

23 June, 2008

Mr David Salisbury
A/g General Manager
Transport Branch
Australian Competition and Consumer Commission
GPO Box 520
MELBOURNE VIC 3000

Dear David

**ACCc Airport Monitoring Information Requirements – Draft Quality of Service
Monitoring Guidelines**

In response to the draft guidelines of May 2008, Melbourne Airport (MA) has responded directly to the ACCc paper, while also providing additional comment on a proposal regarding the way that quality of service monitoring may be administered.

MA agrees with the importance of quality of servicing monitoring at airports. A fundamental principal of this monitoring is the relationship between airlines and the airport. Quality reporting needs to measure quality agreements that have been commercially negotiated. MA believes that this is best satisfied primarily by statistical measures against agreed performance measures. The views of passenger perceptions should only be considered where it can be demonstrated that the vast majority of responsibility for a particular service rests with the airport. Issues of control of the quality and of airline and airport agreements cannot be accurately measured by passenger perception surveys alone as passengers cannot understand these relationships. Ultimately the question to be answered is "Have airlines received what the airport has agreed to deliver"? We believe that this is the most appropriate measure of quality delivery at the airport.

Government Inspection Services – "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.

While this approach will broaden the response from Government Agencies by including more than the ACS, MA's previous concerns are still relevant in regard to the risk of situational and personal bias, as well as not being statistically significant and hence unreliable. In fact, with the ACS coordinating the survey this risk may be accentuated with its own organisational bias overlaid on all results. In addition, the surveys need to be able to collect data of the agencies delivery against clear key performance indicators which best reflect effective passenger processing through the various Government Agency operations in particular ACS and AQS.

Additionally, the ACS has little or no involvement on airfield or domestic terminals while other government agencies have an active involvement.

Facilities for Government Agencies are not only a product of airport planning activities negotiated with both airlines and the Agencies, but also a product of the Agencies' budgetary constraints and their own planning. For example, the ACS is currently installing new desks on the inwards primary line. The purpose of these is to provide the ACS services in the most efficient and effective manner and is one over which the ACS has complete control. The question of "standard" is directly related to their own investment and not the airports'.

MA continues to maintain that the National Advisory Facilitation Committee (NatFAL) and the Passenger Facilitation Taskforce (PFT) still serve the objectives of measuring and comparing quality within and between airports. The objectives of the NatFAL are to provide fast and efficient passenger processes with the setting of standards and targets to monitor performance; while the PFT considers the effect of passenger growth on border security issues. To do this the PFT considers airport infrastructure, technologies and resourcing to meet peak demands.

The NatFAL and PFT with their meetings every six months and six weeks respectively, give a more continuous view of airport measures and relationships which are likely to provide a more comprehensive and consistent view of quality service provision over time.

Both forums involve all the relevant agencies and are MA's preferred forum for quality of service monitoring.

A second alternative to the NatFAL and PFT would be to have the Department of Infrastructure, Transport, Regional Development and Local Government (Department of Infrastructure) co ordinate responses from Government Agencies. They are not directly involved in providing day to day services on airport and have responsibility for Air Services Australia and CASA, major providers of services to the airports. This role would complement their existing role of responsibility for the Airport Lease, Major Development Plan review, Airport Master Planning and Environmental Planning. This also enables the ACS to focus on their own service standard performance at the airport.

Airline input into quality of service monitoring – "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 measures (BITRE data) to be included in the assessment of quality for airside services.

The ACCC's views contain the use of two criteria; airline surveys and quantitative data.

While the inclusion of a head office response and comments for any ratings below satisfactory improves the survey, MA expects the ACCC will experience timing issues with receiving responses from overseas head offices. MA believes that the basic limitations of situational and or personal bias may still prevail. The provision of aeronautical facilities and their quality is subject to a complex array of negotiated capital investment, service level agreements and airline budgetary constraints. Any airline rating or comment must take into account these interrelationships to arrive at a meaningful response to quality

For readers of the ACCC's reports to fully understand the issue of control, the comparative levels of control held by the airport and the airlines over the services passengers receive need to be clearly and transparently articulated. MA believes that this is too problematic to calculate; if a quality issues is related to a check in desk service; to what degree is the cause the number of desks relative to airline staffing, the ability to effectively queue and manage passenger flow in the check-in area, the duration of the desks opening or the operation of the baggage system to take bags away? One of these issues of service is under airport control, one a combined issue of airport/airline planning and the others are all under airline control.

MA believes that the inclusion of the quantitative measure of on time performance via the BITRE data would be a grossly inappropriate measure to be included as part of the assessment of quality of airside services. On time performance are not only dependant to a modest degree on local airport infrastructure, but largely on airline infrastructure (aircraft, terminal and ground service equipment and facilities), airline manning levels, other airports, passenger behaviour and other factors such as the weather, air traffic control and other environmental issues.

To users of the ACCC information the inclusion of the BITRE data would be misleading in our view; it is not possible to draw any conclusions between the survey responses (with all of its limitations) and the BITRE data.

MA strongly disagrees with its conclusion and refers the ACCC back to the MA response of 7 January to the draft quality issues paper released by the ACCC and the issues discussed regarding 'control'.

While MA has concerns about airline surveys with their limitations, our preferred option is to have BARA coordinate the international passenger and freight surveys for quality of service and to have domestic quality issues surveyed by airline head office staff that have been directly involved in the setting of quality standards. The advantage of relying on BARA to coordinate responses is they better understand their member's needs across all airports and are in a position to understand the quality issues relative to commercial negotiations.

Passenger input into quality of service monitoring – "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."

MA is in agreement with the ACCC acceptance of the ACI ASQ survey program.

Service Coverage – "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."

In regard to 'freight services and facilities – availability and standard'; this measure will also suffer from the same limitations already discussed under the Airline Survey section in regard to situational and personal bias and the complex way commercial agreements are negotiated with airlines. As with the airline surveys, MA's preferred approach would be to have BARA comment on international services and head office staff of domestic airlines for domestic services.

The proposed measure of Airport access roads and traffic management are two distinct measures. The physical road access is subject to commercial negotiations with airlines and the constraints of existing airport usage. Additionally, Vic Roads has responsibility for road access outside the boundary of the airport. The road system, in particular is subject to peak demand issues. While MA has no objection to this survey, it is important for the ACCC to note that such a complex array of inputs that contribute to roads may not be understood by passengers surveyed.

Traffic management involves the manning of taxi ranks, pedestrian crossings, parking on road ways and the issuing of parking infringements. These functions are managed by MA and supplied to facilitate the flow of passengers within the airport boundary. MA has no objections to traffic management surveys.

MA agrees that aircraft refuelling services should not be monitored.

Control over quality of services outcomes – “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”.

The issue of control is paramount to users' understanding of quality of service and how it is monitored. The example given by the ACCC of check in desks is a worthwhile one to review. While airports are responsible for providing airlines with a suitable number of check-in counter desks, this is by commercial negotiation with the airlines. Depending on their expected utilisation and use of technologies the numbers agreed upon may be incorrect for actual usage. Planning for such facilities takes years to implement. Therefore, while agreement on the infrastructure may have been arrived at and provided by the airport, the airline utilization is the controlling influence.

Within the airlines themselves usage and quality vary depending on their own marketing and product views.

Baggage Services- “The ACCC seeks stakeholders' views on what would be the most appropriate measure or set of measures to use in its monitoring”

The ACCC has proposed a number of inwards and outwards measures to improve its quality monitoring reporting.

Inwards: The IATA measure of time taken for the first bag on and last bag off is measurable in most instances by MA. Where the system is not stopped and reactivated for the next flight as in some peak periods, the measure is not accurate. MA does not accept this measure as it fails to identify the issue of who 'controls' the measure. This measure will not tell users whether there were airline delays from the aircraft to the baggage belt.

The measure of the number of reclaim units available per arriving aircraft during peak hour is also measurable by MA. However, this measure ignores the use of a single reclaim unit for multiple flights. MA has five reclaim belts, four 747 standard and one A380 standard. Each of these belts can accommodate multiple smaller aircraft types. MA sees the measure as one not of quality but of capacity.

The measure of average belt presentation length per average aircraft size (based on pax capacity) is also measurable by MA. The measure would be more meaningfully calculated during the peak periods, but we believe that it is more a measure of capacity rather than quality.

MA defines the peak as, the peak month of the year, the average day in that month and the peak hour within that day. This definition may vary between airports.

Outwards: The measure of average throughput of the outbound baggage system, bags per hour provides limited information to users as it only gives a measure of total system capacity and not its peak capacity. A more appropriate measure would be the time taken from the check in desk to reach the lateral. This is the effective in system time which is a measure of quality not capacity and is largely within control of the airport provided airline staff only check-in bags within the control parameters of the system and remove them from sortation laterals/makeup units.

A way forward

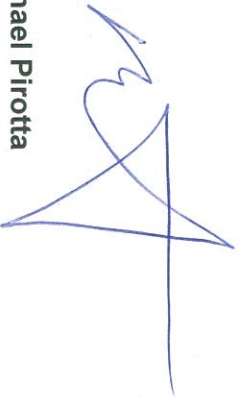
MA has made comments on the proposed ACCC guidelines in this submission. We also take this opportunity to suggest another way forward to achieve the most appropriate quality of service measures for the airports concerned.

As discussed in this and previous responses to ACCC draft guidelines, the issue of control is of central importance. MA believes that if all parties, that is the ACCC, Department of Infrastructure, BARA, the domestic airlines, government agencies and the five airports were to be involved in a forum where negotiated agreement could be reached on issues of control of quality in the current era of commercially negotiated relationships, more appropriate measures could be achieved.

MA proposes that for the 2007_8 financial year there be no change to the current method as the year is almost complete. For 2008_9 year that the current system, as modified, is left as an interim measure until a refocused and agreed way forward can be achieved.

MA thanks the ACCC for the opportunity to provide feedback on its Discussion Paper.

Yours sincerely



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