

# Newcastle Airport response to ACCC review

## Background

In the 2009 National Aviation Policy White Paper, the Federal Government announced that it would continue with the existing regime of Economic Regulation of Airport Services, including the price and quality of service monitoring conducted by the ACCC with a review to be conducted by the Productivity Commission in 2012. The Government reserved the right to conduct the review earlier. In addition, the Government announced that a second tier self-administered price and quality of service monitoring regime would be introduced for Canberra, Darwin, Gold Coast and Hobart airports.

The White Paper also recommended other airports be encouraged to adopt web-based reporting of customer satisfaction measures and outcomes.

## Newcastle Airport overview

Newcastle Airport Ltd (NAL) is a not for profit company, jointly owned by Newcastle City Council and Port Stephens Council. In 2010 more than 1,180,000 passengers passed through the facility. Airlines operating from the port include Jetstar, Virgin Blue, QantasLink, Aeropelican, Brindabella Airlines and Norfolk Air. Destinations served are Brisbane, Melbourne, Gold Coast, Sydney, Canberra, Narrabri and Norfolk Island.

Newcastle Airport is based at RAAF Base Williamtown; whilst operating from a separate terminal it utilises the military runway and services such as Aviation Rescue and Fire Fighting and Air Traffic Control.

## Quality of service monitoring

Whilst Newcastle Airport is not one of the airports subject to the ACCC price and quality of service monitoring, the Airport has always taken customer service and the quality of its product offering seriously. For some years Newcastle Airport has conducted in-terminal customer satisfaction surveys, and passenger comments have been acted on where appropriate, including working with local public transport operators to increase frequencies, providing improved amenities and covered walkways to improve the customer experience.

Since the Aviation White Paper was released in 2009 Newcastle Airport took a proactive approach to the Paper's recommendation of reporting customer satisfaction measures and outcomes; signing up to take part in the Airport Council International's (ACI) Airport Service Quality (ASQ) programme. ACI is recognised as the leading global airport association and the ASQ programme is a global customer satisfaction survey they allows airports to measure their own performance as well as measure their performance against other similar sized airports, in this case regional, from around the world.

The survey is biannual and provides each airport with an easy to read and understand measure and benchmark of customer satisfaction. Other airports in Australia also participate in this programme.

Newcastle Airport will shortly be receiving the results from its second survey period; information and details of the results will be made available on its website. Newcastle Airport recommends the ASQ programme as a mechanism that can meet the recommendations of the National Aviation Policy.

It also needs to be acknowledged that the quality of service at an airport can be severely affected by an airline, and passengers often have difficulty determining where responsibility of the airline or airport starts and ends. An example of this is the Low Cost airline service gaps that the airport can be expected to fill or the perception is the airport is responsible for. E.g. how baggage is handled and delivered upon arrival.

## Airport pricing

Pricing for airport services, in particular car parking, is always a topic of hot debate, both within the industry and across consumer groups, as highlighted in the recent media coverage of some capital city airports on 8 February 2011. There is no escaping the fact that car parking provides a significant revenue stream for most airports, indeed the percentage of non-aeronautical revenue is continuing to rise for airports and the reason for this should not be overlooked.

Regional airports have little power to influence the policies of large airlines with significant market share and power.

The increasing market share of Low Cost Carriers (LCC's) in the Australian market has shifted the way airports and airlines do business. Route viability for LCC's is dependent on driving costs down, both in the air and on the ground. LCC's are very vocal about their views on airport pricing and what percentage of their costs are airport related. This has led, in recent years, to a push by the airlines to reduce the focus on what they need to pay. They encourage airports to maximise revenue from non-aeronautical business, such as car parking, retail and other services. Full service airlines will always need to fly to the major centres and recognise in most cases there is a charge for them to do so. However the LCC's are more focussed on developing non-traditional routes; this can lead to a bidding war between airports to gain these services, with, in most cases, the lowest charges winning. If an airport is being run as a business, it needs revenue to not only survive but to maintain and upgrade facilities. If revenue is not forthcoming from airlines then ancillary revenues need to be maximised, but not at the risk of exploiting the passengers.

Once again the power and market dominance of an airline, particularly on domestic routes, should not be underestimated. This can affect pricing and contract negotiations leading to a greater dependency on ancillary revenue for an airport to thrive and expand, and provide flow on economic benefits to regional economies.

### **Car parking and ground transport**

Newcastle Airport has always been 100% transparent with its car parking products and in 2008 installed a web-based car parking calculator to assist passengers to choose a car park product and advising the cost. The Airport receives significant positive feedback on the cost of parking at Newcastle Airport and the fact that all car parks are within walking distance of the terminal building.

Newcastle Airport does recognise the importance of providing its passengers with flexibility in terms of ground transportation and participated in a recent study conducted by Booz and Co on behalf of Tourism and Transport Forum (TTF) titled *Accessing our Airports*. This report highlighted some of the key infrastructure issues around airports such as rail or road links and the extent that some airports are working with authorities to make improvements for the benefit of passengers.

### **Summary**

Newcastle Airport currently monitors service quality via several methods, the most relevant being the ACI Airport Service Quality programme, from which information will be published via the Newcastle Airport website. Feedback on car parking products and pricing is positive in general and car park upgrades in 2009 created more flexible products including a free courtesy shuttle bus.

Newcastle Airport feels that the competitive tensions that major airlines with significant market share create in the overall pricing regime of a regional airport should be recognised and influencing airport business models and methods of negotiation have put a greater emphasis on secondary revenue streams to justify necessary capital expenditure.