

Reforming the framework for the economic regulation of UK airports

Response to the Department for Transport's March 2009 consultation

June 2009

Introduction



This response sets out Passenger Focus's views on the Government's March 2009 consultation *Reforming the framework for the economic regulation of UK airports*. Among other proposals for reforming the economic regulation of airports the Government stated 'we propose that Passenger Focus should be given responsibility for air passenger representation with regards to airline and airport issues'. Passenger Focus is very happy and willing, if asked by Government, to take on representing air passengers

alongside rail, bus and coach passengers.

Summary

Passenger Focus considers it logical to extend its remit to cover air passengers for the following reasons:

- In other regulated industries the principle and logic of independent regulation and independent consumer representation is well established. The energy, post, water and rail industries work in this way.
- A merger of the skills, knowledge and experience of the Air Users Council with Passenger Focus's research-based approach would create an influential air passenger advocate. The overall influence of the organisation would be greater than the sum of its parts. The benefits of integration outweigh the loss of mode-specific representation.
- Passengers use whichever form of transport is most suitable for them. They do not differentiate between the modes. Passenger Focus does not favour one form of transport over another – it adopts a purely consumer approach. Having one body able to do comparative work between the modes could add much to the transport debate.
- No one has a monopoly on the passenger voice. Passenger Focus, in taking on this new work, would work with and alongside the existing various airport consultative committees.
- Being able to look at the whole journey, including getting to the station or airport, will add value to the debates about integrated transport.
- Assuming the principle of statutory-based independent consumer representation is accepted, it is logical to give this new responsibility to a body that is well established. Passenger Focus has a reputation for independent, authoritative and useful research and has all the governance, financial, audit and risk management structures and procedures in place.

For all these reasons Passenger Focus is strongly of the view that it can add value to UK air passenger representation.

About Passenger Focus



Image: Elaine Faith

Passenger Focus is the statutory, independent consumer watchdog for Great Britain's rail passengers and England's (outside London) bus and coach passengers. Always striving to make a difference, Passenger Focus uses an evidence-based approach to support its work on behalf of passengers. The rail National Passenger Survey, drawn up and published by Passenger Focus, is the largest piece of published passenger research – every year over 50,000 passengers give their opinion about the rail journey

they have just taken. We are now trialling a new bus passenger satisfaction survey. Including other research, Passenger Focus speaks to over 100,000 passengers every year.

Passenger Focus aims to work with, not against, the transport industry. While providing a common, unified voice for all passengers Passenger Focus aims to provide a common knowledge base that operators, government and planners find useful. Passenger Focus has staff based across England and in Scotland and Wales, with offices in London and Manchester. Board members are drawn from across Great Britain. The national nature of Passenger Focus's coverage is further enhanced by the appointment of some of its Board members by other representative bodies; e.g. the Greater London Authority, Transport Scotland and the National Assembly for Wales currently appoint one representative each to occupy a seat on the Passenger Focus Board. Current membership includes a member of London TravelWatch and the Convener of Passengers' View Scotland. Both Transport Scotland and the Welsh Assembly Government have commissioned research from Passenger Focus.

Work in the European dimension is not new to Passenger Focus. We are a founding member of the European Passengers' Federation, the EU association of passenger organisations promoting sustainable mobility and improved standards on public transport and international rail services. Our European involvement also includes EU lobbying and work with Eurostar undertaken by a bespoke staff member.

While having an independent status founded in statute, Passenger Focus is sponsored and funded by the Department for Transport. A crucial part of the success of Passenger Focus is that this sponsorship does not impinge on independence – underpinned by legislation and understood by both parties. Passenger Focus is an executive non-departmental public body and designated as a provider of official statistics. For more information about Passenger Focus's work see www.passengerfocus.org.uk.

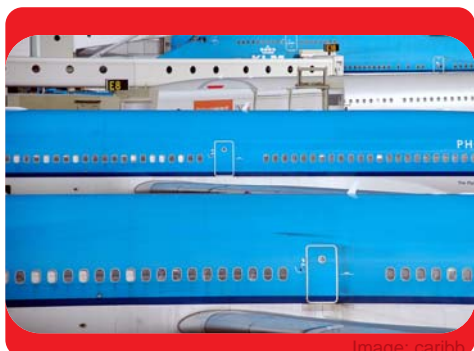
Different industries, similar passenger priorities?



The air, rail, bus and coach industries have very different structures, funding, regulation and approaches to consumer protection. However, from the passenger's point of view, they simply want to use the method of transport that is most convenient and value for money for them. Competition is clearly the best form of consumer protection. Many airlines are visibly in keen competition with each other and therefore have the strongest interest in ensuring their passengers return to them. Some air routes do not benefit from

quite such strong competition. The precise level of Passenger Focus involvement in purely airline issues, especially the international dimension, requires more discussion.

Benchmarking performance



Passenger Focus uses comparative benchmarking of passenger satisfaction to drive change in the rail and, soon, the bus and coach sector. The publication of satisfaction statistics by an independent body gives those statistics a credibility they could never achieve if published by the industry or government. Adopting such an approach, in particular to airport passenger issues, could be beneficial.

As more competition emerges in airport ownership and possible inter-terminal competition begins, having a sound benchmark of consumer, passenger opinion will provide an important bedrock as the industry starts to change. The international dimension of air travel and the comparative performance of airports in different countries will need to be reflected.

John Nelson, a respected rail industry commentator, summarised this issue as follows in *Transit* magazine:

“Above all, however, it is the National Passenger Survey that has given Passenger Focus its new vigour and relevance. Whoever in the government agreed to pass this baton ... made an inspired decision. In a single stroke, this has invested a genuine authority in Passenger Focus to be a true voice on behalf of the passenger. It has put the watchdog into a position of knowledge that it never had before.”

We are all passengers

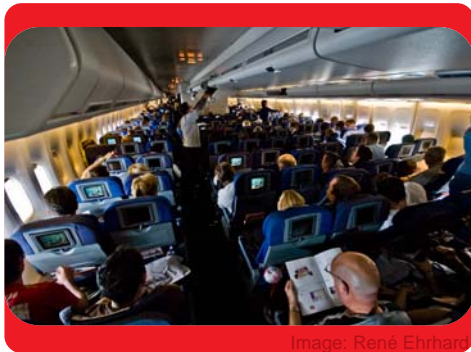


Image: René Ehrhard

Passenger Focus research shows that choice of mode of transport for individual consumers is still largely a matter of trading the cost and convenience of the choices available for particular journeys. See the Passenger Focus report *Environment Issues Research Report*. Every passenger has to get to the station, airport, bus or coach stand using some other form of transport – while this is often walking, outside London and the South East car, bus, coach and bike are important ways of accessing transport. Passenger

Focus has become increasingly involved in debates about access to rail stations – car access in particular. For example, see Passenger Focus's research report *Getting to the station* and forthcoming work on station travel plans and joined-up journeys. As more and more passengers use the railways boosting the capacity of the trains is only part of the argument – getting to the stations, and the ability of the whole system to cope is becoming increasingly important. It is possible to envisage debates on access to airports would also benefit from a consumer based approach.

Passenger Focus is already involved in ensuring the passenger interest on airport rail services, such as the Heathrow, Gatwick and Stansted Expresses, is understood and heard. Passenger Focus already works well alongside its sister organisation for London passengers, London TravelWatch. Current joint research, lobbying and other work on rail issues, can be expanded to collaboration on passenger access to London airports using the tube and the Docklands Light Railway. Similar collaborative arrangements exist in Scotland with Passengers' View Scotland and will be built with whatever passenger representative arrangements are ultimately set up in Wales.

Similar passenger needs?



Passenger Focus has carried out preliminary analysis of how some of the published data about air passenger satisfaction compares to what we know about rail passengers. Even such an initial analysis shows some similarities between the needs of long distance rail passengers and domestic air passengers. Punctuality, delay handling and the availability and attitude of staff are priorities for both domestic air and long distance rail passengers. Passenger Focus has done much work on rail stations – see, for example, *What*

Passengers Want from Stations. The condition of the station environment is not a key driver of passenger satisfaction but, as the gateway to the network, they are crucial in forming overall opinions. Doing similar, comparative work for Britain's airports could help ensure they remain attractive, affordable to passengers and the industry and that the right priorities for investment are chosen. In addition, there must be some common themes to passenger

information. Passenger Focus collaborated with National Rail Enquiries to produce *Passenger Information: a vision*. Doing similar work with the air industry to identify air passenger needs in this crucial area would be beneficial.

Airports, monopolies, regulation and the passenger



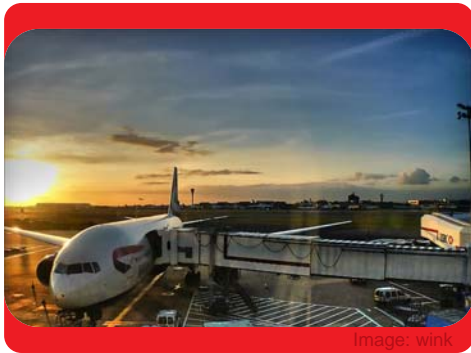
Ensuring that an informed passenger voice is heard in the debates about the regulation, funding and expansion of airports seems just as vital as ensuring that voice is heard in these debates on rail and bus passenger issues. While the interests of passengers, airport owners and airlines are usually closely aligned there are occasions when they are not. When major decisions are being taken about airport investment and the consequent charges that will be levied on airlines (and ultimately passengers) ensuring passengers are represented as part of the regulatory process seems crucial. With the Civil Aviation Authority possibly having a new, primary duty to passengers, having a strong, independent voice to balance the industry view seems prudent.

This structure has worked well in the rail industry. While the Government ultimately decides how much it is going to spend on the railways and how much passengers will contribute, the input of Passenger Focus, at a high level, had proved useful. It is not Passenger Focus's job to get deeply involved in every aspect of regulatory settlements. However, having a broad, sound view of passengers' priorities for improvement is critical. It is up to the airlines or regulators to judge how much passengers might or might not pay in future for certain airport facilities, but it is up to the passenger representative body to put forward its view of passenger priorities. For example, we know from multi-variate analysis of our research that the key driver of passenger satisfaction on the railways is getting the trains to run on time. The key driver of dissatisfaction is how delays are dealt with. Having a sophisticated understanding of these drivers, in addition to passenger priorities for improvement research, has helped the industry and government come to a settlement in the funding of the railways from 2009-14 (see the Passenger Focus report *Passenger priorities for improvements in rail services*). Passenger Focus is just starting research for the Department for Transport leading up to the post 2014 funding settlement.

In addition, Passenger Focus has been increasingly involved in helping government frame the specification for franchises. For the soon-to-be-announced new South Central franchise Passenger Focus carried out over 6000 interviews with current Southern Railway passengers: *A passenger focussed franchise: what passengers want from the South Central franchise*. Breaking the results down by metro, suburban and longer-distance passengers allowed both a detailed overall picture to be built up as well as showing how the needs of different types of passengers differ but often overlap. It is then up to Government to take the political decision on how much to invest in the routes and how much to specify from a new franchise (and therefore, by definition, how much premium can be obtained for the right to run the franchise) and how much passengers will pay. It is possible to envisage how such an approach might also work in relation to the regulatory settlements and licence conditions relating to airports. The regulator, airports and airlines may find it useful to draw on a common set of independent passenger research.

The bus and coach industries, themselves competitive to a degree, were initially cautious about the potential involvement of Passenger Focus in their industries. However, Passenger Focus has allayed those fears by proceeding very cautiously in these new areas, ensuring the industry and other stakeholders are consulted at every step. Passenger Focus does and will deliver value for money in its activities.

Air passenger representation and the regulator



Clearly much more work needs to be done to establish the distinct, but complementary roles of the regulator and passenger representative body. This work could commence straight away. There needs to be careful attention to avoid any overlap but the model established in the rail industry seems to hold some potential guides for how the roles could be teased out.

Passenger Focus has considerable experience of working in the complicated regulatory and franchised structure of the rail industry. Passenger Focus ‘owns’ the main passenger satisfaction survey – the National Passenger Survey. The regulator, the Office of Rail Regulation (ORR), collects and is the guardian of other industry statistics such as punctuality, passenger revenue and numbers and complaints. Ownership of the prime published source of the customer view by the consumer organisation provides a powerful focus to debates between the regulator, industry, consumer body and the DfT. It provides an important balance in media debates and comments about the state of the railways.

Passenger Focus’s work shows that, overall, four out of five passengers were satisfied with the journeys they have just undertaken. Passenger Focus is working with the Office of Rail Regulation on developing its function as an enforcement body in a consumer protection role under Part 8 of the Enterprise Act 2002. Similarities and shared experiences apply here as CAA is undergoing the same process for air travel.

Over the course of its history, Passenger Focus and its predecessor organisations have been sponsored by the Department for Trade and Industry, by the regulator, the Strategic Rail Authority and, finally, the DfT. Without any doubt sponsorship by the SRA and the DfT have been the most successful arrangements. Passenger Focus is left to intervene in industry debates, comment in the media, criticise government and generally advocate the passenger cause without fear of being ‘captured’ by any organisation. Arms-length sponsorship has worked as Passenger Focus is viewed as a potential part of the solution to many issues rather than part of the problem.

One of Passenger Focus’s key roles is to promote greater transparency and accountability with the rail industry. Passenger Focus’s research is important in both shaping debates and ensuring that all parties deliver on their promises and commitments.

Responses to specific questions

The consultation asks two specific questions concerning air passenger representation:

Q10.1 Do you agree with the proposal to give Passenger Focus responsibility for consumer policy advocacy with regards to airline and airports, funded through airport licence fees? In particular, we welcome views on the proposal for Passenger Focus to develop and support a network of consumer panels at leading airports.

As set out above, Passenger Focus is very happy and willing to take on this new responsibility. It is worth pointing out that this activity would ultimately be funded by air passengers as airport licence fees are part of what fares have to cover. Further work will need to be done to flesh out exactly how such an arrangement might work and what activities it might fund. However, Passenger Focus currently manages funding from two parts of DfT and could draw on the experience of Consumer Focus and others in handling and accounting for more than one funding stream. An effective and transparent business planning process combined with an established, effective audit function will help ensure that money allocated to air passenger activities could be adequately ring-fenced.

In order to be an effective advocate, really making a difference on behalf of air passengers, Passenger Focus would draw on its already well established regional network of passenger link managers to develop a real insight into the passenger experience at airports. Those staff would, in turn, need to develop mechanisms to ensure that they have access to information and views of users to supplement that provided by research. Passenger Focus's network of regionally-based passenger managers already liaises with rail user and transport groups as well as local authorities. Building and boosting links, and helping to support the work of, consultative and consumer panels at airports would clearly form part of any Passenger Focus strategy for ensuring it is in touch with consumer and stakeholder views. Developing and supporting consumer panels of regular users may be a useful step. The ability for all parties to draw on a common set of passenger satisfaction research would help underpin many of the debates about passenger priorities. Building this model of air passenger representation would not present an enormous cultural shift for Passenger Focus especially if the knowledge of the AUC could be retained.

Q10.2 Do you agree with the proposal to give Passenger Focus responsibility for complaints handling on airline and airport issues alongside its policy advocacy function? How can we best ensure the expertise and sector knowledge in relation to EU air passenger rights built up over time by the AUC is retained?

Passenger Focus is happy to take on an 'appeal' complaints-handling role for air passengers. Passenger Focus already mediates in appeal complaints where rail passengers and rail companies cannot resolve issues. Last year we helped over 4400 passengers. However, Passenger Focus has tried to increasingly turn its complaints-handling resource into a more proactive force. Passenger Focus has been carrying out a number of 'reviews' of train company and other service providers (such as Network Rail and the Trainline). The aim of these reviews is twofold:

- To ensure that the knowledge that Passenger Focus has gained of the strengths and weaknesses of individual companies' complaints-handling procedures is used to ensure that those procedures improve.
- In addition, such improvement also means that fewer 'appeal' complaints are made. Passengers get their complaint properly dealt with more quickly and future complainants also benefit. We would like to explore how such an approach might work in the air sector.

The best way to ensure that the AUC's valuable expertise in, among other areas, European issues affecting air passengers, denied boarding rights and complaint handling is not lost, is to secure it. Given air passenger rights under international law and the potential for monetary loss, continuing to deal with these complaints as effectively as they have been is a priority. Merging the skills, knowledge and experience of the AUC with Passenger Focus's research-based approach will preserve and enhance that expertise and sector knowledge. Practically this could be done by a transfer of AUC staff to Passenger Focus. Passenger Focus is successfully taking on bus and coach passenger representation alongside its existing rail role. Air passenger representation could be added on a similar basis as Passenger Focus is already geared up to cope with this change and could cope with more.

More information?

If you would like to comment on this response or require more information please contact Anthony Smith, Passenger Focus chief executive at anthony.smith@passengerfocus.org.uk or on 0300 123 0850.

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