

## **CONSUMER CHALLENGE BOARD**

### **HEATHROW AIRPORT LTD (HAL) AND CONSUMER ENGAGEMENT**

**21 MARCH 2018**

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## 1. Executive Summary

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The Consumer Challenge Board (CCB) was set up in February 2017 and was established by a partnership between Heathrow Airport Limited (HAL), the Heathrow Airline Community and the Civil Aviation Authority (CAA). The role of the CCB is to provide independent scrutiny and challenge to HAL on behalf of consumers on how HAL takes account of and reflects the interests of consumers in its business strategy and operations, specifically, in relation to HAL's business plan for the period to be covered by the next CAA price control. This includes the expansion plans for new runway capacity at Heathrow.

The CCB itself is a non-executive group. Members bring senior experience in a wide variety of relevant fields, including consumer representation and advocacy, consumer research, economic and regulatory affairs, competition policy, international airport infrastructure development, and the leadership of consumer facing businesses. The CCB would like to thank all parties for the open, constructive and engaged way that they have interacted with us. All stakeholders have given very generously of their time and we would like to put on record our sincere appreciation.

The CCB has sought to adopt an ethos of being consumer centred, independent, objective, evidence based, and helpful. In a sense, our remit can be summarised as 'marking HAL's homework', for it is not the CCB's responsibility to carry out the consumer engagement, but rather to critique and scrutinise the way in, and degree to, which HAL does this. Our comments in this report are designed with this approach in mind. Our overall objective is that we wish to see the consumer voice shaping and driving HAL's business plans. In this report there are some areas where we flag that improvement is required, however, in doing this we do not wish to be critical for the sake of it, but rather to encourage HAL to develop a deeper level of engagement with consumers, for consumers' future benefit.

We are also mindful that unlike the case in the water sector, where the consumer has a direct billing relationship with the monopoly provider, in the case of Heathrow the relationship is more complex. The consumer's full experience does not "belong" to one single party. HAL has a critical role to play, as do the airlines, but there are other stakeholders who can and do influence full consumer satisfaction, including for example, Border Force, TfL, Network Rail, Highways England, etc. Under the Civil Aviation Act 2012 in regards to airport operations, the CAA found that HAL had significant market power, and thus is regulated to protect the interests of consumers, and HAL is therefore the main focus of this report. That said, we recognise the need for all parties to co-operate fully in order to ensure that the consumer view is optimally represented and understood.

In defining what the CCB does, it is equally important to recognise what it does not do. The CCB's remit is to encourage and report on the embedding of the consumer voice into HAL's business planning processes. While we recognise that other stakeholders, such as economic partners such as the airlines, national and local government, local communities, and noise campaigners, are all essential consultees and partners for HAL, the CCB's remit is firmly on the consumer voice.

Although widely recognised in other sectors, it is important to acknowledge at the outset that the concept of consumer challenge in regulation is one that is completely new to HAL. The establishment of the CCB and the focus on consumer engagement in business planning is innovative. The CCB recognises that HAL is at the start of this journey and our

approach has been to work constructively in order to help HAL develop a meaningful consumer engagement strategy, based on evidence, best practice and recognised consumer principles. From the outset, HAL has worked positively with the CCB and the Board and Executive Committee have been open to listening and have shown appreciation of the importance of consumer engagement.

This interim status report reviews HAL's progress one year on from our establishment. The report describes the challenges the CCB has made to HAL's consumer engagement process. It contains our key messages to HAL, together with a series of recommendations on the steps HAL needs to take if our challenges are to be properly addressed.

Any organisation that takes consumer engagement seriously has to be able to demonstrate how that engagement has been embedded across its business and been a key driver in its planning across the board. There needs to be a clear line of sight where a "golden thread" of consumer engagement runs throughout the business plan. The CCB urged HAL to produce a Consumer Engagement Strategy and we provided HAL with Principles of Good Practice in Consumer Engagement to drive the strategy. However, one year on, while the Strategy has been developed on paper, and various research programmes are underway, the CCB now wishes to express some significant concerns. We are not yet seeing strong evidence of strategic thinking on how intelligence gained from research and engagement workstreams is captured systematically and used in dynamic fashion, to inform the further development of the consumer research and engagement strategy itself, and ultimately the business plan. While it is early days and HAL have not yet started developing their initial business plans, which are due to be submitted to the CAA in December 2018, we would have expected to see stronger evidence of the golden thread of consumer engagement being integrated as a driver across the business to support the initial thinking on shaping the business plans.

Moreover, the CCB is not seeing the Principles of Good Practice in Consumer Engagement come alive on a consistent basis within HAL's business or its business planning. Our interface with HAL reflects to us that there is an inconsistent understanding in different parts of the business of the importance of consumer engagement, and organisational silos on consumer engagement approaches and understanding. If not addressed, the CCB is concerned that HAL's consumer engagement programme will remain extraneous to the business. The momentum is now building towards the production of HAL's initial business plan later this year. There is more to do, to ensure that the Principles of Good Practice in Consumer Engagement are being integrated into the development of the initial business plan.

Therefore, the CCB's key message to HAL now is that we are concerned that we may be presented with an initial business plan that does not fully meet what could be expected in terms of consumer engagement. We therefore would encourage HAL to act now and make a step change to focus on and address the challenges we make in this report and to invest the right level of resources and leadership to ensure that best practice in consumer engagement, and the evidence gleaned from that engagement, are visibly prioritised and made integral to HAL's business.

## 2. Introduction

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- 2.1 The Consumer Challenge Board (CCB) was set up in February 2017, and was established by a partnership amongst Heathrow Airport Limited (HAL), the Heathrow Airline Community ('the Airline Community') and the Civil Aviation Authority (CAA). The membership of the CCB can be found on the CCB website.
- 2.2 The role of the CCB is to provide independent scrutiny and challenge to HAL on behalf of consumers, on how HAL takes account of and reflects the interests of consumers in its business strategy and operations, specifically, in relation to HAL's H7\* business plan, including the expansion plans for new runway capacity at Heathrow (R3). The objectives and responsibilities of the CCB can be found in the Terms of Reference.
- 2.3 The CCB has committed to reporting publicly on the outcome of this challenge process. As the CCB has been set up for a year, we have taken the opportunity to publish this interim status report. This summarises the CCB's activity to date and outlines our view of HAL's progress and the key issues and challenges the CCB has made to HAL's consumer engagement process, including explaining any responses and associated follow-up.

### Summary of CCB activity since February 2017

- 2.4 The CCB is an interactive group. Over the last year, we have worked closely with HAL to provide feedback on their consumer engagement process and we have engaged with a series of stakeholders. We have regular:
- Ñ Board meetings: the agendas and minutes of these are published on the [CCB website](#).
  - Ñ Meetings with HAL and a series of other stakeholders, such as the CAA, the London (Heathrow) Airline Consultative Committee (LACC), the Heathrow Airlines Operators Committee (AOC), the Department for Transport (DfT), British Airways (BA), Virgin Atlantic, easyJet, the Heathrow Airport Consultative Committee (HACC), the Heathrow Access Advisory Group (HAAG), etc. These meetings along with the high-level content are published on the CCB website .
- 2.5 Since the very beginning of our work, we have been impressed with HAL's and all stakeholders' positive attitude to our role and their willingness to work with us. The HAL staff involved have delivered commitment and demonstrated responsiveness. The HAL Board and Executive Committee have been open to listening and showed an appreciation of the importance of consumer engagement. The CCB thanks everyone involved for giving their time generously.

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\* The current regulatory controls on the charges and services that HAL offers to airlines, and ultimately to consumers, are due to expire on 31 December 2019. The CAA have therefore launched a review (called 'H7') of the appropriate regulatory arrangements that should be put in place after that date, including the CAA's approach to the economic regulation of new airport capacity and any associated costs that may be incurred during the current regulatory period (Q6).

- 2.6 In January 2018, the CCB published version 1 of its Challenge Log<sup>\*</sup> which was dated 18<sup>th</sup> December 2017. Going forward, we will publish these logs on the CCB's webpage at regular intervals. The Challenge Log gives the detail, and the current RAG status, of ongoing areas where the CCB has raised specific challenges and what the response has been to those challenges to date.

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<sup>\*</sup> Since December, the CCB has renamed the Issue Log and it is now called the Challenge Log.

### 3. Key Issues

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- 3.1 This section provides an overview of the CCB's engagement with HAL to date. Within that, it also highlights some key cross-cutting issues that we have identified. In addition, it contains version 2 of the Challenge Log which is dated March 2018.

#### Consumer engagement – the baseline

- 3.2 The evidence is clear that HAL has a wide-ranging approach to gathering passenger insights, through its own research, CAA publications, and via benchmarking with other airports. This includes, but is not limited to:
- Ñ The Quality of Service Monitor (QSM) – HAL's monthly customer satisfaction tracker of passenger experience across Departures, Arrivals & Connections. This comprises engagement with 57,000 passengers a year to understand satisfaction levels across all stages in the end to end journey. This is complemented by regression analysis of QSM data to understand which service attributes drive overall satisfaction, taking into consideration usage and impact on overall experience. The QSM data is also used to establish the single most important area that could improve the overall journey in departures, arrivals and connections by terminal and at Heathrow overall.
  - Ñ Airport Service Quality (ASQ)\* – a quarterly satisfaction benchmarking study of over 300 airports.
  - Ñ Passenger Profiler – a monthly passenger behavioural tracker across all Heathrow terminals. Engagement with approximately 35,000 passengers a year.
- 3.3 While the focus is on the passenger experience, and its obvious role in improving the performance of the business, HAL's approach to date has been based to a significant extent on existing, fare-paying passengers' views of the current service offering. In this respect, the research is reactive, rather than pro-active, where the latter seeks to determine consumers' needs, wants and priorities from the outset. The current approach does not fully explore the views of those consumers who do not use the airport, nor does it fully embrace the needs of future consumers. The CCB has seen little sign of structured, external engagement by HAL with bodies representing the interests of consumer groups (including business groups) that would offer insight and expertise on these wider consumer agendas. We welcome HAL's stated intention to expand this, going forward.
- 3.4 There is continued evidence of a lack of clarity on HAL's part around the difference between consumers, communities, citizens and other stakeholders. This issue surfaced during the CCB's review of the first draft Consumer Research and Engagement Strategy. The CCB were encouraged by HAL's progress to reflect this in the second draft. However, concerns persist about the degree to which this difference is understood by the wider business. Discussions with the HAL expansion team demonstrated an identification of airlines as a proxy for consumers. The CCB are concerned that this

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\* ASQ is used by Airports Council International (ACI), therefore its global adoption means it is considered by airports and airlines to provide comparability.

could result in a lack of sharp focus on engagement with the specific requirements of different groups of consumers.

- 3.5 Therefore, despite a significant programme of passenger-focused research, HAL has started from a relatively low base on consumer engagement. However, we recognise that this is the first time the CAA has had explicit requirements about the need for HAL to use consumer engagement to develop its business plan.
- 3.6 When the CCB was established, the H7 timeline for the delivery of HAL's initial business plan was imminent. Yet, we saw no evidence of any pre-existing consumer engagement strategy. One of the CCB's early recommendations was the urgent completion of such a strategy. We therefore welcomed the extension of the H7 timeline as it provided HAL with the space and time to formulate a Consumer Research and Engagement Strategy which could be both comprehensive and considered.

### **HAL's consumer research and engagement strategy**

- 3.7 HAL agreed on the need for and importance of developing the Consumer Research and Engagement Strategy. The CCB provided detailed feedback on the first draft.\* We saw it as a significant step forward, although it did not yet fully demonstrate a complete appreciation or understanding of the multi-faceted nature and principles of consumer engagement. Nor did it demonstrate adequately the incorporation of consumer engagement and priorities into HAL's business planning, focussing instead primarily on meeting the regulatory requirements of the H7 process.
- 3.8 HAL was very responsive to the CCB's feedback. The CCB also produced a set of best practice principles for effective consumer engagement† and HAL incorporated these into the strategy as key drivers.
- 3.9 The revised (second) draft is much improved and the intention is that it is a living document. The CCB provided detailed feedback on the updated document.‡ The CCB have seen positive changes to the document and are interested to see how concerns will be addressed in the next version. (See the Challenge Log below.) There have been some encouraging developments by HAL - for example, the formation of a Passenger Insight Community, a potentially exciting and innovative way for HAL to receive ongoing intelligence from, and dialogue with, a wide-ranging group of consumers on their future priorities for the airport. In addition, HAL has engaged with the CCB fully and productively on a large Willingness to Pay project, including a Passenger Prioritisation Survey (PPS).

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\* [CCB initial feedback on Consumer Research and Engagement Strategy](#)

† [CCB Principles of good consumer engagement](#)

‡ [CCB feedback on updated Consumer Research and Engagement Strategy](#)



- 3.10 However, the CCB is not yet seeing evidence of strategic thinking on how intelligence gained from research and engagement workstreams is or will be captured systematically, and used in dynamic fashion to inform the further development of the Consumer Research and Engagement Strategy itself, and ultimately the business plan.
- 3.11 There is currently no stakeholder communications plan as part of the engagement. As we have said above, groups that represent business and consumer groups can provide in-depth intelligence and insight on the needs of those they represent. In this respect also, HAL should be more externally focused and put in place a delivery plan.
- 3.12 The CCB has provided guidance to HAL in the form of best practice from other sectors (i.e. the water sector and HS2), but have yet to see strong evidence that this learning is being incorporated into engagement strategy or engagement plans.
- 3.13 While timing is of the essence, and the need for the strategy to be rolled out is a high priority, there is concern that these pressures may have impacted adversely on the quality of the planned research and engagement. It is important that HAL finds the appropriate balance between urgency and quality.

### **Organisational silos**

- 3.14 A key objective of the CCB is to see that HAL has embedded consumer engagement across its business and into its planning across the board. However, it has been difficult to see this “golden thread” across the whole of the business. It appears that there is an inconsistent understanding in different parts of the business of the importance of consumer engagement, and the difference between consumers, communities, citizens and other stakeholders. Some staff came to our meetings to deliver presentations and it was clear to us that they had not been appropriately briefed on the aforementioned points. For example, key HAL teams working on major business planning initiatives and commitments such as surface access and the R3 expansion were not aware of the existence of HAL’s own consumer engagement strategy or the CCB. Furthermore, it appeared they considered their engagement with airline or local communities to be equivalent to engagement with current or future consumers and potential customers worldwide. We have also at times received conflicting messages on the same topic from different teams, for example, in relation to surface access, expansion and passengers with restricted mobility (PRMs). We would like to see this critical understanding better embedded across the business, and a better demonstration of a holistic, across-the-business understanding, as opposed to organisational silos. The consumer journey to, through and from the airport is reliant on a whole range of inter-dependencies (and indeed trade-offs) that need to be recognised and integrated if consumer engagement is to be effective and meaningful.

### **Timely evidence of engagement**

- 3.15 There are concerns as to whether consumer engagement is an integrated and early part of endeavours. Expansion Consultation 1 is aimed at meeting the statutory requirements to consult with local communities and other statutory consultees. It would have been desirable for engagement with the broad spectrum of current and future consumers to take place in parallel with this otherwise comprehensive process.
- 3.16 In response to passenger feedback and an August 2017 critical CAA report, HAL has undertaken efforts to improve accessibility and assistance for PRMs, some announced in December 2017. Yet two briefings on PRMs to the CCB in September and November 2017 failed to describe HAL's step-up in engagement with disability groups in this period, including the formation of HAAG and the Accessible Travel Forum, and how this engagement is informing these improvements. Information on this engagement was only provided in January and March 2018. Since we were not provided timely evidence of HAL's engagement with PRMs and impacts on its business and only read about it in the press, we had no basis to assume any. We do not know if HAL is undertaking and using consumer engagement and not telling us, or simply not doing it. This impacts the CCB's confidence in the process and makes us question whether HAL is carrying out consumer engagement at an early enough stage in its thinking, or taking a strategic approach to consumer engagement.
- 3.17 The CCB does, and will continue to, work on an evidence base and, on consumer engagement, we would encourage HAL to do the same and to bring forward that evidence at the earliest stage.

### **Engagement with the airline community**

- 3.18 Effective engagement between the airport and the airline community is in the best interests of consumers. The relationship is critical to a smooth customer journey and one that achieves best value for money. Moreover, airlines hold a very valuable bank of consumer research and insights, intelligence that should be incorporated into HAL's knowledge and understanding of the consumer perspective. We are yet to see evidence that the airlines are sharing, on a wide-ranging basis, their consumer engagement and knowledge with HAL. Moreover, the CCB was initially disappointed to find a somewhat adversarial relationship between airport and airlines that was certainly not in consumers' interests or in the interests of formulating the optimum consumer engagement strategy. However, we are pleased to see that the relationship has improved and is now more constructive. It is vital that this continues and that the exchange of information develops.

### **Outcomes based regulation (OBR)**

- 3.19 To empower consumers in the H7 process, the CAA is considering how regulation and incentivisation can be further focused on the quality of service consumers receive. The CAA has asked HAL to propose appropriate outcome measures that could be used to form part of the H7 regulatory framework. HAL has developed an initial, outline framework linking consumer intelligence to measures and targets that will feed into high level consumer outcomes. It is noted that the airlines are extremely keen to retain the

current, output-based, Service Quality Rebates and Bonus (SQRB) scheme\*. Airlines seek to retain the financial performance incentives that exist and by which HAL's performance is also measurable and can be benchmarked. HAL will face a key challenge in reconciling SQRB and OBR and, in doing so, keeping true sight of the consumer voice. It is critical that HAL, with support from the airline community, provide strong consumer evidence to support the content, structure and operational nature of the proposed OBR.

### **Areas not wholly within HAL's control**

3.20 There is a range of areas that are of critical importance to consumers but where HAL is dependent on the delivery of other bodies, for example, surface access and immigration. HAL's consumer research and engagement strategy, and its implementation, should have a stronger focus on areas not totally within HAL's scope in order that they are appropriately reflected in the development of the OBR framework. In all areas of importance to consumers, the CCB would like to see HAL being driven by the incentive of reputation as well as by financial incentives.

### **HAL's resources**

3.21 While the CCB has been impressed with, and grateful to, the many people at HAL who have generously given us their time, we have noted that the staff resource dedicated to co-ordinating consumer engagement appears to have been stretched. We have also noted that, in what is a challenging stakeholder environment, the people resource input by HAL needs to be at the right level to command confidence, and thus advance the agenda on consumer engagement, within the business and externally.

3.22 We are pleased to see that HAL has recently increased the staff resource with regard to programme management. It is our view that HAL needs to review the level and depth of its staff resource to ensure there is consistency across the business and keep up this momentum as the timing for the production of the initial business plan gets nearer.

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\* The Service Quality Rebate Scheme was introduced by the CAA to identify the service standards that airlines and passengers could expect from Heathrow in return for the regulatory charges they paid. Where performance falls below a certain level, Heathrow must repay a proportion of charges levied back to the airlines. The Service Quality Rebate Scheme is a Licence condition in Q6, the current price control on Heathrow.

## 4. Challenge Log

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- 4.1 The table below contains version 2 of the Challenge Log which is dated 21 March 2018. It contains key areas where, at the time of writing, we have raised specific challenges, together with our interpretation of the current response and our assessment of the RAG status for each:
- Ñ Red means the CCB has not seen sufficient information nor has confidence that this area is being addressed.
  - Ñ Amber means the CCB has some concerns but has seen evidence that progress is being made to address this area.
  - Ñ Green means the CCB has no immediate concerns and is confident that this area is being addressed.

Table 1: CCB Challenge Log Version 2: 21 March 2018

	Area	CCB Challenge	Response and Follow Up	Status
<b>Comments on HAL's Work</b>				
1	Quality of Heathrow Airport Limited's (HAL) Consumer Research and Engagement Strategy	<p>HAL is developing a Consumer Research and Engagement Strategy to set out how it intends to undertake research and engagement in preparation for its H7 business plan. The CCB want to help HAL reflect best practice in its strategy, and ensure that there is a focus on the needs of existing passengers and future consumers.</p> <p>The strategy will be a living document and further reviews will be carried out with the airline community. Given the timescales for implementation of the strategy, the CCB is concerned that further delay could impact on the quality of consumer research and engagement, and therefore encourages airlines and HAL to reach a speedy consensus.</p> <p>The CCB is concerned that it has not seen an overall delivery plan to accompany the strategy.</p> <p>The CCB is also concerned that HAL's understanding of the difference between consumers, citizens and stakeholders is not embedded throughout the whole business.</p>	<p>CCB has provided detailed comments to HAL on <a href="#">31/8/17</a> and <a href="#">31/10/17</a> versions of the strategy.</p> <p>CCB has suggested <a href="#">principles of good consumer engagement</a> which have been incorporated into the Consumer Research and Engagement Strategy.</p> <p>31/10/17 version considered by CCB reflected most of the comments the CCB provided. However, the CCB has not seen timely feedback from HAL or an updated version of the strategy since its latest comments provided on <a href="#">04/11/17</a>.</p> <p>An updated and agreed version of the strategy is urgently required.</p>	Amber

	Area	CCB Challenge	Response and Follow Up	Status
2	Quality of HAL's consumer research and engagement to inform expansion plans	<p>The CCB's role is to ensure HAL's business plan, which will include some expansion related investment, is underpinned by high quality consumer engagement.</p> <p>In order to meet planning requirements for the National Policy Statement and Development Consent Order, HAL's initial consultation on expansion, launched in January 2018, is focused on the local community to the exclusion of consumers</p> <p>Suggestion is that it is for HAL to specify how the planned consumer engagement strategy has reference to R3 and will reflect the outputs from consumer engagement in its expansion masterplanning process.</p>	<p>HAL provided no evidence to the CCB of how consumer engagement will occur in the expansion planning process until December 2017 when the CCB was pleased to receive a briefing on the engagement work to date. However, the CCB still do not have an understanding of how HAL intends to engage consumers going forward, or how this information will be used.</p> <p>The CCB considers HAL should ensure consumer engagement is put in place from the outset of the development of detailed expansion plans.</p>	Red

	Area	CCB Challenge	Response and Follow Up	Status
3	Quality of Qualitative Research Programme and Willingness To Pay Survey (WTP)	<p>As part of the Consumer Research and Engagement Strategy, HAL agreed in September 2017 to initiate a new programme of qualitative research to supplement the existing consumer insight programme and ensure consumer views are used to prioritise the WTP attributes.</p> <p>CCB wants to ensure the design of qualitative research and the WTP meet best practice and have the support of the airline community.</p> <p>CCB aims to ensure the research programme and WTP support the development of the business plan and can assist in identifying potential cost increases and reductions to assist in the prioritisation process.</p> <p>CCB aims to ensure the full range of issues identified in the qualitative research findings are captured and considered as part of the business planning process, not just those issues that are considered for the WTP.</p> <p>CCB recommended the use of consumer voice to guide the reduction of the 40-50 attributes identified through the focus groups to a lower practical number for inclusion in a Passenger Prioritisation Survey quantitative phase.</p>	<p>CCB has commented on the quality of the design of HAL's qualitative research and WTP.</p> <p>CCB has encouraged early engagement with the airline community to ensure WTP methodology is acceptable and robust.</p> <p>HAL has confirmed that a workstream of the engagement strategy is a synthesis of all key findings of the qualitative research.</p> <p>CCB is pleased HAL have added an additional phase to the process, to reduce the number of WTP attributes, called the Passenger Prioritisation Survey (PPS), to ensure the consumer voice runs through the engagement process.</p>	Green

	Area	CCB Challenge	Response and Follow Up	Status
<b>Issues for HAL to consider</b>				
4	Appropriate reflection of vulnerable consumers in HAL's business plan	<p>CCB aims to ensure effective consumer engagement underpins HAL's business planning process and considers the needs of a wide range of consumers who are potentially vulnerable when using the airport. This includes those with hidden disabilities as well as Passengers with Reduced Mobility (PRMs), and other groups of consumers that struggle to access or obtain a satisfactory level of service at the airport.</p> <p>CCB noted that HAL has yet to develop a definition of vulnerable consumers.</p> <p>CCB is concerned that it has not yet been sighted of HAL's ongoing programme of engagement relating to vulnerable consumers, and how that engagement will feed into the development of business plans</p>	<p>CCB has asked HAL to define vulnerable consumers in the context of aviation.</p> <p>CCB cited examples to HAL of good practices and consumer engagement by other regulated service providers.</p>	Red
5	Quality of consumer engagement and research to inform surface access plans	<p>CCB aims to ensure HAL undertakes early consumer engagement in respect of surface access issues in the context of both H7 and R3.</p> <p>CCB considers access to and from airport hotels, and transfers, should be included in modes of surface access considered by HAL.</p>	<p>HAL has confirmed it will ensure its Consumer Research and Engagement Strategy includes surface access.</p> <p>On 15 January 2018 HAL informed the CCB that it had carried out consumer engagement on surface access. However, CCB has yet to see consumer engagement plans around future surface access arrangements, especially in the context of R3.</p>	Red



	Area	CCB Challenge	Response and Follow Up	Status
6	Importance of consumer arrivals experience	Existing consumer insight shows visitors and returning UK residents are markedly more dissatisfied with arrivals than many other aspects of consumer service. This includes, but is not limited to, lack of communication about, and waiting times in, Immigration, for a welcoming, comfortable, and efficient arrivals journey.	CCB discussions with HAL, Border Force, and airlines indicate that there is a potential for HAL to use consumer engagement and an outcomes-focused approach to look beyond current Border Force constraints, working with all parties to better meet consumer needs.	Red
7	Airport operational resilience	<p>As required by the CAA, HAL's resilience plans are produced in collaboration with airlines and other organisations operating at the airport to ensure passenger inconvenience is minimised during disruptions.</p> <p>CCB is seeking to understand what resilience related consumer engagement is carried out in the development of HAL's business plans.</p> <p>This also pertains to the proposed interim (2 runway) expansion from 480k to 505k ATMs, around which there does not appear to have been any consumer engagement to date.</p>		Red

	Area	CCB Challenge	Response and Follow Up	Status
<b>CCB Concerns with current “ways of working”</b>				
8	Understanding the business planning process and the role of the CCB	<p>CCB is not clear what input HAL would like into the business planning review process. In particular, the CCB is not clear whether it has a role in Constructive Engagement, but is concerned that this process could result in alteration of the outcomes from consumer engagement that the CCB reviewed in the initial business plan.</p> <p>CCB role is to review the quality of the consumer engagement evidence provided rather than undertake own research.</p> <p>Timescales and reporting requirements to be kept under review with CAA.</p>	<p>Ongoing dialogue with CAA established.</p> <p>CCB is working to understand HAL’s business planning process and how internal and external processes associated with R3 will be integrated.</p>	Amber
9	Consumer input post business planning	<p>CCB have identified a potential risk that consumer input does not extend beyond agreement of the business plan and price control with the CAA and, as a result, proposals can be changed without consumer input.</p> <p>The CCB plans to clarify this risk with the CAA.</p>	CCB has encouraged HAL to ensure the Consumer Research and Engagement Strategy builds consumer engagement into all aspects of the business and is not just a regulatory requirement for price control.	Amber
10	Relationship between HAL and airlines	HAL’s consumer engagement would benefit from airline consumer research and knowledge. Airlines should be bought into the consumer research and engagement programme to ensure the best consumer outcomes, maximum efficiency and that research and engagement outputs have full support from key stakeholders.	HAL and airline response has been positive and improved levels of constructive dialogue are taking place. However, the CCB has not yet seen any evidence of the airlines sharing airline consumer engagement and knowledge with HAL.	Amber

## 5. Key Messages and the CCB's Recommendations on Next Steps for HAL

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- 5.1 This section pulls together the key messages to HAL in this report and the CCB's recommendations to HAL as a result.
- 5.2 Overall, the CCB has been very encouraged by HAL's response to our establishment and its avowed commitment to making consumer engagement the key driver for its business planning. However, as reflected in this report, we consider that while HAL is clearly making progress, it still has some way to go in delivering on its aspirations. The next few months will be critical as the timetable for the production of HAL's initial business plan approaches, and as it develops its masterplan options for expansion.
- 5.3 HAL needs to start demonstrating as soon as possible that it has developed a genuine understanding of consumers' needs and priorities. It needs to start drawing soon on a robust consumer evidence base and display visibility that it has engaged with consumers on the issues that matter to them. It needs to be made clear that this evidence and insight is being incorporated expeditiously, systematically and holistically into business planning processes.
- 5.4 In order to achieve this, we recommend that HAL takes early action to tackle the challenge log areas that have red or amber status and continue to work positively on areas with a green status. In addition, we make the following broader recommendations to HAL:

### **Roll out, as soon as possible and in full, the Consumer Research and Engagement Strategy**

- 5.5 It is recognised that the strategy is a working document. We highly recommend that HAL responds to our latest comments on the strategy, publishes the strategy and rolls it out as a matter of urgency. The strategy should be accompanied by a clear delivery plan and a stakeholder engagement plan. The delivery plan will need to address the challenge of achieving both timeliness and best practice in quality consumer research and engagement. A key priority should be the early establishment of the Passenger Insight Community.

### **Enhance the organisation's understanding of consumer vulnerability, including the needs of PRMs**

- 5.6 HAL should develop its own definition of consumer vulnerability that reflects current thinking in other regulated sectors and businesses. The focus should be on developing a broad, dynamic and flexible approach recognising that most, if not all, consumers are likely to be vulnerable in some situations, regardless of their personal characteristics and circumstances. It needs also to recognise that vulnerability can be transitory, or fluctuating, short term or lasting, and that risk factors for vulnerability are complex and

inter-related. A key issue is that vulnerability is not just about the consumer but about how the business works.

- 5.7 This understanding should be visible in the Consumer Research and Engagement Strategy, together with a clear forward plan of engagement with PRMs and groups representing the PRM perspective.
- 5.8 It is also recommended that HAL review and adopt, where appropriate, best practice from other airports or regulated sectors (i.e. water, financial services). For example, as part of their forthcoming business plans, water companies are being required by the regulator to put forward innovative proposals for bespoke financial outcome delivery incentives (ODIs) in the area of vulnerability. It is suggested that HAL could benefit from more active engagement with some of the water companies' emerging thinking on this.

### **Develop understanding, across the business, of both consumer engagement and the role of the CCB**

- 5.9 It is also recommended that HAL ensures that it is absolutely clear across the organisation, that consumers, citizens, local communities and other stakeholders are entirely different constituencies. The CCB's remit is for consumers.
- 5.10 It is recommended that HAL needs to do much more to raise the profile of consumer engagement across its business and also to make all of its teams aware of the CCB's existence and our role. On the latter, we would be happy to discuss with HAL how best the CCB can help.

### **Develop and continue to improve dialogue, including exchange of consumer engagement intelligence, with the airline community**

- 5.11 As we have said above, meaningful and constructive dialogue and exchange of consumer research and knowledge between airlines and HAL is essential so that HAL has the benefit of an extensive body of consumer intelligence.

### **Ensure that there is effective consumer engagement in areas not fully within HAL's control**

- 5.12 HAL's consumer engagement should reflect the whole consumer journey. Arrivals and immigration, in particular, are key areas where current consumers have consistently voiced importance and dissatisfaction. This is a result of processes, resources, and facilities of numerous parties (e.g., Border Force), many of which HAL does not control. As coordinator, HAL can demonstrate its use of engagement and outcomes for consumers to influence these various factors in the business plan.

- 5.13 Given that, so far, we have seen little evidence of consumer engagement in relation to surface access issues, we expect it to feature in an early part of this forward agenda, and in relation both to the current business and to expansion.

### **Embed consumer engagement in the business planning process**

- 5.14 Currently, HAL is required to produce the initial business plan by December 2018. We understand that development work is currently ongoing within each of HAL's business units. The CCB is not clear how consumer intelligence is feeding into this process, particularly since key aspects of the consumer research and engagement programme have not yet been commenced or delivered. For consumer engagement to be meaningful, it has to be fully integrated at the earliest stages of an organisation's thinking. The business planning process is now gaining momentum. However, as this report makes clear, there are areas where we consider HAL has work to do to demonstrate effective consumer engagement, and some of the evidence we have received has not been joined up and sometimes contradictory. This makes us somewhat concerned that consumer engagement is behind the curve in relation to the planning that has already taken place. HAL needs now to demonstrate how the business planning process has integrated consumer engagement and intelligence across the whole of the business.

### **Provide evidence of how consumer engagement is an integral part of expansion planning**

- 5.15 The consumer engagement work that HAL's expansion team has undertaken, was provided to us only recently and therefore at a late stage. Although we were encouraged by what we saw, we have yet to see evidence that it has been incorporated into the planning process, or that the future engagement strategy around expansion adequately incorporates engagement with consumers.
- 5.16 As a matter of urgency, HAL should ensure that effective engagement with consumers is undertaken now as part of the already published open consultation.

### **Review resources**

- 5.17 In this report, we have recognised, and welcomed, the openness and engagement of HAL and the many people, from across the business, who have worked constructively with us and given us their time.
- 5.18 However, effective consumer engagement requires proportionate and dedicated staff resources. Making that investment now will bring longer term business benefits. It enhances consumer understanding and trust. It brings efficiencies through getting the service right from day one. It helps organisations identify critical issues quickly by providing an early warning system and sounding board. It improves the quality of decision-making by bringing wider perspectives to the table.

5.19 The CCB welcomes the recent appointment of a programme manager for the consumer research and engagement programme. However, we recommend that HAL consider expanding the dedicated staff resource to the consumer engagement agenda, and at the right level of authority to co-ordinate and embed this across the business and to deal with what can be a challenging stakeholder environment. In this regard, we also recommend that HAL considers the appointment of a senior consumer affairs and engagement specialist, to provide a link both across the business and externally, and provide enhanced focus.