

## EXECUTIVE SUMMARY

This document is submitted by Star Alliance and its member airlines in response to both CAP2265D (Chapter 14, Outcome-based regulation) and CAP2274 (Working Paper on Outcome-based regulation [OBR]).

Star Alliance has been deeply involved in the creation of the AOC/LACC airline community response to these consultations and as such, strongly supports the more detailed content of that document as submitted.

We have taken the opportunity to highlight some of the key points below, to reinforce our support and the importance to Star Alliance members of these elements of the response.

## OUTCOMES

We are extremely disappointed that the CAA has simply endorsed HAL's proposed Outcomes as the basis of the new regulatory approach, without appearing to fully consider the airline community's alternative proposals.

Based on the CAA's initial proposals for OBR in 2016 (CAP1476), we believe that the airline proposals more closely meet the objectives as set out. The Outcomes are more specific and tightly defined and as such, would better serve the consumer.

Without improving the proposed headline Outcomes and the Measures, Targets and Incentives which underpin them, our view is that the new framework as proposed is simply a re-badging of the SQRB regime. Unlike examples from other regulated industries which strive to deliver a sea-change in performance (most notably Ofwat's OBR approach for PR19, particularly referencing the Outcomes agreed for United Utilities and Yorkshire Water), the proposed approach does little to push HAL to focus on areas for service improvement.

## REGULATING THE MONOPOLY

There are several examples in the CAA's proposals which concern us due to the way they imply that airline activities will be under scrutiny by the regulator (e.g. CAP2265D, 14.24, 14.25, 14.36). As has consistently been stated by the airline community on many occasions, this must not happen. HAL is the regulated business and as such, must be the only organisation which falls under the umbrella of economic regulation. Airline activities should be totally outside the scope of the CAA's purview in this area.

To use an illustrative example which is **appropriately** covered under the proposals:

- The checking in of a travelling passenger is an airline activity, solely transacted between the airline and passenger.
- Airlines are unable to provide their own check-in infrastructure at LHR, so must rely on HAL as the airport operator to provide such infrastructure.
- The service which airlines choose to deliver to the passenger within the check-in transaction are market-determined and subject to commercial incentives. For example, an airline may choose to allow passengers to queue for many more minutes than they might with a competing airline; the passenger will place their own subjective value on this experience when considering which airline to fly with.
- From a regulatory perspective therefore, it is the satisfactory provision of adequate check-in infrastructure (by HAL as the regulated business) which must be monitored and measured. No more and no less.

We are pleased therefore that CAA's proposals include the airline-suggested measure regarding check-in infrastructure.

To use a second example which is **not appropriately** covered under the proposals:

- The delivery of arriving bags to the baggage hall reclaim belts is an airline activity.
- Airlines are unable to provide their own baggage infrastructure at LHR, so must rely on HAL as the airport operator to provide such infrastructure.
- The arriving baggage service which airlines choose to deliver to the passenger are market-determined and subject to commercial incentives. For example, an airline may choose to contract for a lower level of service with its ground handler than a competing airline, resulting in the passenger's bags taking longer to get to the reclaim belt; the passenger will place their own subjective value on this experience when considering which airline to fly with.
- From a regulatory perspective therefore, it is the satisfactory provision of adequate baggage infrastructure (offload belts and arrivals carousals) by HAL as the regulated business which must be monitored and measured. No more and no less.

Therefore, the suggestion within CAP2265D (14.25) that CAA considers 'last bag on reclaim belt' might become a new reputational measure is totally unacceptable and unreasonable. We are horrified that the CAA would even consider this.

## SECURITY QUEUE MEASUREMENT

We urge the CAA to reconsider mandating that automated per passenger measurement of security queues is implemented at the earliest opportunity.

The AOC/LACC response goes into significant detail on this point. Rather than repeat that text here, we state our firm support for the following plan:

- As a matter of urgency, HAL should undertake the necessary survey work to inform the design of security queue measurement technology in all terminals. The technology already implemented in some parts of the airport (e.g. T2 immigration) can be used to deliver the required measurement.
- Within this design, the potential coverage of the camera hardware should be defined, such that all parties can understand how much the implemented system could be amended for future changes.
- Assuming reasonable and likely future changes can be incorporated within its capabilities, the system should be implemented as soon as possible, so that the experience of today's passengers can begin to be captured and the developing impact of the changes in security infrastructure and process can be monitored.

It is clear from regular interactions over the last few years that HAL is very reluctant to implement this technology, presumably because it will provide data at a granular level which shows the true performance at security for every single passenger. In the H7 capital environment, surely it is crucial for all parties to understand the impact of the huge security programme on passengers? The early implementation of measurement technology should therefore be welcomed.

## PROPOSED DEPARTURE GATES FACILITIES MEASURE

Whilst we are pleased that the CAA proposals accept that 'availability of check-in infrastructure' should be implemented as a new measure, we are disappointed that CAA has disregarded the very similar 'availability of departure gate facilities' measure. The rationale for including this as a new measure is

exactly the same as for check-in: these are essential facilities which the airport provides to enable airlines to deliver the required services to their passengers.

There is little explanation in CAP2265D (14.22) as to why the CAA believes that the ‘case is weaker’ for this measure. Note that it is irrelevant that the facilities differ by terminal; just as for check-in infrastructure and other existing measures, these differences would be allowed for within the details sitting behind the measure. We urge the CAA to reconsider its position.

#### PROPOSED TIMELY DELIVERY BAGGAGE MEASURE

We highlight that the HAL-proposed and CAA-endorsed measure of “timely delivery from departures baggage system” is not fully supported as yet because there is a significant amount of further work to do to fully define this measure and agree reasonable performance standards.

It is crucial that the performance of HAL’s systems for processing direct-departing and transfer bags is properly monitored and we welcome CAA’s support. We are keen to continue to work with HAL to develop and agree appropriate measures and targets and believe that this can be done over the next few months, rather than needing to wait until later in H7.

#### THE IMPORTANCE OF DAILY MEASUREMENT

As acknowledged by the CAA, we believe that the airlines make a strong case for the implementation of daily performance targeting and measurement for several of the proposed measures. Every passenger and every bag matters, so we do not understand CAA’s reluctance to explore the impact of daily performance assessment as soon as possible.

For two of the key areas where we would like to see daily measures, baggage and security queues, HAL already has a plethora of historic data which would enable an impact assessment to be conducted in the short term.

We urge the CAA to begin the work to explore this proposal now; note that ICF have been able to turn around high-level analysis without seeing the detailed data to which CAA would have access, in very short order (see Annex 1 of AOC/LACC response).

#### Contacts

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