



Civil Aviation Authority

HAL Consumer Acceptability Testing

Appendix 4 – HAL Updated Business Plan

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Scope of this work

Scope of the project

The Civil Aviation Authority (“**CAA**”) has commissioned FTI Consulting (“**FTI**”) to support the CAA in understanding and forming a view on Heathrow Airport Limited’s (“**HAL**”) consumer acceptability testing research. The research was undertaken by Yonder¹ and presented as part of HAL’s H7 Updated Business Plan (“**UBP**”) submission.

The purpose of this report is to:

- consider the research brief and methodology used for the acceptability testing;
- provide a view on HAL’s interpretations of the results; and
- consider the wider context for the research, limitations and other information that could be considered as part of the Passenger Service Charge (“**PSC**”) assessment.

This included the review of the following documents:

- HAL’s UBPs Chapter 4.0, “*H7 consumer insights updates*”
- HAL’s research brief to Yonder, “*Research Brief – Acceptability Testing of Future Passenger Service Charge*”
- Yonder’s report, “*Passenger Service Charge acceptability testing research*”, April 2021

¹ Yonder is a multi-disciplinary consulting firm specialising in independent market research.



Overview of Yonder's research brief and methodology

As part of its UPB, HAL presented the results from additional ‘consumer acceptability testing’ of its proposals

HAL’s research brief

- HAL commissioned Yonder to:¹
 1. *“Understand prior knowledge of the PSC from consumers (current and potential users of Heathrow), what they believe it consists of, and what they believe it is used for”;*
 2. *“Understand consumer views once informed of the key information, contrasted against the prior view”*
 3. *“Understanding of what consumers feel is an acceptable level for an airport to be charging in return for delivering these services to passengers”*
 4. *“Acceptability of the different proposed service improvements that Heathrow intends to make”*
 5. *“Understand consumer acceptability of the 2-3 potential resultant passenger service charges for H7 for delivering these service improvements”*
- Key guidance from HAL included:
 - **Quantitative focus** with high-level qualitative phase for context
 - **Representative sample** of current and potential passengers, including the ability to assess sub groups, such as business vs leisure, direct vs connecting
 - Questions cognitively tested for **understandability**
 - **Monadic survey design**, testing PSC options in isolated ‘test groups’, meaning respondents do not compare and contrast options
- HAL raised the possibility of carrying out further work, including comparison between PSCs. However, this does not appear to have been undertaken based on the documents received.

Yonder’s consumer acceptability testing methodology

Stage 1: Qualitative survey

- Designed to provide contextual background
- Aid survey design for the quantitative phase
- Focused on three key areas:
 - Awareness of the PSC
 - Services / facilities related to the PSC
 - Potential service improvements and impact on PSC
- In depth 1-on-1 interviews with 20 passengers (16 UK, 2 US, 1 Indian, 1 German), covering a number of sub groups

Stage 2: quantitative survey

- Designed to test awareness of PSC and responses to PSC options
- Randomly allocated to groups, which were shown 1 of 3 proposed PSCs: £26.46, £31.27 and £41.43, as well as the control (2020 PSC, £23.56)
- Each PSC option presented a number of service improvements (see Slide 14). Options 1 & 2 offered 9 improvements - Option 3 offered 2 improvements
- Focused on quantifying three key areas:
 - Awareness of the PSC
 - Acceptability of proposed service improvements
 - Acceptability of potential options for PSC
- 6,321 online respondents:
 - 4,578 UK, 592 Germany, 572 US, and 579 India

¹ Heathrow Airport, Research Brief – Acceptability Testing of Future Passenger Service Charge, page 2.

The methodology is broadly consistent with best practice in other regulated sectors, but some areas may warrant further consideration

Based on a high level view, the research methodology appears to be broadly consistent with best practice from other regulated sectors:

- Questions appear to be well tested, building on a qualitative stage and cognitive testing
- A sample size of 6,321 respondents covering different groups and nationalities
- Consumers were randomly allocated to groups and were only asked to comment on one PSC option, meaning their views were not influenced by a perception of the range of possible charges

However, there are some areas which may warrant further consideration:

- It is not clear from Yonder's methodology whether the distribution of respondents across key categories such as business/leisure and premium/economy class is representative of the mix of passengers at Heathrow¹:
 - This is particularly important given some results appear to vary significantly depending on the type of traveller.
 - The share of subgroups may also change in the future, which might need to be taken into consideration. As HAL notes in the Updated Business Plan, *"the return of business travel remain[s] more uncertain. Our research has shown a clear pattern by age, with younger consumers more likely to return to air travel sooner compared to older age groups"*.²
- It is not clear whether respondents were given sufficient explanation or context when responding to questions:
 - Yonder notes from its qualitative discussions that *"passengers struggled to attach a value to the PSC"*.³
 - The options presented did not test the linkage between PSC and service improvements.
 - Wider contextual information, such as the PSC at other similar airports, does not appear to have been provided to respondents.

¹ HAL has subsequently stated that the mix of respondents is representative of the profile of 2019 passengers who travelled through Heathrow. ² Updated Business Plan, chapter 4.0 (consumer insights) page 4. ³ Appendix 4: Yonder presentation, Slide 18.

