

Improving choice, value and fair treatment for consumers

Protecting consumers is central to our work and the passing of the Civil Aviation Act 2012 in December ensured that we are now better equipped to undertake this task. It also gives us new powers to empower consumers by giving them a fuller range of information. Alongside this, significant changes to the ATOL holiday protection scheme will enable more travellers to be protected with a set of regulations that also make protection much clearer to understand.

In addition we shall continue with our role of licensing and monitoring the financial conditions of ATOL holders. Working with Government, we have

also sought to place consumers at the heart of aviation policy development.

Regulating airports

The passing of the Civil Aviation Act 2012 has enabled us to change the way we economically regulate airports, focussing on the consumer and bringing our work much more in line with the way other industries are economically regulated.

We are now deep into the process of determining how we will use our new powers to regulate airports we consider to have market power.



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This work will be the first set of decisions and requirements using the new legislation, which enables the CAA to be far more flexible in its approach to economic regulation. In the past the CAA has had to set a price control on an airport judged to have market power. In future the CAA will be able to grant airports economic licences with varying conditions to ensure consumers are protected, reflecting the particular circumstances of the airport in question, as opposed to the current one-size-fits-all model.

In December 2012 we published, for consultation, our provisional conclusion that Stansted has a substantial degree of market power and that continued economic regulation of the airport would benefit consumers.

On 30 April we published our market power assessments for Heathrow and Gatwick airports, and also our initial proposals on how all three airports should be regulated from April 2014.

In 2012/13 we published our decisions on complaints that Heathrow's and Gatwick's charges on airlines were discriminatory. An important factor in both decisions was our finding that the charges did not harm consumers or competition between airlines.

Regulation of air traffic control services

In January 2013 we published the report of a review into whether our regulation of NATS En Route Limited remained effective in ensuring the continued

provision of a safe, efficient and sustainable en route air navigation system. We had no concerns about safety, but found that our regulation should evolve to take account of risks that could arise from future increases in traffic, new technology and the increasing diversity of NATS' activities.

Supporting the development of UK aviation policy

At the request of Government, the CAA has actively contributed to the development of the UK's Aviation Policy Framework, published in March 2013. At all stages we have sought to ensure that the consumer is central to policy making, reflecting our duty to users and a recognition that an approach targeted at meeting the needs of passengers and users of air freight is most likely to lead to satisfied consumers and an agile, competitive aviation sector capable of servicing the wider economy. Related to this, we have been feeding into the work of the independent Airports Commission set up by Government to advise on the need for further UK airport capacity, work that continues into 2013-2014 as the Commission formulates its advice.

Working with industry to improve performance

Following on from the publication of the South East Airports Taskforce, we have worked with industry stakeholders through the Airport Performance Facilitation Group (APFG) to develop the concept of "passenger charters" establishing minimum levels

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of service they can expect, as well as the idea of capacity management guidelines to help ensure airports do not schedule more flights than they can reliably handle. Lastly in this area, at the request of Government, we have overseen a trial to examine the feasibility of introducing new operating rules at Heathrow airport aimed at improving reliability.

Increasing ATOL protection

ATOL is the statutory financial protection scheme for air holidaymakers and repatriates or refunds customers when holiday companies fail. In 2012/13, the relatively low number of travel firm insolvencies meant that no repatriation operations were required and around 1,350 holidaymakers were refunded.

During the year, we fully implemented the changes brought about by the Government's reform of ATOL in April 2012. These ensure greater clarity for holidaymakers as to whether they are protected by



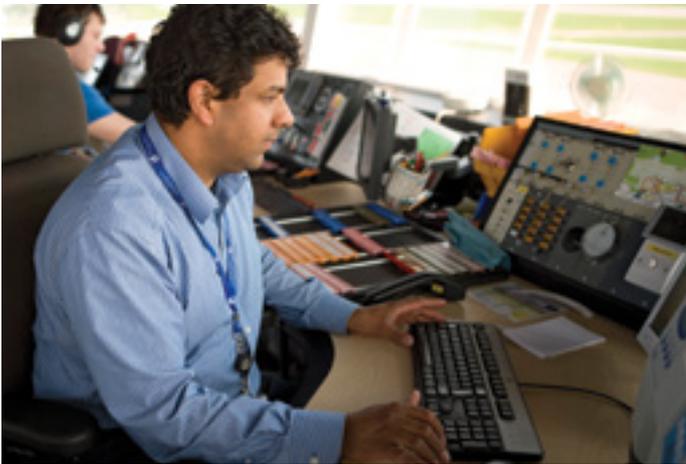
ATOL or not, and, by including Flight-Plus holidays, mean that more travellers are protected when they buy an air holiday. As a result, the travel industry expected to sell an extra 2.8 million ATOL-protected holidays this year. Implementation of the new Regulations was supported by our largest ever industry education programme to ensure the travel trade fully understood and complied with the new requirements.

In October, we introduced the new ATOL certificate. ATOL certificates are given to holidaymakers when they book ATOL protected products and show them exactly what is covered and what to do if their travel organiser fails.

To help those booking a holiday understand the benefits of ATOL, we began a major consumer awareness campaign during the winter peak booking period. Entitled 'Pack Peace of Mind' it aimed to alert consumers of the recent changes to ATOL and warn them of the importance of checking they receive an ATOL certificate when they book.

Passenger empowerment and protection

Better information for the consumer is one way of empowering consumers to take the decisions that are right for them. In this vein, we have also continued to enhance our role in ensuring consumers have the best possible information to make decisions on air travel. Building on this the Act gives us a duty to promote better information on air



travel, both on customer service and environmental performance and we have started engagement with the industry on how best to achieve this.

Through our website we have already published a fees and charges comparison table that enables travellers to check the cost of optional extras on top of their headline fare. Following its launch in 2012 the table has been regularly updated and has received over 10,000 visits.

During the year the Court of Justice of the European Union issued a ruling on the rights of passengers delayed by more than three hours. The Court rejected a challenge to the EC rights legislation on delay and cancellation and clarified that passengers whose flights arrive three hours or more later than scheduled are also entitled to claim for compensation, unless the delay or cancellation was outside of the airline's control. We have since seen a significant increase in the numbers of passengers contacting our Passenger

Advice and Complaints Team about delayed flights. We have been working with airlines and with other European enforcement bodies towards achieving consistent and efficient handling of passenger claims for delay compensation.

Consumer panel

Our new Consumer Panel was established during the year, with nine members drawn from a range of sectors with vast experience of regulating in the consumer interest. The Panel is now providing oversight and advice to our consumer work. Its progress during the year is covered in its own annual report which can be accessed via www.caa.co.uk.

Airport surveys

We conduct regular passenger surveys at UK airports that provide valuable detailed information to the CAA, the Government and industry on the profile and trends of those travelling through UK airports. The UK airports surveyed in 2012 included Aberdeen, Birmingham, Bristol, Cardiff, Exeter, Gatwick, Heathrow, London City, Luton, Manchester, Nottingham East Midlands and Stansted. Further details can be found on our website.

Further Regulatory work

Aviation statistics supplied by UK airports and airlines continue to be used to support ongoing analytical and policy work.



Key aims and achievements

Regulated airports will increase their focus on improving the customer experience they offer. They will continue to improve their competitiveness and to play an important facilitating role in the UK economy.

The Civil Aviation Act 2012 provides a legal basis for more customer orientated regulation of airports. This will enable the CAA to design economic regulation at an airport that is proportionate to the degree of market power the airport holds.

Consumer and competition issues will be identified and resolved in a more structured and consistent manner. Our priorities for action will be clear. We will achieve the right balance of formal and informal approaches and will use enforcement powers where appropriate.

The new CAA-wide enforcement policy and supplementary consumer enforcement guidance are published and in operation. The Consumer Issues Panel has met regularly to set priorities. A number of companies have changed their practices after discussions with us, and in a minority of cases we have exercised our powers to secure formal undertakings.

We will have improved the ability of the civil aviation industry to deal with significant disruption, through better anticipation and more co-ordinated response. Consumers should expect to be properly served, within reason, despite disruptions, whatever the original cause of the disruption.

The CAA chaired an Airport Performance Facilitation Group (APFG) to oversee implementation by industry of the recommendations of the South East Airports Taskforce.

One recommendation was a trial of how operational freedoms at Heathrow could improve the airport's resilience to disruption. We have overseen the way the trial was run and will submit a final report to the Government.

APFG also shared best practice among airports on better serving the consumer, particularly at times of disruption, through better anticipation and a more co-ordinated response. We will take this forward as part of our work on consumer policy, new airport licences, and information powers.

Some airlines have shared and adopted elements of best practice in communicating with passengers at times of disruption. We have monitored passenger experiences during disruption to identify issues of consumer detriment.

We will increase clarity for consumers over when their holidays are protected under the ATOL scheme, and improve the resilience of the Air Travel Trust (ATT).

This year, the main focus of ATOL activity was ensuring that firms were complying with new ATOL Regulations. We conducted our largest ever trade education campaign in preparation for implementation, which brought over 2.8 million Flight-Plus holidays within the ATOL scheme, resulting in greater clarity and protection for consumers of air holidays.

The requirement to produce ATOL certificates commenced on 1st October 2012. We educated travel companies about what they needed to do and worked with software system suppliers to ensure that firms were able to issue certificates from day one.

We used new powers in the ATOL regulations to put in place seven Accredited Bodies. These arrangements now effectively licence around 1,250 small businesses, protecting over 900,000 consumers in a way that reduces regulatory burdens on business and risks to the ATT.

There will be marked progress towards an optimum balance of capacity utilisation within the known constraints, to benefit consumers.



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Progress on this has been only moderate. The CAA has sought resilience to be more clearly built into the airport capacity declaration process and the European Commission reform of the EU Slots Regulation. We also looked for progress on scheduling guidance through the APFG, but have seen only piecemeal progress.

Consumers will have access to more and better relevant information about the price and non-price aspects of their buying decision. They will have accurate, comparable information when they need it.

Airlines are complying with transparency rules on compulsory charges, and card charges have either been discontinued or are disclosed to consumers. Guidance for travel agents and tour operators is under consultation.



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Denied boarding regulations and the industry processes for prompt and correct handling of claims will become a matter of routine compliance, avoiding the need for CAA to publicly demand that airlines comply or take enforcement action except in rare circumstances.

We have made some progress towards a shared understanding of “extraordinary circumstances” with airlines and other EU enforcement bodies. We have embarked on gathering data to assess the general state of compliance with legislation.

Industry will routinely meet its obligations to Persons of Reduced Mobility (PRM) and failures are remedied quickly, including through prompt enforcement action, where necessary.

The CAA is operating effectively as complaint-handler for PRMs, and we have close relationships with disability representative bodies. The CAA and industry worked successfully together to ensure a smooth travel experience for PRMs during the Paralympics.