

Consumer Panel annual report 2015-16

CAP 1445



Contents

Contents.....	1
Foreword	3
Chapter 1.....	1
What we do	1
Chapter 2.....	2
Key issues.....	2
The CAA's Strategic Plan.....	2
Regulation of airport charges at Heathrow	2
Complaint handling and ADR	3
Review of surface access at UK airports.....	4
Safety and security.....	5
Chapter 3.....	7
Priorities for 2016-17	7
Major priorities.....	7
Regulation of airport charges at Heathrow	7
How any new runway in the South East should be paid for.....	7
Consumer empowerment and engagement programme	8
Unfair contract terms	9
Other priorities.....	9
ATOL reform	9
Safety and security.....	10
Unregulated airports.....	10
Chapter 4.....	11
Transparency	11

Expenditure	11
Meetings with stakeholders	11
Terms of Reference.....	11
Objective and Focus.....	12
Membership	12
The Panel's Duties	13
The CAA's duties	14
Accountability	15
Information provision and confidentiality	15
Chapter 5.....	17
Who we are	17
Chair.....	17
Members	17

Foreword

This Annual Report outlines the activity of the Consumer Panel over the 12 months from Spring 2015 and sets out our priorities for the year ahead. During that period the Panel began its fourth year of operation and we have been able to strengthen the role we established over the first three years and have cemented our position within the CAA as a trusted and respected critical friend, actively engaged in challenging, questioning and encouraging the organisation without fear or favour.

Last year we acknowledged that the language of the consumer debate within the CAA was showing real signs of transformation. This tangible culture change has been driven from the top by both the CEO and Board Chair. We're pleased to say that there have been a number of initiatives over the last year that will help the CAA to better understand what consumers want and value, what they experience, and what prevents them from accessing the aviation market.

The motor that will continue to drive this change is the CAA's Strategic Plan for 2016-2021. The Panel played a key role in the development of this from its initial stages through to publication in April 2016. The Plan demonstrates a deliberate move away from the historical silo structure of the organisation, to a consumer-centred approach across the broad range of issues the CAA is involved in, helping to ensure that the consumer interest is recognised and understood in all policy, regulation and enforcement activity.

A key aim of the Panel has been to ensure that the CAA has a robust evidence base for all its work, by understanding what impacts on consumers, what outcomes are desirable, and tracking how the consumer experience changes over time. Only with this type of insight can the CAA be truly effective in monitoring, regulating, enforcing and producing guidance in the consumer interest. Last year we welcomed the CAA's decision to carry out a substantial piece of consumer research which in turn emphasised the need for a regular tracker survey to monitor satisfaction, behaviour, preferences and information that consumers value. I am pleased to say that the CAA has committed to this and the results of its first tracker survey will inform future work and help to bring greater focus.

We are concerned that some of the results of the tracker survey point to a relatively low awareness of rights among consumers. If consumers do not know what they are entitled to this will reduce incentives for airlines and airports to treat them well, particularly when things go wrong. We will ensure that the CAA acts on this worrying finding.

The views of the Panel have been actively sought from the earliest possible stage in developing the mechanisms for the next review of regulatory controls on the charges and services Heathrow Airport offers to airlines and ultimately to consumers. The current regulatory regime, known as 'Q6', is due to expire on 31 December 2018. As a result of our input the next review, known as 'H7', looks set to deliver one of the Panel's central aims – real consumer scrutiny of Heathrow's business plans. To achieve this a significant development in the CAA's role as economic regulator has been its decision to require Heathrow Airport to establish an independent Consumer Challenge Board (CCB) as part of the H7 process.

This also signals a move away from one aspect of the previous regulatory regime that the Consumer Panel was increasingly sceptical of - the overarching presumption that the interests of airlines and their customers are aligned and that airlines were best placed to be the voice of consumers in the regulatory negotiations. This had been a constant in previous reviews of the economic regulation of Heathrow and Gatwick but was an issue that we felt posed a high risk that the interests of many consumers were not being represented or heard adequately in the regulatory process.

As part of its emerging and more consumer-focused regulatory regime the CAA is also considering the merits of a more outcomes-based regulation, putting the burden on both the airport and its airlines to demonstrate that their ambitions and plans for Heathrow will deliver the outcomes that consumers value.

We very much welcome these initiatives as they represent a proactive decision by the CAA to go much further than it has in previous regulatory arrangements to put consumers at the heart of airport economic regulation. They also mirror current practice in a number of other regulated sectors in the UK.

Empowering consumers through information and also by securing consumer redress and enforcement are priority issues for the Panel.

The ability of consumers to make informed choices is a constant, and choice, value and fair treatment are key themes and we will focus on these in our priorities for the year ahead. But we want to see the CAA take a more robust approach to using its information powers and to understand more deeply what information consumers value and need and at what point in the decision-making process. This is an essential tool for empowering consumers and we do not want to see it squeezed out by other priorities or by a lack of enthusiasm. It requires a commitment and drive from the CAA to ensure that these powers are used effectively, proactively and in a targeted way.

Of course simply providing information and expecting consumers to act on it may not be the answer. We will encourage the CAA to ensure that it understands how information should be provided to consumers and to push for further measures, such as guaranteed access to ADR, which will ensure that consumers are empowered in practice.

Consumers have obvious immediate priorities at the decision-making stage which tend to be confined to price and choice of airport. This relatively narrow focus means that consumers are not thinking forward to what else will be important to them once they book. Yet research shows other issues are important in retrospect. We want the CAA to empower consumers to make choices about aviation based on a conscious assessment of airport and airline reputation and how they perform in given situations. This is potentially important information for all consumers with particular consumers, such as those who are disabled, being able to assess how well they will be treated in advance as a driver for choice. The CAA has done some good work in this area, but must ensure that the needs of disabled and vulnerable consumers are understood across all areas of its work.

We want consumers to have access to the widest possible range of surface access options so we strongly supported the CAA in its review of the market for surface access at UK airports. In the absence of consumer research that could have informed the CAA's engagement with the industry, we advised the CAA to use its consultation to gather information that allows it to come to a more balanced view of

the market as a whole. While we will continue to scrutinise this work as it develops we are deeply disappointed that to date it has not considered the specific impact of the market on disabled people.

We have continued to challenge the CAA over its complaints-handling role, encouraging it to put in place genuinely easy access to Alternative Dispute Resolution (ADR) to deal with disputes, particularly against airlines. We welcomed the decision by the UK Government to appoint the CAA as the UK's competent authority to approve ADR providers, and to encourage airlines to offer ADR to their customers. The speed of take up by airlines of ADR was disappointingly slow, but we welcome the work the CAA has done to divest itself of its historic role in complaints handling and encouraging airlines to sign up to one of the approved ADR schemes.

And finally, the outcome of the UK referendum on membership of the EU has left a great deal of uncertainty around the consumer protection that primarily came from the UK's membership of the EU and now needs to be protected. Following the decision, we immediately began working with the CAA to support it in maintaining at least the same level of protection currently enjoyed by UK consumers in those areas where the CAA plays an important role, either as an enforcer or as a policy lead, or as one of the key bodies working in the area.

During the year we said goodbye to Philip Cullum, Alastair Keir and Crispin Beale, who had all served on the Panel since it began in 2012. They brought their very valuable expertise to our work and were instrumental in helping the Panel to become established as a trusted critical friend within the CAA and to gain the confidence of stakeholders. We welcomed Trisha McCauley OBE, Adam Scorer and Claire Whyley to the Panel. All three bring very specific skills and experience as we develop our focus to new priority issues over the next period.

Without the drive and commitment of all the Panel members as individuals and working collectively, and without the policy insight and patience of our secretary, James Tallack, the Panel would not be in the position it now is as a key part of the CAA's modus operandi. I thank them all.

Keith Richards, Chair, CAA Consumer Panel



Chapter 1

What we do

The Panel exists to help the CAA meet its objective to ‘improve choice and value for aviation consumers now and in the future’. We use our expertise in consumer and competition policy, complaints handling and redress, consumer research, economics, finance, law and strategy to scrutinise and challenge CAA’s activities in these areas. More information on how the Panel was set up and how we work can be found in our first annual report, published in 2013.

Between April 2015 and April 2016, the period covered by this report, the Panel has met six times. The minutes of the main Panel meetings, which are also attended by CAA staff, are published on the CAA website. Our members were also involved in separate meetings and workshops to explore certain issues in more detail with the CAA and with other organisations, including regulated businesses, and trade and consumer bodies.