



1.1 Service quality monitoring

1.1.1 Introduction

In recent years the ACCC and the Productivity Commission have both endorsed the importance of an effective quality of service monitoring regime for airports. Largely this is an acknowledgement that airports are natural monopoly service providers and that, in the absence of competition for the services they provide, protection is required to ensure airport operators do not allow their services to fall below acceptable levels. It is important to keep at the forefront of any quality of service review the understanding that airport operators have significant influence over the operations of their customers, airlines, and the experience of their end users, passengers.

The choice of services that are to be monitored and how service levels will be measured has been the subject of a number of reviews. The ACCC's publication of the 'Airport quality of service monitoring guideline' in October 2008 was a positive step towards capturing the relevant areas to be monitored and attaching measures to allow accurate comparisons of the relevant standards at airports.

Most recently the Federal Government conducted a further review of the scope of quality of service monitoring set out in the 'Improving the Passenger experience: Quality of Service Monitoring' (the Discussion Paper) document. Qantas is committed to working closely with both airport operators and the Federal Government to ensure that the passenger experience at Australia's major airports is optimised.

1.1.2 The effectiveness of current quality of service monitoring

The current quality of service monitoring through the ACCC reporting process provides the public with the opportunity to scrutinise the annual performance of airports measured against a range of service standards. This is undoubtedly a useful process and provides both information and statistics that support the rankings system employed. In the absence of these ACCC quality of service reports there would be no effective or concise way for members of the public to assess the performance of the monitored airports against the stated criteria. From this perspective it must be viewed as a valuable tool.

However, where the system may lack some impetus or force is in translating the results of the annual quality of service reports into tangible outcomes and a focus on improving areas where an airport is not meeting service levels. Reporting levels of service is important but it is only one side of the coin in terms of influencing change. In addition to monitoring service levels an effective legislative scheme should be designed to protect consumers and airlines from a deterioration of services at airports and from potential abuse of market power. This outcome may be achieved in a number of ways.

It is well recognised that providers of monopoly services have little incentive to deliver consistent or high quality services. Although under the current regulatory framework, quality of service at airports is monitored by the ACCC, there are no explicit service quality standards with which Airport operators must comply. Qantas believes that the most effective and practical means to ensure minimum levels of service quality within the airport industry is to include service level



commitments within the regulatory framework. These are included in other regulated industries such as electricity.

Qantas' view is that nothing has changed to obviate the need for the service level monitoring and reporting, significantly:

- no new airports have come into operation to compete with the core regulated airports;
- Airport users still have no countervailing power against the Airport operators' market power; and
- the risk of price exploitation, decreasing service levels and the inability to meet increasing demand are all still as prevalent as at the time of the PC's recommendation (which was accepted by the Federal Government).

The monitoring of airport services and facilities by the ACCC and the subsequent reporting by the ACCC is not sufficient, by itself, to ensure the high standards of service expected by the public. There is no ability for airport users to seek the maintenance of or improvements to services. Similarly, there is no ability for airport users to demand reduced prices where services or facilities are not performing to the regulated standards. It is submitted that both these rights should be granted to airport users under the Act.

Numerous airport operators around Australia have sought to impose 'Conditions of Use' on Qantas without any negotiation or agreement. Those airports have used their monopoly position to seek to force Qantas to accept conditions that neither enhance nor protect Qantas' ability to operate efficiently out of the relevant airport. The 'right to use' an airport is not the same as a guaranteed service standard. One of the most persistent failures of these documents is a lack of any comprehensive and enforceable set of service standards that bind the airport operator.

The fact that Qantas has not been able to successfully negotiate a meaningful and comprehensive service level agreement is a clear indication of the poor bargaining position airlines face. The only services we have been able to negotiate have related to the potential to delay aircraft and do not relate to the customer experience of passengers.

The reluctance of other Airport operators entering into a more comprehensive Service Level Agreement can only be addressed by a regulatory regime that requires such agreements to be entered into and provides for dispute resolution where agreement cannot be reached.

It is recommended that continued service quality monitoring at all core regulated airports is critical and must be maintained, and that a framework of minimum standards should be introduced to ensure that current and future needs of airport users can be met.

In its submission to the Government as part of the Aviation Policy Review Qantas suggested that the quality of service monitoring framework established by the UK Civil Aviation Authority to monitor Heathrow and Gatwick airports should be closely considered by the Australian Government. This system links quality of service measures to the airports' aviation charges and provides for a mechanism to recover money from the airports (rebated to airlines which pay the charges) when standards are not met. This financial penalty provides a much greater incentive for airport operators to maintain service levels than the current 'name and shame' approach. It is also more consistent with a normal customer-supplier relationship where a drop in quality or service levels would ordinarily result in a drop in price.



If such a system was not adopted a great benefit could still be derived by enshrining the concept of formal Service Level Agreements (SLAs) between airlines and airport operators for the provision of terminal and infrastructure related services. This could be achieved by the Government including in its Pricing Principles a provision that airports and airlines were expected to conclude SLAs as part of the commercial negotiation process. Qantas is a strong supporter of the need for SLAs and has negotiated limited SLAs with a number of major Australian airports. The presence of an agreed SLA, particularly where there are remedies if service levels are not met, provides a commercial imperative in addition to the airports desire to provide a high level of service. Information on Qantas experience in negotiating SLAs to the current date and proposals as to how this could work better in the future are in section [x].

In the absence of a quality of service monitoring regime tied to financial outcomes for airports or the mandating of agreed SLAs there is little incentive for airport operators to take heed of the shortcomings that have been identified as part of the current quality of service monitoring regime.

1.1.3 The Passenger Experience

There are many elements that can impact on the passenger experience at airports. The experience for many passengers can be impacted before they have even entered a terminal and continues after they board the aircraft. Airport infrastructure is designed and built on the basis of processing peak passenger numbers and there will often be differing passenger experiences depending upon the time of day a passenger is using the airport.

There is almost always a solution to quality of service shortcomings at airports. Issues like cleanliness of facilities or appropriate signage can be readily assessed and any deficiencies promptly rectified. Infrastructure related service issues are more complex. For example, if queues are consistently too long at check in that may indicate a lack of check in desks or infrastructure. The provision of more check in counters, kiosks or some combination of the two may be the appropriate solution. However, airports are often space constrained and changes to infrastructure are expensive. The addition of a small number of check-in counters may lead to significant infrastructure changes to a terminal, adjoining roads, adjoining infrastructure (such as hangars, engineering facilities, etc) and baggage systems. This can lead to significant cost and itself create passenger disruption during the construction phase. These costs ultimately find their way from airports (which apply a rate of return) to airlines and ultimately to consumers as a portion of them will find their way into the ticket price. As a result careful consideration needs to be given to the appropriate causes and solutions for infrastructure related quality of service matters.

It is important to bear these complexities and costs in mind when considering appropriate service levels and customer perceptions of infrastructure related shortcomings at airports.



1.1.4 Monitoring of Airport Access including Traffic Management and Car Parking

1.1.4.1 Access to the airport

Qantas considers that access to and from airports is essential not only to providing a good passenger experience but also in ensuring that airports are able to function efficiently and effectively. Access to and from airports is not impacted merely by decisions made by an airport operator but is also fundamentally impacted by road, rail and surrounding land uses that are the responsibility of State and Local Governments. It is critical to ensure that the transportation links to and from an airport are designed, constructed and operated in such a manner as to facilitate the movements of large numbers of passengers. The Government's White Paper identified a number of issues relating to the need for closer cooperation between airports and State and Local Governments. Coordination between airports and Government will alleviate many of the key issues with traffic management both on and off airport.

Availability of affordable public transport to and from airports is also essential to ensure that airports will be able to cater for the growth in passenger numbers into the future. Public transport should not only be affordable but it must also effectively service an airport. Public transport to and from airports must operate regularly and for a span of hours reflective of the fact that airports often operate outside normal public transport hours of operation. Whilst these issues are of critical importance, they are not matters that airport operators solely have influence over and therefore measuring them against quality of service criteria may be inappropriate.

The accessibility of taxi services is something that airport operators have the ability to influence and has a stronger basis for quality of service monitoring. Taxi services are critical for both business and leisure travellers, particularly if public transport is limited or parking costs on airport are prohibitive. Access to taxis at airports often requires the provision of dedicated, and expensive, parking and road infrastructure. The provision of sufficient dedicated infrastructure is something that the ACCC may wish to consider as part of the quality of service monitoring process.

In any monitoring of taxi services and facilities it would be important to identify whether delays associated with taxis not being available were due to problems with airport infrastructure or a lack of available taxis. Canberra airport is an example where the problem would appear to stem from the lack of taxi licenses rather than any infrastructure shortcomings.

Road access and signage on airport are issues that may warrant scrutiny from a quality of service monitoring perspective. Clear, user friendly signage is a critical aspect to traffic flow and can have a significant impact on the time it may take to navigate to and from airport terminals or car parks. Qantas would support monitoring of signage on airport by the ACCC to ensure such signage was up to date, well placed and easy to understand.

With respect to traffic management systems on airport it may be difficult to accurately measure such systems from a quality of service perspective because there is often a competing interest between the desire of the public to drop off or collect passengers outside terminals and the need to keep traffic flowing to avoid congestion. For this reason it may not be appropriate to try and measure traffic management systems. It is, however, important that adequate space is allocated to drop off and pick up zones for passengers who do not need to utilise a car park.



Where congestion on or off airport results from non aeronautical operations on airport this is a fundamental issue that must be addressed by airport operators. These types of concerns may be best dealt with as part of the Master planning process or as part of the result of the Major Development Plan process rather than through quality of service monitoring.

1.1.4.2 Monitoring of Car Parking Services

Drop off and passenger collection points - As discussed above it is important that adequate drop off and collection zones are available to the public. In order for these areas to function there must also be adequate traffic management to ensure that these areas do not create congestion around terminals. For security, space and traffic flow reasons these areas must not be used for parking by the public. Any measure of the adequacy of these areas should take into account the peak hour traffic flows to and from terminals as well as factoring in an average reasonable drop off or pick up time for each passenger.

Proximity of parking to the terminal – Proximity of parking is a complex issue and not one that can readily be reviewed from a quality of service perspective. At the five price monitored airports there are now a range of short-term and long-term parking products available to the public. The proximity of these car parks to the terminal will often be a function of the type of parking product on offer as well as the available space and land around terminals. There are advantages for both passengers and airlines in having car parks located close to terminals as this is likely to cut down the travelling time for passengers. These advantages have to be balanced against the type of parking product and space constraint issues that may arise at particular airports. With the exception of ensuring that sufficient disabled parking is available in close proximity to terminals Qantas has been unable to settle on a clear set of standards to apply for the proximity of car parking to terminals at this time.

Capacity (including disabled parking) – Appropriate car parking capacity is essential to the proper functioning of airports. This means there must be sufficient disabled parking, short term parking and long term parking. The availability or absence of public transport to and from airports could have a considerable impact on the level of car parking infrastructure required at an airport. Like all airport development car parks are expensive to build and maintain and often compete with other potential on-airport land uses. As such it may be better to consider these issues as part of overall transportation discussions between airport and State and Local Governments relating to airport access and capacity. If car parking capacity is seen as a desirable issue to measure, then perhaps rather than measuring an absolute number of spaces, or percentage of travellers, measure the number of occasions when each type of parking is at or near full capacity – this could provide incentives for airports to encourage more use of alternative transport options around peak periods such as holidays.

Walkways (covered or uncovered) – It is important that passengers are able to easily and safely navigate from drop off areas and car parks to and from terminals. Airport operators, airlines and members of the public share this aim and as such detailed scrutiny of this infrastructure may not be warranted. Similar comments would apply to signage, lighting and personal or property security.

Provision of on airport transport options to and from the terminal – This issue usually arises with respect to long term car parking or “remote” car parking at airports. Such car parks often cater for passengers wishing to park cars for a period longer than 24 hours and as such are often located further away from terminals where land may be at less of a premium. In these instances airports usually provide a bus or shuttle service to ensure that passengers are able to quickly and safely



transfer to terminals. The absence of such shuttle services would call into question the viability of these parking products and is therefore unlikely to be a major issue at any of the price monitored airports.

Staff car parking – As airport operations often take place outside normal business hours, and as many airports lack viable regular public transport, staff car parking is essential. Staff car parking is intrinsically linked with the ability of airlines and airports to function effectively. In recent years the Qantas Group has seen an alarming number of airport operators seeking to significantly increase the price of staff car parking. The increases are regularly benchmarked to ‘commercial’ car parking rates, and often come with a diminution of service or a compulsory move to a more remote parking facility. This impacts on airline manpower scheduling, airline costs and can create security and safety issues for staff.

In light of the importance of staff car parking and suitable transport for staff Qantas believes that the ACCC should extend its quality of service monitoring of car parking to include the provision of appropriate staff car parking both in terms of availability, cost, proximity to terminals and quality of facilities.

1.1.5 Potential Expansion of Service Monitoring

1.1.5.1 Passenger Transfer between International and Domestic

An effective means of passengers transferring between international and domestic services is critical to airline scheduling and on time performance. A number of the monitored airports have separate international and domestic terminals. Qantas provides a dedicated seamless transfer service for its passengers in Sydney. In the case of Perth and Brisbane the international terminals are a significant distance from the domestic terminal precincts and therefore require transport solutions. Brisbane airport has both train and bus shuttle services which allow passengers to transfer between terminals. Perth airport is in the process of constructing an internal on-airport road to connect the domestic and international terminals. This will see considerable improvements in the connection times between these terminals for passengers. It is planned for the international and domestic terminals in Perth to ultimately be consolidated and when this occurs the transfer issue will not exist.

Proximity of car hire and shuttle bus services - Generally these services are within good proximity of the majority of Australian terminals and Qantas would not presently see a need for these services to be monitored.

1.1.5.2 Disability access and facilities

Disabled access to public transport infrastructure is fundamental to the ability of people with disabilities, the aged or infirm to be able to participate fully in community life. There are many complexities that arise with respect to disabled access to airports and which have been well documented in recent years through the Allen Group Review of the ‘Disability Standards for Accessible Public Transport’ and the recent Aviation Disability Access Working Group.

Retail facilities including eating places and banking and foreign exchange facilities
Passengers can spend large amounts of time in airports throughout the day and night. As a result there is a clear need for food and beverage establishments in airport terminals. In recent years



considerable improvements have been made throughout the domestic airport network on the availability and variety of food and beverage establishments. If an airport terminal did not provide adequate eating places then this would be a legitimate concern for passengers. Except when these areas have been refurbished or are under construction Qantas is not aware of any of the major airport terminals that do not currently provide acceptable eating places.

Banking and foreign exchange facilities are generally present in international terminals and some domestic terminals at the price monitored airports. Qantas would not consider that they give rise to a quality of service issue that requires monitoring.

Airport operators have viewed eating places, banking facilities and other retail facilities as a valuable source of non-aeronautical revenue. As a result airlines sometimes raise concerns that airports have overinvested in these areas at the expense of aeronautical facilities. The tenants of these facilities have a real choice over whether to run their business out of the airport or another location such as a shopping centre, so will not allow the airport operator to drop standards around their lease. We believe that these arrangements are often based on turnover rents, which gives the airport operator a direct interest in increasing turnover by attracting more customers.

1.1.5.3 Availability of airport/airline staff to assist the public

Customer service is a strong focus of Qantas. It is something that the company invests in heavily and relies on to ensure customers continue to choose to fly with Qantas. Qantas has a significant staffing presence at all the price monitored airports at check-in, service desks, sales desks, Qantas clubs as well as having dedicated duty managers and airport managers. If a customer receives poor service this is likely to be a consideration in their decision about which airline to choose when next they fly. It is in squarely in Qantas' interest to ensure that customer queries and needs are addressed as quickly as possible and in these circumstances quality of service monitoring would seem unnecessary for airlines given this focus on customer service.

1.1.5.4 Complaint handling systems

Most airport operators and airlines have well established complaints handling processes. Many airports also have customer feedback collection systems which ensure issues are able to be raised by the public. Qantas is not aware of any specific need for additional complaint handling systems but would like to see these current systems continue to be monitored to maintain this level of performance.

1.1.5.5 Monitoring of Airline Operated Terminals

Qantas would not support the inclusion of airline operated terminals in any quality of service monitoring process. It is not the purpose of the quality of service monitoring system to measure airline operated terminals as airlines do not set an aviation charge that is directly levied to customers for the terminal services or infrastructure. Rather, the cost of these services and infrastructure are factored into the price charged to an airline's customers. It is therefore up to customers to determine whether an airline has fairly priced its service at a terminal. If the customer does not consider that this is the case, they can exercise choice and not fly with that airline.

In addition to the fact that Qantas operates in competition with other airlines for passengers and therefore has a strong incentive to maintain its levels of service there are also direct contractual obligation in Qantas' domestic terminal leases that obligate Qantas to maintain its terminals and



clean them. There would be no benefit for Qantas, or for that matter any other airline operating a terminal, to allow service levels to deteriorate. If that did occur passengers have the choice to fly with another airline that operates from a different terminal.

1.1.6 Monitoring of Airside Facilities

1.1.6.1 Airside roads and airside grounds

The availability and maintenance of airside roads and airside grounds are matters that airlines and airports closely monitor and discuss. They are not issues that often have a direct impact on the passenger experience and therefore not something that Qantas would see a need to monitor.

1.1.6.2 Airfield and airside lighting

Airfield and airside lighting is fundamental to the safe and efficient operation of an airport. With the introduction of new technologies and modes of runway operation lighting can safely increase the capacity of the airfield and provide the ability to operate in a range of adverse weather conditions. The decision about appropriate airfield lighting is again one that airlines and airports work closely together on. The nature of airfield and runway lighting appropriate for each airport may vary. For this reason, other than ensuring that lighting is working and regular repairs and maintenance is undertaken Qantas would not see that quality of service monitoring of airfield and airside lighting would need to occur.

1.1.6.3 Aircraft parking bays

Each airline operates different aircraft types and has different operating procedures with respect to aircraft parking bays. Parking bays around terminals often differ in their infrastructure requirements to stand-off or remote parking bays. Issues such as the presence or otherwise of aerobridges, ground power, tarmac strength, line markings and pre-conditioned air infrastructure can all have an impact on whether an aircraft parking bay is appropriate for use by a particular airline or aircraft. The key issue from an airline perspective is ensuring sufficient parking bays are available and that the available bays are clearly marked, in a clean state and well maintained. Due to the diverse nature of the differing airline requirements for parking bays to measure service standards other than availability and level of maintenance would be problematic.

1.1.6.4 Freight handling and staging areas

The majority of freight transported around Australia and internationally is in the body of RPT aircraft. Qantas supports the inclusion of freight handling and staging areas in the quality of service monitoring framework. These areas are critical to the safe and effective operation of an efficient freight operation.

1.1.7 Other aspects of airport services and facilities that would benefit from monitoring

1.1.7.1 Refuelling facilities

Appropriate on-airport refuelling infrastructure and services are critical to the operations of airlines and Qantas believes this should be monitored. Where planning decisions on airport necessitate the need to construct new facilities or relocate existing facilities this comes at a significant cost and there are many complex environmental issues. The lack of appropriate refuelling infrastructure can also directly impact on the on time performance of airlines. Qantas would recommend that the availability of cost effective airport fuelling facilities should be monitored.



1.1.8 Monitoring of Airport capacity

Airports and airlines constantly review capacity constraints and work together to find solutions for these issues. To identify capacity constraints may require a detailed understanding of airfield modelling, airline schedules, security requirements, safety issues, passenger flows, peak gate requirements and airspace management issues. For this reason airports and airlines, along with Airservices Australia, are the parties best placed to assess any immediate capacity issues that arise at airports.

Whilst passengers are clearly able to identify shortcomings in levels of service at airports they are not well placed to identify whether the particular issue is related to a capacity problem or what the solution to that problem might be. As outlined above a passenger may be subject to unacceptably long queues when checking in, however, this does not necessarily mean there is a capacity constraint at check in at the airport. There are many reasons why a queuing delay may occur and these must be closely examined.

If a capacity constraint is identified airlines and airports must:

- weigh up the available options to solve the problem;
- review the problem in the context of other capital expenditure and infrastructure priorities;
- identify and agree the cost and method of funding the works;
- review staging scenarios; and
- consider the timing of the works to avoid unnecessary disruption to operations and passengers.

When design and construction timeframes are included, it is apparent that some infrastructure related capacity issues may take years to rectify due to the size, cost and complexity of the work involved. For this reason it would not be prudent for the quality of service monitoring process to attempt to identify or highlight capacity constraints at airports as part of the quality of service monitoring process.

The important exception to these general comments arises where there is a difference of opinion as between airlines and airport operators about the need for additional infrastructure or the extent and nature of capacity constraints. These are difficult issues as they give rise to questions about the extent to which airlines can coerce an airport operator into providing infrastructure it does not support. The corollary also often occurs when an airport operator may wish to construct infrastructure ahead of the requirement of airlines or expressly against the recommendation of airlines. These are complex issues and cannot be resolved through the current quality of service monitoring regime.

Qantas would welcome a more detailed Government review of how such capacity related infrastructure disputes can and should be resolved.

1.1.9 Potential to Expand monitoring to cover more airports

Qantas do not see the need to extend the quality of service monitoring regime to other Australian airports at this time. If additional airports become subject to price monitoring however, then it may be prudent to consider quality of service monitoring for these airports.



As discussed earlier, Qantas considers that the best way to ensure high levels of airport service would be to enshrine the concept of SLAs between airports and airlines as a Pricing Principle along with the other fundamental expectations of the commercial outcomes the Government has outlined.

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

In recent years a number of major airport operators have created community consultation forums at which they have sought to address the concerns of passengers, local residences and businesses. Qantas considers that these consultation groups in conjunction with the community consultation groups would be ideal vehicles for passengers and members of the public to voice their concerns about airport issues including levels of service.

1.1.11 Service Level Agreements

In addition to the measurement of Quality of Service, Qantas also submits that enforceable agreements as to the level of service provided by airports are required to ensure responsible behaviour on the part of the airport operator.

To be effective these agreements should include meaningful consequences for the airport in the case of services failures, consistent with the type of agreement that would be expected to be seen between a supplier and client in any other industry.

While Qantas hopes not to need to invoke these clauses, we believe that they would act to foster a culture where the airport has stronger incentives to work with the airlines to ensure a robust operating environment.

Qantas' current experience is that the majority of airport operators have no real or effective penalties for delays or services failures, while those that do are time consuming and costly to invoke. Qantas has actively sort expanded meaningful SLAs over the past 24 months with all airport authorities. We have had some recent success with one or two airports in moving the SLA towards more effective agreements, but past experience suggests that achieving this across the industry will be challenging unless the airport has a large issue needing support from the airline community to trade off against.

A Service Level Agreement with penalties imposed for any service failures incorporated into an Industry Code of Conduct may be the only way to enforce meaningful agreements across all airports. Expanding it to include standards for meeting customer brand expectations as well as delays and service interruptions would also address some of the broader customer service elements.