

# CAA Surface Access Consultation

## Response from London Luton Airport (LLA)



### Date

22<sup>nd</sup> April 2016

### Executive Summary

This is London Luton Airport Operations Limited's response to the CAA consultation on issues affecting passengers' access to UK airports: a review of surface access (CAP 1364).

- Recent court cases have clarified the law and our approach reflects this new clarity. We provide access to third parties on a fair basis and have set out in this response our good practice principles, including the limited number of restrictions that are made for practical reasons.
- London Luton Airport (LLA) is space-constrained: it has the smallest site area per passenger of any major UK airport. We offer as much access as we can within the constraints this imposes.
- Access is provided through either an open tendering process (e.g. concessions for bus/coach bays) or through an access agreement process in which we treat all similar operators the same way. There are no 'private deals'.
- We no longer offer exclusivity to surface access operators. Where the number of operators are restricted, this is for space or other practical reasons and is thus objectively justified. We have seen the benefits of competition and improved customer services in express coaches to London, where we now have multiple operators and prices are lower – these are substantial benefits to consumers.
- We offer both free and charged drop-off options – based around the need to manage the limited capacity at the front of the terminal – and keep the charges under review to meet passenger needs.
- We welcome third-party operators - the more accessible an airport is the wider its catchment area. It also helps the airport achieve its commitment to increase the proportion of air passengers travelling by public transport.
- The parking market is competitive and consumers can easily find suppliers without needing to consult the airport website – so much so that we need to take active steps to ensure our own product remains visible to consumers among third party providers.
- In this context it would be impractical, and commercially unfair, to require airports to promote parking providers impartially, whether on an open list or through an approved operator scheme.

- Airports' 'single till' ability to charge low aeronautical fees and higher ancillary (including surface access) fees has been instrumental in allowing the low-cost airline sector to expand, giving consumer choice and benefits. Any move away from a single till, such as being required to price ancillaries on a cost-reflective basis, would jeopardise this success.
- Airlines and aggregators, through whom passengers book their tickets and are exposed to upselling of surface access at booking or in-flight, have much greater influence on the surface access options presented to passengers than an airport does. Regulatory next steps should focus on understanding whether and how this relationship between airline/aggregator and passenger supports or inhibits passengers in being fully informed of their options.

## A) Which surface access facilities from the airport's portfolio of assets are made available and their attitude to the development of facilities outside the airport perimeter?

Table 1 lists the on-airport facilities which are available to surface access operators.

**Table 1: on-airport surface access facilities** (as of 22.04.16)

Facility	Location	Parking Spaces (as of 22.04.16)
Priority Drop Off / Pick Up Zone	Close to the terminal	n/a
Short Term Car Park	Close to the terminal	695 spaces
Mid Term Car Park	About 5 minutes by Shuttle Bus to the terminal	2,538 spaces
Long Term Car Park	About 10 minutes by Shuttle Bus to the terminal	4,205 spaces
<b>Total</b>	<b>On-airport car parking</b>	<b>7,438 spaces</b>
Car Hire Centre	Car hire reception in Arrivals Terminal Car Hire Centre is about 10 minutes by Shuttle Bus to the terminal	n/a
Taxi Area	Close to the terminal	n/a
Central Terminal Area	Close to the terminal	11 Drive In Reverse Out bus/coach bays, currently being expanded to 18 2 Drive In Drive Out bus/coach bays

Table 2 lists the off-airport car parks used by surface access operators who serve our airport.

**Table 2: off-airport car parks**

Facility	Location	Parking Spaces (as of 22.04.16)
Airparks	Slip End	3,510 spaces
Paige Airport Parking	Slip End	1,600 spaces
Central Car Storage	Kimpton Road	264 spaces
Thurlow Nunn	Kimpton Road	125 spaces
Latimer Road	Latimer Road	200 spaces
Swift Airport Parking	Eaton Green Road	2,000 spaces
Swift Airport Parking	Airport Way	850 spaces
Drivefly	Various	900 spaces
<b>Total</b>	<b>Off-airport car parking</b>	<b>9,449 spaces</b>

Along with the known operators listed in Table 2 there is a marked increase in unknown operators who startup operations during the summer peak season. Their entry into this market is a result of extremely low barriers to entry.

Table 3 summarises that we provide 44% of car parking spaces and independent surface access operators provide 56% of car parking spaces used by passengers at our airport. With an ongoing building expansion to accommodate 18 million passenger per annum, but an estate of only 245 hectares.

**Table 3: summary of car parking capacity**

Location	Parking Spaces	Percentage
On-airport car parking	7,438 spaces	44%
Off-airport car parking	9,449 spaces	56%
<b>Total</b>	<b>16,887 spaces</b>	<b>100%</b>

## B) How they make available facilities that can be used by surface access operators and an explanation of any restrictions to the range of operators or the type of services that can be operated at the airport.

Table 5: How surface access operators use our facilities (as of 22.04.16)

Surface access operator	Facilities available	Restrictions
Meet & Greet off-airport parking and car hire operators	We allow Meet & Greet operators to use the Short Term Car Park, this is adjacent to our own Meet & Greet operation	We ask Meet & Greet operators to comply with the Terms and Conditions for use of Short Term Car Park for Meet & Greet Operations, which includes safety procedures and a code of conduct, for example requiring valets to carry identification and wear uniform. Unfortunately we have experience that the public and the press often blame us for shortcomings in the service quality of independent operators.
Park & Ride off-airport parking	Buses use the Central Terminal Area. Buses with reversing cameras and alarms use Drive In Reverse Out bay M. Others, such as minibuses with trailers, use Bay O located in the drop off area (the same location as the airport's official car park buses).	We ask bus/coach operators to comply with the safety procedures set out in the Central Terminal Area Terms of Use.
On-airport car hire operators	There is a reception at the Onward Travel Centre in Arrivals. We operate a free shuttle bus from the Central Terminal Area to the Car Hire Centre. Each operator has an area at the Car Hire Centre.	At present we have concessions for four on-airport car hire operators for passengers to choose from. We are currently looking to expand capacity and to increase the number of operators
Taxi and private hire operators	We have a concession for one taxi operator to use the taxi area. Other operators may drop off or pick up using various designated areas, such as the short, mid and long stay car parks at the airport.	The taxi area is governed by an open competitive tender process. Whilst any operator can use the designated areas only one operator is eligible to use the taxi area due to its limited size and the requirement to comply with necessary security measures – the area's close proximity to the terminal requires all drivers to be registered with the airport authority.
Local bus operators	Buses use the Central Terminal Area Station.	We ask bus/coach operators to comply with the safety procedures set out in the Central Terminal Area Terms of Use.

Surface access operator	Facilities available	Restrictions
Express coach operators	Coaches use the Central Terminal Area.	We ask bus/coach operators to comply with the safety procedures set out in the Central Terminal Area Terms of Use.
Chartered coach operators	Coaches drop off and pick up using the Central Terminal Area, Drive In Reverse Out bays M or N.	To avoid congestion in the Central Terminal Area we ask operators to register their vehicle online or in the Mid Term Car Park.
Rail shuttle bus operator	Buses use the Central Terminal Area, Drive In Drive Out bus/coach bay T.	We ask bus/coach operators to comply with the safety procedures set out in the Central Terminal Area Terms of Use.

**C) How airport operators derive charges for the use of facilities by surface access providers and to explain whether and how these charges relate to costs or any other relevant factors. In particular, airports should explain if these lead to differentiation between providers of surface access products or between segments of consumers. Particular attention should be provided to areas where airport operators themselves compete with independent surface access operators.**

For the reasons described under question H, the airport operates a single-till approach to pricing which is designed to grow the passenger market and the range of flights available. Hence the cost of providing any individual facility is not directly relevant to the charges made.

The only area in which we compete with independent surface access operators is car parking, including Meet & Greet. We do not bundle our parking products with any other airport services.

**Table 6: How surface access operators are charged**

<b>Surface access operator</b>	<b>Basis of charging</b>
Meet & Greet off-airport parking and car hire operators	As explained above, we allow Meet & Greet operators to use the public Short Term Car Park. We currently give them a 66% discount on the public tariff for stays up to 15 minutes.
Park & Ride off-airport parking	We charge a standard flat rate fee for each bus entry applied to all operators.
On-airport car hire operators	We invite tenders for concessions for four operators to use areas in the Car Hire Centre. We evaluate tenders on a commercial basis.
Taxi and private hire operators	We invite tenders for the concession for one operator to use the taxi area. We evaluate tenders on a commercial basis. Other operators may drop off using the Priority Drop Off Zone or the Short Term, Mid Term or Long Term Car Parks. We provide options for free parking or paid parking, priced on a commercial basis reflecting car parking supply and demand.
Local bus operators	Local bus services are an important mode of transport for airport employees and other users of the airport. We currently make no charge for such bus services.
Express coach operators	We invite tenders for the concession to use coach bays in the Central Terminal Area. We evaluate tenders on a commercial basis.
Chartered coach operators	We charge £20 for a Pick Up Permit. We do not charge for drop off. Charges facilitate the control and flow of coaches to and from the main terminal area.

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Rail shuttle bus  
operator

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We charge on a commercial basis.



**D) How airport operators consult with users on general charging principles and structures of airport services (access to facilities at or near the forecourt) required by surface access operators and how they provide relevant information on the costs of providing such services.**

Charging principles and structures are discussed through routine engagement with surface access operators. These topics can also be raised by stakeholders (operators, passenger representatives and others) through the Airport Transport Forum and through the Airport Consultative Committee.

For the reasons described under question H, the airport operates a single-till approach to pricing which is designed to grow the passenger market and the range of flights available. Hence the cost of providing any individual facility is not directly relevant to the charges made.

**E) The extent of any agreements with other surface access operators and with distributors regarding the sharing of pricing information, the provision of information on costs, capacity management or any other practices and how they ensure these do not allow undue coordination among competitors.**

We do not share pricing information (other than our charges to them) with other operators and distributors. As noted under question D, charges are not tied to costs and so we do not need to share information on costs. On capacity management, operators are aware of our general approach to managing our limited space on site, but other than inventory for third party sales (see below) we do not share any commercial specifics of capacity management.

Like any parking operator who has third party sales, we do share the availability of our parking inventory so that third parties can make those sales. We use an aggregator as an agent (as noted under question I) and they in turn provide this information to third party sellers including themselves. Any potential coordination among competitors would be managed-down through the normal processes operated by any such aggregator in any market.

**F) Their efforts to ensure that consumers have access to information about all options to get to and from the airport at the time they need to make informed choices (both on the airport operators' websites and on onward travel kiosks) and, insofar as it is the airport operators' ability to influence, those options are presented in a neutral and transparent way.**

To give some context about our position in information provision, a survey (Pragma, 16 October 2015) at our airport showed that only 18% of passengers visited our website before their trip. In contrast, almost 100% of trips were booked using airline websites or aggregator websites (e.g. Expedia or Holiday Extras). These companies have the relationship with the consumer and often use it to promote a limited range of surface transport options, such as car parking and car hire.

In our Airport Surface Access Strategy 2012-2017 we set out our objective to increase the proportion of air passengers travelling to and from LLA by public transport. It is therefore important that we provide information on the full range of surface transport options.

We recently rebuilt our website to present information about surface transport options in a clearer, more graphical format, in accordance with the results of customer research. Our website also includes a link which translates the site into over 100 foreign languages. We do not charge surface transport operators for providing information and hyperlinks about their services.

We have an Onward Travel Centre in our Arrivals Terminal, in which our main rail operator, all express coach operators and all on-airport car hire operators have kiosks and may also have ticket machines. Other operators such as local bus operators chose not to pay to have kiosks here. We have impartial information / wayfinding signage. As part of our ongoing expansion we will install a real time bus / coach departure times display. Some operators chose to pay for advertising in our Arrivals Terminal, which is priced on a commercial basis and is separate from impartial information / wayfinding signage.

An exception from the statements above is off-airport car parking operators, which are not featured on our website or in the Onward Travel Centre apart from wayfinding signage for their Park & Ride buses. We compete with independent surface access operators in this area. We would discourage the CAA from making any recommendation that put us in an unfair position in which we are required to provide impartial information and receive no commission on sales of competitors' products, but the same requirement did not apply to our competitors. To give an example, the aggregator Holiday Extras sells its subsidiary Airparks off-airport car parking and sells our on-airport car parking, and it charges commission when selling our products.

## G) Details of surface access options that are available at no charge to consumers that allow for the drop-off and pick-up of passengers.

Table 6 lists the surface access options that are available at no charge to consumers that allow for the drop-off and pick-up of passengers. Free options exist ensuring that passengers use our paid options by choice.

As noted under question F, we ensure that all the costs of our parking and drop-off services are clearly set out on our website. This includes the paid and free options for drop-off, which are also signed conspicuously on the airport approach road. This caters for passengers who have not visited our website and provides a reminder to those who have.

**Table 6: Drop-off / pick-up options available at no charge**

Facility	Distance from terminal	Basis of pricing
Mid Term Car Park	About 5 minutes by Shuttle Bus	30 minutes free for drop off and pick up. Charges apply for stays longer than 30 minutes
Long Term Car Park	About 10 minutes by Shuttle Bus	1 hour free parking Second hour costs £1.00, and stays longer than 2 hours are charged at the daily rate

## H) Have we identified the key issues on market structure within the scope of this review?

As the document notes, both exclusivity and differential treatment have aired in the courts recently, but the law is now clear. Both those cases were highly visible in the airport sector and as a result it is now much less likely that airports will use exclusivity or differential treatment that is not objectively justified. For example, we are clear that we can no longer grant exclusive bus or coach concessions.

Two key issues need to be added to the list of initial conclusions in paragraph 4.18 of the consultation document.

- **The airline or aggregator through whom the passenger books tickets has a much stronger supplier-customer relationship with the passenger than the airport has, and is free to determine who it promotes.** As noted under question F, airlines and aggregators can and do cross-sell surface access products (along with other ancillaries such as hotels). For example, when making an online booking a passenger is usually invited to buy airport car parking. Similarly, some major airlines sell particular public transport tickets on-board flights. Thus the route to the market is principally through the aggregator or airline, who are under no obligation to treat surface access operators equally. The airport has only limited involvement in this process – typically only if the passenger has not made their surface travel arrangements at booking stage (nor, for inbound passengers, on the flight). As noted under question F, only 18% of passengers used the airport’s website to plan their trip, and this figure includes all purposes (particularly checking flight time and status) so only a proportion of those will have used it to plan their surface access.
- **Consumers benefit from the single till approach:** Charges for use of surface access facilities must be seen as part of the overall single till charging structure which has been very successful in providing consumer benefits. Paragraph 4.10 of the consultation document rightly states that surface access facility charges can allow lower aeronautical charges to airlines, and that with an efficient and competitive airline sector this leads to lower fares and better connectivity to passengers. This has indeed been the case. The dramatic expansion in the range of services available to passengers at very low prices has been a direct result of this charging model. Away from the ‘big three’ regulated airports, the airline-airport relationship is highly competitive – airports are not monopoly providers. Airlines require low aeronautical charges in order to start new routes at the edge of commercial viability. Furthermore they are generally highly mobile and look for the lowest aeronautical charges. Airports are in competition with each other to attract airlines, and therefore need to offer those low charges. The result of the single till model, in which an overall package of charges is geared towards lower aeronautical charges, has been an expansion of routes available to customers. For the same reasons, this allows airlines to operate with a low cost-base and therefore grow the market through low fares. This is a consumer benefit. If airports were required to set each individual charge on the basis of the

cost of providing that specific service, aeronautical charges would rise and the benefits would be lost.

The fact that ancillary charges are higher in this model, compared to a cost-based model, does not negate those benefits. Even if surface access operators were to pass those charges on to the consumer in the form of higher charges of their own, the consumer retains the choice of how to access the airport and with which operator, and as described above lower-cost or free options remain available at LLA for consumers who do not wish to pay a specific operator's charges. Put another way, the single till model has allowed a shift away from costs that all passengers must pay (the aeronautical costs, passed on through air ticket prices) to a user-pays approach where passengers can choose the option that best suits them.

## I) Have you any views and/or evidence on the market position of airport operators in the provision of airport services used to access the airport?

We have taken this question as referring specifically to those downstream services where airport operators compete with third parties. We will comment specifically on LLA's position.

As previously described under questions A-C, the only downstream modes in which we compete with third party operators (para. 4.6 of the consultation document) are car parking (including self-parking and Meet & Greet). We do not bundle these with any other airport services. For convenience, we describe these individually below, although in our view consumers look across modes when choosing surface access and therefore the actual market is for surface access in the round, not individual markets for each mode.

**Self-Parking** at LLA is competitive. There are currently three operators excluding ourselves. We do not limit the numbers of operators to whom we allow access.

As noted above, consumers are often invited to buy parking at the point of booking. The operator(s) offered depends on the commercial arrangements between the airline/aggregator and their partners. In fact, one particular aggregator of ancillaries such as parking is extremely strong in the market and we (like others) feel obliged to use them as an agent for selling our parking, in order to ensure we are visible in the market at the point where the purchasing decision is most often made.

Consumers who do not take up the offer at booking stage will generally do an internet search for parking providers. This too is very competitive – as noted under question F, we have to spend large sums on internet advertising in order to keep up with the level of presence of the third party suppliers (who may be selling their own spaces and/or taking a commission on selling ours and those of others).

As noted under question A, we own less than 50% of the spaces serving airport passengers. We have no occupancy data for the third parties but it is reasonable to assume, given the competitive market and the constraints on both on-airport and off-airport site availability, that market share reflects the spaces owned. In line with OFT guidance, this market share is insufficient to allow dominance to be presumed, even if the market were defined narrowly as car parking, and the other relevant factors described in the paragraphs above confirm that we are not dominant in this market.

**Meet & Greet** currently has approximately 10-12 operators including ourselves. We do not currently limit the number of operators, but reserve the right to do so if the number of operators expands to a level where the availability and efficient operation of short-stay parking could be impaired. Our service occupies a 'premium quality' position in the market, whereas the third-party providers focus on a low cost of operation; thus we do not compete on similar products. If a third party wished to offer a premium product that competed directly with ours, we would of course offer the facilities to do so as

far as operationally feasible with a commercial agreement/ framework. None has so far expressed an interest in this.



**J) Have you any evidence or views on how well informed consumers are of their airport surface access options and on what is important to passengers in accessing an airport? Is this an area that merits further research?**

As noted under question F, we ensure that all the costs of our parking and drop-off services are clearly set out on our website. This includes the paid and free options for drop-off, which are also signed conspicuously on the airport approach road. This caters for passengers who have not visited our website and provides a reminder to those who have.

We agree with para 4.21 of the consultation, in that consumers are broadly aware of their options. Consumers are nowadays used to informing themselves through simple internet searches, and, as noted above, some (but not necessarily all) options are presented by the airline or aggregator at the booking stage. This applies irrespective of whether the passenger is outbound (UK-based) or inbound (foreign), although it is possible that for some inbound passengers unfamiliarity with the overall UK transport system may be a practical limit on awareness.

The real question is therefore: does the presentation of options at the booking stage, and the nature of the commercial relationships behind them, significantly distort the operation of the surface access market? Or is it no more than an obvious and reasonable marketing opportunity in a world where consumers have other ways of making themselves well-informed if they wish to do so? To answer this question, further research is merited into consumers' decision-making processes.

**K) Have we identified the key issues related to the distribution of airport car parking? Do you have any views on what, if anything, would improve outcomes to consumers?**

Para 4.25 of the consultation paper correctly raises the key issue about airlines and travel agents selling surface access products. We have covered this issue in answers to previous questions.

As noted under question I, the airport car parking market at LLA is competitive and we own less than half of the spaces. In addition to buying our spaces directly through our website, consumers can buy our spaces through a range of third-party sellers (who tend to offer both our spaces and those of our competitors).

Parking spaces are not sold equally. At LLA we provide a price promise to guarantee passengers get the best rate for parking on site and for transparency we removed all additional charges, such as, credit card fees, booking fees as well as allowing customers to amend their booking 24 hours before their date of travel free of charge.

## L) Have you any views and/or evidence on how the information set that passengers have, when choosing between airport surface access products, could be improved for consumers?

As noted above, the airlines and aggregators have the principal relationship with consumers, and the CAA may wish to investigate the effects of their relationships with their own commercial partners, particularly for non-UK passengers.

In relation to **car parking** specifically, it is a competitive market with consumers easily able to find and decide between a range of competing products and suppliers. In a world of internet searches, airports are no longer seen by consumers as a central or impartial source of information on the full range of parking products. There would be little value to consumers in any regulatory policy that required airports to act as such a source. Indeed such a policy would raise practical problems in that consumers would see the airport as endorsing, and being responsible for the quality of, 'airport parking' operators over whom the airport actually has no practical control. Furthermore it would be commercially unfair unless airports were entitled to commission for directing consumers to third parties in the same way that third parties take commission for selling airport operators' spaces.

As CAA noted, the existence of paid and free alternatives for **drop-offs** is becoming more common. We expect consumers will grow increasingly used to having these choices as they become more common and as the arrangements settle-in at individual airports.

At LLA we provide a range of options to suit the varying passenger needs and to ensure a smooth operation. For example, charging for premium drop-off helps keep the drop-off area operating within its limited capacity on what is a constrained site. Not doing so would lead to a congested drop-off zone, delays and frustration to customers. As is seen at LLA, we support the CAA's view that in these circumstances a free alternative should be provided. We offer two such alternatives and they are made clear both on the airport website and on road signs approaching the airport. This is in addition to non-drop-off alternatives such as parking at the airport.

The charges for premium drop-off are reviewed periodically in the light of usage, to maintain effective drop-off operations and reflect passenger feedback. In the most recent review, all credit card transaction fees were withdrawn, and in response to passenger feedback the previous £40 parking charge notice for staying longer than 15 minutes has been removed in favour of a graduated charging scale. (Even so, 98% of premium drop-off users stay for under 10 minutes and therefore only pay £2.50.)

## M) Have you any views on our proposed way forward and, in particular, the development of good practice principles by airport operators?

This response has set out our own good practice principles, particularly by explaining how we approach access to facilities and charging for them, and confirming that we understand and follow our legal responsibilities. Recent court cases have clarified the law and our approach reflects this new clarity. We provide access to third parties on a fair basis and have set out in this response the limited number of restrictions that are made for practical reasons.

Although airports nowadays have only limited involvement with passengers' process of finding and choosing surface access options, we promote all options where appropriate. However it would be both unnecessary and inappropriate for airports to be required to provide impartial information on all modes, particularly for parking where it would be impractical for reasons described under question L.

Finally, we would reiterate the success of the single till charging model in providing consumer benefits, as described under question H. It has led to a dramatic expansion in the range of flight choices open to passengers, and it allows a user-pays principle for consumers' ancillary expenditure such as surface access. There is no case for moving away from this successful model towards one in which facility charges are split into individual tills; such a move would have strong consumer disbenefits.

We consider that regulatory next steps should focus on understanding the impact of how airlines and aggregators, who have the key relationship with consumers, sell surface access products. This is for the reasons set out in question H.

From

Any queries, please contact Oli Jaycock on [Oli.Jaycock@ltn.aero](mailto:Oli.Jaycock@ltn.aero) or 01582 395547