



CONSUMER PANEL MEETING - FOR PUBLICATION

NOTES OF 3rd CONSUMER PANEL MEETING HELD ON WEDNESDAY 23 JANUARY 2013 AT 2.00pm

Present:

Keith Richards Chair
Sarah Chambers
Ann Frye
Steven Gould
Alastair Keir
Robert Laslett
Anthony Smith

Invited guests:

Judith Corbyn Senior Statistical Analyst, CAA
Nic Stevenson Assistant Director Corporate Communications, CAA
Sandra Webber Consumer Support Director, CAA (para 1 - 5)
Jackie Knight Consumer Policy Manager, CAA (para 1 - 5)
Richard Moriarty Director of Economic Regulation, CAA (para 6 - 10)
Tim Griffiths Senior Economic Regulatory Policy Adviser, CAA (para 8)
Abigail Grenfell Policy Advisor, Regulatory Implementation, CAA (para 10)

Apologies:

Crispin Beale
Philip Cullum

Publication Powers

1. Sandra explained that the CAA had followed the Panel's advice to carry out some further consumer research. It had awarded a contract to carry out a gap analysis, followed by some qualitative and quantitative research. The gap analysis should be produced by the end of January/early February and would be shared with the Panel. She outlined the stakeholder workshop held by the CAA and attended by airlines, airports, airport consultative committees, consumer groups and price comparison companies. The main new idea that came from the workshop was an interest in the end-to-end journey, from leaving home to arrival at the destination.
2. The members discussed what they thought passengers would be interested in and options for making the information available. Their views were that:
 - It was important to define what passengers were interested in through the planned research.
 - Passengers would be more interested in knowing about delays on arrival than delays on departure. Experience from the rail sector had indicated difficulties in determining what is meant by on-time performance.
 - They did not support the concept of providing door-to-door information in aviation as they felt it would be too complex.

- The CAA should not seek to rank performance, but should focus on providing as much raw data as possible to allow third parties, such as which? or the Regulated Industries Unit to use it and display it for different audiences.

Action for CAA:

- CAA to circulate gap analysis when it is received.

Review of the Denied Boarding Regulations

3. Sandra Webber explained that the European Commission was reviewing the current Regulation and had identified a number of key areas that it planned to tackle in the new Regulation. One of the main areas of difficulty in applying the Regulation has been the concept of 'extraordinary circumstances' which means that airlines do not have to pay compensation if the disruption is outside their control. It has been difficult and time consuming to assess cases and there also a low claim rate.
4. The Panel considered that the CAA should focus on the following issues:
 - Awareness of rights was extremely important and seemed to be a problem in the recent disruption at Heathrow. Standard wording developed by the CAA for use by airlines would be very helpful.
 - Account should be taken of how information is transmitted during disruption to ensure specific groups of disabled and other vulnerable passengers are not disadvantaged.
 - Ensuring that disabled passengers could claim the full cost of their mobility equipment if it was lost or damaged would be a significant benefit.
 - Moving to a regime of no fault compensation set at a much lower level would provide certainty for passengers, as they would be guaranteed compensation and the difficulties of assessing 'extraordinary circumstances' would no longer be an obstacle.
5. Keith said that it was essential that the Panel continue to discuss this issue with the CAA as the process develops.

Q6

6. Richard Moriarty updated the Panel on the passage of the Civil Aviation Act 2012, which has received Royal Assent subsequent to the previous Panel meeting. The Act introduces a licensing regime for the designated airports, which allows for greater flexibility in the CAA's economic regulation.
7. At the 11 December 2012 Panel meeting, the CAA had presented a number of questions they would like the Panel's input with as regards to their economic regulation of airports. The remainder of this meeting was used to fully discuss those questions not addressed at the last meeting.
8. **Possible forms of regulation at designated airports**

Discussions covered:

- Alternatives to a traditional RAB-based approach – e.g. price commitments, price monitoring
- Trade-off between “over-regulating” and a lighter touch
- Role that publication and transparency of data can play
- To what extent do airports with less market power need the same things to be targeted by regulation
- How the outcomes of a lower level of regulatory intervention could be monitored (e.g. Australian experience of price monitoring)
- How to trade-off current and future passenger interests as regards investment at airports
- Practical difficulties of splitting regulated and non-regulated business

Summary of the Panel’s main conclusions:

- Support for monitoring of service quality within a price monitoring regime, (if considered appropriate for an airport operator with less market power).
- Within service quality monitoring, the Panel emphasised the importance of ensuring transparency (and potentially data availability) and a need to ensure that things that matter to consumers and not just airlines are considered.
- Would expect an annual review of performance by the CAA with threat of reregulation
- Encourage the CAA to look at how they might also use general forms of regulation, such as the Competition Act and other consumer legislation.
- It is the Panel’s view that existing passengers should not pay for the strategic realignment of the airport.

9. Measuring service quality

Discussions covered:

- Subjective versus objective measurements of service quality
- Performance of Q5 SQR
- Use of bonuses within the SQR scheme – do these help drive continuous improvement, or do they lead to airlines paying twice for the service?
- How to measure aspects of quality such as cleanliness which are based on (variable) passenger perceptions
- Particular concerns of passengers in times of disruption
- Particular concerns of specific passenger groups

Summary of the Panel’s main conclusions:

- The Panel agree that evidence suggests that current performance at the regulated airports is generally satisfactory, and there are no specific areas of concern.
- However, the Panel acknowledge that the Q5 SQR targets “average” performance and the problems for passengers will occur when things are not average (e.g. in times of disruption, or for specific passenger groups with differing needs). Encourage the CAA to give further consideration to how performance might be targeted in these areas.
- Acknowledge that there are reputational incentives working on the airports outside of the SQR.
- Accept that bonuses might be appropriate in places, and that flexibility in where bonuses could be earned might be a useful way of targeting specific improvements at different times

- Suggest that where airport service quality has improved, there may be some targets that need monitoring only rather than financial incentives.

10. Operational resilience in the licence

Discussions covered:

- The two areas of focus where the licence could potentially benefit passengers:
 - a) Minimising the possibility of disruption at the airport, and
 - b) How passengers are dealt with during disruption incidents
- How operating an airport at or near capacity increases the likelihood of resilience problems, but that any restriction of capacity would require trade-offs to be made as the number of flights on 'normal' days would have to be reduced, with an adverse effect on availability, price and customer choice
- The interaction of the economic licence for the airport with the aerodrome safety licence issued by the CAA Safety Regulation Group
- How provision of information to passengers on probability of disruption could allow them to make better informed choices
- Importance of trying to reduce numbers of people going to the airport if their flights are cancelled
- Importance of communication to passengers in times of disruption – quality and timeliness of information
- Disruption more broad than just snow, but some aspects of the response are consistent regardless of the reason for the disruption.
- What tools do the airports have to require airlines to do certain things (for example to contact their passengers prior to arriving at airport)? Can a licence condition have any influence on this?

Summary of the Panel's main conclusions:

- Agree that the key consideration for passengers in times of disruption is communication and that where possible passengers should be encouraged not to arrive at the airport before necessary.
- Support better access for consumers to data about the probability of disruption to help them make better informed decisions.
- Encourage the CAA in looking at whether there are synergies between the two CAA licences (economic regulation and aerodrome) which can be used to ensure that passenger welfare is adequately considered
- Support the CAA in considering ways in which the SQR scheme could be used to improve resilience in some way – e.g. a discrete set of targets in place for times of disruption
- Encourage the CAA to look at ways in which they can research the passenger experience and attitudes to disruption.
- Encourage the CAA to consider different categories of passengers and how their requirements in times of disruption may differ (e.g. PRMS, transit passengers)

Action for the CAA:

- CAA to present the Service Quality proposals to the Panel prior to publication of the Q6 Initial Proposals document in April, to allow chance for feedback prior to publication

Other issues



11. Discussion on what the obligation on the Panel should be in times of disruption.
Agreed that it was to scrutinise the CAA's response rather than take an overtly active public role.
12. Need for new CAA secretariat post, once appointed, to implement a logical approach to numbering of papers and presentations for the Panel.