



Quality of Service at Dublin Airport

Consultation on the Regulatory Approach taken towards Quality of Service at Dublin Airport

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1 INTRODUCTION

- 1.1 This paper seeks the views of interested parties on how the Commission for Aviation Regulation (hereafter “the Commission”) should have due regard to the level and quality of service when regulating airport charges at Dublin Airport. The Commission indicated in its second determination of airport charges in 2005 that it would undertake a review of its approach to quality of service in advance of the 2009 determination.
- 1.2 The Commission would like feedback from all airport users on how they think “the level and quality of service” should be interpreted and how the Commission might best ensure that the service quality provided meets users’ needs. Familiarity with the intricacies of the current regulatory regime governing airport charges at Dublin Airport is not required. Comments on what aspects of service quality interested parties consider important are welcome even from parties that do not wish to comment on what regulatory measures the Commission should take.
- 1.3 The report has the following structure:

Section 2 provides an overview of how the Commission currently regulates airport charges at Dublin Airport. The section includes some background material for those readers less familiar with the regulatory regime.

Section 3 invites responses on the fundamental question of what is quality of service in an airport setting. Parties are invited to think about what matters to them, and how they think such factors might best be measured.

As an aid, the section also includes examples of how airport quality of service has been defined in other settings.

Section 4 seeks preliminary views on how the Commission might approach the issue of quality of service when making future determinations. Again, there is a brief discussion of the approach taken elsewhere.

Section 5 provides administrative details for parties wishing to respond to this paper.

- 1.4 In October 2008, the Commission expects to publish an issues paper setting out the matters it will consider leading to its next determination of airport charges from 2010 onwards. Comments received to this consultation paper on quality of service will inform the Commission as it prepares that issues paper. If the feedback received points to further work, there will be opportunities for interested parties to comment further, including on some of the more detailed technical issues that can arise when considering quality of service within a price cap regime.

2. THE CURRENT REGULATORY REGIME

- 2.1 This section informs all interested parties about the process and components involved in the formation of the price cap.
- 2.2 The Commission places a cap on the maximum level of airport charges that may be levied by Dublin Airport Authority at Dublin Airport. The price cap on the revenue from airport charges that the DAA can earn per passenger at Dublin Airport during 2008 is €7.38. Airport charges are levied in respect of the landing, parking and taking off of aircraft at an aerodrome (excluding IAA/air traffic control charges), on the arrival at or departure from an airport by air of passengers and the transportation by air of cargo to/from an airport.

Section 33(1) of the, 2001 Act as substituted by section 22(4) of the Act, 2004 Act states: "in making a determination, the objectives of the Commission are as follows

- (a) to facilitate the efficient and economic development and operation of Dublin Airport which meet the requirements of current and prospective users of Dublin Airport
- (b) to protect the reasonable interests of current and prospective users of Dublin Airport in relation to Dublin Airport
- (c) to enable Dublin Airport Authority to operate and develop Dublin Airport in a sustainable and financially viable manner."

How the price cap is calculated

- 2.3 The regulatory regime operated by the Commission since its first airport charges determination in 2001 is to set a limit or 'cap' on airport charges that can be levied on airline users by the regulated company. The price cap is derived from a series of components known as regulatory 'building blocks' which are calculated by the Commission at the time of making a price cap determination. This determination lasts for a minimum of four years.
- 2.4 The first step in calculating a price cap involves the valuation of a regulatory asset base ("RAB") which in any given year is the sum of existing capital stock and a forecast of efficiently incurred new capital stock. The price cap is then derived from a series of inputs known as 'regulatory building blocks' which are calculated by the Commission at the time of a price cap determination. These building blocks are:
- A return on the RAB;
 - *Plus* a depreciation charge on the RAB;
 - *Plus* an estimate of efficient future operating expenditures;
 - *Less* an estimate of future commercial revenues.
- 2.5 The sum of these building blocks is divided by a forecast of passengers to set the price cap, a maximum revenue yield in per passenger terms. The revenues per passenger are converted into real terms by making annual adjustments for inflation.

- 2.6 Price caps are supposed to provide incentives for a regulated company to realise efficiencies by cutting costs. One concern is that a regulated company subject to a price cap may have perverse incentives to save costs while delivering unsuitable quality levels for users. From the perspective of users, these may be false savings if the lower costs only arise as a result of reduced service quality.
- 2.7 When setting the price cap, the Commission must have due regard to “the level and quality of services offered at Dublin Airport by Dublin Airport Authority and the reasonable interests of the current and prospective users of these services”. The current price cap does not include any explicit components for quality of service.

3. WHAT IS QUALITY OF SERVICE?

- 3.1 This section provides an overview of some of the different concepts and measurements that might be used when thinking about the level and quality of service at an airport.
- 3.2 The Commission would like to receive responses on what stakeholders consider to be most important in relation to service quality at Dublin Airport.

Definitions of quality of service

- 3.3 There are many different possible measures of quality of service. It is quite likely that different parties will have different views about what constitutes quality of service at an airport. This will arise because of differences in the preferences of different parties. Even where parties have similar preferences, they may reach different conclusions about how best to address the practical problems associated with measuring service quality.
- 3.4 The most basic question is what aspects of service do users of Dublin Airport (passengers, airlines, ground handling agents and all other users of Dublin Airport) most value. Possibilities include the length of time spent being processed through security checks, the cleanliness of the airport, or even the ease of finding one's way through the airport.
- 3.5 The relative importance of these different measures of quality will vary between users. Some airlines' business models may place a very high premium on the airport being able to process passengers and their baggage quickly; some individual passengers may be most concerned with the "feel" of the airport. There is the possibility that some interested parties may be concerned about both aspects of service quality.
- 3.6 Even when parties agree that a certain quality measure matters, they may not agree the best way to measure it. For example, minimising time spent queuing at security checks might be considered a desirable property at an airport. Some might consider the average time spent in queues to be a reasonable measure of the inconvenience of queuing. Others might wish to focus on the percentage of people required to queue for more than a certain number of minutes.
- 3.7 Practical concerns may also influence how service quality is measured. Some measurements will be easier and cheaper to collect than others. There may be a trade-off between a measure that best captures the interested party's concept of service quality and a less perfect but cheaper to collect alternative measure.
- 3.8 There is the possibility that the selection of performance measures at an airport may produce perverse incentives and lead to unintended consequences as the regulated company's focus turns more to the measures rather than the overall standards. For example, the

introduction of patient care indicators as a measure of quality by the National Health Scheme in the UK has received some criticism.¹

- 3.9 The Commission would like to hear from interested parties about what is quality of service. All responses will be considered by the Commission if it decides to develop more formal measurements for assessing service quality at the airport. Consequently, the Commission is keen to receive preliminary views on what parties think is important, and possible approaches to assessing these concepts of service quality that parties consider important. Interested parties will have further opportunities to comment on the precise details of any measures that the Commission might consider adopting.
- 3.10 To help interested parties consider how best to define quality of service, the rest of this section provides examples of measurements already in use. This includes measures that have been used by other airport regulators setting price caps in other jurisdictions, and measures used for purposes other than price cap regulation. The examples are provided to assist interested parties in responding to this consultation paper: the Commission does not view the examples as necessarily being definitive or exhaustive of the possible measures that parties might suggest.

Comments Sought

- How should quality of service at Dublin Airport be defined?
- How do you think quality of service might be measured?

¹ Ovretveit, John, 2001, *Evaluating Quality and Quality Measures for Comparison*, Health Care and Informatics Review Online, Volume 5, No. 1.

Examples of quality of service measures for Dublin Airport

3.11 The first set of examples of service quality measures relate to indicators which the DAA has previously collected. This includes the service-level agreement between the DAA and the Dublin Airport Airline Operators Committee (AOC), passenger surveys of airports conducted by the Airport Council International (ACI) and the International Air Transport Association (IATA) airport service standards.

Service-level agreements (SLAs) at Dublin Airport

3.12 At Dublin Airport, SLAs are in place defining certain standards that need to be achieved. In 2005, the DAA provided the Commission with a copy of its agreement with the AOC.² Table 1 presents the activities at Dublin Airport covered by SLAs.

Check-in	Stand/gate allocation
Baggage handling	Trolley availability
Baggage delivery	Security passenger search

Table 1: The activities at Dublin Airport covered by SLAs

Airport Council International (ACI) surveys of passenger satisfaction

3.13 The DAA has participated in global surveys of passengers' experience of service quality at airports. Dublin Airport was included in the Global Airports Monitor (GAM) from 2002–2004, followed by the AETRA survey.³ In 2005 the AETRA survey was in turn replaced by the ACI with its own survey. All three surveys applied the same methodology to interpret results from similarly styled surveys to global airports.

3.14 The ACI survey seeks to measure passengers' overall satisfaction with an airport by ranking its performance against other airports in terms of various aspects of an airport's services. The survey is circulated to departing passengers and asks them to complete it based on their experience at the airport. ACI views its results as useful to airport managers, helping them to identify service areas needing improvement.

² Dublin Airport Authority, (2005). *DAA Response to CP2/2005 Annex 3, DAA/AOC Service Level Agreement*. This is available on the Commission's website, www.aviationreg.ie

³ AETRA is taken from the Latin word "aethra" meaning the upper air, clear sky. It is not an acronym. The ACI and IATA launched the survey in 2004 to replace the eleven year old Global Airport Monitor (GAM).

3.15 Table 2 presents the quality elements that are included in the survey.

ACI Global Monitor Measures of Satisfaction	Quality Elements
Overall passenger satisfaction	For all, business and leisure passengers
Access/navigation and connectivity to and from an airport	Ground transportation to/from an airport, parking facilities, ease of finding your way through an airport, flight information screens, walking distance, ease of making connections with other flights
The quality of airport services	Availability of baggage carts/trolleys, courtesy, helpfulness of airport staff (excluding check-in and security), restaurant/eating facilities, shopping facilities, computer/telecommunications/e-facilities, availability of washrooms, cleanliness of washrooms, comfortable waiting/gate areas
Experiences at security and immigration	Passport and visa inspection, courtesy and helpfulness of security staff, thoroughness of security inspection, waiting time at security inspection, feeling of being safe and secure
The overall airport environment	Cleanliness of airport terminal, ambience of the airport
Value for money	Restaurant/eating facilities value for money, shopping facilities value for money, parking facilities value for money
Arrival services at an airport	Speed of baggage delivery service (based on previous experience), customs inspection (based on previous experience), passport and visa inspection (based on previous experience)
Airline services	Waiting time in check-in queue/line, efficiency of check-in staff, courtesy/helpfulness of check-in staff, business/executive lounges
Travel profile	Reason for trip, class of travel, number of trips (including this one) made in the last 12 months, connecting at this airport, mode of transport to the airport, earliness of arrival before scheduled departure, method of check-in
Demographic profile	Passenger age, passenger gender
Airport overview of Dublin Airport against the best in class and average airport	Time series analysis

Table 2: Measures of service quality included in the ACI Survey⁴

⁴ The measures included in table 3 have been used in ACI surveys in the past at Dublin Airport. Further information is available on the ACI website for airport service benchmarking, <http://airportservicequality.ch/>

IATA service standards

- 3.16 The International Air Transport Association (IATA), a trade body representing over 200 airlines, has developed its own measurements for defining airport service standards. It defines six levels of service standard, from "A" for excellent level of service to "F" for unacceptable level of service.
- 3.17 The six IATA standards from A to E measure, in terms of m² per occupant, the following service areas at an airport. At service level F, there are no measurements recommended for each service level, as the airport system is described as at breakdown point. table 3 presents the metre squared per occupant for each facility at each standard level.

IATA Levels of Service						
	M ² Per Occupant For Each Level Of Service					
	A	B	C	D	E	F
Check-In Queue With 2+ Bags (Counter)	2.6	2.3	2	1.9	1.8	SYSTEM BREAKDOWN
Check-In Queue With Few Bags (Self Service)	1.8	1.5	1.3	1.2	1.1	
Wait/Circulate (With Carts)	3.3	2.8	2.3	1.8	1.2	
Wait/Circulate	2.6	2.2	1.8	1.4	0.9	
Holdroom	2.6	2.1	1.6	1.3	1	
Bag Claim Area (Excluding Claim Device)	2.6	2	1.7	1.3	1	

Table 3: IATA Service Standards⁵

- 3.18 The DAA described parts of the terminal as operating at service standards C and D in their submission to the Draft Determination of airport charges in 2005.⁶ The DAA noted that the terminal in 2005 was operating below IATA service level standard C for several of the main processors and service standard D for the gate lounges. T2 is being built to comply with IATA standard C.

⁵ IATA (2004), Airport Development Reference Manual. This is available for purchase on IATA's website at www.iataonline.com

⁶ Dublin Airport Authority (2005). *Response to CP2/2005*. This is available on the Commission's website, www.aviationreg.ie

Quality of service measures used by two airport regulators

- 3.19 This section gives a brief overview of the approach taken toward service quality by regulators in the UK and Australia. The Commission encourages interested readers to visit the websites of the regulators and regulated companies for further information. The two examples are provided as background information, without implying any view from the Commission as to whether similar approaches would be appropriate at Dublin Airport.
- 3.20 The Commission welcomes examples of approaches taken towards service quality in any country to support views given in responses.

The United Kingdom

- 3.21 In March 2008, the UK's Civil Aviation Authority (CAA) announced its final decision on the regulation of airport charges at Heathrow and Gatwick Airports for 2008–2013.⁷ This determination continued the CAA's service quality regime at Heathrow and Gatwick airports.
- 3.22 The quality monitoring regime measures standards in the following areas. The approach distinguishes between services provided to airlines and services provided to passengers. Table 4 shows the various standards that are included in the CAA's quality monitoring. Services that are provided directly to the airline are marked (A), while services provided to the passenger are marked (P).

⁷ The Civil Aviation Authority (2008). *Economic Regulation of Heathrow and Gatwick Airports 2008 – 2013, CAA Decision*. This is available on the CAA's website, www.caa.co.uk

CAA QUALITY MEASURE	SERVICE PROVIDED TO ⁸
Stands	A
Jetties	A, P
Fixed Ground Electrical Equipment	A
Passenger Sensitive Equipment	P
Arrivals Reclaim	P
Central Search Security Queue Standards	P
Transfer Security Queuing	P
Staff Security Queuing	P
Control Post Queuing	P
Aircraft Manoeuvring	P
Tracked Transit System At Heathrow	P
Pier Service Provision	A, P
Aerodrome Congestion Element ⁹	A
Departure Seat Availability	P
Cleanliness	P
Way-Finding	P
Flight Information	P

Table 4: Measures included in the CAA's Quality Monitoring

- 3.23 The last four measures rely on passenger survey evidence; the rest of the indicators of service quality depend on defined measurements. All measures are weighted by the number of passengers.
- 3.24 Each airport is required to publish monthly its performance against the specified service standard. The airport operator must also include this information on prominent signs in the airport.

⁸ In the following list, services that are provided directly to the airline are marked (A), while service provided to the passenger are marked (P)

⁹ The aerodrome congestion element is based on a record of all events which have a material effect on the operation of the aerodrome. A penalty is applied when the airport operator or its agents' operations lead to the deferment of more than four cumulative air traffic movements in an hour.

Australia

- 3.25 The Australian Competition and Consumer Commission (ACCC) monitors quality of service at seven price-monitored airports: Adelaide, Brisbane, Canberra, Darwin, Melbourne, Perth and Sydney.¹⁰ Only airport facilities and services which could be provided by or influenced by the airport operator are monitored by the ACCC.
- 3.26 The ACCC uses passenger and airline satisfaction surveys to gather information on the performance of the airports with respect to quality. The airports supply the information to the ACCC in order for the ACCC to prepare the quality monitoring reports on an annual basis.
- 3.27 The passenger perception surveys covers the areas listed in table 5.

Passenger check-in	Washrooms
Security clearance	Baggage collection
Government inspection	Car parking
Lounges	Signage
Vehicle access for arriving and departing passengers	

Table 5: Measures used in passengers' perception survey

- 3.28 The survey of airlines' satisfaction with quality at the airports covers the measures listed in table 6.

The availability of airside and terminal infrastructure
The ability of equipment to perform the function intended
The reliability of the equipment
The possibility of equipment breaking down
The airport operator's responsiveness or approach to addressing problems and concerns with the airside and terminal facilities

Table 6: Measures of quality used in airlines' survey

- 3.29 Some users have questioned the reliability and the usefulness of some of the elements of the service monitoring regime.¹¹ The ACCC did consider whether to proceed with the quality of service monitoring regime following criticism received from stakeholders, the Productivity Commission and the government.

¹⁰ Australian Competition and Consumer Commission, (2005). *Quality of Service – Price Monitored Airports*. This report is available on the website www.accc.gov.au

¹¹ Australian Government Productivity Commission, (2007). *Submissions on the Draft Guideline: Prices Monitoring and Financial Reporting*. The submissions are available on the website www.accc.gov.au

3.30 In response to the criticism, the ACCC decided to revise its overall approach and presentation of results. The ACCC streamlined the services that are quality monitored, as some stakeholders criticised previous monitoring reports for focusing solely on the source of information such as airline surveys and passenger surveys.

4. QUALITY OF SERVICE AND PRICE CAP REGULATION

- 4.1 This section explores how the Commission should treat quality of service when setting the price cap.
- 4.2 The material in this section presupposes that the issue of how to measure quality of service, addressed in the previous section, has been resolved.
- 4.3 Price cap regulation is intended to encourage regulated companies to realise cost savings. If the company incurs costs less than the price cap, the savings are kept by the company. At the time of the next price cap, any cost savings realised will help inform the regulator about what level to set for the next price cap. The regulatory regime is supposed to provide incentives for the regulated company to cut costs, to the ultimate benefit of consumers in the form of lower prices than would otherwise be the case at later dates.
- 4.4 It has long been recognised that a company subject to price cap regulation may have incentives to realise “false” cost savings, reducing the quality of service provided to users to secure lower operating or capital expenditure. A number of regulators have started to monitor quality of service to ensure that an appropriate level of service is provided, often developing financial incentives to encourage the regulated company not to deliver low levels of service.
- 4.5 At this stage, the Commission is interested in finding out whether and how parties would like the Commission to treat quality of service in principle when setting future price caps. The current price cap on airport charges at Dublin Airport has been set without imposing any specific requirements on the DAA concerning the quality of service to be provided. If there is a demand for a more formal link between quality of service and the price cap, the details of any scheme would be developed during the process leading to a determination, with opportunities for interested parties to engage further in consultation.
- 4.6 The rest of this section outlines some of the issues for which it would welcome preliminary thoughts from interested parties. At this stage, the Commission’s interest is on what principles might guide the design of any mechanism linking the price cap to quality of service. Should the Commission conclude that there is support for such an explicit link, there will be opportunities for parties to comment on the detail of any scheme during the process leading to a determination. It also briefly describes some of the approaches to quality of service other regulators have taken.

Regulatory options to address service quality concerns

Linking the price cap to quality of service

- 4.7 Linking the level of any price cap to the level of service quality provided by the regulated company is the most basic option available to a regulator with the power to set a cap on charges. There are financial incentives for the regulated company to provide a higher quality of service than it might otherwise choose to provide. Whether those incentives are sufficient to have the desired effect depends on how they are set.

- 4.8 There is the issue of how pronounced the incentives should be. How much of the DAA's revenues should be at risk if it fails to meet quality of service standards? What principle(s) should guide the amount of money that is at stake? At the same time, care is needed to ensure that perverse incentives are not created: it would be undesirable to create a situation where the regulated company knew it would not be able to achieve a given service level and higher cap, and consequently chose to realise cost savings by lowering service quality even further.
- 4.9 Should the incentives apply symmetrically? Some regulators allow the regulated company a higher price cap if it exceeds the target level of service quality. A rationale for this is it provides continuous incentives to offer better service. Opponents argue that in other sectors they would not pay a higher price just because the provider offered a better level of service than advertised and do not understand why they should have to pay more just because a regulated company has provided above the base level.
- 4.10 All users of the airport will have different views about the level of service that they are willing to pay for. The Commission would welcome views on how any quality of service target might be set, given these likely differences. For example, how might the Commission satisfactorily address a situation where some users indicate a preference for higher airport charges and shorter queuing times, while other users prefer lower airport charges and longer queuing times?
- 4.11 The Commission would also welcome any preliminary observations parties have concerning the practicality of introducing such a scheme.
- Are there any legal obstacles that parties think that the Commission should be aware of?
 - What should happen in the case of a dispute as to whether it is the airport or an airport user that is to blame for other airport users receiving a poor quality of service at the airport?
 - Who should be responsible for collecting any data that are necessary?

Other options

- 4.12 The issues raised above should not be interpreted as meaning that the Commission has already decided that future price caps should have a quality of service term included. The Commission is open to the possibility that such a measure should not be pursued.
- 4.13 Interested parties may be happy with the status quo, at least with regards to the quality of service provided at the airport. In this case, any attempt by the Commission to address quality of service matters more comprehensively than it has in the past may be viewed as introducing unnecessary administrative burdens. It might also be considered incompatible with the Commission's duty in the State Airports Act, 2004, to have regard to "imposing the minimum restrictions on the DAA consistent with the functions of the Commission". See also the requirement under section 23(7) of the Aviation Regulation Act, 2001, stating that the Commission shall

ensure that its own costs of operations are kept to a minimum and are not excessive.

- 4.14 Alternatively, parties may think that there is an alternative approach that will provide incentives for the airport to provide service quality. For example, would the publication of data comparing the DAA's performance with other airports' suffice? While it would not provide any immediate financial incentives to improve performance, it might be argued that publicity and the possibility of action by the regulator at subsequent determinations would be sufficient to motivate the DAA to offer a high quality of service. Similar to the explicit linking of the price cap to quality of service, the Commission asks interested parties to inform it who should be responsible for collecting such data.

The approach taken by other regulators

- 4.15 The next paragraphs present examples of the approach taken by other regulators to quality of service, including the use of financial incentives such as penalties and bonuses. The examples are provided as background information, without implying any view from the Commission as to whether similar approaches would be appropriate at Dublin Airport. Parties wishing to discover more about the schemes are advised to visit the relevant regulators' websites. It is important to note that the approaches below reflect the national legislative context in these countries.

Airport regulators

- 4.16 In the UK, the CAA includes a 'Q' term in its price cap formula on the level of airport charges at Heathrow and Gatwick Airports.¹² This provides a formal link between the quality of service at the airport and the level of the airport charges that the BAA can collect.
- 4.17 The CAA uses a penalty scheme with links to the price cap to motivate the BAA to achieve certain quality targets at Heathrow and Gatwick airports. The aim of the penalty regime was to discourage the airport operator from lowering standards to benefit their profits.¹³
- 4.18 The amount at risk under the penalty scheme is 7% of airport charges revenue for standards set under the Standards and Rebates scheme, while 1% of airport charges revenue is at risk under the aerodrome congestion element, with adjustments each year for inflation.
- 4.19 In its recent decision on the level of the price caps at Heathrow and Gatwick Airports, the CAA introduced a bonus scheme to the airport operator, if it exceeds agreed airport standards. The application of bonuses has received some criticism. Some airport users believe that they pay for a basic service and should receive a certain quality level to match that price. Central security queuing is excluded from the bonus scheme as the airlines expressed concerns during consultation about paying twice for the service, once for the high costs associated

¹² The Civil Aviation Authority, (2008). *Economic Regulation of Heathrow and Gatwick Airports 2008 – 2013 CAA Decision*. This is available at the CAA's website, www.caa.co.uk

¹³ The Civil Aviation Authority, (2007). *Heathrow and Gatwick Airports Proposed Statement of Standards and Rebates*. This is available at the CAA's website, www.caa.co.uk

with this service and again to pay for bonuses when they apply. The maximum revenues achievable through bonuses are 2.24% of airport charges.

- 4.20 During consultation on the continuation and expansion of the quality monitoring scheme at Heathrow and Gatwick airports, some interest groups disagreed about the amount of money at stake for rebates and transitional issues related to the introduction of tougher standards.
- 4.21 In Germany, Hamburg Airport has been subject to dual-till price cap regulation since 2000. A quality monitoring regime has been established, but this does not set mandatory quality standards. The monitoring is supported by evidence from passenger surveys and service indicators. There are two strands to the consultation exercise which supports the monitoring regime: airside (for airlines and ground handlers) and landside for non-aviation type business such as car rental companies.
- 4.22 At Copenhagen Airport in Denmark, price cap agreements are developed following negotiations between the airport and the airlines. Quality of service is generally a subject in negotiations, coupled with discussions on price differentiation and the proposed adjustment to charges.
- 4.23 In Australia, the ACCC considers quality monitoring to be an important complement to price monitoring. The price and quality monitoring plus the financial reports were integrated into a single report in reaction to criticism, to enhance the link between the charges paid, the quality delivered and the investment cycle.
- 4.24 Some Australian airports expressed concerns to the Productivity Commission that the monitoring did not take account of the practicalities and complexities of service delivery.¹⁴ Coupled with this, the airports also did not support the service monitoring that placed them as responsible for service problems that do not fall under their control, such as check-in desks.
- 4.25 Some airlines informed the Productivity Commission that they did not believe that service monitoring had resulted in an improvement in quality.

Regulators in other sectors

- 4.26 A number of other industries are subject to price cap regulation under various legislative approaches. In Ireland and the UK many of these regulators have developed schemes to address service quality. One should note that in many regulated sectors the regulated entities are licensed by the regulator. This gives the regulator significant influence over the entity. The licensing regime often explicitly provides for penalties for non-compliance with the licence. A usual term of the licence is compliance with any price cap.

¹⁴ Australian Productivity Commission (2006). *Review of Price Regulation of Airports Services, Productivity Commission Inquiry Report*, No. 14. This is available on the website www.pc.gov.au

- 4.27 In Ireland the telecommunications and postal regulator, ComReg sets, publishes and monitors quality of service standards in relation to the universal postal service.¹⁵ ComReg's website has a webpage that states the targets, the performance and an explanation as to how quality is measured. It publishes quarterly reports on An Post's quality of service performance. Targets are set for the delivery of mail that is posted nationwide.
- 4.28 In May 2008, the Minister for Communications, Energy and Natural Resources enhanced the regulatory powers of ComReg to seek financial sanction by way of an application to the High Court should the postal service operator fail to comply with one of their directions, for example when delivery targets are not met.¹⁶
- 4.29 The energy regulator, the CER has a Customer Charter Incentive Mechanism to incentivise the Electricity Supply Board (ESB) to improve the standard of the customer care.¹⁷ The CER evaluates the levels of customer service provided by the speed of telephone response, call abandonment rate, customer call back survey results and the mystery caller survey results. The CER can apply a financial penalty or reward if the ESB's performance is above or below the target levels. The penalty was set at 1% of the business' allowed revenue for that year, while the reward is set at 0.25% of each business' allowed revenue.
- 4.30 In the UK, the water regulator Ofwat uses a system known as the Overall Performance Assessment to create a link between the price cap and the delivery of service standards by the water and/or sewerage companies.¹⁸ The conversion of a company's performance into a score is done by a standard assessment, with the companies having full information on the calculations. If a company underperforms, then this has the effect of reducing its allowed revenues over the next regulatory period.
- 4.31 The energy regulator Ofgem has financial incentives in place on distribution network operators to deliver an improved level of performance in relation to the number and duration of power cuts and the quality of the regulated company's consumer service responses by telephone.¹⁹
- 4.32 The Office of the Rail Regulator applies a penalty on Network Rail for breaching agreed operational standards on the amount of delay and level of cancellations. The sum of the penalty is proportionate to the nature and severity of the breach of the agreement. The penalty must not exceed 10% of the turnover of the licence holder.²⁰

¹⁵ ComReg has further information on the regulation of An Post and its monitoring of quality on its website, www.comreg.ie

¹⁶ Further information on ComReg's enhanced powers to apply financial sanctions is available on the Dept. of Communications, Energy and Natural Resources website, www.dcmnr.gov.ie

¹⁷ The Commission for Energy Regulation (CER) has further information on their evaluation of the quality of the ESB's Customer Care Charter on its website, www.cer.ie

¹⁸ Ofwat, (2004). *Updating the overall performance assessment (OPA) – Conclusions and Methodology for 2004–05*. This is available on Ofwat's website, www.ofwat.gov.uk

¹⁹ Ofgem, (2006). *Quality of Service*. This is available on Ofgem's website, www.ofgem.gov.uk

- 4.33 Postcomm may apply financial penalties on Royal Mail if it fails to achieve certain quality standards in the delivery of mail.²¹ Postcomm includes a quality term known as a 'C' factor in its price cap formula that is linked to quality of service targets on Royal Mail's performance.

Comments Sought

- How should quality of service be treated for the purposes of setting future price caps at Dublin Airport?
- What financial incentives, if any, should be in place to influence the delivery of quality of service at Dublin Airport?
- How should the Commission address differences of opinion about the appropriate trade-off between the level of airport charges and quality of service at the airport?

²⁰ Office of the Rail Regulator (2006) *Economic Enforcement Policy and Penalties Statement*. This is available on the ORR's website, www.rail-reg.gov.uk

²¹ Postcomm. (2006). *Royal Mail's Quality of Service Performance*. This is available on Postcomm's website, <http://www.psc.gov.uk>

5. RESPONSES

- 5.1 The Commission would like to hear the views of interested parties in relation to the issues discussed in this consultation paper.
- 5.2 Responses should be titled "Response to Quality of Service Consultation Paper".
- 5.3 All responses should be received no later than 8 August 2008 and be sent to

Brídín O' Leary
Commission for Aviation Regulation
3rd Floor
Alexandra House
Earlsfort Terrace
Dublin 2.

- By email to info@aviationreg.ie
 - By fax to 00-353-1-6611269
- 5.4 Respondents should be aware that the Commission is subject to the provisions of the Freedom of Information legislation. It will place all submissions received on its website. Ordinarily, the Commission does not edit this material. As a result, the content of any submission is solely a matter for the submitting party. If submissions contain confidential material, it should be clearly marked as confidential.

Legal Notice

- 5.5 While the Commission for Aviation Regulation ("the Commission") at all times uses its best endeavours to ensure that all of the information on its website is up to date and accurate, the Commission accepts no responsibility in relation to and expressly excludes any warranty or representations as to the accuracy or completeness of the contents of its website.

Indemnity

- 5.6 Any party submitting information to the Commission in response to a document inviting submissions acknowledges that the Commission intends to publish that information on the website of the Commission, in reports of the Commission and elsewhere as required or appropriate. Parties submitting such information to the Commission consent to such publication. Any party submitting information to the Commission shall have sole responsibility for the contents of such information and shall indemnify the Commission in relation to any loss or damage of whatsoever nature and howsoever arising suffered by the Commission as a result of publication or dissemination of such information either on its website, in its reports or elsewhere.