



Civil Aviation Authority

Airport Performance Facilitation Group

Progress report for the Minister of State

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Chapter 1. Introduction

1.1. In July 2011 the Minister of State announced that the CAA would chair a cross-industry group to oversee implementation by industry of the recommendations of the South-East Airports Taskforce (SEAT) in respect of improving punctuality, delay and resilience. The CAA established the Airport Performance Facilitation Group (APFG) for this purpose and invited membership from industry, Government and other organisations. The Group first met in September 2011.

Purpose of this document

- 1.2. This is a report for the Minister of State on the findings of the Group. It also sets out the CAA's plans for how to make further progress. The report sets out:
- a reminder of the SEAT recommendations on punctuality, delay and resilience;
 - the CAA's approach in overseeing the implementation of these recommendations, as chair of APFG;
 - a progress report on each of the workstreams (operational freedoms, performance charters and capacity management guidelines) identifying what has been achieved so far;
 - a progress report on airspace prioritisation, which was added to the APFG agenda after the Group's inception, at the request of industry;
 - the CAA's plans for how these initiatives should be taken forward;
 - the CAA's plans for the future of APFG.

Chapter 2. Role of the Airport Performance Facilitation Group

SEAT recommendations on punctuality, delay and resilience

- 2.1. On 14 July 2011 the Minister of State for Transport made a written statement announcing the publication of the SEAT report¹. The Taskforce, chaired by the Minister of State, had been set up to explore the scope for additional measures to help make the most of existing airport infrastructure and improve conditions for all users at Heathrow, Gatwick and Stansted.
- 2.2. The Taskforce report recommended a package of proposals to address punctuality, delay and resilience issues at the three airports:
- A set of **Operational Freedoms** to allow certain tactical measures to be applied to anticipate, prevent and mitigate disruption and to facilitate recovery. The tactical measures could include, for example, use of temporary departure routes and occasional desegregation of runway operation; but would be subject to safeguards to confine their use to certain defined and limited situations, and an assessment of their environmental impact.
 - A **Performance Charter** for each airport to motivate stakeholders to take decisions based on the best interests of the whole airport system rather than being driven principally by their own individual commercial interest. The charter would set out the level of service that airline customers and their passengers should expect to receive.
 - A set of policy guidelines to optimise the utilisation of runway resource at each airport (**Capacity Management Guidelines**).
- 2.3. The report stated that these proposals would be taken forward at an airport level, but overseen and scrutinised by the new APFG, chaired by the CAA.

Airport Performance Facilitation Group

- 2.4. APFG is made up of representatives of industry, including each of the largest 10 airports in the country, some of the largest airline users, Government (DfT, DEFRA and UK Border Force) and other interested stakeholders. A copy of the Terms of Reference for the Group, including membership, is at Annex 1.

¹ <http://assets.dft.gov.uk/publications/south-east-airports-taskforce-report/south-east-airports-taskforce-report.pdf>

- 2.5. The purpose of the Group is to gather and share information on the implementation of the SEAT recommendations, reporting back to Government on the progress made. In particular the Group is intended to share emerging best practice, hence the extension of UK airport membership beyond the three SEAT airports. That said, while the CAA encourages exchanges of views on best practice from airports around the UK, it is not expecting to see a one-size-fits-all solution. The CAA has encouraged industry to refine the ideas that came from SEAT, drawing on the experience of stakeholders involved in their implementation.
- 2.6. At the request of industry, APFG has also been used as a forum to discuss resilience to any unforeseen reduction in capacity during the 2012 London Olympics, although this did not form part of the original core remit of the Group. The discussion centred around the scope for airspace prioritisation during any period of disruption.
- 2.7. The APFG has now met five times and the CAA has promoted the Group by making its work as transparent as possible. Copies of agenda, papers, presentations and minutes of each meeting are published on the CAA's website at www.caa.co.uk/apfg.
- 2.8. The main focus of implementing the SEAT recommendations so far has been on the Operational Freedoms trial at Heathrow, which the CAA is overseeing. This trial, which is currently part-way through Phase 2, is the subject of extensive documentation, including progress reports to the Minister. Progress on the other SEAT recommendations (performance charters and capacity management guidelines) has been mixed. This is because progress requires voluntary agreements between stakeholders who sometimes have conflicting interests and incentives.
- 2.9. Chapters 3 to 6 report progress on each of the workstreams, identifying what has been achieved so far and the CAA's plans for how these initiatives should be taken forward.

Future of APFG

- 2.10. When the APFG was originally set up, it was envisaged that it would be temporary, and that it would be wound up by the end of 2012. In terms of sharing experiences of delivering on the SEAT recommendations, the CAA and industry agree that the Group has played a useful role, and that its broad membership, including airports outside the South East, has provided a useful forum for issues to be raised.

- 2.11. At the APFG meetings in July and November 2012, the CAA set out its thinking on the future of the Group in the light of progress so far and comments from members of the Group.
- 2.12. The Group agreed the CAA's recommendation that APFG should no longer be operationally responsible for overseeing the implementation of the **Operational Freedoms** workstream. The CAA will continue its oversight of the trial at Heathrow, with any issues requiring a broader forum handled through the Future Airspace Strategy Industry Implementation Group (FASIIG). Issues connected with **airspace prioritisation** will be considered as part of wider work on improving the efficiency of airspace management.
- 2.13. The CAA also reflected on the progress that has been made on the **Performance Charter** concept. This has been fruitful, but work is unfinished. Because there are a whole range of interconnected issues, including CAA policy and new airport licence and information powers, the CAA believes it would be more productive to pursue the objectives of the Performance Charter concept in the context of these developments. The CAA recognises that it needs to be more proactive in making clearer the linkages with its own policy agenda.
- 2.14. The CAA believes that there remains scope for improving the way that **airport capacity** is managed. The CAA therefore plans to explore this issue with Government and potentially the newly established Airports Commission to see whether there is appetite for a wider review of the regulatory framework focusing on optimising the overall performance of the system.
- 2.15. The CAA has considered the role of the Group and the progress made on the workstreams to date. Having discussed this with APFG members, the CAA has concluded that the Group should now be wound up in December 2012, as originally envisaged. Some APFG members have expressed a view that there might be merit in continuing a similar Group in some form with an amended remit and perhaps composition, and the CAA suggests that this might be industry-led.

Chapter 3. Operational Freedoms

SEAT recommended “a set of operational freedoms to allow certain tactical measures to be applied to anticipate, prevent and mitigate disruption and to facilitate recovery. The tactical measures could include, for example, use of temporary departure routes and occasional desegregation of runway operation; but would be subject to safeguards to confine their use to certain defined and limited situations, and an assessment of their environmental impact”.

Summary

3.1. Operational Freedoms have so far only been used at Heathrow. A significant trial has been taking place at Heathrow since July 2011 which the CAA is overseeing. The trial is the subject of extensive documentation, including progress reports to the Minister which identify where action is needed. The trial will culminate in a public consultation as to any future deployment of such freedoms. Because of its uniqueness to Heathrow and the well-established oversight arrangements already in place with the CAA, the APFG has been little more than an interested observer in the trial. Looking ahead, the CAA believes that there is little reason for the APFG to continue to oversee this trial. If there are any issues arising which need to be addressed by a broader forum, they will be handled through the Future Airspace Strategy Industry Implementation Group (FASIIG), which is particularly well placed to engage on the airspace issues raised by the trial.

Progress so far

- 3.2. In terms of its public profile, the most prominent SEAT workstream so far has been the Operational Freedoms trial at Heathrow, which the CAA is overseeing. The SEAT report announced that there would be a phased trial – specifically the extended use of twin arrival streams and the introduction of twin departure streams, both in limited, prescribed circumstances – to better understand their costs, benefits and impacts. The SEAT report recorded that BAA would be required to engage fully and transparently with relevant local authorities, communities and other stakeholders throughout the process, particularly on the monitoring of noise impacts. Once assessed, the results of the trial would form the basis for a consultation with local communities which would in due course inform Ministers in deciding whether an Operational Freedoms regime should be adopted at Heathrow.
- 3.3. The SEAT report recorded that there was some scope for exploring Operational Freedoms at Gatwick moving forward but no strong case at that time for

additional freedoms at Stansted. However, Operational Freedoms have so far only been used at Heathrow.

- 3.4. Phase 1 of the Operational Freedoms trial at Heathrow ran from 1 November 2011 to 29 February 2012, and Phase 2 is planned to run from 1 July 2012 to 31 March 2013, having been extended from the period originally envisaged in the light of experience from Phase 1.
- 3.5. The trial is the subject of extensive documentation. The CAA has reported separately to Ministers at the Department for Transport² on Phase 1 of the trial as part of its oversight role. BAA continues to publish daily and monthly data reports, and is engaging with local stakeholders to explain the design and purpose of the trial. BAA has also updated APFG meetings on progress with the trial. The CAA therefore sees nothing to be gained from repeating here what it has already published separately in its progress reports to the Minister on the trial.
- 3.6. Because the trial is unique to Heathrow's dual runways it has effectively been a self-standing (and substantial) project, albeit part of the package of SEAT recommendations. APFG itself has acted largely as an interested observer. Interested parties can monitor the trial through the transparent processes that have been set up specifically for the trial. APFG's oversight is, to some extent, simply duplicating what already exists. In addition, there is no representation on APFG from local authorities and other non-industry stakeholders with an interest in the trial.

Next steps

- 3.7. Looking ahead, the CAA therefore does not see a great deal of value to be added through APFG's continued oversight of Operational Freedoms. The CAA has discussed this with APFG members and agrees that the APFG should no longer be operationally responsible for Operational Freedoms. The CAA has been charged with a specific role to oversee the trial directly, and this will continue unchanged. If there are any issues arising which need to be addressed by a broader forum, they will be handled through the Future Airspace Strategy Industry Implementation Group (FASIIG).

² Reports on the trial are available at www.caa.co.uk/apfg. In view of the decision that APFG should no longer be responsible for oversight of Operational Freedoms, in due course the CAA will develop a self-standing webpage for the Operational Freedoms trial.

Chapter 4. Performance Charters

SEAT recommended a performance charter for each airport to motivate stakeholders to take decisions based on the best interests of the whole airport system rather than being driven principally by their own individual commercial interest. The charter would set out the level of service that airline customers and their passengers should expect to receive.

Summary

- 4.1. Overall, progress in this area is quite mixed. A number of airports have taken forward initiatives in this area in discussion with airlines and other stakeholders, but the outputs have generally fallen short of the CAA's ambitions for Performance Charters.
- 4.2. The CAA sees charters as setting out clearly roles and mutual responsibilities of the various stakeholders at an airport. The aim is to motivate them to take decisions based on the best interests of the whole airport system, rather than being driven solely by their own individual commercial interest. This includes defining how parties would be held accountable, but there is disagreement among stakeholders on this point and indeed on the scope which SEAT envisaged. The CAA recognises that a charter cannot replace existing legal or operational links between parties (for example, airlines' ground-handler contracts, EU Regulation 261/2004 or the airport's Conditions of Use), but it would ensure that they add up to a coherent whole. In this way a charter could potentially play an important role in focusing discussion on the service offering that should be expected by passengers.
- 4.3. Despite the difficulties faced in implementing the performance charter concept to date, the CAA sees the potential for further progress as sufficient for us to continue to support the concept and to continue to encourage airports to develop charters in cooperation with their users. This chapter therefore sets out where there have been differences of opinion and where delivery has consequently stalled or not lived up to our expectations. We also emphasise that many of the gaps are in areas where future regulatory changes may in any case require progress. For example, the new system of airport licences could include a resilience condition which can be developed in different ways depending on the success of voluntary approaches at the airport level, while the European Commission's proposed revisions to EU law on ground handling would give airports more power to coordinate activities at the airport including setting standards for ground handling. In parallel, the CAA will be driving

forward its agenda to improve consumer welfare using a variety of tools, some of which stem from expected new consumer and environment information powers under the Aviation Bill.

Scope of the Performance Charter concept

4.4. The inclusion of the concept of performance charters in the SEAT report was based on the findings of the sub-group on punctuality, delay and resilience³. The CAA subsequently commissioned the consultants which had facilitated the sub-group work to produce a second report⁴ to detail further what might be contained within a performance charter.

4.5. This second report, published alongside the SEAT report, describes in more detail the potential approach for implementing the proposals for improving resilience as well as progress made so far. However, it should be recognised that while the sub-group was invited to comment on this second report, it was essentially a report by the CAA's consultants and not on behalf of the sub-group. The report concluded that while a one-size-fits-all approach may not be appropriate for every airport, the general shape of a Performance Charter might have the following characteristics:

- be specific to and developed by each airport;
- be a collective agreement between the airport community stakeholders;
- set out clearly the roles and responsibilities of the various parties that contribute to a good passenger experience at airports;
- define how parties would be held accountable to delivering those roles;
- include performance objectives, the planning process (including each stakeholder's specific responsibilities), the performance management regime to be applied, incentives/sanctions and protocols for handling adverse conditions and disruption, including on passenger communication and welfare;
- be focused on areas of interdependence between multiple stakeholders, where the actions of one can unfairly affect others, if left unchecked.

³ Report of the SEAT sub-group on punctuality, delay and resilience, May 2011
<http://assets.dft.gov.uk/publications/south-east-airports-taskforce-report/south-east-airports-taskforce-sub-group-report.pdf>

⁴ Report for the CAA on further analytical support to the SEAT sub-group on punctuality, delay and resilience, July 2011
www.caa.co.uk/default.aspx?catid=589&pagetype=90&pageid=12349

- 4.6. However, the charter would not be a substitute for competition between airlines, or for the commercial relationships between airlines or airport and their suppliers.
- 4.7. When the SEAT report itself was being drafted, at least two airline members expressed concern that the scope of Performance Charters was unclear. They suggested that:
- it would be disproportionate for a charter to include services supplied by airlines in the absence of a market failure; a charter could itself actually distort the market by preventing service differentiation;
 - airlines were also subject to direct consumer regulation such as EU261, which can be enforced in the event of failure;
 - the SEAT report seemed to be straying from the original intention of protocols during periods of temporary capacity reduction into subjective micro-management, and the airport potentially interfering with airline/customer relations or imposing requirements unilaterally on airlines through the airport 'Conditions of Use'.
- 4.8. These themes have continued through APFG discussions. On 24 October 2011, following the group's first meeting, the CAA wrote to members about the scope of Performance Charters. The CAA suggested that in order to make progress, airports should, as a first step, focus on improving resilience to disruption, on which there seemed to be more agreement, and that where there was an appetite among stakeholders to go further, then there might be some local variations. Having seen what could be achieved along those lines, APFG could go on to consider what scope there is for the industry to develop the concept further.

Progress so far

- 4.9. A summary of progress by individual airport appears at the end of this chapter.
- 4.10. One year on, what can be observed in most cases is a gradual, piecemeal shift towards a performance charter, process by process, rather than a single event. This reflects the disparate nature of the different strands of a charter, involving different stakeholders and different considerations. This is not necessarily a worse position from what had been envisaged, if they are milestones on a clear path towards an ultimate goal. But differing views among stakeholders about what a charter should reasonably cover have so far limited what charters have achieved. The acid test is of course whether these initiatives actually bite and to what extent they alter behaviour.

- 4.11. An important part of the performance charter concept is that agreement is reached voluntarily between the relevant airport community stakeholders, that improving the passenger experience is uppermost in those stakeholders' priorities, and that this is seen as ultimately in the best interests of all stakeholders. The idea was never that a one-size-fits-all solution should be pursued, but instead a charter that recognises the uniqueness of different airport and airline operating models.
- 4.12. Some airlines maintain that discussions on how different parties at the airport interact should be limited to instances of major disruption – in terms of airspace, resilience, delay etc – but should not address other aspects of the passenger experience, such as check-in or baggage delivery performance, because this could start to interfere with product differentiation and commercial interactions between competing airlines and airports. Strong concerns have also been expressed about the potential for a performance charter to cut across the operation of market forces where the competitive process should influence whether passengers and airlines chose to use the airport concerned. It is argued that intervention is only justified where an airline interferes with the proper running of the airport, for example if regularly running late and blocking stands, or where the infrastructure is not fit for purpose.
- 4.13. Clearly, a charter needs to work with competition, not to replace it. On the other hand, competition may not drive improvements where passengers lack sufficient information to make an informed choice, or where there are system-wide issues which individual airlines cannot address. In those areas we see some additional scope for publishing information (such as baggage performance), clarifying roles and setting out more clearly commitments on all sides to underpin the interactions. Passengers can reasonably expect airlines to deliver their legal rights, but the passenger will suffer if, for example, airline contracts with ground handlers do not adequately make provision for what is needed for that delivery.

Next steps

- 4.14. The CAA continues to see Performance Charters as a set of collaborative voluntary agreements complementing formal regulation which provide a valuable way of supporting the establishment of appropriate service levels by specifying accountability for delivery and committing stakeholders to a set of minimum standards that the passenger should routinely expect to receive. There remains the potential in both the short and medium term for airports to build on what has been achieved so far, focusing if need be on improving

resilience to disruption in the short term. However, discussion in APFG meetings suggests that progressing the charters to a point where they adequately capture a mutual commitment to minimum levels of performance will be difficult, given the competing interests and incentives driving the parties at the airport level. We therefore recognise that there may be limitations to what Performance Charters can deliver using a wholly voluntary approach.

4.15. In the light of this conclusion the CAA has therefore been considering whether it should adopt a more interventionist approach, in concert with regulatory solutions where appropriate.

4.16. The CAA notes that there is a wider range of related developments that have a bearing on the development of Performance Charters, and that these provide considerable scope for raising performance. These are listed below:

- Licence-based regulation at airports designated for the purposes of economic regulation. It is possible that resilience will form part of the new airport licence regime. The CAA's preference is for those rules to be defined at a high level, with industry driving progress at the individual airport. Licences would be effective from 1 April 2014.
- New EU Ground Handling Regulation. A European Commission proposal to review the current Ground Handling Directive (as a Regulation) is currently going through the EU legislative process. The new Regulation is likely to result in airports above five million passengers a year being given either a power or an obligation to set minimum performance standards covering the provision of ground-handling services, with an enforcement role for Member States. We anticipate that this proposed legislation will make it easier for airports, in consultation with users, to establish and enforce minimum performance levels at the major airports. Once adopted, the Regulation may not be effective for a further two and a half years.
- Information provision. The powers foreseen in the draft Civil Aviation Bill for the CAA to address the provision of better passenger information clearly have significant potential for improving airport performance and allowing passengers to make appropriate comparisons between airports which will help to drive competition and push up standards. The CAA is expecting to consult on the use of the information powers in 2013 once the draft Civil Aviation Bill becomes law.
- Related airport-led initiatives, such as Heathrow's Airport Collaborative Decision Making and snow-resilience measures.

4.17. A number of these strands will fall to the CAA to implement. In charting the best way forward on many of these initiatives, a key question will be when

passenger benefits can be best delivered through the establishment of minimum performance standards, as opposed to measures designed to strengthen competitive dynamics (for example through better information). For areas where the CAA has responsibility for delivery, it will be addressing these questions and setting out our general approach in a CAA consumer strategy which it plans to formally consult on in 2013.

Specific developments at the airport level

Heathrow

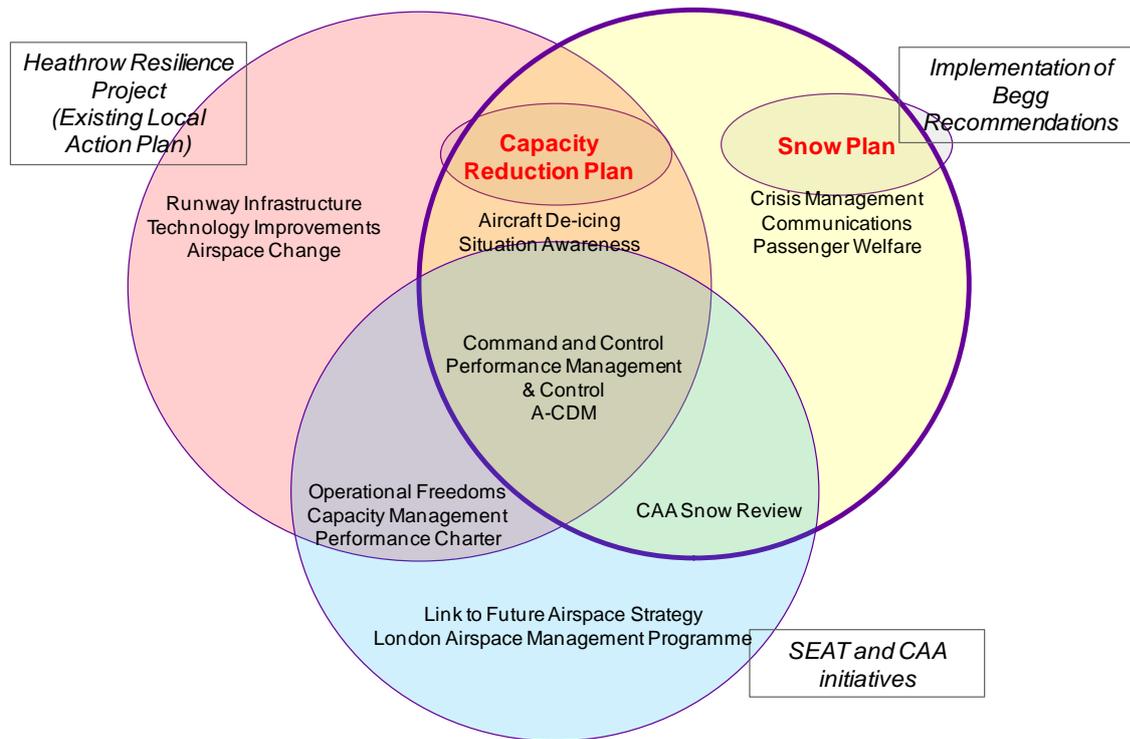
- 4.18. After some effort, Heathrow has the grains of a Performance Charter in place – for example in the areas of ground handling, noise and track-keeping, slot compliance and safety – but the airport admits that it still has a lot of work to do, including making sure that the airline community is fully engaged. The airport has met strong resistance over proposed changes to its Conditions of Use. Airlines have strongly resisted creation of a framework to hold them to account for problems caused to passengers or the rest of the airport community – arguing, with some justification, that such accountability is not mutual. Heathrow’s approach in developing a charter is to utilise what already works and to emphasise the opportunities for incentive, rather than just sanction.
- 4.19. An important driver of Performance Charters was to improve coordination during crisis situations, and therefore it is appropriate to record the link with lessons learned from the snow disruption in Winter 2010/11, which have, for example, altered the way Heathrow works with stakeholders. The inter-relation between SEAT recommendations including the Performance Charter and winter resilience initiatives at Heathrow – which are outside the direct scope of APFG – is illustrated by the diagram below, reproduced from the July 2011 report of the SEAT sub-group on punctuality, delay and resilience⁵.
- 4.20. The CAA’s own work on snow disruption and passenger welfare is also not directly part of APFG’s remit⁶. The CAA identified three areas where performance should be improved:
- maintaining operations, through better coordination and communication between airports, airlines and ground handlers, will reduce the number of passengers affected;

⁵ www.caa.co.uk/docs/589/rpg_epia_ReportOnFurtherAnalyticalSupportToTheSEATSub-group.pdf

⁶ See www.caa.co.uk/default.aspx?catid=2107&pagetype=90&pageid=12086

- giving passengers information to make well-informed decisions on their options will avoid them becoming stranded at the airport; and
- where passengers are stranded, they must be properly cared for.

Resilience Initiatives at Heathrow Airport



Gatwick

4.21. Gatwick is making progress towards a Performance Charter agreed with airlines and other stakeholders, and work continues. It sees the charter concept as a vehicle for its strategic goals to influence and improve the extent to which passengers will make this their London airport of choice. Gatwick already has a number of measures and initiatives in place consistent with the SEAT recommendations. These include cross-airport passenger commitments agreed with a number of airlines, ground handlers and UK Border Force setting out key commitments to passengers; data on the performance of baggage handlers and immigration queueing, and the airport's own performance against CAA regulatory commitments on airport service quality. All these are published. Other elements will cover check-in queueing and voluntary standards for handling agents (which the airport had tried to make mandatory). It remains to

be seen whether Gatwick includes disruption planning in the charter. The airport currently sees no need to formalise existing arrangements which catered adequately with the snow event last winter, including accepting diversions from other airports.

- 4.22. Gatwick adds that performance levels will form the centrepiece of any future bilateral arrangements and would more directly lead to continued increases in service quality across the airport.

Stansted

- 4.23. At Stansted, the airlines and airport have been unable to agree on a joint Performance Charter. Each produced its own draft charter, with the airport taking account of some elements of the airline draft, including publication of a range of airport and airline performance metrics, and the process for handling major disruption. The airport and airlines have also agreed that they should seek to extend the charter to incorporate other partners involved in delivering services to passengers, including UK Border Force and NATS. However, some differences between the two remain to be resolved before that. The airlines sought to include specifically measureable standards which would underpin airline liabilities under EU law on compensation for denied boarding, cancellation or long delay (Regulation 261/2004), considering it appropriate that the airport accepts those liabilities where they are incurred as a result of the airport's failure to meet performance standards. Stansted does not see that as the purpose of the charter; it sees the charter as a joint commitment to passengers as to what they can expect when using the airport, including measuring and publishing service levels, but not as a contract between the airport and its airlines imposing service-level agreements and penalties on the airport.

- 4.24. Stansted has also engaged with the local Users Experience Group, a sub-group of the statutory consultative committee, which broadly supports the airport's draft charter but has encouraged it to look again at strengthening the wording around passenger compensation.

- 4.25. The airport has now published its charter⁷ incorporating as many areas of agreement as possible, although the biggest operator, Ryanair, was unwilling to put its name to the charter for the reasons outlined above, claiming that airlines have not been properly consulted.

⁷ <http://www.stanstedairport.com/about-us/customer-charter>

Birmingham

4.26. Birmingham has asked its airlines (via the Airline Operators' Committee) to agree commitments by the airport and airlines to the passenger, addressing specific issues such as snow response through coordination with airlines, ground handlers and the air navigation services provider, and planning for greater resilience generally. The airport has taken steps to agree performance standards with ground handlers.

Manchester

4.27. Manchester has been developing existing agreements that could be subsumed into an overall charter, for example through ground handling licences. Some processes are more mature than others, and the airport admits that it is taking time to pull these together.

Other UK airports

4.28. Bristol, Edinburgh, Glasgow, Liverpool and Luton Airports have all been invited to the APFG and a number have participated. The CAA wrote to them inviting them to set out any plans they had for Performance Charters. None of them had any immediate plans for a charter. They were not, of course, specifically involved in SEAT or the recommendations from that forum. However, some made general commitments to improving their resilience to disruption.

Chapter 5. Capacity Management Guidelines

SEAT recommended a set of policy guidelines to optimise the utilisation of runway resource at each airport.

Summary

- 5.1. This is perhaps the weakest area of progress for APFG, in that there is no immediate prospect of guidelines being developed at any of the airports, and because there are significant challenges to doing so. Heathrow and Gatwick airports take the view that the processes governing the use of runway resource now have much more clarity around the need to allow for resilience, without necessarily encapsulating this in guidelines, and that many challenges lie ahead with regard to the utilisation of scarce capacity, which requires airports to be able to operate flexibly.
- 5.2. The process for declaring airport capacity is well established through the EU Slot Regulation and implementing national secondary legislation, yet punctuality performance and resilience remain below the levels that passengers should expect, suggesting that the current processes are not leading to the best outcome. The current work underway to revise European slot rules presents an opportunity to address some of the existing weaknesses and the CAA will, in conjunction with the Government and stakeholders, continue to focus on the ongoing legislative process in Europe, and seek to ensure that this provides a better framework for improving resilience, punctuality and delay performance for consumers.
- 5.3. Revision of the slot rules alone is unlikely to be enough to tackle the problems of under-performance associated with the current capacity declaration and schedule setting process. The CAA has concluded that whilst some progress has been made at the individual airport level, there is little prospect of a step-change in performance being achieved without a thorough review of the current structures for the setting and utilisation of capacity within the UK sector. The CAA believes that the current review of aviation policy and the associated Commission on airport capacity represents a good opportunity to address this issue by linking the process for the planning of existing and new infrastructure to a review of the way existing and planned capacity is utilised.

Progress so far

- 5.4. The development of guidelines for improving airport capacity management seems to have made relatively slow progress. This perhaps reflects the inherent conflict between introducing a greater emphasis on resilience and recovery on the one hand, and the commercial incentives faced by operators of congested airports, as well as their airline clients, to maximise passenger and service throughput. Consequently this might be seen as the most difficult of the SEAT recommendations to implement.
- 5.5. On a more positive note, airports recognise the harm to their competitive position of a poor passenger experience, and are wary of the associated bad publicity. Heathrow in particular has sought to improve its capacity management processes accordingly though it faces intense pressure to maximise utilisation of its capped capacity. Similarly, the CAA is conscious that Gatwick needs to avoid becoming “overscheduled” as traffic returns after the downturn and it seeks to maximise the use of its single runway. Gatwick is clearly conscious that maximising throughput must not be at the expense of delay, but the challenge is whether the action being taken is sufficient to control for the commercial incentives faced. In the longer term both airports see reform of the EU Slot Regulation as playing a role in providing increased capacity and resilience. Further information on airport level developments at Heathrow and Gatwick is given below.

Specific developments at the airport level

Heathrow

- 5.6. Heathrow has been working to improve its capacity management so as to achieve a better balance between capacity, scheduling and demand. There has been no wholesale increase in capacity at Heathrow in the last decade; changes have generally been confined to flexing the capacity between hours of the day. The airport has looked at better matching seasonal capacity declarations with actual delivery; the feasibility of scheduling and avoidance of bunching of schedules; better modelling and processes; and how to best reconcile excess demand for constrained capacity.
- 5.7. Heathrow maintains that although developments in this area may not be particularly visible to the CAA or Government, in practice there has never been a time when debate about providing for resilience has been so vibrant. There are many challenges ahead, such as the mounting number of A380 movements (the A380 requires a greater wake vortex separation). Initiatives such as ATM

modernisation and Operational Freedoms will play a part in the solution. In defining the process better, the aim is to ensure that the airport does not declare more capacity than it can deliver, as part of an overall package of measures to address delay and improve the passenger experience. This is, however, an iterative process.

- 5.8. Heathrow has introduced a new 'Local Rule' for slot allocation which reduces the declared capacity at times of crisis. This has been tested successfully on days affected by volcanic ash and a UK Border Agency strike.

Gatwick

- 5.9. Gatwick has no specific programme around capacity management. The airport is not expecting a constraint on movement numbers to be a first response; rather, it has been exploring how to increase utilisation of its single runway without increasing delays, for example by the efficient sequencing of arrivals and departures.
- 5.10. The airport enjoys a good relationship with slot coordinator Airport Coordination Ltd (ACL) and ensures that resilience is given consideration when making a capacity declaration. Although under separate ownership, its shared history with Heathrow gives it some knowledge of the issues.

Next steps

- 5.11. Looking ahead, the CAA would expect the commercial pressure on airports to maximise the number of movements from given capacity to continue, particularly in the absence of significant new capacity in the South East. This will present ongoing challenges for congested airports such as Heathrow and new resilience dilemmas for airports such as Gatwick, which have ambitious plans to raise throughput. We believe that to tackle this, guidelines at the airport level would still have value; however, thought should also be given to other alternatives to inform the capacity decision-making process.

EU Slot Regulation

- 5.12. A key opportunity is the ongoing legislative process in Europe to revise the EU Slot Regulation, which governs the allocation of airport slots at congested airports⁸. A 'slot' is defined as the permission given by an independent coordinator to use the full range of airport infrastructure necessary to operate

⁸ Regulation 95/93, as amended.

an air service at an airport designated as slot-coordinated airport (i.e. not just the runway).

- 5.13. The experience of SEAT, and the CAA's work with NATS and other stakeholders to examine the potential for stack-holding reduction, have indicated that at present this slot allocation system suffers from some inherent weaknesses. These can lead to inefficiencies in the way that capacity is declared and utilised. The CAA is therefore encouraging the Government to support, where appropriate, changes proposed by the European Commission to the Slot Regulation.

Capacity declaration

- 5.14. The airport operator is responsible for declaring the capacity at the airport, with the input of NATS and other stakeholders. ACL regards the capacity declaration process in the UK as world-leading in using sophisticated modelling techniques to balance declared capacity with delay.
- 5.15. However, only limited account is taken of the system effects of the declaration in terms of the impacts on the wider airspace network (and vice versa) at the national or international level. The European Commission notes that the impact of problems in one part of the network (for example, closure of an important node) cannot be isolated to that part of the network. This becomes even more apparent when critical parts of the network are running at or near capacity. Against the background of the Single European Sky initiative, which seeks to strengthen management at a European or regional level, including network management, the CAA supports changes to the Slot Regulation to the extent that this leads to better coordination between airport capacity declaration and the European Network Manager.
- 5.16. In addition, the current wording of the Slot Regulation refers to coordination parameters (the expression in operational terms of all the capacity available for allocation reflecting relevant technical, operational and environmental factors) being discussed "with a view to increasing the capacity and number of slots available for allocation" (Article 6.3). Coupled with the provisions in the Regulation giving operators 'grandfather' rights over slots, this wording can encourage approaches that pursue volume or throughput at the expense of resilience – accepting that Heathrow has seen no recent wholesale addition of capacity, as noted above. The CAA has therefore also recommended that the Regulation should move away from an emphasis on throughput to one that seeks to balance capacity with wider performance considerations.

Capacity utilisation

5.17. There is currently a disconnect between the airport slot held by the operator and its flight plan, meaning that operators face limited incentives to operate to their time of arrival slot. The Slot Regulation provides for sanctions, but only for the repeated and intentional misuse of airport slots. Furthermore, the system as a whole is largely orientated around departure punctuality, meaning that on-time or early departure is prioritised over on-time arrival. This leads to the “bunching” of services at certain times of the day, creating resilience issues that can affect the rest of the day’s schedule. The European Commission proposals create a stronger link between the flight plan and the airport slot and stronger sanctions for misuse. The slot held would be submitted as part of the flight plan and the flight plan rejected by the network manager if the operator does not hold a slot.

A potential wider review of “system optimisation”

5.18. Whilst the CAA believes that the above changes should lead to improvements on current performance, it is concerned that they will not be sufficient to achieve a step-change, threatening to lead to worsening performance as ever more congested airports and airspace struggles to provide acceptable levels of performance.

5.19. The lessons learnt from work on the APFG, as well as our experience of developments in related workstreams to improve the efficiency of the sector such as implementation of the Future Airspace Strategy (FAS), implementation of Airport-Collaborative Decision Making (A-CDM), and initiatives to tackle winter resilience suggest that the problems that lead to poor punctuality and resilience appear to be endemic to the current system.

5.20. The sector suffers from a lack of proper coordination between services that leads to chronic problems of performance. In part, the highly competitive and diverse nature of the sector makes coordination more difficult than would otherwise be the case. However, that does not fully explain or indeed excuse the reasons for the unsatisfactory levels of punctuality and resilience performance that are a common experience for many passengers and shippers. Looking past these intrinsic characteristics of the sector, the lack of proper coordination can also be attributed at least in part to issues relating to: the way that information on performance is generated, shared and responded to; fragmented governance structures that lead to those that are subject to the consequences of delay (the passenger, the airport, etc) often not being best placed to alter behaviour; and the absence of the right incentives. All of this is

the result of fragmented structures and practices that have grown up piecemeal over time and which blur the line of accountability between regulators, air navigation service providers, airports, airlines, slot coordinators, ground handlers and other actors.

5.21. The CAA believes that some or all of the above practices and structures need to be tackled if we are to improve the way that capacity is managed. The CAA therefore plans to explore this issue with Government and potentially the newly established Airports Commission to see whether there is appetite for a wider review of the regulatory framework focusing on optimising the overall performance of the system.

Chapter 6. Airspace prioritisation

Summary

6.1. At the request of industry, APFG considered resilience issues relating to the Olympics which were otherwise without a home. This primarily concerned airspace prioritisation during periods of disruption.

Progress so far

6.2. An ad hoc meeting of APFG was held on 12 December 2011 in response to a request from BA, BAA and NATS, who were concerned by the possible threat to airport resilience during the 2012 Olympics period.

6.3. The main issue was around whether existing policy and principles had changed, or could be changed, to allow a faster, more resilient response to disruption during the Olympics period, in particular the way flights are prioritised during periods of disruption. The discussion also covered other measures, for example extending the night restrictions at Heathrow, and a mandatory diversion policy. Industry representatives also questioned what the appropriate decision-making body would be in the event of major disruption.

6.4. APFG considered this range of issues and the initiatives that were already in progress that sought to address them through other pre-existing fora. In particular the Group sought to identify any issues that were without an obvious home.

6.5. The airspace prioritisation issue emerged as that where industry saw a need for more work. A series of written exchanges and meetings between the CAA, DfT, NATS and airline stakeholders followed between January and June 2012, including further discussion at the March 2012 meeting of APFG. The discussion centred around what scope there was for prioritisation principles to be altered during times of disruption to reflect the number of passengers affected. Some options appeared practical but not legal, while some were legal but not practical.

6.6. Ultimately the conclusion was that for the purpose of the Olympics there was insufficient scope to change the usual operational practices, and any attempt to do so at such a late stage could in fact decrease the efficiency of the system. NATS is responsible for ensuring the most efficient and expeditious flow for all aircraft across the entire UK airspace without undue discrimination to any

airspace user, accepting that disruption could be exacerbated by any significant increase in traffic over this period.

Next steps

- 6.7. The CAA has agreed to address the issue of airspace prioritisation and efficiency, beyond the Olympics, as part of the ongoing Future Airspace Strategy (FAS). This would be a sizeable project that could be considered as part of wider work on improving the efficiency of airspace management. The Group agreed that the issue was not one for APFG, but would better sit in one of the existing airspace forums. The CAA has agreed to make a proposal as to which airspace forum would be most appropriate in place of APFG.

Terms of reference of the Airport Performance Facilitation Group

AIRPORT PERFORMANCE FACILITATION GROUP

TERMS OF REFERENCE

Objective

The Group will act as facilitator in the oversight and scrutiny of the implementation of the package of initiatives recommended by the South East Airports Taskforce to improve punctuality, increase resilience and reduce delay. The initiatives themselves are to be led by airports, and where relevant need to take account of broader impacts, in particular on the environment. The Group will include representation from airports outside the South East. It will gather and share information on the progress made, in particular emerging best practice. It will monitor how these initiatives fit together with airport economic regulation, CAA work on airlines' responsibilities to passengers at times of disruption, air traffic management initiatives, and any international developments.

The Group will report back to Government on the progress made.

Membership

Membership will initially include representatives from:

Civil Aviation Authority	Airport Operators Association
Department for Transport	National Air Traffic Services
Department for Environment, Food and Rural Affairs	Airport Coordination Ltd
Heathrow Airport	British Airways
Gatwick Airport	bmi British Midland International
Stansted Airport	Virgin Atlantic
Birmingham Airport	easyJet
Bristol Airport	Ryanair
Edinburgh Airport	Thomson Airways
Glasgow Airport	London First
Liverpool Airport	Aviation Environment Federation
Luton Airport	UK Border Agency [added November 2011]
Manchester Airport	

The Group may add to the membership if appropriate.

The Group Director, Regulatory Policy of the CAA will act as Chairman and the CAA will provide the secretariat. Agenda and agreed minutes will be published on the CAA website.

Meetings

The Group is expected to meet four times between September 2011 and the delivery of its report to Government, which is expected to be by the end of 2012.