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Submission for Infrastructure Committee

Date of meeting	7 June 2021
Paper number	IC2021/32
Title	For endorsement – Proposed scope of the 2020–21 and 2021–22 Airport Monitoring Reports
Recommendation	<p>That the Committee endorses us adopting substantially the same approach for the 2020–21 Airport Monitoring Report as for the 2019-20 Airport Monitoring Report. That is, a shorter report acknowledging the effect of the COVID-19 pandemic.</p> <p>That the Committee endorses notifying the airports to ramp up quality of service data collection in 2021-22.</p> <p>That the Committee notes the update to the upcoming Quality of Service review.</p>
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Responsible SES	Matthew Schroder (x6924)
Division, Branch and Office	Infrastructure Regulation Division (IRD), Infrastructure and Transport – Access and Pricing (ITAP) Branch, Melbourne
Legal/Economic input	<p>Not applicable</p> <p><input type="checkbox"/> This paper contains confidential and privileged material (shaded)</p>
Commissioner conflicts	Not applicable.
Consultation with other branches, groups or divisions	Not applicable

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1. Purpose

- 1.1. We seek Infrastructure Committee's (the Committee's) endorsement of:
 - the proposed approach for the 2020–21 Airport Monitoring Report, and
 - the proposed guidance to the monitored airports on what data we expect them to collect in 2021-22.
- 1.2. We seek to update the Committee on the upcoming quality of service review.

2. Recommendation

- 2.1. The Committee endorses:
 - adopting substantially the same approach for the 2020–21 Airport Monitoring Report as for the 2019-20 Airport Monitoring Report, and
 - notifying monitored airports to ramp up quality of service data collection in 2021-22.
- 2.2. The Committee notes the update to the upcoming quality of service review.

3. Background

- 3.1. The Australian Government established the ACCC's monitoring program following the privatisation of 22 Federal Airports Corporation airports between 1997 and 2003.¹ The financial and car parking monitoring regime is established by ministerial directions made under s 95ZF of the *Competition and Consumer Act 2010*.²
- 3.2. These directions require the ACCC to monitor the prices, costs and profits in relation to the supply of aeronautical and car parking services at Brisbane, Melbourne (Tullamarine), Perth and Sydney (Kingsford-Smith) airports. Part 8 of the *Airports Act 1996* gives the ACCC the function of monitoring and evaluating the quality of aspects of airport services and facilities (quality of service) at the same airports.
- 3.3. The Productivity Commission (PC) conducts a review of the effectiveness of regulation every five years, as part of an ongoing assessment of the airport regulation. The PC last carried out its review in 2019. The PC's recommendations relevant to the ACCC are set out at Attachment B. Broadly, the PC recommended that the ACCC:
 - report more detailed information on airport performance, including more data for car parking and landside access, and
 - review the measures it uses to assess quality of service at the monitored airports.
- 3.4. When the COVID-19 pandemic started in 2020, the Committee directed staff to limit the scope of reporting to reduce the burden on airports, including putting on hold implementing PC recommendations for additional reporting.
- 3.5. The Australian Government also put on hold the review of quality of service measures (discussed in detail in section 7).
- 3.6. For the 2019–20 Airport Monitoring Report, we collected the same amount of financial and car parking information as in previous reports. However, we limited the scope of reporting on the quality of service by:

¹ See <https://www.accc.gov.au/regulated-infrastructure/airports-aviation/airports-monitoring>.

² See <https://www.legislation.gov.au/Details/F2012L01271> and <https://www.legislation.gov.au/Details/F2012L01274>.

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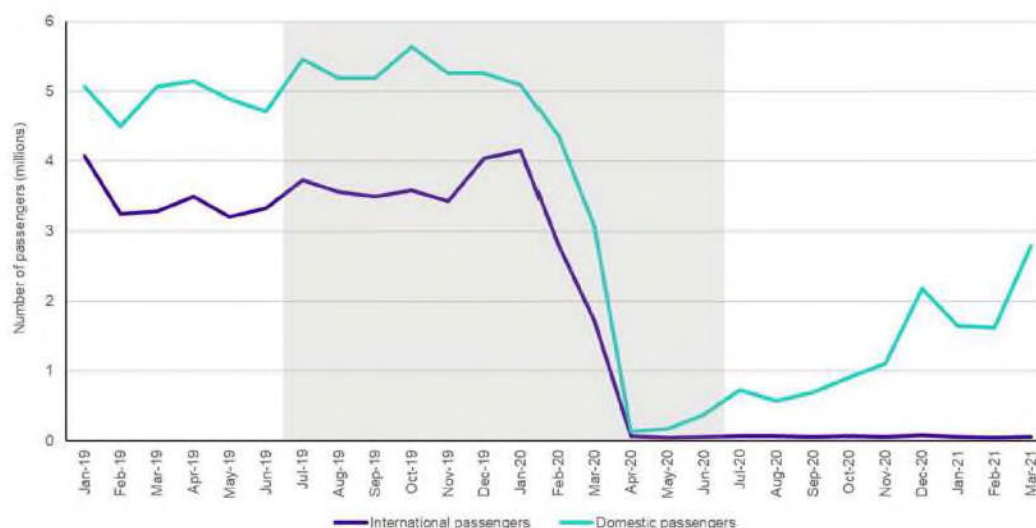
- not collecting objective measures of quality of service from the airports (as required in the Airports Regulations 1997)³
 - not conducting airline surveys
 - collecting passenger survey results conducted by the airports only for the period between July 2019 and March 2020.
- 3.7. In preparation for the 2020–21 Airport Monitoring Report, we have started engaging with each of the airports. Three of the airports have restarted small samples of passenger surveys and all have collected some objective indicator data (see section 4 for further details). Section 5 details the proposed approach to the collection of data for the 2020–21 Airport Monitoring Report.
- 3.8. With the start of the 2021–22 monitoring period approaching, the airports also sought guidance on the scope of information the ACCC will be seeking from them for the 2021–22 Airport Monitoring Report. Section 6 details the proposed approach to the collection of data for the 2021–22 Airport Monitoring Report.

4. Industry developments and consultation with stakeholders

Industry developments

- 4.1. The COVID-19 pandemic significantly affected the monitored airports. Both domestic and international passenger numbers are well below what they were before the start of the pandemic (Figure 1).

Figure 1: Monthly domestic and international passenger numbers, January 2019 to March 2021



Note: This data covers all of Australia's airports and has not been limited to the monitored airports of Brisbane, Melbourne (Tullamarine), Perth and Sydney (Kingsford Smith). Shaded period represents the 2019–20 monitoring period. Passenger numbers are the sum of inbound and outbound.

Source: Bureau of Infrastructure and Transport Research Economics

- 4.2. Across all of Australia's airports, there has been some recovery in domestic passenger numbers over 2020–21. Increasing from almost 146,000 passengers in

³ Attachment A sets out the current objective quality of service measures.

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April 2020 to nearly 2.8 million passengers in March 2021. However, international passenger numbers continue to remain low. In March 2021, a total of 58,000 international passengers arrived and departed Australia. This compares to March 2019 when almost 3.3 million international passengers arrived and departed Australia.

Consultation with stakeholders

- 4.3. Over the past few weeks, we have consulted with each of the monitored airports, the Department of Infrastructure, Transport, Regional Development and Communications (the Department) and [REDACTED]
- 4.4. We asked each of the monitored airports about their passenger numbers, whether they would have any challenges providing the same financial information as in 2019–20 as well as whether they have been collecting passenger surveys and objective indicators.
- 4.5. Overall, the airports indicated that [REDACTED]

- 4.6. [REDACTED] stated:

- [REDACTED]
- [REDACTED]
- [REDACTED]

- 4.7. [REDACTED] stated:

- [REDACTED]
- [REDACTED]
- [REDACTED]

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4.9. [REDACTED] stated:

4.10. On 7 May 2021, we met with [REDACTED]

[REDACTED] noted [REDACTED]

4.11. On 13 May 2021, we met with the Department to discuss the upcoming monitoring reports. We flagged that we may include limited data on quality of service in 2020-21 report, due to the impact of COVID-19.

5. Recommendation for the 2020–21 Airport Monitoring Report

- 5.1. Given the COVID-19 pandemic has had a significant impact on operation of the airports and airlines in 2020-21, we propose to continue with limited reporting in 2020–21 Airport Monitoring Report. In particular, we propose to:
- request the same financial and car parking information as in the 2019–20 report
 - request objective indicator data that the airports have already collected or can collect by the end of the financial year without undue burden
 - implement some additional reporting measures, based on PC recommendations, provided it is not a high burden for the airports to provide this information
 - request only passenger survey results that the airports have already carried out, and
 - not survey individual airlines.
- 5.2. We consider the proposed approach strikes the right balance between providing transparency about the financial and quality performance of the airports and taking into account the impact of COVID-19 pandemic.
- 5.3. We intend the 2020–21 Airport Monitoring Report to be similar in style and content to the 2019-20 Airport Monitoring Report. That is, a shorter report acknowledging the effect of the COVID-10 pandemic. We will also be working closely with the airlines monitoring team to ensure consistent messaging across the reports.

6. Recommendation for the 2021–22 Airport Monitoring Report

6.1. [REDACTED]

6.2. [REDACTED]

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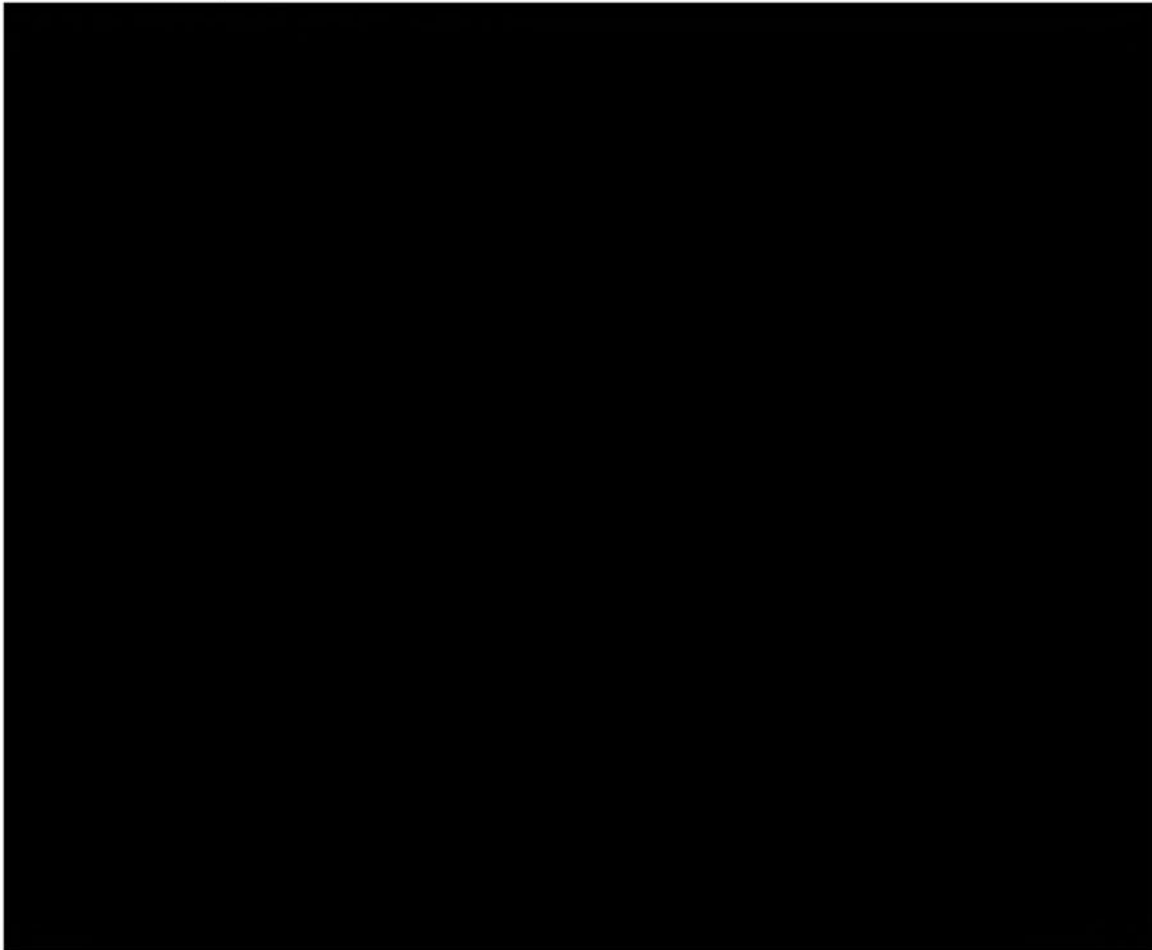
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7. Quality of service review



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8. Next steps

- 8.1. Following the Committee meeting, we will update the airports and the Department on the approach endorsed by the Committee for the 2020–21 Airport Monitoring Report and information gathering for 2021–22.
- 8.2. In August 2021, we will issue the data requests to the airports for the 2020–21 Airport Monitoring Report.

9. Attachments

A	Objective quality of service measures as in Schedule 2 of the Airports Regulations 1997	4 pages
B	2019 PC's inquiry recommendation relevant to the ACCC	1 page
C	Issues overview	1 page

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Attachment A: Objective quality of service measures as in Schedule 2 of the Airports Regulations 1997

Item	Aspects of airport services and facilities to which records are relevant	Matters about which airport-operator companies must keep records
1A	Airport access facilities (taxi facilities, kerbside space for pick-up and drop-off)	<p>1A.1 Total area (international and domestic) at terminal kerbside for passenger pick-up and drop-off to landside operators such as taxis, and providers of other off-airport parking services, measured in terms of the number of standard car park spaces</p> <p>1A.2 Total area (international and domestic) at terminal kerbside and at designated waiting areas for passenger pick-up and drop-off provided to the public at no charge measured in terms of the number of standard car park spaces</p>
1	Car parking service facilities	<p>1.1 Number of car parking spaces available to the public in the vicinity of the airport (including disabled parking) on 30 June in the financial year</p> <p>1.2 Distance (in metres) between the nearest public car park and the terminal entrance nearest to that car park on 30 June in the financial year</p> <p>1.3 Number of days the car park was open during the financial year</p> <p>1.4 Number of vehicles that used the car park in the financial year</p>
2	Baggage trolleys	<p>2.1 Average number of passengers for each baggage trolley during peak hour in the financial year</p> <p>2.2 Number of baggage trolleys on 30 June in the financial year</p>
3	Check-in services and facilities	<p>3.1 Number of check-in desks on 30 June in the financial year</p> <p>3.2 Number of bag-drop facilities on 30 June in the financial year</p> <p>3.3 Number of spaces provided for check-in kiosk facilities on 30 June in the financial year</p>
4	Security inspection	<p>4.1 Number of departing passengers for each security clearance system during peak hour in the financial year</p> <p>4.2 Number of security clearance systems, including equipment required to process passengers and baggage, in use on 30 June in the financial year</p>
5	Outbound baggage system	<p>5.1 Average number of bags handled by the outbound baggage system during peak hour in the financial year</p> <p>5.2 Total number of bags handled by baggage handling equipment in the financial year</p> <p>5.3 Total number of hours during the financial year for which baggage handling equipment was in use</p> <p>5.4 Capacity of baggage handling equipment (in bags per hour) on 30 June in the financial year</p>

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Item	Aspects of airport services and facilities to which records are relevant	Matters about which airport-operator companies must keep records
6	Baggage make-up, handling and reclaiming services and facilities	<p>6.1 Total number of bags handled by baggage handling equipment in the financial year</p> <p>6.2 Total number of hours during the financial year for which baggage handling equipment was in use</p> <p>6.3 Capacity of the baggage handling equipment (in bags per hour) on 30 June in the financial year</p> <p>6.4 Capacity of the baggage reclaim system on 30 June in the financial year</p> <p>6.5 Average number of bags handled by the inbound baggage system during peak hour in the financial year</p> <p>6.6 Total number of planned interruptions to inbound baggage system in the financial year</p> <p>6.7 Total number of hours of planned interruptions to inbound baggage system in the financial year</p> <p>6.8 Total number of unplanned interruptions to inbound baggage system in the financial year</p> <p>6.9 Total number of hours of unplanned interruptions to inbound baggage system in the financial year</p> <p>6.10 Total area (in square metres) provided by the airport operator for baggage reclaim on 30 June in the financial year</p>
7	Facilities to enable the processing of passengers through customs, immigration and quarantine	<p>7.1 Average number of arriving passengers during peak hour in the financial year</p> <p>7.2 Number of inbound Immigration desks on 30 June in the financial year</p> <p>7.3 Number of baggage inspection desks on 30 June in the financial year</p> <p>7.4 Number of outbound Immigration desks on 30 June in the financial year</p>
8	Flight information, general signage and public-address systems	<p>8.1 Average number of passengers (whether arriving or departing passengers) during peak hour in the financial year</p> <p>8.2 Number of flight information display screens on 30 June in the financial year</p> <p>8.3 Number of information points on 30 June in the financial year</p>
8A	Public areas in terminals and public amenities (washrooms and garbage bins), lifts, escalators and moving walkways	<p>8A.1 Number of washrooms on 30 June in the financial year</p>

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Item	Aspects of airport services and facilities to which records are relevant	Matters about which airport-operator companies must keep records
9	Gate lounges and seating other than in gate lounges	9.1 Average number of departing passengers during peak hour in the financial year 9.2 Number of gate lounges on 30 June in the financial year 9.3 Number of seats in gate lounges on 30 June in the financial year 9.4 Total gate lounge area (in square metres) on 30 June in the financial year 9.5 Number of airport-operator-managed gate lounges on 30 June in the financial year 9.6 Number of seats in airport-operator-managed gate lounges on 30 June in the financial year 9.7 Number of seats in airport-operator-managed waiting areas (other than in gate lounges) on 30 June in the financial year
10	Aerobridge usage	10.1 Number of passengers who used aerobridges for embarkation in the financial year 10.2 Total number of passengers who embarked in the financial year 10.3 Number of passengers who used aerobridges for disembarkation in the financial year 10.4 Total number of passengers who disembarked in the financial year 10.5 Number of aerobridges on 30 June in the financial year 10.6 Percentage of passengers who used aerobridges for embarkation in the financial year 10.7 Percentage of passengers who used aerobridges for disembarkation in the financial year
10A	Runways, taxiways and aprons	10A.1 Total area of aprons available (in square metres) on 30 June in the financial year 10A.2 Total area of runways (in square metres) on 30 June in the financial year
11	Aircraft parking facilities and bays	11.1 Number of aircraft parking bays on 30 June in the financial year 11.2 Total area of aircraft parking bays available (in square metres) on 30 June in the financial year

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Attachment B: 2019 PC's inquiry recommendations relevant to ACCC

RECOMMENDATION 9.4 MORE DETAILED INFORMATION ON AIRPORT PERFORMANCE

The Australian Government should amend Part 7 of the Airports Regulations 1997 (Cwlth) such that, in addition to current requirements, monitored airports are required to provide to the Australian Competition and Consumer Commission (ACCC), for each financial year, statements that:

- show the number of passengers that depart from and arrive at each terminal
- separately show the costs and revenues in relation to the provision and use of aeronautical services for domestic flights and for international flights
- for Sydney Airport, show the costs and revenues in relation to the provision and use of aeronautical services for flights servicing regional New South Wales
- separately show the number of users, costs and revenues in relation to the provision and use of at-terminal and at-distance car parking, and the utilisation rates for each type of parking
- separately show the number of vehicles using different landside services, and the charges (and other terms of access), operating revenues and costs attributed to the provision of each landside service
- report any costs that are allocated to the provision of specific services, including: international and domestic aeronautical services; at-terminal and at-distance parking; and landside access services
- report the methodologies that they use to allocate costs to specific services.

The Australian Government should direct the ACCC to:

- publish annual monitoring reports
- publish the methodologies the monitored airports use to allocate costs across different services
- publish a database of the information the airports provide
- consult with airports and airlines to determine whether any of the information they provide is commercially sensitive and to develop approaches to reporting that balance disclosure with the need to protect sensitive information.

The Australian Government should implement these changes in time for the 2020-21 monitoring report.

RECOMMENDATION 9.5 IMPROVING QUALITY OF SERVICE MONITORING

The Australian Competition and Consumer Commission (ACCC) should, within 12 months, provide advice to the Australian Government on an updated set of quality of service indicators, in consultation with airports, airlines, other airport users and the Department of Infrastructure, Transport, Cities and Regional Development.

Once the ACCC has developed its recommended set, the Australian Government should amend schedule 2 of the Airports Regulations 1997 (Cwlth) to codify the updated set of indicators.

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Attachment C: Issues overview

Branch work stream	Airport and Ports
Power or authority	<p>The ACCC's authority for the airport monitoring reports comes from:</p> <ul style="list-style-type: none"> • directions made pursuant to section 95ZF of the <i>Competition and Consumer Act 2010</i> (CCA) that require the ACCC to monitor the prices, costs and profits in relation to the supply of aeronautical and car parking services at Brisbane, Melbourne, Perth and Sydney airports (the monitored airports). • Part 8 of the <i>Airports Act 1996</i>, which enable to the ACCC gather, monitor and evaluation the quality of services and facilities at the monitored airports.
Committee decision	We recommend the Committee endorse adopting substantially the same approach for the 2020–21 Airport Monitoring Report as for the 2019–20 report and to ramp up quality of service data collection in 2021–22.
Priority level	Medium - the airports monitoring report is an annual statutory report
Process	<p>The directions and the <i>Airports Act 1996</i> require the monitored airports to provide regulatory financial accounts and quality of service information to the ACCC soon after the end of the financial year.</p> <p>The ACCC is required by the directions and section 95ZF of the CCA to provide its report to the Treasurer and the monitored airports as soon as practical after the end of the financial year.</p> <p>It is the usual practice for the ACCC to publish the airport monitoring report within a week of providing it to the Treasurer. The ACCC published the 2019–20 report on 31 March 2021.</p>
Areas of contention	We consulted with the monitored airports and the Department of Infrastructure, Transport, Regional Development and Communications. These stakeholders did not raise any substantial concerns with the proposed approach.
Proposed approach	<p>Given the impact of the pandemic, we propose to continue with limited reporting in 2020–21 Airport Monitoring Report.</p> <p>For the 2021–22 report, given the expected bounce back in demand, we propose to increase reporting closer to pre-COVID level and incorporate as many of additional reporting measures recommended by the Productivity Commission in its 2019 review.</p>