Head of Legal – Competition
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Mr David Salisbury
Deputy General Manager
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Australian Competition and Consumer Commission
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Dear Mr Salisbury

Airport Quality of Service Monitoring

Qantas Airways Ltd (**Qantas**) welcomes the opportunity to respond to the Australian Competition and Consumer Commission's (**ACCC**) 'Airport Quality of Service Monitoring, November 2012' discussion paper (**Discussion Paper**).

Qantas remains committed to supporting the ACCC's quality of service monitoring of major capital city airports (Sydney, Melbourne, Brisbane and Perth) in Australia. Qantas is disappointed, however, that Adelaide Airport is no longer included in the survey.

Airport monitoring by the ACCC is an important mechanism, particularly in the absence of robust Service Level Agreements (**SLAs**) agreed directly between airlines and airports. Qantas believes comprehensive SLAs would otherwise provide some protection to airlines in a monopolistic environment and hold airports accountable to delivering services and infrastructure at agreed times and standards.

A key example of the monopoly power exercised by airports is the way in which capital expenditure at the airport is controlled. Aeronautical related expenditure incurred by airports is recovered from airlines either directly or as a per passenger charge. Agreeing the 'right' amount of capital expenditure is often one of the most challenging aspects of a pricing negotiation between airports and airlines.

For example, airports may want airlines and airline passengers to pay for an asset before it is built and before it is needed (such as in the case of the proposed new parallel runway at Brisbane Airport). At the other end of the spectrum, airports may delay capital works that have been assumed in the prices paid by the airlines, leading to effective prefunding of these works and airlines ultimately paying for this infrastructure twice.

Quality of service monitoring cannot be a perfect substitute for the type of SLAs that exist in more competitive markets, but it does provide a public opportunity for airport users to comment on the adequacy of the facilities provided by the airport.

Qantas supports suggestions made by the ACCC to seek more objective measures of airport performance where these are available and makes a number of suggestions below to improve the quality of service monitoring of airports.

For example, aircraft parking is a critical area affecting airport operations today and is likely to continue to be constrained in the future. As a result we suggest some additional measures that could be used to better assess this issue.

We have also identified some areas where developments in technology may require a change to the scope of some reporting areas (e.g., passenger check-in facilities), and some new

services that could require monitoring in the future (e.g., fuel saving equipment and free Wi-Fi for passengers in terminals).

We respond to the issues raised in the Discussion Paper in accordance with the numbering used in the Discussion Paper.

Please contact me on 02 9691 5515 if you have any questions or would like to discuss this submission.

Yours sincerely

Anna Pritchard
Head of Legal - Competition

6 Sources of Information for subjective measures

6.1 Airline Surveys

Qantas supports the current approach used by the ACCC in surveying both domestic and international airlines. As the primary customers of airports, airlines have the first-hand experience to measure both the effectiveness and efficiency of airport operations. This directly affects the operations of the airline and the experience delivered to passengers.

The ACCC's use of non-weighted averaging of responses to airline surveys is supported by Qantas. A weighting system is likely to distort the results and could result in future disagreements over the overall measurement of airport operators.

Qantas supports the current coverage of services and facilities at airports in the survey, but suggests that the ACCC considers including in its surveys emerging technologies that are likely to become more relevant, particularly new check-in technologies and availability of fuel saving infrastructure. These are discussed in more detail in response to items 6.2, 7.6 and 7.10 below.

In Qantas' view an ideal survey of airport quality would:

- focus on areas that have significant impact on either operational efficiency or customer experience;
- focus on areas that are predominantly controlled by the airport;
- focus more on objective rather than subjective criteria; and
- be issued with sufficient frequency to identify trends.

The Discussion Paper has not sought comment on whether the current annual frequency is appropriate, however Qantas would like to see more frequent reporting to provide earlier visibility of items with downward trending performance.

The monitoring of airport services and facilities by the ACCC and the subsequent reporting by the ACCC is not sufficient, by itself, to ensure the high standards of service expected by the public. There is no ability for airport users to seek maintenance of or improvements to services. Similarly, there is no ability for airport users to demand reduced prices where services or facilities are not performing to an agreed standard. (Melbourne Airport does, however, have some provisions in this area).

Numerous airport operators around Australia have sought to impose 'Conditions of Use' on Qantas without any negotiation or agreement. Those airports have used their monopoly position to seek to force Qantas to accept conditions that neither enhance nor protect Qantas' ability to operate efficiently out of the relevant airport. The 'right to use' an airport is not the same as a guaranteed service standard. One of the most persistent failures of these documents is a lack of any comprehensive and enforceable set of service standards that bind the airport operator.

The fact that Qantas has not been able to successfully negotiate meaningful and comprehensive SLAs with most airport operators is a clear indication of the poor bargaining position airlines face. In most cases, the only service levels we have been able to negotiate have related to the potential to delay aircraft and do not relate to the experience of passengers.

Recommendation 10.1 of the 2011 PC Review included the following proposal:

- *where an airport has submitted itself to independent dispute resolution, and has service level agreements with airlines covering the majority of its passengers, which stipulate methods for recourse in the event of a failure to meet a standard, the airline survey should no longer be conducted for that airport.*[1]

Qantas supports this recommendation but believes it will take some time for the major airports to reach the standard envisioned by this proposal, and as such it is appropriate to continue to work with the ACCC to enhance the current monitoring regime.

[1] Productivity Commission, Economic Regulation of Airport Services, Inquiry Report no. 57, Canberra, December 2011, p248.

The ACCC seeks comment on how information contained in SLAs negotiated between airports and airlines could be used by the ACCC, if at all, in its quality of service monitoring. Qantas has SLAs with some, but not all, of the airports monitored by the ACCC. However, the SLAs that do exist are generally not detailed and specific enough to be of use in the quality of service monitoring regime.

6.2 Passenger Surveys

Qantas largely agrees with the current approach used by the ACCC to collect data on the experience of passengers at airports.

Standardising the format and distribution of passenger surveys would enable airport performance across the country to be benchmarked, which could assist in establishing a minimum acceptable standard of performance expected from a capital city airport. Qantas suggests that the ACCC explore a standardised passenger survey process similar to the Airports Council International's Airport Service Quality program.

Qantas believes the coverage of services and facilities in the current survey is appropriate. However, a review of emerging services should be conducted to ensure that the coverage remains appropriate. For example, automated passenger processing and availability of in-terminal Wi-Fi access for passengers could become topics for consideration in the future.

6.3 Border Agencies Surveys

The 2011 PC Review recommended discontinuing border agency surveys. Qantas does not have a position regarding this recommendation, but believes that there could be some objective measures that better assess the quality and availability of the facilities in this area. These are described in more detail in response to item 7.6 below.

7 Review of quality of service criteria

7.1 Number of passengers during peak hour

Qantas supports the current definition of 'peak hour' in the Airports Regulations as part of the quality of service monitoring.

Understanding peak passenger demand can be useful in understanding movements in airport ratings in many areas. For example, an airport where service ratings have dropped because of a large increase in peak period passengers is likely to behaving quite different conversations with airlines than an airport where service ratings have fallen but peak passenger numbers have remained relatively stable.

7.2 Baggage Trolleys

Qantas supports the continued monitoring of criteria related to baggage trolleys.

7.3 Check-in services and facilities

The ACCC has sought comment on whether there are any new or alternative forms of measures that the ACCC should consider using in its evaluation of check-in services and facilities provided by airport operators.

Technologies used for check-in, bag drop and other passenger 'transactional' steps are changing and some time before the next review is planned in 2018 it may be appropriate to amend the criteria currently used in this category to reflect these new technologies.

For domestic services, most of the major airlines already have automation options available for at least part of the check-in process. These solutions are likely to replace airport-provided hardware for domestic services in the not too distant future, so these criteria may already have diminished relevance and the ACCC could consider removing them from the survey.

For international services, several of the major airports are currently evaluating common user technology options for their international terminals. A number of airlines have also established options such as on-line check-in which can be completed before arriving at the

airport. Traditional check-in is still a big part of the international process for now, but this is an area which the ACCC should monitor. If common user check-in technology at the airport terminals captures a significant share of international passengers then measures should be developed to assess availability, standard and ease of use. If airline specific technologies such as on-line check-in take the significant share then this measure could be removed from the ratings system.

Qantas considers the combination of objective measures provided by the airport operators and survey of airlines about the quality of check-in services and facilities used is currently sufficient to evaluate check-in services and facilities. The passenger survey criteria of average rating of check-in time can too easily be affected by airline behaviour and Qantas would support the removal of this item from the survey.

7.4 Security Inspection

As airports pass through to airlines the cost of security operations regardless of their efficiency, Qantas supports the monitoring of security inspection being included in the survey. Doing so enables Qantas to benchmark airport performance against the experience in our own terminals, and work with the airports to improve the outcome for airports, airlines and passengers.

One of the criteria currently used by the ACCC is the number of departing passengers per security clearance system during peak hour. This is a key indicator of productivity and an area where relatively simple and inexpensive changes to the configuration of screening lanes can dramatically improve the passenger throughput per hour.

It would also be helpful to include a measure of the average security screening wait time in peak hours for departures. This measure can indicate whether the airport has sufficient security lanes available and has appropriate staffing levels to deal with the peak period. This could be an objective measure of the average time from joining the queue until security screening starts during peak hour, as measured on a specified minimum number of days of the year.

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

Qantas supports the measures used in this category as they are good indicators of the availability and reliability of baggage facilities.

To assess the efficiency of outbound baggage facilities two measures that the ACCC could also use are average in-system time and longest in-system time for baggage reclaim. These criteria would measure the time from bag drop to the baggage lateral and in most cases are relatively independent of airline customer service practices.

The ACCC is proposing to discontinue seeking information for the criteria ‘passenger surveys – average rating of the waiting time for inbound baggage reclaim’. Qantas does not object to this proposal as information in the passenger surveys on waiting time for inbound baggage reclaim can be influenced by airline practices and staffing levels so is not always an accurate indicator of airport performance.

7.6 Facilities to enable the processing of passengers through customs, immigration and quarantine

Qantas believes that a number of the criteria measured in this category are strongly influenced by border agency staffing levels, so may not be a fair indicator of the adequacy and standard of the facilities provided by the airport.

Some more objective measures that could be considered include:

- percentage of hours with more than 80 per cent of desks in use; and
- number of arriving/departing passengers per square metre of queuing area during peak hour.

Both of these measures could have separate categories for outbound immigration, inbound immigration and customs / quarantine.

Long queues in these processing areas regularly lead to delays in both international and domestic services and the recent significant increases in passenger movement charges for international passengers should be linked to greater accountability for the performance of these processing areas.

Retaining some of the existing measures on passenger perception of processing time, or adding some more objective measures such as number of passengers per staffed desk in peak periods would help add visibility to this critical area of airport operations. A measure such as average time from end of queue to clearance could also be considered and would not penalise the government agencies for reducing staffing if automated solutions were available as alternatives.

7.7 Flight information, general signage and public-address systems

Qantas believes that the ACCC should continue seeking information and reporting on the quality of flight information, general signage and public-address systems.

Qantas agrees that for the reasons raised by the ACCC (a single larger screen can provide better information than multiple smaller screens), the measure of the number of passengers per flight information screen may not add significant value in measuring this criteria but could be useful in interpreting any changes to ratings under the passenger survey.

Qantas believes that this is a measure where the subjective passenger survey measures are more informative than objective criteria in understanding how effective the facilities are at an airport.

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

The collection of information and reporting on public areas and amenities in terminals is important and Qantas would like to see the ACCC continue this as part of the airport quality of service monitoring framework.

The ACCC has also asked whether there are additional or alternative sources of information, both objective and subjective measures that the ACCC could use in its evaluation of public areas in terminals and public amenities for quality of service monitoring. Free Wi-Fi internet access has become more of a passenger expectation in recent years and the ACCC could consider whether a measure for this is appropriate in the future.

7.9 Gate lounges and seating other than in gate lounges

Qantas supports the measures the ACCC uses to assess this aspect of airport facilities and does not seek any changes in this area.

7.10 Ground handling services and facilities

There are additional sources of information that may be useful in evaluating ground handling services and facilities. For example, the ACCC should consider including in its survey the views of major ground handling companies active at the airport (e.g., Toll Dnata and Menzies) where they have provided a material level of service at one or more of the reviewed airports during the year. These ground handling companies could also provide useful feedback on the baggage systems at the airport.

The ACCC should also consider the viability of a new measure relating to the provision to aircraft at gates of ground power and pre-conditioned air from terminals, and the reliability of these systems where they are provided. These facilities have the potential to reduce air and noise pollution around airports and save fuel for airlines through reducing or removing the need to run the aircraft's auxiliary power unit while the aircraft is at an airport gate. In recent years more airlines have developed procedures to take advantage of these facilities when they are available. However, some airports are restricted in providing pre-conditioned air if their electrical sub-stations are close to capacity, and this could be noted in any report.

7.11 Aerobridge usage

Qantas has no suggestions for improving the criteria used regarding aerobridges. This is an area where airlines are sometimes prepared to accept fewer aerobridge facilities to delay having to contribute to the construction of expensive infrastructure.

Building a large terminal expansion to support additional aerobridges can be very costly, and add significantly to per passenger charges if the new capacity is only being used once or twice a day. Airlines may agree with airports to delay construction until passenger growth means the extra capacity will be more efficiently utilised and the cost per passenger will be much lower. This type of decision should be noted in the commentary attached to the airport and/or airline reports.

7.12 Runways, taxiways and aprons

Qantas supports the existing measures which are complemented by the Airservices measures that also form part of the ACCC report.

7.13 Aircraft parking facilities and bays

The peak demand for aircraft parking facilities does not always coincide with the peak hour for passenger departures or arrivals. There are a number of measures of aircraft parking which could be used as a more objective measure. For example, the number of Code C equivalent parking spaces that are available (a Code C parking space can accommodate a 737 or A320 sized aircraft).

Airports should also split the calculation of parking spaces by precinct where there is a significant distance or a runway between areas of aircraft parking. For example, the vacant parking space at Perth International Airport is not readily usable by an aircraft with a peak time departure from one of the Perth Domestic terminals. This measure would be of most use when compared with the same measure from a prior period and would not be so useful for comparing to other airports.

A measure of how highly the aircraft parking is utilised would be more comparable between ports but, mindful of minimising compliance costs, we would suggest that the ACCC ask airports for suggestions of measures that are readily available regarding this aspect of their operations.

7.14 Airside freight handling, storage areas and cargo facilities

Qantas supports the measures used in this area and has no suggestions to change the criteria currently in use.

7.15 Airport management responsiveness

Qantas supports the ACCC's proposal to continue seeking input from airport users on the issue of airport management responsiveness.

The Discussion Paper requests comments on whether airport responsiveness in commercial negotiations should be included in the survey. The ACCC's Airport Monitoring Report is published annually while most major commercial negotiations between airlines and airports are held every five years (or longer). In between these major commercial negotiations there may (but not always) be negotiations on individual capital items so this measure is not always applicable every year.

Complaint handling processes could be an appropriate measure for the ACCC to use in its evaluation of airport management responsiveness, but as airlines are often not aware of other complaints (e.g., from passengers or other airlines) made to airports, the ACCC would need to consider the most appropriate way to obtain this information. One possibility would be a confidential log of issues raised between parties based on categorisation level and time before resolution.

7.16 Airport access facilities (taxi facilities, kerbside space for pick-up and drop-off

Access to and from airports is essential not only to providing a good passenger experience but also in ensuring that airports are able to function efficiently and effectively. Access to and from airports is affected by decisions made by an airport operator but also fundamentally by road, rail and surrounding land uses that are the responsibility of State and Local Governments. It is critical to ensure that the transportation links to and from an airport are designed, constructed and operated in such a manner as to facilitate the movements of large numbers of passengers. The Government's National Aviation Policy White Paper identified a number of issues relating to the need for closer cooperation between airports and State and Local Governments. Coordination between airports and government will alleviate many of the key issues with traffic management both within and surrounding the airport.

Availability of affordable public transport to and from airports is also essential to ensure that airports will be able to cater for the growth in passenger numbers into the future. Public transport should not only be affordable but it must also effectively service an airport and must operate regularly and on a timetable reflective of the fact that airports often operate outside normal public transport hours of operation. Whilst these issues are of critical importance, they are not matters that airport operators solely have influence over and therefore measuring them against quality of service criteria may be inappropriate.

The accessibility of taxi services is something that airport operators have the ability to influence and has a stronger basis for quality of service monitoring. Taxi services are critical for business and leisure travellers, particularly if public transport is limited or parking costs at the airport are prohibitive. Access to taxis at airports often requires the provision of dedicated and expensive parking and road infrastructure. The provision of sufficient dedicated infrastructure is something that the ACCC may wish to consider as part of the quality of service monitoring process and taxi operators should be consulted about the criteria that would be appropriate here.

In monitoring taxi services and facilities it would be important to identify whether delays associated with taxis not being available were due to problems with airport infrastructure or a lack of available taxis.

Road access and signage at airports are issues that may warrant scrutiny under quality of service monitoring. Clear, user friendly signage is a critical aspect to traffic flow and can have a significant impact on the time it may take to navigate to and from airport terminals or car parks. Qantas would support monitoring of signage at airports by the ACCC to ensure it is up to date, well placed and easy to understand.

With respect to traffic management systems at airports, it may be difficult to accurately measure such systems from a quality of service perspective because there is often a competing interest between the desire of the public to drop off or collect passengers outside terminals and the need to keep traffic flowing to avoid congestion. For this reason it may not be appropriate to try and measure traffic management systems. It is, however, important that adequate space is allocated to drop off and pick up zones for passengers who do not need to utilise a car park.

Where congestion at or near an airport results from non-aeronautical operations at the airport this is a fundamental issue that must be addressed by airport operators. These types of concerns may be best dealt with as part of the Master Planning process or as part of the result of the Major Development Plan process rather than through quality of service monitoring.

7.17 Car parking service facilities

Qantas supports the existing measures related to parking at airports but also suggests an additional measure relating to staff car parking

As airport operations often take place outside normal business hours and as many airports lack viable regular public transport, staff car parking is essential. Staff car parking is intrinsically linked with the ability of airlines and airports to function effectively. In recent years many airport operators have sought to significantly increase the price of staff car parking. The increases are regularly benchmarked to 'commercial' car parking rates and often come

with a diminution of service or a compulsory move to a more remote parking facility. This affects airline staff scheduling, airline costs and can create security issues for staff.

In light of the importance of staff car parking and suitable transport for staff, Qantas believes that the ACCC should extend its quality of service monitoring of car parking to include the provision of appropriate staff car parking both in terms of availability, cost, proximity to terminals and quality of facilities.

7.18 Airservices Australia data

Qantas supports the continued collection and reporting of Airservices Australia data.

8 Other Issues

8.1 Overall quality of service ratings and rankings

Qantas supports the calculation of overall ratings within each of the category groupings but does not support calculation of an overall rating for each airport, as this has the potential to distract from the findings of the survey in particular areas.

While other more complex formulae could be derived for calculating the overall ratings this could be subject to dispute so Qantas recommends retaining the current process.

8.2 Reporting requirements by Airports

Qantas considers that the ACCC and the airports are better placed to understand the timing issues involved in providing the required reporting information.