

20 April 2016

Your ref:

Our ref:

By e-mail to economicregulation@caa.co.uk

Dear Sirs

**CONSULTATION ON ISSUES AFFECTING PASSENGERS' ACCESS TO UK AIRPORTS:
A REVIEW OF SURFACE ACCESS (CAP 1364)**

With regard to the above consultation, below is Birmingham Airport's response to the questions in Chapter 5 ("Next Steps and how to respond"):-

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?

The private outer set down road adjacent to the terminal is made available to all coach operators, licenced hackney carriages, chauffeur vehicles (licenced to certain airlines for passenger and crew pick up), public bus services and off airport bus transport all by way of a licence. This ensures access is only made available to known users, provides security and ensures a certain standard of operator with, for example, the right insurances in place. There is also a premium drop off car park adjacent to the terminal with limited capacity of 199 spaces.

In addition, there are procedures in place which allow discounted rates for private hire operators to access the short stay car park facilities. A free drop off period is allowed within Car park 5 which allows a short walk or bus transfer to the terminal. All operators accessing the set down area have the use of shelters for their consumers provided by the airport. Access is controlled by way of ANPR to ensure security and smooth access to the restricted area.

We have good relations with off-airport operators and regularly meet to view development plans and approve additional off-site services to the airport. We see the availability of off-airport parking as key in providing consumer choice but also assisting in providing additional car parking capacity as a whole.

The drop and go car park also acts as a meet and greet facility for off-airport meet and greet providers, again governed by a licence for consumer protection. It's Position relative to the terminal are no less favourable than on site services and discounted car park fees are granted to operate in this area.

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.

We provide information on our web site for interested parties to apply for access licences to access the set down area. The licence details any fees applicable and all statutory obligations any user must follow in addition to airport bye laws, security, H&S, Insurance, CPT membership, employee behaviour, condition of vehicle etc. We also offer the use of coach parking facilities should licences not be requested or required.

c) How airport operators derive charges for the use of facilities by surface access providers and how these charges relate to costs or any other relevant factors and, in particular, if these lead to differentiation between different 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 providers.

The licence fee applicable for the set down area was initially based on a cost per movement. This took into account factors such as policing, security, lighting, access requirements, cleaning and administration of the licencing system However, after consultation with two of the main off-airport car park operators, this was reduced to a figure less than the actual cost per movement and based on an annual licence fee with a quarterly fee based on actual number of movements. This fee is the same for all operators that access the set down area. For those operators who do not require regular access and therefore the annual fees are not cost efficient we also offer fixed fees lower than the annual fees which allow ad-hoc access. The charges for the use of the facilities by surface access providers therefore does not cover the cost to the airport of providing and maintaining those facilities.

Off-airport operators are not liable to maintain the road network, lighting, cleaning, security etc. so it is entirely reasonable that a surface access provider making a commercial gain from the use of facilities provided by the airport should have to pay a fee for the use of these facilities. Airport operators and to a lesser extent 'legitimate' off-airport car parking operators face a variety of economic challenges which are not fully in scope of the document. For example there is a significant cost of maintaining the H&S regime of a multi-storey car park which an off-site operator does not face, not least because they are often functioning in an unregulated environment. Illegitimate off-airport operations may not fully comply with all of their legal responsibilities, for example through lack of planning approvals, mis-selling of

product, lack of security etc.). This is why having a system to facilitate known licenced operators is necessary to ensure protection for consumers in a world where the internet provides a vast choice by way of often unregulated operators.

Notwithstanding the above, we also have discounted tariffs in place in short stay car parks which are available to regular users such as private hire operators and these were agreed following consultation with the relevant users. Meet and greet operators also operate under a licence and have access to certain areas of our car parks in line with our own on-site products and once again this is at a discounted tariff to reflect their frequency of use.

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.

The surface access strategy is promoted via the web site and during its review consultation was sought with all interested parties. Regular meetings with interested parties take place to discuss surface access, fees and operational improvements. All have access to shared bus shelters, promoted via the web site. During the initial negotiation with main users over access costs, the cost per movement was shared and the final fee agreed was far less than actual cost per movement. This was agreed with the legal advisors of these users.

e) The extent of any agreements with other surface access operators and with distributors regarding the sharing of price 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.

Although regular meetings take place with operators, for operational and relationship reasons there are no agreements in place that allow for the sharing of price information or detail on capacity management.

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 onward travel kiosks) and, insofar as it is the airport operators' ability to influence, those options are presented in a neutral and transparent way.

Within the airport web site there are links promoting alternative ways of reaching the airport which include public bus services, taxis, rail, coaches etc. These are presented in a neutral and unbiased way.

Consumers have demonstrated over time that it is sufficiently easy to find information about off-airport alternatives for car parking by using Google. Additionally, there is limited protection given to airport operators over the use of their brand, e.g. 'Birmingham Airport' which enables off-airport operators to effectively market their services by reference to the airport operator. There is a significant difference between for example 'operator A' referring to 'Birmingham Airport parking' in their advertising copy and using the website 'birmingham.airport-parking.uk.com' which creates the false impression that the site is operated by Birmingham Airport and represents a full range of options. The same applies for offsite car hire operators who may claim pick up is Birmingham airport when in fact it may be 15 mins away (misleading in itself) and using airport infrastructure in place to support public transport growth (rail access) to access the airport to complete the transaction which the airport receives no contribution for. Were Birmingham Airport to promote operators whose service is sub-standard then Birmingham Airport would be held to blame by passengers who use these services/

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

We promote the use of a free drop off 15 minute period within a nearby car park with signage at the entrance to the airport and within the airport web site. This car park is comfortable walking distance from the terminal. Prices of all parking options are provided on the web site including recommendations as to which are the most cost effective for pick up or longer stays.

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

The key issues have been raised. However as well as passenger choice by modal share which is promoted and invested in, it is important that not just price is compared but also service and product provided, convenience, security, journey time etc.

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?

As previously mentioned Airport operators will have higher a cost base than most downstream providers whose sole existence relies on the ability for the Airport operator to continue to invest in its marketing to drive airline growth which in turn increases the consumer catchment for the downstream provider to take advantage of. It does seem fair that relative charges are in place to access airport facilities and these are set at rates in consultation with operators and those that use the facilities which are reasonable and fair.

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

We carry out regular pieces of research to see what is important for passengers who are accessing the airport. These questions may include distance of travel, whether parked on site or off site and reasons to do so, terminal facilities, how they booked etc. These results tell us, for example, the most favourable reason to park on site is convenience to the terminal.

When we receive comments with regards how we can improve our messaging and web site information we listen and make any relative changes required to further inform the passenger.

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

The role of distributors in creating product access should be reviewed. There are examples where consolidators or airlines have informed that they are uninterested in selling all inventory on offer because of 'better deals from other providers' or exclusivity deals in place. This limits the range of products available on those consolidator or direct airline channels, to the detriment of consumers.

The role of distributor market share is interesting to consider. There are airports where the consolidator market share is disproportionately high, resulting in high commission paid by all car parking (on and off airport) to the distributor. The impact of this is higher pricing on the part of all car parking operators in order to ensure their own profitability. The CAA will appropriately interrogate the claim that 'online distribution is not highly profitable' based on the high % fees demanded by certain consolidators.

It should also be noted that online distributors often insist on car parking pricing not being represented at lower prices by other distributors, i.e. they wish to always have the best price available in an open market.

The consultation needs to examine the overall impact of distributors on the value chain. For example, commissions paid are used in online marketing activity (as highlighted by the distributors), which inherently increases costs to all providers of parking services by increasing the cost of advertising. In an environment in which the distributor has no risk – they make profit based on whether or not a sale takes place, not on whether revenue created exceeds costs – this inherently disadvantages consumers by forcing all providers who have real profit and loss motivation to increase prices resulting in detriment to consumers.

There is also an issue of cross-subsidy on the part of distributors who also operate car parking services which has analogies to some of the concerns the CAA is seeking to address about airport operators. For example, a distributor/provider such

as Holiday Extras/Airparks can use revenue created from distribution of 3rd party products to lower prices paid for car parking. This in turn can result in a predatory pricing mechanism which discourages other 'parking only' providers by making it economically unviable to enter a market.

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 customers?

All Airport surface access choices are readily available when a consumer searches on line, choice diminishes as previously mentioned for those consumers wishing to directly book their surface access choice at the time of either booking a holiday (in store) or flight as not all channels are readily available due to certain exclusivities.

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

The prices cited as example airfares do not include 'traditional' airlines such as BA, or payment card fees, additional luggage etc. If the pricing evidence is taken from statutory accounts, this is not an appropriate comparison as it will include, particularly for European low cost carriers, a significant range of very low fares charged on short distance point to point travel across the entire airline network in Europe. Pricing comparison should be done against routes originating in the UK, particularly for comparison to parking prices. In addition any consideration of pricing examples should be time-aligned and lead time taken into account etc. The easyJet pricing is taken from the 2014 accounts whereas it's not clear of the date source of the parking prices (which appear to be at least 3 years old)

The resulting impact is that customer expectations of parking prices may be artificially low by comparison to the real costs incurred by legitimate operators. For example, prices cited in the table on page 15 of the consultation paper refer to 'turn up' rates, which are more broadly similar to the price paid for an airfare on a same-day or ticket desk purchase while prepaid parking rates offer a substantial discount in a similar mechanism to advance purchase of an airfare. In addition convenience, service and proximity of car park area to terminal and of course type of product should also be considered.

With regard to the development of good practice principles, Birmingham Airport would actively support this initiative and should it be introduced we would welcome the opportunity to help develop them. However, this should be extended to off-site operators to ensure that passengers receive a good level of service from all surface access providers. Furthermore, it should not establish price

Conclusion

In summary, Birmingham Airport's comments on the consultation can be summarised as follows:-

- We actively work with users when setting general charging principles and structures of airport services.
- The airport's Surface Access Group meets regularly and contains all relevant surface access providers including downstream operators. This provides an opportunity to discuss and influence charging and operational procedures.
- The charges for the use of the facilities by surface access providers does not cover the cost to the airport of providing and maintaining those facilities.
- The use of licences for operators ensures a high standard of service for consumers and protects them from the risks associated with unlicensed operators.
- We provide alternative free drop-off facilities for passengers.
- Clear Information regarding the various methods of accessing the airport and the different parking choices is available on our website.
- We regularly consult with passengers to seek their views on our current operations and thoughts and how we could improve our offer.

Notwithstanding this, we would have no objection in principle to the development of good practice principles for all airport and downstream operators, particularly as we believe we already operate in this way. These guidelines should consider quality of product available for the consumer which will include, for example, convenience, security, access to information and choice. These should be consistent across all airport operators and the general principles should be agreed with all airport operators although each individual airport will have its own specific guidelines that reflect how they operate.

If you require any further information please do not hesitate to contact me.

Yours sincerely



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