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Ms Marlene Tucker
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Airports Branch
Department of Infrastructure, Transport, Regional Development
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Dear Ms Tucker

The Board of Airline Representatives of Australia (BARA) has reviewed the Discussion Paper titled *Improving the passenger experience: Quality of service monitoring at airports* (the Discussion Paper). BARA's comments in relation to the Discussion Paper are set out below.

1. Background

The ACCC has responsibility for monitoring quality of service at designated core airports. In performing this role the ACCC needs to establish appropriate indicators of service quality.

BARA maintains that the primary functions of an airport operator are to facilitate the efficient movement of aircraft to and from the airport and to facilitate the efficient movement of passengers and their baggage through the airport terminals and onto the aircraft. Other commercial activities pursued by airport operators are secondary to these aeronautical functions.

It is also necessary to consider the relationship between the prices and quality of airport services within the framework developed for their monitoring. Aeronautical services need to be cost effective as well as of acceptable standard.

Broad airport service/infrastructure indicators are specified in Part 8 of the Airports Act 1996 and the Airport Regulations 1997. However, BARA maintains there is a case for adding to, improving, revising and reorienting some of the existing quality of service indicators.

2. Absence of formal SLAs is a QSM issue

Service level standards can be just as important to airlines as prices. The way service level standards are addressed in competitive markets is through service level agreements (SLAs). These specify the capacity and quality of services purchased, including commercial consequences based on actual performance. Presently there are no specific SLAs in place between airport operators and airlines. In the absence of SLAs with airport operators, BARA considers that enhanced service quality monitoring would be problematic.

Airlines expect airport operators to engage in bona fide consultations and negotiations on operational terms and conditions, licences for the use of airport facilities, aeronautical strategic development and capacity expansions and the commercial terms and conditions attaching to each

of these matters. BARA recognises that it is difficult to effectively 'monitor' these non-price outcomes. Nevertheless, the current and suggested future reviews of airport pricing arrangements offer at least some opportunity for airlines to comment on the quality of negotiations with individual airport operators. Material breaches of the Review Principles should include consideration of the information provided by airport operators and their willingness to engage in bona fide consultations.

BARA maintains that airport operators should provide airlines with a commitment to the ongoing delivery of quality of service. This is especially so, given that airport operators are monopoly service providers which are subject only to monitoring of price and quality of service. Yet most airport operators provide services on the basis that they do not promise any specific level or quality of service. Three exceptions are the operators of Melbourne, Cairns and, to a lesser extent, Brisbane airports. These airports have committed in general terms in contractual arrangements with airlines to maintain aeronautical service levels and service quality at least at present standards. After 12 years of privatisation airlines have not reached agreement with other airport operators on commercial terms that include commitments to service delivery and quality.

3. Is the current QSM conducted by the ACCC effective in promoting transparency and accountability? Are there other approaches that might be justified?

BARA believes that the current QSM process is a useful tool in allowing airlines and the travelling public to assess the performance of airports against the specified airport services. However, BARA questions whether the current system delivers any real incentive to airport operators to improve service delivery in areas where deficiencies are identified.

In this regard, BARA notes that the QSM regime established in the UK for Heathrow and Gatwick airports includes a process for recovering money from the airport operators when standards are not met. Such an arrangement may be difficult to establish in Australia because it would fundamentally change the pricing principles upon which the airports were offered for sale. Nevertheless, the UK regime presents an alternative approach to ensuring accountability by airport operators.

Rather, BARA suggests adoption of the notion of including in the Pricing Principles the requirement that airport operators conclude formal SLAs with airlines as part of the commercial negotiations over aeronautical charges. The formal SLAs would be far more transparent than the existing arrangements and they would provide some commercial incentive for airport operators to address service quality deficiencies.

4. Ensuring reasonable attention to the experience of travelling passengers

The passenger experience at airports is the end result of the complex interaction of many factors that are influenced by a number of parties, not just the airport operator. However, at least part of the passenger experience is dependent on the quality of services provided by airport operators to airlines. BARA, therefore, maintains that the QSM arrangements should concentrate on those services directly provided by airport operators to airlines and passengers. That is, the QSM arrangements should address those services for which price monitoring is applicable, as the existence of even mild forms of price control - like monitoring - can create the incentive to reduce quality of service.

BARA generally believes that QSM should apply to airport services that are delivered by a monopoly service provider, the airport operator, where the potential problem of abuse of market power may arise. QSM generally should not be required in the case of services that are delivered under competitive circumstances and where the consumer has some choice as to the service

provider. Further, it is probably not appropriate for QSM to be applied for those airport services where the principal service provider is not the airport operator.

5. Monitoring access to and from the airport, including traffic management

Clearly, access to and from airports is a critical element of both the passenger experience and the capacity of the airport to operate efficiently and effectively. Airport access is dependent on many factors, including:

- (a) road and rail infrastructure – the responsibility of State and local governments,
- (b) planning for local land uses – also the responsibility of State and local governments, and
- (c) availability of public transport at a reasonable cost and at sufficient capacity to properly service the airport – mostly the responsibility of the State Government.

The above matters are not principally the responsibility of the airport operator and the airport operator can influence the delivery of the necessary infrastructure and services only indirectly. Therefore, subjecting the above services to QSM measures for an airport is not appropriate.

However, there are some aspects of airport access that should be subject to QSM. These include:

- (a) taxi facilities provided by the airport operator,
- (b) the road system and traffic signage on the airport, and
- (c) traffic congestion due to non-aeronautical activities on the airport.

The QSM measures to be adopted for the above factors need to be carefully considered. They should relate to provision of necessary infrastructure and not other factors beyond the reasonable direct control of the airport operator. For example, taxi supply problems relating to the airport's provision of taxi staging and pick-up and drop-off facilities should be assessed, but taxi supply problems relating to a general shortage of taxi licences in the airport city should not be a consideration for QSM. On the other hand, the traffic signage and the road system – including adequate capacity for picking up and dropping off passengers and associated traffic management to address security and traffic flow – should be readily assessable under a QSM regime.

The broader issue of surface access to airports seems to be dealt with adequately via the Master Plan process. Perhaps this process could be strengthened by requiring airport operators to produce a Surface Access Strategy, involving overall transportation discussions between the airport operator and State and local governments, as part of their Master Plan activities. This could be an airport operator requirement in the same way as they are required to produce an Environmental Strategy.

6. Monitoring car parking services

Airport car parking facilities and charges are topical issues. Car parking charges are now the subject of separate price monitoring. However, the ability of a QSM system to rationally address and measure car parking capacity matters may be limited.

The proximity of car parking facilities to terminals can be a function of a range of factors. Proximity can be related to whether the parking is short term or long term. It also can be related to airport space constraints. Consequently, proximity of car parking facilities to terminals is unlikely to be a robust standard for QSM purposes. An exception, of course, is the provision of adequate numbers of disabled parking spaces in close proximity to terminals.

Physical car parking capacity at an airport is important for their efficient and effective operation. The supply of all parking products – including short term, long term, disabled, coach, hire and rental car parking – is important. However, assessing the adequacy of car parking facilities provided could be difficult as consumer habits regarding use of public transport and taxis may differ between airports and can affect decisions about car parking developments. A robust car parking capacity standard probably would prove elusive. This matter is probably better addressed as part of an airport Surface Access Strategy process.

Other aspects of the quality of car parking services possibly could be assessed more readily. These include:

- (a) walkways (covered and uncovered),
- (b) provision of appropriate transport options to and from terminals in order to cater effectively for the car parking facilities provided,
- (c) provision of adequate numbers of disabled parking spaces in close proximity to terminals, and
- (d) availability, cost and proximity to terminals of staff car parking facilities.

An important omission from the QSM arrangements is the quality of service attaching to staff car parking facilities. Airport operating times and the general lack of adequate public transport servicing airports means that staff car parking facilities are particularly important so that airlines and the airport can operate in accordance with passenger expectations. It is a particular concern, therefore, that airport operators are becoming increasingly aggressive in the pricing of and in dictating the location of staff car parking facilities. BARA believes that standards in this area of car parking service delivery are being eroded through increasing costs and lack of choice of staff car parking locations. It is recommended, therefore, that QSM related to car parking should be extended to cover the matters set out in (d) above.

7. Monitoring terminal access and public amenities

The Discussion Paper seeks comments on whether QSM should be expanded to include matters such as:

- (a) accessibility of facilities to transfer passengers from domestic to international terminals,
- (b) proximity of car hire and shuttle bus services,
- (c) disability access and facilities,
- (d) availability of eating places, banking and foreign exchange facilities,
- (e) availability of airport/airline staff to provide assistance to the public, and
- (f) complaint handling systems.

BARA's member airlines take a keen interest in ensuring passengers can be transferred in a timely manner between international and domestic services and vice versa. This is an important factor in the success of airline schedules and on time performance. It is also a difficult matter for developing benchmarks due to the differing infrastructure available at airports. For example, Adelaide and Melbourne airports have a single terminal for both domestic and international operations. Brisbane, Sydney and Perth airports have separate terminals and rely on different combinations of airline staff and bus and train connections for passenger transfer solutions. Because of the different arrangements at different airports it, again, would be difficult to determine meaningful benchmarks under QSM. It is also arguable that inter-terminal transfers are also a matter over which the airport operator has little direct control. They tend to be an area where competitive influences – both between airlines and between airports – would tend to provide incentives for standards to be maintained or improved. BARA does not believe this is a matter for QSM.

BARA is not aware that the proximity to terminals of car hire and shuttle bus services presents a problem at Australian airports. It is highly questionable whether subjecting these services to QSM would be a worthwhile exercise.

Disability access and facilities is a wider community issue, not limited to aviation, airports and airlines. The issues that need to be addressed by aviation are consistent with those of the wider community and other transport modes. An Aviation Disability Access Working Group has been established to consider the complexities associated with disabled access to airports. BARA believes that the Government should await the outcomes of that Working Group prior to making any decision about inclusion of disability access and facilities as part of airports' QSM. In any event, BARA maintains that the ACCC is probably not the appropriate government agency to monitor disability access standards at airports. That role would be better performed by the Australian Human Rights Commission.

BARA does not agree that the availability of eating places and banking and foreign exchange facilities warrants consideration under the QSM arrangements. These services are provided under competitive circumstances and they do not impinge upon the efficient operation of airlines or the airport. BARA is unaware of any quality of service problems arising at Australian airport terminals in relation to availability of eating places. Foreign exchange facilities are available via a wide range of options at both passenger origin and destination points. They are not an intrinsic part of the passenger experience at airports. QSM in relation to these matters would be of little use in assessing the quality of aeronautical services provided by airport operators.

The availability of airline staff to assist the travelling public is a customer service issue to which airlines pay particular attention. In a highly competitive industry like aviation it is in the interests of airlines to ensure that customer service is of a high standard. Competitive pressures provide the incentive. On the other hand, airline passengers generally have little contact with airport staff, other than security staff providing security screening services on a contract basis. Consequently, there is no justification for extending the QSM arrangements to include this matter.

Similarly, BARA sees no benefit in extending QSM to complaint handling systems. Both airport operators and airlines have well established and well publicised complaints handling systems. In the case of airlines, they are a part of the customer service focus driven by competitive pressures in the aviation industry.

8. Inclusion of airline-operated terminals in QSM reporting

BARA does not support the inclusion of airline-operated terminals in QSM reporting. QSM has a role as an economic regulatory tool where there is potential for an abuse of market power. Airline-operated terminals only occur in the domestic aviation market in Australia. That market is highly competitive, so it cannot be argued that QSM applied to those terminals would be addressing any instances of market failure. Passengers who are not satisfied with the service provided by a particular domestic airline are free to choose another airline that better delivers their price and service expectations. A domestic airline will not gain any benefit by allowing service levels at its terminal to deteriorate.

9. Aspects of airside facilities that should be included in QSM and measures to be used

The Discussion Paper seeks views on whether the following airside facilities should be monitored:

- (a) airside roads and airside grounds,
- (b) airfield and airside lighting,

- (c) aircraft parking bays, and
- (d) freight handling and staging areas essential for aircraft loading and unloading.

Generally, BARA sees no need for monitoring most of the above facilities.

Airside roads and airside grounds are the subject of ongoing consultations between airport operators and airlines. Their maintenance and availability is a matter for commercial negotiations between the parties. They do not generally affect the passenger experience at an airport and, therefore, no benefit would be served by subjecting them to QSM.

Airfield and airside lighting are the subject of CASA safety requirements set out in the Aerodrome Manual of Standards (MOS). Consequently, as well as being the subject of ongoing consultations between airport operators and airlines, these facilities are also the subject of CASA regulatory oversight. QSM in this instance would simply represent a duplication by the ACCC of regulatory reporting already overseen by CASA and would serve no useful purpose.

Airlines have an interest in ensuring the airport operator provides sufficient parking bays to facilitate efficient airline operations. They need to be clearly marked and well maintained. However, different airports need to provide different parking facilities due to different aircraft types and differing airline requirements. The range of considerations to be taken into account would include aerobridge availability, the need for ground power and pre-conditioned air, tarmac strength and line markings. A standard measure of quality of parking bay facilities would be difficult to determine. Even basic measures, like availability and maintenance of parking bays, can be misleading due to airline schedules being disrupted by forces beyond the control of either the airline or the airport operator.

BARA maintains there is a strong argument for monitoring freight specific quality of service aspects under the QSM arrangements. BARA's membership includes a number of freight only airlines. Most of BARA's members engaged in RPT services also engage in freight operations, either using dedicated freight aircraft or carrying freight in the holds of passenger aircraft or a combination of both. Airlines are often critical of the quality and capacity of facilities offered, or the absence of facilities deemed necessary for the safe and efficient delivery of freight services.

BARA believes there are a number of quality of service indicators that the ACCC should consider specifically in relation to freight operations. These include:

- (i) parking availability for freight aircraft
- (ii) availability of freight sheds – capacity and suitability for purpose
- (iii) airport accessibility for road transport heavy vehicles
- (iv) corral facilities for livestock – capacity and suitability for purpose
- (v) facilities for meeting quarantine requirements – disposal of waste, washing/cleaning
- (vi) air stall storage facilities – capacity and accessibility.

10. Other aspects of airport services and facilities not currently monitored that should be included

The matter of staff car parking was addressed in section 6 above. The existing indicators address passenger car parking facilities only. However, in BARA's view a separate category for staff car parking facilities is required. The provision of staff car parking within reasonable proximity to terminals and at a reasonable cost has been and continues to be a contentious issue between airlines and some airport operators. The safety and security of airline personnel must be taken into account.

A number of the existing quality of service indicators would benefit from some revision and reorientation of the indicator being monitored.

In the case of aerobridges, the number of aerobridges and the percentage of passengers using aerobridges for boarding do not address the complete service function. The number and type of aerobridges available must be appropriate for the aircraft fleet using the airport.

BARA maintains that a persistent failure on the part of an airport operator to provide aerobridge facilities for certain classes of aircraft during certain times of the day represents a failure to meet service obligations. Such failure should not be seen as being mitigated even though the number of airline operators or the percentage of passengers affected may be minor. The quality of aeronautical services delivered by airport operators should be assessed against standards for all airlines and their passengers separately.

Similarly, the types of indicators specified in the existing check-in category do not address the complete service function. It is invariably the case that airport operators retain the right to unilaterally allocate check-in desks to airlines, based upon the assessment of the airport operator of airlines' seasonal schedules. There is the potential for the airport's counter allocation arrangements to cause disruptions to airline operations.

The priorities set by some airport operators in recent new developments illustrate the potential for airport operators to give primary concern to profit maximisation rather than the efficiency of the aviation transport system. For example, the redevelopment/expansions of the international terminal at Sydney Airport, under both the Sydney 2000 and STAR projects, arguably placed a higher priority on increasing retail shopping space at the expense of optimum expansion and, hence, efficiency of aeronautical services.

Finally, the provision of aircraft refueling facilities is essential for airline operations at airports. BARA maintains that the availability of cost effective fuelling facilities should be monitored.

11. Monitoring capacity constraints and their impact

Airport operators and airlines conduct ongoing consultations about planning for increases in airport capacity. Airport capacity is a planning issue; it generally does not relate to abuse of market power. Because airport capacity is a planning matter, it needs to be recognised that airport infrastructure investment is lumpy and it is not always the case that capacity matches demand requirements in the short term. However, short term capacity constraints can be addressed by ongoing consultations between airlines and airport operators. Often Airservices Australia has a role to play in that consultation and is included as required. The processes in place are able to identify likely future capacity constraints and the most efficient means to overcome them.

However, there may be instances where airport operators and airlines do not agree on the timing and scale of infrastructure expansion. Presently, there are unresolved discussions between airlines and the operator of Brisbane Airport about the timing and scale of the proposed second runway at the airport. The Brisbane Airport proposal seeks a greater scale of development than airlines believe is necessary. The matter remains unresolved and BARA notes that there is presently no established methodology within the airports' pricing policy framework for resolving capacity related infrastructure disputes between airlines and airport operators. BARA maintains that a government review of an appropriate mechanism for the resolution of such disputes would be beneficial.

12. Extension of QSM to cover more airports

As noted previously, BARA sees QSM as a tool to be employed in the cases of airports where the potential to abuse market power is relatively strong. Therefore, QSM should apply at those airports where the Government has determined that price monitoring of aeronautical services should apply. Extension beyond the existing price monitored airports seems unwarranted. However, should the Government determine in the future that other airports should be price monitored, BARA believes that QSM should then be applied at those other airports.

Again, as noted previously, BARA maintains that the development of formal SLAs between airport operators and airlines is the best option for continuing high levels of aeronautical services at airports. The development of SLAs should be incorporated in the airports' Pricing Principles.

13. Other approaches to monitoring airport service standards from the consumer's perspective

BARA sees no reason for aviation to be treated any differently to other sectors of the economy in relation to consumer protection issues. The existing government agencies established to consider general consumer protection issues are adequately equipped to deal with aviation related matters.

BARA also notes that airport operators have established community consultation forums which deal with matters of interest to passengers, local residents and businesses and local government. In BARA's response to the National Aviation Green Paper it was argued that these forums are not equipped to interfere with commercial matters between airlines and airport operators and the same argument would extend to consumer protection matters. Nevertheless, such forums offer an opportunity for interested parties to voice concerns about levels of service at airports. In the absence of any evidence of systemic failure of the quality of service at airports, however, BARA sees no need for the introduction of other approaches to monitoring airport service standards from the consumer's perspective.

Please contact the undersigned on 02 9299 9919 on matters related to the contents of the submission.

Yours sincerely



Warren Bennett
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