



9 August 2022

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### SUBMISSION ON THE AIRPORT QUALITY INDICATORS

The Qantas Group (Qantas) welcomes the opportunity to comment on the Australian Competition and Consumer Commission's June 2022 Airport Quality Indicators consultation paper.

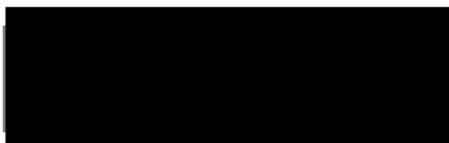
Qantas supports the airport monitoring regime's objectives of promoting the interests of airport users and the general community, promoting efficient economic development of airports and facilitating the comparison of airport performance through a transparent reporting process. However, in a light-handed regulatory regime in which monitoring forms the only constraint on the conduct of only four of the Australian airports providing monopoly infrastructure, the current Airport Quality Indicators are not fit for purpose.

Reform of the regulatory regime governing airports remains imperative for the aviation sector's post-COVID recovery. Monitoring by itself is manifestly inadequate. While it provides visibility and an important snapshot of limited indicators at a particular point in time, it imposes no real restraint on the behaviour of airports, nor does it provide market participants with a timely, effective and efficient way to resolve disputes.

Notwithstanding the above, in the absence of broader reform, the effective monitoring of both quality and pricing metrics is important to promote the interests of airport users and create transparency. When dealing with the provision of monopoly infrastructure, measuring service quality without also measuring efficiency or cost to serve runs the risk of resulting in over-investment and "gold-plating" by airports to maximise profits, under the guise of "service" for customers. Service quality and cost must both be effectively monitored.

Responses to the questions posed by the ACCC are set out in Appendix 1. Qantas looks forward to continued engagement with the ACCC as the review progresses.

Yours sincerely,



**Anna Pritchard**  
Executive Manager, Government, Industry and Competition



## APPENDIX 1

### Use

*Do you make use of the ACCC's monitoring and evaluation of airport quality? If yes, how and why? If not, why not?*

While the current monitoring provides important visibility of certain metrics, Qantas makes limited use of the airport quality report in its current form. There are insufficient measures in the reporting for it to be useful in airport negotiations and it has little power to generate any uplift in the key drivers of passenger experience.

*Is the ACCC's monitoring and evaluation of airport quality 'fit for purpose' or 'working'? If yes, how and why? If no, why not? What would be the measures and gauges of success or failure of the monitoring and evaluation of airport quality?*

The current Airport Quality Indicators are not fit for purpose, lack the power to highlight or sanction misuse of monopoly power and need to be expanded to better focus on safety and security, meaningful service quality, environmental measures and operational impacts.

The Airport Quality Indicators and the scope of airports monitored needs to be broadened to capture all designated, Tier 1 and Tier 2 ports. Since ~40% of all Australian Airport passengers travel outside of the top four Airports<sup>1</sup>, this would give a far more effective comparison of quality and performance. Quality indicators would then serve as a more effective tool during negotiations between airlines and airports. The Productivity Commission's analysis of second tier airports found that the level of detail airport operators provided varied. Not all of them publicly disclose aeronautical charges, service quality or complaints-handling procedures and outcomes and there were no repercussions for operators who chose not to participate in a self-administered second-tier monitoring regime.<sup>2</sup>

The absence of any concept of value for money in the monitoring regime means that the quality analysis is only telling half the story. Two airports providing the same services but at very different prices should warrant further investigation. Similarly, an airport providing acceptable quality but at an exorbitant price should also trigger investigation.

*To what extent, if any, and with regard to any particular airport or airports, has the ACCC's monitoring and evaluation of airport quality contributed to:*

- a. promoting the interests of passengers?*
- b. promoting the interests of airlines?*
- c. promoting efficiency*
  - i. in operations?*
  - ii. in development?*
- d. detecting instances of the exercise of market power?*
- e. deterring instances of the exercise of market power?*

Qantas does not consider that the ACCC's monitoring and evaluation in its current form contributes to any of the above outcomes. While some public recognition of unjustifiable car parking charges has been generated by the reports, this has had a material impact on promoting the interests of passengers, airlines or efficiency. Similarly, for the reasons outline above, monitoring quality in the absence of efficiency, does not provide enough information to allow the identification of the misuse of market power.

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<sup>1</sup> BITRE Airport Traffic Data, May 2022 - [bitre.gov.au/publications/ongoing/airport\\_traffic\\_data](https://bitre.gov.au/publications/ongoing/airport_traffic_data).

<sup>2</sup> Productivity Commission Inquiry Report, No.92, 21 June 2019, page 6.

*To what extent have the ACCC's ratings of airport quality been a significant factor, or been referenced, in bargaining between airlines and airports?*

The current ratings of airport quality are insufficient to assist in bargaining between airports and airlines and Qantas has not used the quality of service data in that way. However, if more effective metrics were adopted, the ratings could be an important tool as part of air services negotiations.

*How can and should the ACCC best use ratings of the quality of airport services and facilities in conjunction with its monitoring of the prices, costs and profits related to the supply of aeronautical services and facilities by airports?*

The quality metrics should be used to assess cost efficiency as well as customer sentiment. Quality of service reporting which continues to be disconnected from price monitoring would lead to poor outcomes for airport users, including:

- over-investment and “gold-plating” of infrastructure to maximise profits, but concealing this as service for customers;
- charging comparable fees for significantly inferior service or charging highly disparate fees for essentially the same service; and
- forecasting potentially overstated operating expenditure outcomes to deliver certain service standards and justify prices, but delivering those services with reduced operating expenditure without transparency to airlines.

To better address these concerns, price monitoring should be refined to focus more on value-for-money and efficiency.

*To what extent are airlines good ‘agents’ for promoting the interests of passengers travelling through airports. Why?*

The relationship of travelling passengers is almost entirely with the airline, rather than the airport. Customers value a seamless and efficient airport experience and promoting the interests of passengers improves customer satisfaction metrics. Conversely, as has been seen acutely recently, irrespective of the circumstances, any bad experiences or delays in airport operations are regarded as the responsibility of the airline and passengers direct their frustration at the airlines rather than airports. As a result, it is in the airlines’ interests to promote the interests of passengers generally and act as advocates for passenger experience in airport negotiations, while balancing quality and cost.

## **Expectations and Outcomes**

*What has changed in the past 10 years in the nature of the services and facilities passengers and airlines need or value and / or airports provide? For example, how should the monitoring evolve in the face of technological change, such as online check ins or access to information and notifications on personal electronic devices?*

Over the last decade there have been significant advances in technology across the aviation ecosystem. Monitoring should reflect investments in technology resulting in improved customer experience at airports. To do so meaningfully, the ACCC should consider benchmarking service quality and technology in overseas airports as an indication of what Australian airports should be providing, always having regard to the cost. International benchmarking will suggest that much greater innovation is needed in Australian airports, not only by the airports themselves, but also related Government agencies such as Customs and Border Force, particularly in relation to the roll-out of biometrics, common departure lounges and ability for International to Domestic customers to transfer without collecting their baggage.

*What outcomes do passengers and, separately, airlines now most need, and / or value, when using airport services and facilities? Why? You may wish to specify, for instance, issues such as on-time departure, efficient security inspections, reliable baggage handling or the availability and quality of runways.*

Passengers most value a seamless airport experience, efficient and speedy baggage systems and on-time performance.

Qantas values efficient investment in aeronautical activities that deliver good value for money, assist in achieving on-time performance and a positive customer experience.

*How would you measure the outcomes you have identified? What are the indicators that their quality is high or low?*

Existing metrics should be split into aeronautical and non-aeronautical assets, including non-current assets, liabilities, cash flow from operating activities and investing activities and areas of aprons and terminals. Currently the reporting metrics mainly focus on financial and commercial measures and partially focus on core passenger numbers and movement statistics and productivity and cost-effectiveness measures. In addition to these measures, more value would be derived from indicators focusing on:

- Safety and Security;
- Meaningful Service Quality Measures;
- Environmental Measures; and
- Airline Operational Impact Measures.

Qantas would welcome the opportunity to discuss potentially more meaningful metrics focusing on the above areas.

*Do the answers differ if the airport user is: a. an international or domestic traveller? b. an international or domestic airline? c. an airline, or a traveller that is using an airline, that is a full-service or low-cost carrier? d. a leisure or business traveller? e. any other characterisation of passenger or flight, such as arriving or departing?*

No, in most circumstances, the core functions of an airport are a seamless customer experience, with an effective baggage system and on-time performance, irrespective of whether you are flying with a full-service carrier or low-cost carrier. Full-service carriers may seek product differentiation on mutually agreeable terms.

*Can and should the ACCC monitor and evaluate flight delays at airports as part of monitoring and evaluating airport quality? Why or why not? To what extent, if any, is the ACCC's current monitoring and evaluation directly or indirectly addressing delay issues?*

Flight delays can be caused by a number of factors including weather, airline issues, airport issues, air traffic control and delays and issues at other airports. In circumstances where this data is already largely collected by BITRE, ACCC monitoring would likely duplicate that reporting and Qantas does not consider this necessary.

### **Specific services and facilities, aspects and matters**

*Can and should the ACCC monitor and evaluate the quality of aircraft refuelling services and facilities? Why or why not?*

The Joint User Hydrant Installation should be subject to the same cost and quality review as the rest of the airport.

### **Criteria and reporting of results**

*What are your views of the criteria for the ACCC's quality monitoring program, as outlined in the ACCC's Guideline for quality of service monitoring at airports – June 2014? You may wish to comment on, for example: a. what subjective and objective information the ACCC uses b. who the information is collected from, who collects it and how it is collected.*

It would be beneficial for the reporting to better define average ratings i.e. what constitutes Excellent, Good, Satisfactory, Poor and Very Poor. Presently, these are very subjective terms and the report would be more valuable if there were clearly defined metrics for these terms.

*In light of your answers to earlier questions, what changes, if any, can and should the ACCC make to its ratings methodology and presentation?*

Qantas considers the value of the reporting may be enhanced by shifting the focus from relative performance to a benchmark to absolute performance, comparing how an airport performs against itself year on year.