ACCC AIRPORT QUALITY OF SERVICE MONITORING GUIDELINE

STATEMENT OF REASONS

May 2008

BACKGROUND

Quality of service at major airports has been monitored by the Australian Competition and Consumer Commission ('the ACCC') since 1 July 1997. Quality of service monitoring is currently undertaken under Part 8 of the *Airports Act 1996*. The 2008 Airport Quality of Service Monitoring Guideline replaces four papers previously released on the ACCC's approach to airports quality of service monitoring[1].

In October 2007 the ACCC released the Airport quality of service monitoring discussion paper. This paper covered 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 discussion paper invited comments from stakeholders and the ACCC received eight submissions in response. These submissions[2] were taken into account when drafting the 2008 Quality of Service Monitoring Guidelines.

This paper discusses the more significant issues that arose during the consultation process and sets out the reasons for the ACCC's draft views.

Government Inspection Services

Discussion paper

The ACCC currently conducts a survey of the Australian Customs Service (ACS), asking it to rate facilities related to immigration, baggage inspection and the airport operators' responsiveness or approach to addressing problems and concerns with the mentioned facilities.

The Quality of Service Monitoring discussion paper (the discussion paper) sought comment 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.

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[1] *Quality of service monitoring for airports, post-leasing*, February 1997; *Quality of service monitoring for airports - statement of the ACCC's approach to analysis, interpretation and publication of quality information*, February 1998; and *Draft Guide: Quality of Service Monitoring for Airports*, November 2002; and *Guidelines for quality of service monitoring at airports*, March 2004**.**
[2] Submissions are available on the ACCC website.

Submissions

Sydney Airport submitted that both ACS and airline surveys should be discontinued as passenger satisfaction was the key measure of service quality.

Qantas submitted the ACS survey should be retained although it did not support the view the ACS survey acted as a proxy for all government agencies and therefore all government agencies should be consulted on quality of service.

The Board of Airline Representatives Australia (BARA) recommended the ACS survey continue and claimed the passenger facilitation taskforce was irrelevant as deliberations between airports and agencies do not necessarily translate into better service delivery.

Melbourne Airport suggested the ACS survey was not statistically significant and contained situational and personal bias. Melbourne Airport also submitted that the ACS was not a proxy for other government agency views and does not have a material presence outside of the international terminal.

Brisbane Airport submitted the ACS survey should be discontinued. Brisbane Airport supports both the National Facilitation Forum and Airport Passenger Facilitation Task Force as appropriate mechanisms to sufficiently monitor and address quality of service issues associated with government inspection and the like.

ACS submitted that it was important to consider all border agencies involved and proposed a new approach in response to airport concerns. ACS proposed a 'whole of government' response to the yearly survey process which would engage with relevant border agencies including AQIS, the Department of Immigration and Citizenship, the AFP and the Department of Infrastructure, Transport, Regional Development and Local Government. ACS claimed this would give a more balanced and measured approach to the survey. ACS submitted that this approach is not expected to increase the ACCC's workload as it would coordinate the survey.

ACCC view

The ACCC assessed the submissions on the use of ACS survey information in the context of the Government's response to the PC recommendation that requested the ACCC consider 'whether it remains necessary to report survey responses from the Australian Customs Service.'

The ACCC maintains the view that ACS survey assists in analysing results from the passenger perception survey that reports on waiting times for immigration, baggage and government inspection. However, the ACCC acknowledges that alternatives to the ACS survey may be preferable to the existing approach. As such, the ACCC supports the ACS proposal that it coordinate a 'whole of government' response to a quality of service monitoring survey at each of the monitored airports.

The ACCC is of the view that a coordinated 'whole of government' response to a quality of service monitoring survey at each of the monitored airports will replace the ACS survey.

Airline input into quality of service monitoring

Discussion paper

The ACCC currently surveys airlines to gain information on their perception of the quality of facilities they use at monitored airports. Airside and terminal facilities are covered by this survey. The airlines are asked to rate the availability and standard of these facilities. The airlines are also asked to rate the airport operator's responsiveness or approach to addressing problems and concerns with the facilities.

The discussion paper sought comment on whether the ACCC should continue to seek perception survey responses from airlines, whether the range of responses should be restricted to a more limited range of aspects of services and facilities, and whether there are alternative criteria available to evaluate airport performance.

Submissions

Sydney Airport submitted that airline surveys should be discontinued as the feedback is subjective and selective. Further, Sydney Airport suggested some sort of additional measure needs to be included to preclude comments from being tainted by extraneous considerations. Sydney Airport also noted that airline negotiations with airports provide significant conflict of interest given that the outcome is intended to assist airlines in their commercial negotiations.

Qantas submitted it was concerned by airport views that airlines have a motive to misrepresent response to surveys. Qantas claimed there was a lack of visibility on airside facilities for passengers.

Melbourne Airport submitted that the airline survey is not statistically significant and should not be included in the overall measure of airport quality of service.

BARA submitted that airlines should continue to input into the quality of service monitoring assessment of airports as airlines themselves are the principal customers. In addition, the survey should be extended to include freight.

Adelaide Airport claimed that airline responses are subjective with gaming and box-ticking leading to distorted results. Adelaide Airport submitted that only considered head office views should be included.

Brisbane Airport noted the ACCC's comments in the discussion paper regarding statistical significance, openness and transparency. Brisbane Airport argued there is already significant negotiation between Airport Operators and Airlines regarding quality of service matters at both local and head office levels. This is an area that is particularly subject to and benefits from a light handed regulatory approach based on commercial negotiations between the parties. The Airline Survey responses in the QSM regime have been of a small sample and have great variability. This may be because there is no control over the party that completes the survey and it can be different not only from time to time but also from airline to airline. This variability and uncertainty creates considerable concern over the validity and reliability of the survey results.

ACCC view

The ACCC assessed the submissions on the use of airline survey information in the context of the Government's response to the PC recommendation that the ACCC consider 'how best to eliminate overlap between the airline and passenger satisfaction surveys, and between these surveys and other quantitative indicators.'

The ACCC is of the view that airline surveys provide an assessment of airside services and facilities that is complementary to that provided by quantitative indicators. The ACCC notes airport concerns that some responses are completed by operational managers who may not be aware of higher level commercial negotiations with airport operators. As such, the ACCC's view is that airline responses are to be reviewed and submitted by the airline's head office. A rating of below satisfactory must be supported with commentary describing the airline's concerns and the steps the airline took to inform airport operators of this concern.

The ACCC also proposes to introduce an on-time performance measure to be included in the assessment of quality for airside services. This information is available from BITRE data. The ACCC notes that on-time performance is an area in which airport operators do not have complete control, however it does provide additional information to the availability and standard of airside services and facilities.

The ACCC is of the view that airline perception surveys are to be reviewed and submitted by the airline's head office and a rating of below satisfactory must be supported with commentary detailing the complaint airlines have and steps the airline have taken to inform airport operators of their complaints. An on-time performance measure (BITRE data) to be included in the assessment of quality for airside services.

Passenger input into quality of service monitoring

Discussion paper

Passenger perception surveys are arranged by each airport and differ somewhat in their coverage and detail, but broadly provide the information specified in the regulations and guidelines. Surveys at most airports ask respondents to rate their level of satisfaction with facilities on a scale from 1 to 5.

The discussion paper sought comment on whether accepting data from authoritative international benchmarking exercises (such as the Airport Service Quality (ASQ) survey conducted by the Airports Council International) should be continued; and whether airport operators would be willing to adopt a particular survey program for monitoring purposes.

Submissions

Sydney Airport suggested the ACCC should no longer complete a report on quality of service but rather airports would just be required to publish the annual results of the Airport Service Quality. In the alternative, Sydney Airport submitted there should be uniform adoption of the ASQ survey as an input to the ACCC quality of service monitoring report.

Qantas and BARA did not object to the use of the ASQ survey.

Brisbane Airport supported the continuation of the ACCC's flexible and pragmatic approach in accepting data from authoritative international benchmarking exercises in place of passenger surveys otherwise conducted by Airport Operators. A good example of this is the ACI ASQ Survey Program. The important consideration is that there is no duplication which would require an Airport Operator to undertake a separate or supplementary passenger perception survey in addition to the international benchmark survey. However, Brisbane Airport was concerned by the ACCC's suggestions that both the authoritative international benchmarking exercise and the previous approach be continued during a transition period which is not defined by the ACCC. Brisbane Airport would prefer to have certainty as to the timing and acceptability of any adoption of an international benchmarking program to avoid any duplication of time, effort and cost.

Brisbane Airport supports a proposition that the use of a particular survey and Service Provider not be mandated but rather be discretionary.

Melbourne Airport supported the use of international benchmarking studies, but noted that the ASQ survey is conducted for departing passengers only and there was no material cost advantage in using the ASQ survey.

ACCC view

The ACCC assessed the submissions on the use of international benchmarking studies in the context of the Government's response to the PC recommendation that the ACCC consider 'whether greater emphasis should be placed on comparative

passenger satisfaction results contained in authoritative international benchmarking exercises.'

The ACCC proposes to maintain its practice of accepting, in lieu of passenger surveys conducted by Airport Operators, surveys of passengers that may be used in international benchmarking exercises, such as the ACI's ASQ survey program.

The ACCC acknowledges Melbourne Airport's submission that the ASQ survey only surveys departing passengers and seeks responses from those departing passengers on arrival services and facilities related to the last time the passenger arrived at that particular airport. These concerns relate to the time delay between the actual experience of the passenger and the time at which the survey response is given. The ASQ survey allows this time period to be up to six months. Depending on the time at which a survey is conducted this time lag could mean responses relate to different financial periods. The ACCC is of the view that the ASQ survey is sufficient to meet the requirements of the monitoring regime, noting that there is a potential for a time lag in the results from arriving passengers.

The ACCC is of the view that it shall continue accepting, in lieu of passenger surveys conducted by Airport Operators, surveys of passengers that may be used in international benchmarking exercises, such as the ACI's ASQ survey program.

Service coverage

Discussion paper

While the discussion paper did not seek comment on service coverage, some submissions referred to three areas that could be included in the monitoring program: freight facilities, aircraft refuelling, and airport access roads and traffic management.

Submissions

Qantas submitted freight services and facilities should be monitored by the ACCC. BARA also expressed this view and further submitted that some of BARA's member airlines are freight-only airlines.

Qantas submitted that refuelling services and facilities should also be monitored in light of aircraft refuelling being included in the definition of aeronautical services under the Airports Regulations 1997.

Qantas submitted that access roads and traffic management systems should also be monitored under the quality of service monitoring regime.

ACCC view

The ACCC has assessed submissions on whether certain services ought to be included in the monitoring regime by referring to the 'aspects' set out in Schedule 2 of the *Airport Regulations 1997*.

Table 1: Aspects for the purposes of monitoring and evaluating quality of service[3]

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

Given that freight facilities and services is an aspect of which the ACCC is required to monitor under Schedule 2 of the Airports Regulations, the ACCC proposes to monitor these services and facilities. The ACCC's preliminary view is that indicative criteria would extend to an airline survey question on the availability and another on the standard of services and facilities associated with airside freight handling and staging areas essential for aircraft loading and unloading.

Aircraft refuelling services are not currently considered an aspect of airport services and facilities the ACCC is required to monitor under Schedule 2 of the Airports

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[3] Source: Airports Regulations 1997, Schedule 2, Part 1

Regulations. Should those services become an aspect the ACCC's preliminary view is that indicative criteria would extend to an airline survey question on the standard and availability of aircraft refuelling services and facilities.

Airport access roads and traffic management will be monitored for the first time as changes to the *Airports Act 1996* now give the ACCC the power to determine quality of service monitoring criteria as long as it falls within an aspect of airport services and facilities that the ACCC is required to monitor under Schedule 2 of the Airports Regulations. The ACCC's preliminary view is that indicative criteria would extend to a passenger survey question on the standard and availability of terminal access roads and facilities in landside areas.

The ACCC is of the view that it is appropriate to include in the monitoring regime 'freight services and facilities' and 'airport access roads and traffic management'. 'Aircraft refuelling services' will not be monitored under the current regime.

Control over quality of service outcomes

Discussion paper

The ACCC acknowledges that there are relatively few significant airport services which are totally under the direct control of an airport operator.

In response to the discussion paper several stakeholders submitted that there are many areas in which an airport operator does not have significant control over.

Submissions

Melbourne Airport submitted that in cases where the ACCC reports on measures in which airports have no influence users may be misled. Melbourne Airport claimed that being an operator of the airport does not in all circumstances provide the operator the ability to influence the quality of services provided at the airport. Melbourne Airport cited queuing at ACS and immigration desks, check-in desks and baggage reclaim as examples of instances where this occurs.

In its submission Brisbane Airport reiterated the view that it put to the PC 2006 Inquiry Report that the current monitoring process effectively treats airports as responsible for some quality of service problems beyond their direct control and that this is inappropriate. Although the ACCC notes that as owner of the head lease for the airport, the airport operator is in a position to at least influence the quality of airport services, often the degree of influence is small and has no contractual basis upon which to undertake enforcement action. Brisbane Airport suggested that if the ACCC determines that performance indicators beyond the Airport's sole control remain as part of the QSM regime, in the interests of transparency and the other objectives listed in section 2.1 of the Discussion Paper, the issue of control should be explicitly disclosed for each relevant indicator and any link between the performance indicator and price monitoring.

Qantas submitted that airports have a large degree of control over services and facilities the subject of ACCC monitoring. Qantas noted that in most instances airlines, in their commercial relationship with airports, operate under conditions of use and those conditions included 'use it or lose it' provisions. As a result Qantas submitted underutilisation on the part of airlines was unlikely.

ACCC view

The ACCC acknowledges that the issue of control over quality of service can be complex and may differ from airport to airport. Brisbane Airport's suggestion that the issue of control should be explicitly disclosed for each aspect of service could provide greater transparency to reporting. The ACCC will therefore consider including in the monitoring report a table of all the aspects and related criteria and a list of the parties that contribute to quality of service outcomes. An example is provided below:

Aspect	Party influence
Check-in counters	Airport operators are responsible for providing airlines with a suitable number and standard of check-in counter desks, in addition to space associated with the check-in area. Airlines are responsible for manning check-in counter desks. Therefore, airport operators and airline users both have an influence on the overall service provided to passengers.

The ACCC is of the view that the issue of control may be further clarified in the report and will seek responses from each airport on defining the parties involved with each aspect.

Baggage services

Discussion paper

The quantitative criteria sought on baggage services is currently based on the number of hours the baggage system is in operation over the financial year divided by the total number of bags processed. Measurement of the service may be improved by focussing on how well the system meets demand.

The discussion paper sought comment on whether airport operators had sufficient information to measure 'average throughput of outbound baggage system bags during peak hour' and whether the current quantitative measure should be discontinued.

Submissions

Melbourne Airport noted it would be able to provide sufficient information to calculate the 'average throughput of outbound baggage system, bags during peak hour'. However, Melbourne Airport noted that baggage through the baggage system commences approximately three hours prior to departure which may influence the data collected in the peak hour. Melbourne Airport also noted that the current measure of 'average throughput of outbound baggage system, bags per hour' only provides limited information for users. Baggage throughput issues occur in the peaks. The existing measure indicated total system capacity across all periods only and takes no account of the time achieved from check in input to reclaim output.

Brisbane Airport submitted that the current measures of operational capacity do not necessarily reflect a measure of quality of service. Brisbane Airport suggested the use of the International Air Transport Association (IATA) measure of the time taken for 'first bag on and the last bag off' as a better measure. Additionally, the availability of a baggage carousel is important.

The ACCC's view

The ACCC is of the view the 'average throughput of outbound baggage system, bags during peak hour' provides a combined measure of capacity and use during peak periods however the measure does not extend fully to a measure of the quality of service provided to passengers. A number of alternative baggage measures have been suggested, (the number of reclaim units available per arriving aircraft during peak hour, average belt presentation length per average aircraft size (based on passenger capacity) and the IATA measure of the time taken for the first bag on and the last bag off). The ACCC seeks stakeholders' views on what would be the most appropriate measure or set of measures to use in its monitoring.

The ACCC seeks stakeholders' views on what would be the most appropriate measure or set of measures to use in its monitoring.