

Interim report on the progress of airport-airline engagement on new runway capacity at Heathrow airport September 2017

Advice to the Secretary of State for Transport under
Section 16 of the Civil Aviation Act 1982

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About this document

This document is our latest update to the Secretary of State (SoS) for Transport on how well Heathrow Airport Limited (HAL) has engaged with and responded to the airline community on the appropriate scope, design and costing of new runway capacity at Heathrow Airport.

The Terms of Reference (ToR) for this work require us to provide reports on a regular basis. We produced our first report in February 2017. This update describes the progress that HAL and the airlines have made since we provided our last report in May 2017.

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Introduction and summary

Introduction

1. The Secretary of State for Transport (SoS) has requested, under Section 16 of the Civil Aviation Act 1982, that we review and advise him on how well HAL is engaging and responding to the airline community on the appropriate scope, design and costing of new runway capacity at Heathrow Airport.
2. Our update report to the SoS in May 2017¹ noted that HAL had made some progress against our previous recommendations, however, much remained to be done if the process for airline engagement was to be fully effective and deliver a preferred scheme design that had broad support from the airline community and properly reflected the interests of consumers. In light of this view, our May report identified ten areas of additional focus for HAL to lead on and address as a matter of urgency.
3. At that time, we expected to issue our next quarterly report to the SoS at the end of August 2017. However, following changes to the wider expansion timetable and the agreement by HAL and the airline community to revise the timetable for HAL's first DCO consultation (Consultation 1) to allow more time for the scheme development process, we agreed with DfT, HAL and the airline community to postpone our update on engagement by one month to September 2017.
4. In preparing this report, we asked HAL and the airline community to set out their views on progress over the last few months.

HAL views

5. HAL has said that the period since our May report has involved greater intensity in the engagement between HAL and the airline community (as well as with other stakeholders). HAL explained that it had listened and responded to airline community feedback by revising the timetable for Consultation 1, developing a new engagement roadmap and introducing reforms to governance arrangements including the Costs & Benefits Working Group (CBWG), Options Approval Group (OAG) and Airline Working Group (AWG). It has also said that it has committed significant resources to support this new structure and to improve governance administration² consistent with the recommendations in our May report.

¹ <http://publicapps.caa.co.uk/modalapplication.aspx?appid=11&mode=detail&id=7990>.

² Paragraph 2.20 of May report

<http://publicapps.caa.co.uk/modalapplication.aspx?appid=11&mode=detail&id=7990>.

6. HAL has also explained that its new multi-level communications strategy allows for more tailored engagement with the airline community while the development of its draft consumer research and engagement strategy sets out its proposed approach to place passenger and cargo owner interests at the heart of an expanded Heathrow. In addition, HAL has highlighted the joint development of the Strategic Brief as an area of good airport-airline engagement.
7. It considers these developments have resulted in higher quality engagement which is a credible basis for developing a scheme that is capable of meeting the affordability challenge set by the Secretary of State. HAL considers it now has the right framework in place to move onto the next phase of engagement.

Airline community views

8. Feedback from the airline community has been generally positive about improvements in the engagement process since our May report, recognising the significant shift in HAL's approach. In particular, they consider HAL has shown increased sensitivity to their needs and is responding to key issues more effectively, and that HAL has identified constructive and collaborative solutions to a specific area of disagreement. They consider HAL's new multi-level communications strategy to be a marked improvement. There was also broad support for the revised consultation timetable and new engagement roadmap.
9. The airline community has welcomed the new governance arrangements including the CBWG, OAG and AWG, which have helped progress option development for some components and there is recognition of the considerable efforts underway to address the assembly stage that should deliver an outline Masterplan by mid-2018. While recognising these improvements, the airline community also consider they will require further refinement in the months ahead. The airline community also support the contributions being made by the Independent Fund Surveyor (IFS) that they consider has made progress in several areas particularly around HAL's cost estimating database (the Purple Book) and HAL's project management process and procedures.
10. While recognising that progress has been made, the airline community has a number of important remaining concerns:
 - the airline community has said affordability remains their primary concern and they still require more confidence that the emerging features of the scheme design are affordable. They also want HAL to make available more mature information/data on costs and benchmarking before Consultation 1. More generally, they consider there is a lack of early visibility on the material that will be included in Consultation 1;
 - HAL's revised timetable to prepare for Consultation 1 is still driving a challenging and possibly unrealistic schedule for meaningful engagement

on scheme development, particularly as governance structures are continuing to mature. The airline community considers it is important that HAL brings them along on this journey so that they can assimilate data, build understanding and consider an overall view of scheme design;

- the volume of data being provided remains an issue and the airline community considers there may be an opportunity to condense the material being generated from new fora so only the most salient points are covered; and
- HAL's recent requirements for a revised set of non-disclosure agreements has made it harder for airlines and their representative bodies to discuss issues in an open way and develop consensus.

Progress on May recommendations

11. HAL has made good progress in addressing a number of the key recommendations we made in the May report, particularly around governance and timetabling and some areas of communications and information provision. We very much welcome this progress. In a number of other areas such as consumer engagement and provision of information on cost efficiency and benchmarking, progress has been more limited. Nonetheless, we recognise that these areas are work in progress and if HAL retains the momentum it has recently established we would expect that it will be able to resolve these matters in the coming months.
12. The table below summarises our May recommendations and the progress we consider that HAL has made in delivering on these recommendations. Green indicates good progress has been made, amber indicates work in progress and red where more focus is needed.

Area of concern	Action	Progress	RAG
1. Governance	a. Urgently develop a roadmap with key consultation and engagement requirements tailored to the needs of the airline community, with a particular focus on the proposed summer consultation.	HAL has developed a roadmap/engagement calendar that has been welcomed by the airline community.	Green
	b. Improve the quality and content of the governance protocol.	Albeit delayed, HAL and the airline community have agreed changes to the protocol.	Green
2. Communication and information provision	a. Develop a more tailored communications strategy to accommodate the diverse engagement requirements.	HAL has developed a multi-level tailored communications strategy, reformed its SharePoint site and introduced newsletters all of which have been welcomed by the airline community.	Green
	b. Provide more detailed information to make best use of the cost and price path model / ready-reckoner.	Good progress with the capital plan and dashboard presented at CBWG but more detailed information required on key components of price modelling.	Yellow
	c. Make sure that high quality information on cost efficiency and benchmarking is made available to airlines and the CAA.	Capital benchmarking information presented at JEB and IFS review of capital plan and programme management, but not enough progress at this stage to gain stakeholder confidence.	Red
	d. Enhance the effectiveness of the Affordability & Business Case Working Group (ABC).	Affordability & Business Case Working Group replaced with CBWG, which has made a positive start but we need to see more progress including the sharing of key data and supporting information.	Yellow
3. Affordability and	a. Provide more detailed information on the impact of emerging options.	While progress is being made via reformed AWGs and OAGs, more progress is needed on assessing affordability, trade-offs and	Yellow

Area of concern	Action	Progress	RAG
optioneering		implications for future users.	
	b. Develop a process for providing carefully justified explanations on why various options are or are not being taken forward with the airlines.	Some progress with more nuanced methodology for discontinuing options (grey process) as part of the evaluation process. Masterplan Scheme Development Manual being revised to reflect feedback from consultation. Starting to gather requirements on components through AWGs but more clarity on how requirements will be evaluated, taken forward or made dormant/discontinued.	
4. Timetable	a. HAL should assure itself and the airline community that its engagement process will robustly support its chosen date for issuing its summer consultation. The assurance exercise should demonstrate that it has fully sought, taken into account, and responded to airline views on the options for broad scheme design.	With airline community input, HAL revised timetable for Consultation 1 to no earlier than December 2017. HAL has also developed the detailed roadmap / engagement calendar.	
5. Consumers	a. Develop and implement an appropriate consumer engagement strategy.	Good progress and joint development of Strategic Brief. Also, draft consumer research and engagement strategy issued but more work is needed.	

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