoring for their own business purposes and that the 'second tier' airports not subject to ACCC monitoring are now voluntarily reporting on quality of service parameters. It is the Department and border agencies' view that if the number of airports self-reporting increases and monitoring standards are maintained, there may be merit at some point in the future considering moving to an industry-regulated monitoring system coordinated by an appropriate industry body with governance provided by the Department.

2. Domestic Terminal Leases

The Department and border agencies recognise the exclusion of Domestic Terminal Leases (DTLs - Qantas terminals Sydney T3, Melbourne T1, Brisbane T2, Perth T2 and the Virgin Brisbane terminal) from the quality of service monitoring regime means ACCC monitoring does not cover between 40 and 50 per cent of total domestic passengers. The leases for these areas expire in 2018 and 2019, and it is not the Government's intention, nor a recommendation of the PC inquiry, to incorporate these into mandatory quality of service monitoring. However, it is identified that the absence of reporting of any kind on the DTLs may lead to a considerable gap in providing stakeholders with a holistic view of airport overall performance.

The Department and border agencies believe the inclusion of specific information in ACCC reports stipulating which areas of airports are, and are not, covered in its reporting (i.e. at Brisbane airport the only ACCC monitored areas are the international terminal and the domestic multi-use area) may act to more accurately illustrate airport performance.

Currently a voluntary, self-administered monitoring and reporting scheme for 'second tier' airports (Darwin, Hobart, Canberra, Gold Coast and Adelaide) complements the ACCC's QoS monitoring. Under this scheme 'second tier' airports conduct their own customer/passenger satisfaction surveys and publicly disclose the results on their websites.

The Department and border agencies believe a similar scheme for DTLs could address this reporting gap until the leases expire. Virgin has already agreed to conduct self-reporting for its Brisbane terminal, and publishes results on the Brisbane Airport website. The Department is currently negotiating with Qantas, and expect it too will soon publish quality of service survey results for the remaining DTLs.

3. Sources of information for subjective measures

Airline Surveys

Airlines have an inherent commercial interest in the way in which airports' quality of service is monitored and reported. Thus airline survey results may contain systemic bias. The ACCC outlines various measures aimed at countering this, such as seeking comments and additional information in

the case of unsatisfactory rankings and offering the airports an opportunity to comment on draft reports. However, the potential for the pursuit of self-interest by airlines under the current system should be considered in the use of data sourced through airline surveys.

As noted by the PC a key facet of the current economic regulation system for federally-leased airports is the maturing nature of commercial negotiations between airports and airlines. The negotiation of Service Level Agreements (SLAs) between airports and airlines provides for individually binding contracts for given service levels at a given price. The commercially sensitive nature of the agreements is unlikely to lend itself to forming part of the data used in quality of service monitoring, unless agreed by both contracted parties.

In their submissions to the 2011 PC inquiry, the airlines do not appear to have raised material issues in relation to the general level of, or the monitoring requirements for, the quality of airport services. This gives weight to the argument that commercial arrangements between airlines and airports are effective, and dispute mechanisms already in place are appropriate. The material differences between the airlines in terms of their respective levels of demand on airport services and facilities raise the issue of whether each airline's response should be given the same weight or whether different weights should apply based on the characteristics of the airlines at each airport in terms of their numbers of passengers, flight movements, total weight of aircraft using the airport, or some other measure.

A form of weighting would reduce statistical bias, and provide for a more robust overall airport rating when combined with passenger survey results. In light of concerns outlined in the discussion paper, a hybrid report incorporating both weighted and unweighted results may be useful in assisting the ACCC's analysis, with additional commentary or investigation warranted if discrepancies between the two are observed.

Passenger Surveys

The use of passenger surveys, while not as important as airline surveys in determining market power concerns, does provide a good overview of public perceptions surrounding the quality of service at airports. This is of itself a worthwhile outcome, and provides the travelling public with a level of transparency and confidence that service standards are regularly assessed and reported against. Furthermore, passenger surveys provide the Government with information as to how airports are perceived and the relative quality and efficiency of services provided as experienced by the travelling public.

The current way in which passenger survey results are reported as an overall rating in the ACCC monitoring report gives no indication as to the level of control airports are able to exercise over various outcomes. Indicators such as check-in waiting time, waiting time in inbound immigration area, waiting time in baggage inspection areas and waiting time for inbound baggage reclaim are often influenced by a range of factors and different stakeholders, and are not always entirely within the control of the airport operator. All these indicators form an important aspect of the travel experience and should remain as part of the passenger surveys, however reported results may not necessarily be indicative of an individual airports performance if reported as an overall rating.

One possible solution may be to divide the reporting of passenger surveys into two elements:

i)   those elements which airports have control, and

ii) those over which airports have limited or no control.

This would provide for greater accountability of results on the airports' behalf whilst still providing an overall picture of passenger quality of service outcomes and the overall passenger experience at airports. Darwin Airport currently undertakes this form of monitoring and reporting as part of its 'second tier' reporting obligations.

Another area the Department and border agencies feel should be enhanced is the closer alignment of QoS reporting with stated Government policy objectives, particularly giving proper consideration to the interests of travellers and users of airports. The current QoS regime is heavily biased toward identifying and reporting against the potential misuse of market power by airport operators through the running down of assets. The Department and border agencies believe the opportunity exists to enhance the current QSM regime so as to provide a more meaningful and transparent measure of airport service provision as experienced by the travelling public.

The adaptation of the current monitoring regime to better reflect the passenger experience could be achieved through a combination of ensuring passenger surveys are focused on current issues affecting the overall passenger experience as well as to refocus the reporting methodology which provides passengers with easily interpretable data allowing the assessment of an airports performance relating to the passenger experience. The Department and border agencies acknowledge a number of these areas have been canvassed in this paper. A number of suggested options concerning objective criteria and overall reporting which support this position are provided further in this submission.

Border Agency Surveys

The Department and border agencies agree with the ACCC that border agency surveys in their current form serve little purpose in identifying misuse of market power and are not the best indicator of quality of service. This concept is supported through the moderate outcomes represented by the border agency survey results, which indicate, in general, no material quality of service issues appear to have arisen in relation to the services provided by this sector.

The Department and border agencies believe the inclusion of additional objective measures in relation to services provided by airports to border agencies would help to offset any loss in transparency incurred through the cessation of border agency surveys.

Important concerns for border agencies include:

- Provision of specified border agency facilities, i.e. contiguous back office, interview room and holding rooms, and associated amenities next to the primary line(s) and built as per the DIAC specifications;
- Adequacy of border agency facilities, i.e. appropriately sized/quantity of the specified office accommodation to enable DIAC to carry its required functions/operations at that airport. Also, ease of access (i.e. separate Staff entrances away from public access corridors/primary line – security, etc.);

- Staff parking arrangements (i.e. location to terminal/office space, ease of access etc.). Also parking arrangements/location/adequacy for secure transport providers;
- Responsiveness of airport operator to maintenance requests;
- Staff amenity arrangements (quality/quantity, ease of access and location in relation to area of work, etc.);
- Ease of access via lifts, escalators and moving walkways; and
- Airport facilitation meetings (FAL meetings) are being held and are effective, and consultation about airport facilities is occurring where appropriate.

Additionally, the Department and border agencies believe the current objective criteria could be increased.

Suggested measures are:

- Sqm per passenger in arrivals hall by airport;
- Sqm per passenger in departures area by airport;
- Sqm per passenger in baggage hall by airport;
- Sqm per passenger in SEA by airport; and
- Sqm provided for border agencies' support functions per passenger (including interview rooms, back of house, etc)

4. Review of quality of service criteria

Number of passengers during peak hour

The Department and border agencies agree peak hour calculations should not be altered in order to preserve the time series of data.

Baggage trolleys

The existing KPI for baggage trolleys provides a useful measure of the capacity of these passenger related facilities. It is the Department and border agencies view that the provision of baggage trolleys remains a relevant service contributing to overall passenger amenity and therefore should be retained.

Check-in services and facilities

As new technologies are applied to the check-in process, KPIs based on simple physical measures, such as the number of check-in desks, will become less relevant relative to technologies such as new check-in phone applications or self check-in kiosks. It is therefore the Department and border agencies view that the use of passenger survey information should be retained and criteria regularly updated to reflect changes in technologies applied to the check-in process.

Outbound baggage system and baggage make-up, handling and reclaiming services and facilities

The Department and border agencies agree with the ACCC's proposal to continue seeking objective measures and information from the airlines and passengers. It is also agrees that 'passenger surveys – average rating of the waiting time for inbound baggage claim' be reported in a way in which it is clear airport operators are not solely responsible for this outcome.

Facilities to enable the processing of passengers through Customs, Immigration and Quarantine

The Department and border agencies agree with the discontinuation of information collection and the removal of this criterion from the ACCC's quality of service monitoring regime.

Flight information, general signage and public address systems

The Department and border agencies believe flight information, signage and public address systems form an important part of passenger airport experience and therefore should be retained. The efficient and effective provision of these services has a major impact on the travel experience, and the airport operator is directly accountable. This criterion may be further supported by additional measures covering technological changes and the level of facilitation offered by airports. For example, the introduction of smart phone applications by airlines for flight information or check-in may require certain infrastructure be provided by airports, which could potentially be measured through airline surveys, passenger surveys, or both.

Public areas in terminals and public amenities (washrooms and garbage bins), lifts, escalators and moving walkways

Public areas in terminals and public amenities form a major part of the passenger experience and the quality of service provided by an airport and therefore reporting on this aspect should be continued.

Gate lounges and seating other than in gate lounges

The Department and border agencies support the continued use of existing objective measures and passenger surveys in relation to this criterion, and will consider the use of any additional objective criteria based on its merits.

Ground handling services and facilities

The Department and border agencies support the continued use of airline surveys in reporting against this criterion. An additional objective measure could be the number of bags moved by the service provider per unit of cost, thus better reflecting particular SLAs or other commercial negotiations.

Aerobridge usage

The Department and border agencies recognise this is an important aspect of the ACCC's monitoring report and supports the continued use of existing objective and subjective information. The inclusion of the measures 'percentage of aircraft using aerobridges' and the 'percentage of aircraft that requested the use of aerobridges' is supported as they would provide an indication of usage trends as well as airline industry trends. This percentage should be based only on the number of aircraft capable of utilising aerobridge facilities.

Runways, taxiways and aprons

The Department and border agencies acknowledge this criterion forms an important part of the ACCC's airport assessment and agrees airline surveys should be retained for this element. Possible

supplementary objective criteria could be area-based KPIs, such as sq metres of aprons available and length and width of runways, as in the New Zealand regime.

<u>Aircraft parking facilities and bays</u>

The Department and border agencies acknowledge this criterion forms an important part of the ACCC's airport assessment and agrees airline surveys should be retained for this element. Additional objective measures could include number of parking bays, area of parking bays (sqm), aircraft occupancy of parking bays both in an average hour and designated peak hour, as in the New Zealand regime.

<u>Airside freight handling, storage areas and cargo facilities</u>

The Department and border agencies acknowledge this criterion forms an important part of the ACCC's airport assessment and agrees airline surveys should be retained for this element.

<u>Airport management responsiveness</u>

The Department and border agencies agree that surveys of government border agencies concerning this aspect should be ceased. The incorporation of a question concerning the airports complaints handling process is also supported as it potentially enhances the transparency of airports' negotiation processes.

<u>Airport access facilities (taxi facilities, kerbside space for pick-up and drop-off)</u>

The Department and border agencies support the continued use of passenger surveys in relation to this criterion. However, it should be noted that the criterion reported against, especially the average rating of waiting time for taxis, are not entirely within the airport operators' control and depends on factors such as the number of taxis available at any given time. It is therefore recommended the average waiting time for taxis be reported under elements for which the airport has little or no control.

The Department and border agencies would also encourage the use of additional measures which increase transparency for measures such as airport management responsiveness, complaint handling processes and processes for negotiating terms and conditions of access to, and investment in, infrastructure for ground transport operators.

It is worth noting the Department of Infrastructure and Transport has recently written to the four monitored airports requesting they publish prices and terms and conditions of landside access on their respective websites as recommended by the PC review. This information is now available on the Melbourne Airport website, and it is anticipated the information will be available on Sydney, Brisbane and Perth Airport websites shortly.

<u>Car parking service facilities</u>

The Department and border agencies support the continued use of existing objective criteria and passenger surveys in the ACCC's monitoring. The inclusion of indicators relating to the availability of designated drop-off or pick-up areas is also supported.

Airservices Australia data

The data provided by Airservices Australia gives an un-biased and impartial view as to the capacity and efficiency of Australia's airports. It is the Department and border agencies view this data provides a form of check and balance against that provided in the airline surveys and therefore should be retained.

Overall quality of service ratings and rankings

The current reporting of overall quality of service ratings utilises a line graph depicting each monitored airports performance since 2001-02 on a rating scale between very poor and excellent. As noted in the discussion paper, the airports typically rank between satisfactory and good with a small number of exceptions.

Given the ACCC's stated objective of reporting movements in quality of service at each individual airport over time, and not to benchmark airports against one another, it is the Department and border agencies view this overall data may be better represented in column graphs for individual airports trended over time so as not to emphasis the cross-airport comparison. A graphical representation of this type may also give a better illustration of individual airports' movements in quality of service ratings over time.

Reporting requirements by airports

The Department and border agencies agree with the ACCC's current approach of accepting quality of service information from airport operators, and is willing to consider regulatory changes if recommended.