



**The H7 Consumer Challenge Board  
Report on the Heathrow Airport Limited  
Initial Business Plan**

**26 February 2020**

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## A. Chair's Introduction

This report details the views of the Consumer Challenge Board (CCB), regarding Heathrow Airport Ltd.'s (HAL's) Initial Business Plan (IBP), published in December 2019. In putting together this report, the CCB has been mindful, in particular, of the helpful summary guidance note issued by the Civil Aviation Authority (CAA) on the 6 January 2020, and published on the CAA website.<sup>1</sup>

The CCB would like to express its gratitude to the significant assistance received from all stakeholders in putting together its report. As Chair, I would particularly like to thank the invaluable and tireless work of the members of the CCB – Trisha McAuley, Isabel Liu, Claire Whyley, Jayne Scott, and David Holden – and of the Board Secretariat Claudette Williams.

Prior to publication, this report has been shared informally, and for fact checking purposes, with HAL, the airline community, the CAA, and the CAA Consumer Panel. However, the CCB was established as an independent group and has set out to operate in a way which is independent, consumer-centered, objective, and constructively challenging, and this report represents the views of the CCB carrying out that approach.

## B. Executive Summary

The CCB is conscious that the methodological framework for H7 represents a significant change from Q6. In line with best practice in other regulated sectors such as water and energy, CAA's intention is that HAL's business plans should be driven by a thorough understanding of consumer preferences, rather than HAL acting in its own economic interests, or being solely a provider of infrastructure services to the airlines on a B2B basis. The CCB has been established to critique and scrutinise HAL's progress in this respect.

In carrying out its duties, the CCB is mindful of the fact that this is a new regulatory approach for HAL. While HAL has undertaken thorough consumer research hitherto, this has largely been focused on understanding the current consumer experience, rather than being a forward-looking programme of consumer engagement driving business planning. The CCB encouraged HAL to put in place a Consumer Engagement Strategy to guide HAL's work in this respect and was pleased that HAL responded positively to this suggestion. HAL has also taken steps to learn from good practice in other regulated sectors. It has significantly stepped up the quantity and quality of its consumer engagement, and the CCB is pleased to note this.

Overall, the CCB highly commends HAL on the scale of the transformation which it has attempted. Chapter 2 of the IBP is excellent in describing the consumer-driven focus with which HAL has approached the development of its IBP. HAL's consumer engagement to date has identified overarching themes, and these are well reflected through several parts of the IBP.

The CCB is particularly mindful of a key finding from HAL's consumer engagement, namely that Expansion is clearly in the interests of, and desired by, consumers. This is evidenced by the identified consumer outcome of 'I have more choice of flights and destinations'. Consumers want the airport to offer more destinations served more widely by airlines, at more convenient times and more competitive prices. They want to be able to trust Heathrow will deliver this wider offer.

The CCB further notes that Expansion is likely to result in a substantial reduction in airfares, driven by increased competition. The CCB is not competent to comment in detail on Annex 60 to the IBP, which sets out a detailed analysis of this, and the CCB are aware that in the past, the airline community has expressed a different view. Nevertheless, the CCB accepts the direction of the argument that increased competition will lead to lower fares, and further, that the amount of any such reduction is

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<sup>1</sup> [Guidance to the CCB regarding its report on HAL's Initial Business Plan](#)

likely to be substantially higher than any increase in the airport charge resulting from the H7 settlement. From a consumer point of view, therefore, the issue is not whether they will see an increase in cost, but the degree of decrease. Discussions about the airport charge should be seen in this context.

So, the question from a consumer point of view is not whether Expansion should proceed in H7, or whether HAL has conducted thorough consumer engagement during the preparation of its IBP. The answer to both of these questions is a clear yes. However, in a significant number of areas highlighted in this report, HAL's excellent intention of being driven by its consumer engagement is not carried through when it comes to important aspects of the IBP. Chapter 6 of the IBP, dealing with Measures Targets and Incentives, is particularly disappointing – see Section F.6 of this report below. And there are other areas, for example surface access proposals, where a number of important proposals are presented in the IBP without there being a sufficient 'golden thread' to consumer needs and wants.

A key take-out from HAL's consumer engagement to date is that the consumer appears prepared to pay more for relevant service improvements (see Section F.2 below). However, this is presented only in a very tentative manner in the IBP. Throughout the IBP there is reference to meeting the 'affordability challenge' in respect of the airport charge. As the CCB has noted previously, there has been no consumer engagement which supports this challenge. In fact, such evidence as there is, contradicts it. This is also in the context that consumers have no knowledge of the existence of the airport charge, nor how much it is; and that increased competition is likely to reduce airfares by substantially more than any increase in the airport charge.

The CCB continues to recommend that HAL make the existence and amount of the airport charge explicit to consumers, for reasons laid out below in Section J.

HAL's IBP differs from the initial plans presented by water and energy companies at the equivalent stages of their regulatory processes, in being considerably higher-level. It presents as an initial statement of intent, rather than containing detailed consumer-driven proposals which are fully evidenced by consumer engagement. It presents alternative approaches ('strategic options'), but these have not been sufficiently evaluated and a clear preference, based on HAL's analysis of consumer input, presented. It suggests a very limited range of measures and targets which represent consumer outcomes, and associated incentives which are not based on any consumer engagement at all. Important aspects of HAL's approach to surface access (particularly the HVAC) and to the Community Compensation Fund are presented without having been subject to a satisfactory level of consumer engagement.

The CCB welcomes the 'alternative measures' HAL puts forward in section 6 of the IBP for further consultation and research, as it is reasonably based on consumer engagement. The CCB also welcomes HAL's intention to explore ways in which any penalties incurred for non-achievement of consumer measures might be returned directly to the consumer, rather than go to the airlines.

The IBP section on commercial revenues is written from the perspective of extracting as much revenue from the consumer as possible. If the retail offer is built on a base of consumer research to address the mix of consumer needs amongst basic services, food & beverage and shopping aside from revenue maximisation, the CCB has not yet seen this. There has not so far been sufficient engagement with future consumers on this topic to reflect that the future mix of consumers is likely to be different post Expansion (more and different destinations, probability of new airline entrants, probability of more budget-minded consumers as airline fares decrease). The CCB observes that most airline engagement on this and other topics has been with Heathrow's existing incumbents.

The CCB is concerned about the proposed 15-year length of the regulatory period, and that measures, and associated incentives, might be set in stone for such a lengthy period. The CCB would encourage a definitive list of measures, targets, and incentives, based on robust consumer engagement, to be

included in the FBP, rather than deferred for later development. It would also welcome more specificity about HAL's proposals as to how this aspect of the IBP might be subsequently reopened.

The CCB recognises a long-running disagreement between HAL, the airlines, and the CAA, around consumer outcomes-based regulation (OBR), and specifically on whether it is legitimate for consumer outcomes to be the basis of measures, targets, and incentives for HAL. This disagreement has hampered full cooperation between HAL and the airlines in this area, to the detriment of the IBP presenting overall as a plan clearly based on consumer preferences. Nonetheless HAL is equipped with a rich base of consumer insight and in a position to develop a more comprehensive and concrete set of measures of which will usefully reflect how HAL does its part in achieving the desired consumer outcomes.

HAL has conducted excellent consumer engagement into the topic of vulnerability, which has led to a fundamental redefinition of vulnerable consumers. This redefinition is not fully reflected in the IBP, however.

The increasing level of consumer concern about issues of environmental sustainability have been identified by HAL's consumer engagement, and HAL has clearly made a strong effort to address these in its IBP. The CCB comments further on this in Section F.4 below.

The CCB acknowledges that HAL has had to trade off multiple competing demands among various stakeholders, and will continue to do so in the Constructive Engagement phase and masterplanning work for the DCO application. In order for the CCB to assess whether the consumer interest is driving HAL's business plans, HAL could be more transparent and explicit where it has considered the consumer view, but has chosen otherwise, in order to meet competing objectives from other stakeholders.

Overall, HAL's level of ambition has been very highly commendable, and their additional investment in consumer engagement has been both very substantial, and of high quality (even if important elements could beneficially have taken place earlier in the process). Unfortunately, the IBP appears often deficient in translating this engagement into plans and proposals which reflect consumer preferences. The amount of further consumer engagement which needs to take place between IBP and FBP is substantial. While the CCB has considerable doubts that there is sufficient time to do this and for the FBP to be thereby fully driven by the needs of HAL's consumers, the CCB stands ready to assist fully in supporting HAL in this.

## **C. Role of the CCB**

The CCB was established by a tripartite of the CAA, the Heathrow Airline Community, and HAL, in response to the policy expectations on consumer engagement and outcome-based regulation, intended to sit at the heart of HAL's business planning in general, and H7 price control review and Expansion programme in particular. These policy expectations are set out in various CAA documents as follows:

- **CAP1383** – H7 Strategic Themes, section 4 (March 2016)
- **Discussion paper** – Incentivising consumer outcomes (May 2016)
- **CAP1449** – Decision on CCB’s Terms of Reference (September 2016)
- **CAP1476** – Future of service quality regulation (December 2016)
- **CAP1540** – H7 business plan guidance, particularly section 2 on OBR and section 3 on consumer engagement which includes guidance to the CCB on its reporting to the CAA (April 2017)
- **CAP1819** – updated business plan guidance, particularly section 3 and Appendix D (July 2019)

The first step in the establishment of the CCB was the appointment of its Chair in early 2017 by senior representatives of HAL, the airline community, and the CAA, assisted by a leading search agency. The Chair was then given autonomy in the appointment of CCB members and identified a number of specialist skills against which Board membership recruitment took place. These included:

- Regulatory economics
- Quantitative market research
- Qualitative market research
- Consumer affairs and representation
- Financial and business expertise, if possible including non-conflicting airport development experience

Recruitment against these criteria was facilitated through an independent recruitment consultancy, and the recruitment panel involved an additional, and experienced, public appointments expert, as well as the Chair.

It was also felt helpful, and necessary in order to ensure the independence of the CCB, that Board Secretariat functions be handled independently of any external stakeholder, and consequently independent and highly competent individuals have fulfilled these functions since the CCB’s inception.

The CCB publishes its reports, including its periodic Challenge Logs, on its own dedicated page of the CAA website.<sup>2</sup> This webpage, while hosted by the CAA, is under the independent control of the CCB.

The CCB’s Terms of Reference are available in full on its webpage (CAP1449), however, these can be summarised as follows:

*To scrutinise and critique HAL’s consumer engagement, and to report on this; and on the degree to which that consumer engagement is driving HAL’s business planning, with particular reference to the H7 price control review and associated Expansion programme.*

As noted above, in its modus operandi, the CCB has sought, at all times, to be independent and consumer-centered, objective and evidence-based, and constructive in its challenge.

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<sup>2</sup> See the [Consumer Challenge Board](#).

## D. Effectiveness of Relationships

As noted above, the CCB has been very pleased with the open and constructive dialogue that all parties have afforded it. A full list of external meetings is appended to this report in Section N. The open spirit with which all meetings have been held has assisted us very greatly in our work. In fact, it would not be an exaggeration to say that without this co-operation our effectiveness would be significantly curtailed. In Annex 36 to the IBP, HAL describes the relationship that has been established with the CCB and the CCB would endorse that positive description. In publishing our periodic challenge logs and associated 'RAG' ratings of various topics, the CCB has frequently presented strong and robust challenge to HAL, but this has been accepted in a gracious and positive spirit.

The dialogue with HAL has been at all levels of the business. The Chair has met regularly with the CEO and Strategy Director and has been a regular guest at both Executive Committee and full Board meetings. The CCB has some comments about how this contact might be further strengthened in Section F.15 below.

The development of a consistent and positive relationship with the airline community has also been a feature of the CCB's work. The CCB has met with the airlines both on a multilateral basis via the AOC and LACC, and also on a bilateral basis with individual airlines. These meetings have been most useful in enabling the CCB to reach a view informed by a perspective which has been at times different from HAL's.

The CCB has also benefitted greatly from a regular and constructive dialogue with the CAA. This includes meeting the CAA Board in January and June 2019. The CCB Chair has met regularly with the Chair of the CAA Consumer Panel<sup>3</sup> and has met with the Chairs of other stakeholder organisations such as the Heathrow Accessibility Advisory Group (HAAG), the Heathrow Area Transport Forum (HATF), and the Heathrow Community Engagement Board (HCEB), among others.

The Chair has also met regularly with senior DfT officials working on Heathrow Expansion.

## E. Structure of This Report

To assist the reader, this report is structured to follow the chapter headings of HAL's IBP Detailed Plan. Because some of those chapters are more or less relevant to the CCB's Terms of Reference, the length of the sections in this report varies considerably. In addition, the CCB has identified topics which are not addressed in the IBP or where a consolidated view should be helpful, in Sections G through M inclusive.

## F. IBP Detailed Plan

### F.1. Setting the Scene

The CCB has no comment on this overview.

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<sup>3</sup> The CCB is independent and separate from the CAA Consumer Panel. Both are independent of the CAA and share a common interest in consumer-focused challenge. See [20171204 CP and CCB Remit](#).

## F.2. Consumer Engagement Driving Our Business Plan

- The CCB is very pleased to see the extent to which consumer engagement has driven the development of the H7 outcomes in the IBP.
- The CCB can confirm that overall the development of the high-level outcomes in the IBP is based on high quality consumer research and engagement.
- The CCB considers that HAL has started to embed the principles of consumer engagement throughout the business but that this progress should continue.
- The CCB emphasises the need to ensure that, as Expansion plans are further developed, the appropriate consumer research is undertaken at the outset.
- A considerable programme of consumer engagement and research work is planned between IBP and FBP and HAL should ensure the 'golden thread' continues to remain clearly visible between the outcomes and consumer engagement insights.

### Development of Consumer Engagement

A key component of consumer engagement driving the business plan was the publication by HAL of a Consumer Engagement Strategy in 2017. In the IBP it is clear that this strategy and resultant work programmes have driven the high-level IBP outcomes proposed for H7.

The CCB recognises that HAL has embarked on a rapid journey in the use of consumer engagement to underpin their approach to business planning. The CCB recognises that the use of consumer insight was well embedded into HAL's approach before the start of the H7 business planning process, as described in the IBP. Nevertheless there was a step change in focus as a result of the CAA's requirement to put consumers at the centre of business planning, the setting up of the CCB, and then the recognition by HAL of the importance of developing a Consumer Engagement Strategy. The CCB has seen evidence that HAL has started to embed the principles of consumer engagement throughout the business. This has been driven in large part by the commitment from the Heathrow Board and Heathrow Executive Committee. Tangible demonstration of this approach includes improvements made by HAL during IH7. The CCB would urge HAL to continue to drive this further forward.

It is also pleasing to note the IBP recognises the role of the CCB in developing the principles of consumer engagement and the recognition of the how challenges raised by the CCB have further enhanced the approach. However, in its most recent challenge log, the CCB continued to flag an opportunity for HAL to report on overall progress against the Consumer Engagement Strategy. The CCB suggests this is something which HAL should consider between IBP and FBP.

The CCB recognises that HAL has worked very hard to engage the airline community in the development of the Consumer Engagement Strategy and resultant programme of work. The CCB does note however that responses from the airline community has at times been very slow.

The CCB considers that the quality of consumer research and engagement undertaken to support the IBP is generally of very high quality (with exceptions pointed out in this report) and the overall programme of research and engagement was aligned with the strategy and is comprehensive. Overall, the CCB considers the approach adopted has generally been in line with best practice.

The CCB was provided with the opportunity to comment at the scoping phase of most research exercises and is pleased to note that HAL generally took the comments on board. Overall, research was generally well commissioned and based on clear specifications of requirements. The CCB was offered the opportunity to review early drafts of research findings where that was appropriate and any feedback on issues requiring follow-up was usually positively received. The CCB also notes that a very structured approach was used to gather insights and then create a programme of work to address



any gaps in existing insight, or to further enhance HAL's understanding of the consumer perspective, before consolidating the results into the IBP proposals. Of note is the setting up of the Horizon Passenger Insight Community (a global panel of 3,600+ users and potential users who are surveyed online and participate in online and face-to-face workshops) as a key feature of the Consumer Engagement Strategy.

Overall, the high-level IBP outcomes are based on high quality consumer research and engagement. Clearly visible is the 'golden thread' from the high-level H7 consumer outcomes back through the five themes which emerged from the synthesis of passenger insight to the original research and engagement programme.

### Development of H7 Outcomes

The CCB is pleased to note that the proposed H7 outcomes place consumers clearly at the centre, with other stakeholder requirements set around consumer outcomes. The CCB recognises that development of the IBP has involved consideration of many trade-offs between the requirements of different groups of stakeholders and that consumer outcomes cannot be considered in isolation from the views of other stakeholder groups. Despite these trade-offs, HAL has recognised the importance of ensuring the consumer perspective remains at the centre of the developments, but balanced against the views of other stakeholders, in order to develop a plan which best meets the needs of all. Again, the CCB is pleased to note that HAL listened carefully to its feedback on this issue. The CCB suggests that where HAL chooses to put the objectives of other stakeholders over that of consumers, it be explicit that it has done so. This would provide transparent assurance to the CCB that HAL has consciously considered the consumer interest in its trade-off decisions. The pressure on HAL to make these trade-offs will intensify during Constructive Engagement and as H7 and DCO planning get more detailed.

Against this background the CCB recognises that this remains a journey for HAL and that there is still a significant programme of consumer research and engagement to be undertaken between IBP and FBP to consider consumer outcomes. However, the approach adopted to date will provide a firm foundation, one that the CCB is positive can be built upon.

### Arrivals

The CCB had previously raised concerns about the lack of consumer research and engagement in respect of the arrivals experience, but was pleased to note the consolidation exercise on arrivals insights which was undertaken in 2019. The CCB fully recognises HAL lacks direct control in respect of immigration, and that HAL has also worked hard with Border Force and others to deliver improvements. Nevertheless the CCB considers that HAL could do still more to understand the consumer perspective and address the gaps in the insight work. The CCB understands further work is planned ahead of FBP.

### Future Consumers

The CCB has emphasised the importance of research with future consumers, especially in the context of Expansion and the proposal for a 15-year price control. So far, the CCB has only seen HAL's proposals to engage with young consumers. The CCB remains concerned about the absence of any plans to gain insight across a range of demographics and backgrounds in respect of consumers who will use the airport in the future, particularly against the backdrop of Expansion and the likelihood of changes to consumer demographics.

### Capital Expenditure

In this report the CCB reviews the consumer research and engagement which underpins the H7 outcomes. The levels of capital investment proposed in the IBP are very significant as a result of

Expansion. As a result there is only a very small proportion of the capital expenditure proposed in the IBP which relates directly to the consumer engagement undertaken and tested by willingness to pay research. This differentiates this IBP from business plans which would be expected in other regulated utilities and therefore makes tracing the 'golden thread' of consumer engagement more complex. Parallel to Constructive Engagement and ongoing work to progress from the IBP to the FBP for H7 is the Expansion masterplanning and DCO application work, which has separate governance and negotiation forums. HAL will continue to be challenged to demonstrate whether and how this Expansion work consistently upholds and is informed by consumer priorities.

### F.3. Our H7 Plans and Choices

- The CCB welcomes the commitment of HAL to base their Initial Business Plan on the output of their consumer engagement activity.
- Central to HAL's engagement strategy activity has been the 'top-down' work streams of Consumer Prioritisation, Willingness to Pay (WTP), Aggregate Benefit Study and Choices Research.
- The output of the WTP was subjected to a Cost Benefit Analysis (CBA), and so led to the selection of some of the service interventions planned for H7.
- This work has methodological weaknesses, including lack of external validation.
- Nonetheless, the direction of this work points consistently to a willingness to accept an increase in the airport charge in return for more and better service. In particular, any increases in the airport charge are dwarfed by the anticipated reduction in airfares likely to arise from unconstrained capacity.
- This direction also contradicts the 'affordability challenge'.
- Against this, HAL's proposed service improvement priorities for an increase in airport charge of £0.99 appears unambitious in relation to the findings of its own consumer research.
- In addition to the above 'top-down' insight, HAL has added service improvement priorities sourced from its wider 'bottom-up' plans. These appear unrelated to any consumer research the CCB has been sighted on, and thus could conflict with the priorities which *have* been derived from consumer research.
- It is unclear how the service permutations in the two strategic options of 'Prioritising Savings' and 'Prioritising Service' have been derived, and whether the difference in elements do represent different levels of consumer outcomes.

The role of the CCB is to determine whether the business plan, and therefore the strategic options, is based on 'high quality consumer engagement'. In order to assess the consumer engagement evidential basis of the strategic options, the CCB sets out below the top-line findings of the consumer engagement insight exercises that underpin the choice and definition of the strategic options, alongside their associated challenges from the CCB. For ease of reference, these are organised under the headings HAL uses in this chapter of the IBP.

#### **1. The base plan – affordable, financeable, deliverable, sustainable**

The CCB welcomes HAL's commitment to a base plan that is affordable, financeable, deliverable and sustainable.

*Our plans are affordable in that they have been tested against consumer willingness to pay. They respond to the challenge to be as close as possible to 2016 charges in real terms. They offer big net reductions for consumers in the cost of travel as airfares are lower thanks to the capacity constraint being lifted and in all scenarios airfares fall more than the airport charges required to provide new capacity.<sup>4</sup>*

The CCB has consistently challenged HAL to produce consumer-sourced evidence of the ‘affordability challenge’. The CCB recognises the challenge only as it exists as one stated by the airlines and representatives of government – the CCB are yet to see any firm consumer insight that supports this challenge. In fact, the results of the Consumer Prioritisation, WTP, Aggregate Benefit and Choices Research suggest that consumers are willing to pay a significantly higher airport charge in return for (moderate) improvements in the quality of service and their overall airport experience. In each of the strategic options proposed (‘Savings’ v ‘Service’), the expected reduction in airfares easily compensates the consumer against the anticipated increase in the airport charge, and so, for consumers, eliminates the ‘affordability challenge’.

The CCB welcomes HAL’s commitment to conduct further consumer insight between the IBP and FBP in order to establish evidence for, or against, the ‘affordability challenge’.

## 2. Choices the CCB faces

The CCB is mindful of the CAA’s request that HAL present their strategic options in the IBP. HAL has characterised these options as ‘Prioritising Savings’ v ‘Prioritising Service’.

These are presented in summarised in the table below:<sup>5</sup>

	PRIORITISING SAVINGS	PRIORITISING SERVICE
<b>RISK AND REGULATION</b>	<ul style="list-style-type: none"> <li>15 year duration with reopeners</li> <li>Trigger based regulation</li> <li>WACC cost of debt pass through</li> <li>ORC reclassification</li> <li>Lower touch regulatory/airline oversight, traffic risk sharing</li> <li>Access charge pass through</li> </ul>	<ul style="list-style-type: none"> <li>15 year duration with reopeners</li> <li>Trigger based regulation</li> <li>WACC cost of debt pass through</li> <li>ORC reclassification</li> <li>Access charge pass through</li> <li>Higher/broader service targets than Q6</li> </ul>
<b>SPEED AND SCOPE</b>	<ul style="list-style-type: none"> <li><b>Runway Opening:</b> 2027-28</li> <li><b>First terminal expansion:</b> 2030</li> <li><b>Faster passenger growth:</b> P70</li> <li>Includes early ATMs</li> <li>HULEZ/HVAC charge per AEC</li> </ul>	<ul style="list-style-type: none"> <li><b>Runway Opening:</b> 2029-30</li> <li><b>First terminal expansion:</b> 2031</li> <li><b>Slower passenger growth:</b> P40</li> <li>Includes early ATMs</li> <li>HULEZ/HVAC charge per AEC</li> </ul>
<b>ADDITIONAL OPTIONS</b>	<ul style="list-style-type: none"> <li>Minimal investment in Western and Southern Rail projects</li> <li>Commercial developments excluded</li> </ul>	<ul style="list-style-type: none"> <li>Higher investment in Western and Southern Rail projects (£1.65bn 2018p)</li> <li>Commercial developments in single till</li> <li>Service capex (£0.5bn 2018p per 5-year period)</li> </ul>
<b>CONSUMER AIRFARE SAVING</b>	Shorthaul: £37 Longhaul: £142 2018p Shorthaul: £33 Longhaul: £129 2014p	Shorthaul: £21 Longhaul: £81 2018p Shorthaul: £19 Longhaul: £73 2014p
<b>EST. CHARGE 2022-36</b>	<b>£26.20 2018p</b> £23.82 2014p	<b>£29.91 2018p</b> £27.20 2014p

<sup>4</sup> IBP Detailed Plan, p69.

<sup>5</sup> IBP Detailed Plan, p71.

### Prioritisation

HAL's earlier consumer engagement provided a 'long list' of service attributes that were required to be reduced to a manageable 'short list' for final testing in the WTP work. The CCB encouraged HAL to adopt a consumer-based prioritisation rather than rely on a subjective airline/HAL derived prioritisation – a challenge that HAL responded to by commissioning a consumer survey where consumers provided an importance ranking of 27 service attributes, measured relative to a reduction of £10 in fare. Consumers ranked 15 attributes above the £10 reduction – including wi-fi, seating, reduction in wait time at baggage reclaim, provision of real-time information.

The results of this work suggested that consumers were willing to pay for an improved airport experience. They valued 15 service improvements over a £10 reduction in airfare. The work provided an early indication of the appetite amongst HAL's consumers for improvements in service and their willingness to pay for them.

### Willingness to Pay (WTP)

A shortlist of the highest preferred improvements as ordered by the prioritisation study was then the subject of a comprehensive WTP survey amongst a representative sample of Heathrow users and potential users.

The output of this research was a ranked order of the relative valuations respondents place on individual service improvements. As such it provides the bedrock for the further works of Aggregate Benefit, Choices Research, and ultimately the IBP's two strategic options – 'Savings' v 'Service'.

The CCB has consistently challenged HAL to reconcile the results of the WTP work through external validation and to show consistency of evidence across the WTP, Choices Research, other HAL consumer insight and HAL's attitude to the 'affordability challenge'.

As result of our challenge HAL worked with the research agency Systra to apply a scaling factor equal to the 67<sup>th</sup> percentile, which had the effect of halving the valuation estimates.<sup>6</sup>

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<sup>6</sup> Annex 32.

Table 2: 67<sup>th</sup>ile Direct Passengers' WTP values<sup>4</sup>

Aspect of Service (Current → Improved Level)*	WTP (£) at 67 <sup>th</sup> ile
Punctuality – [80→] 85 out of 100 flights will depart on time	£3.71
Time waiting at passport control - 9 out of 10 times you will go through passport control in < [30→] 20 minutes (Non-EEA)	£2.56
Real-time information on waiting times at passport control, security and baggage reclaim (New)	£2.15
Time waiting at baggage reclaim for all bags - 9 out of 10 times you will wait no more than [45→] 35 minutes	£1.78
Time waiting at Security - 9 out of 10 times you will go through security in less than [5→] 3 minutes	£1.55
Dedicated lanes at Security for passengers that would like extra assistance - New additional security lane(s)	£1.54
Time waiting at passport control - 9 out of 10 times you will go through passport control in < [10→] 5 minutes (EEA)	£1.50
Wi-Fi Access - Ultra-high-speed Wi-Fi connection with total coverage throughout airport at any time (New)	£1.35
Self Service Bag Drops - You are able to choose self-service bag drop machines if you want (New)	£1.33
Real-time information about your onward travel from Heathrow by car, bus, rail, tube, taxi (New)	£1.23
Travel time, from arriving at the airport, to reaching your departure terminal - 10% less time [needed]	£1.19
Types of seating - A larger variety of different seating options that meet different needs	£0.93
Facilities at departure gate 'satellite' areas - Improved seating, F&B, retail and other services such as showers and spa	£0.84
Number of charging points - Charging points located near to all blocks of seating within the airport (New)	£0.76
Character of the airport - The airport to have a more distinct British look and feel (New)	£0.41
Provision of music in the terminals - Music played to passengers while they are within the terminal building (New)	£0.25

The headline results of the WTP (using the 67<sup>th</sup> percentile) indicate that users of Heathrow would be willing to pay substantially more in order to achieve relatively moderate improvements in quality of service. A representative sample of direct passengers attribute a value to their top four improvements approximately equal to the current passenger charge. The sum of the values on all 22 improvements equaled approximately £47. These results indicate a significant appetite amongst consumers to pay for improvements in service, regardless of any expected reduction in airfares associated with Expansion.

### Aggregate Benefit Study<sup>7</sup>

HAL commissioned the Aggregate Benefit Study, a further piece of WTP work that attempted to understand whether consumers would pay the sums indicated in the WTP if they were presented as a package of service improvements at a single price for the complete package of improvements. The analysis of this work indicated that there was no requirement for a further down-scaling of the WTP results.

The CCB maintains concerns that the WTP results are inconsistent with the direction towards lower prices demonstrated in the real-world market. Nor is the CCB persuaded that HAL has followed through with the logic of its own WTP results. The centerpiece of HAL's consumer engagement

<sup>7</sup> Annex 33.

strategy firmly points HAL in the direction of significant improvements in quality of service and consumers' willingness to pay for those improvements. When this willingness is put in the context of the savings consumers will enjoy as a reduction in fares following on from Expansion, it is difficult to see why HAL has not been more ambitious in its strategic options.

#### Choices Research<sup>8</sup>

The Choices Research presented the strategic options to consumers to understand their preferences and to allow them to balance savings and service. The main research objective was to understand the most acceptable service package amongst current and potential future users of Heathrow between four different service packages that consumers could experience when travelling from Heathrow in the future.

Four packages were presented which tested key measures (punctuality, baggage, surroundings etc.), speed (runway opening) and charge (car access, airport charge and fare impact). All package options were shown as pairs of options with the package order randomised.

*The main conclusion of the research is that there is strong support for enhancement of airport services. There was no significant difference between either the Heathrow users and potential users, or the segments that fall under these categories...The results show a clear consumer preference. For current users, twice as many respondents preferred the '+' (ie, 'enhanced' or higher service) options over the lower service options. Nearly half as many potential users also picked the enhanced option. This trend was true irrespective of the speed of new capacity (and thus services) was provided. There was a less pronounced consumer preference for slower development (52-56% of respondents picked a 'Slow' option).<sup>9</sup>*

The CCB has constructively challenged HAL to treat the results of the Choices research with caution. The methodology used in the Choices Research (pair-wise choices) is a well-recognised approach; however, its application in the Choices Research did not follow normal procedures. The design of pairwise choices normally allows for the identification of the importance of each attribute independent of all other attributes. In subsequent modelling the researcher can then synthesise the optimal service within a set of constraints. This would have steered HAL towards the optimal strategic consumer preference, after allowing for all airport constraints. The Choices Research conducted for HAL does not allow for the independent estimate of value at the attribute level. For example, the Fast+ option is superior in all but one aspect to the Fast option. The Slow+ option is superior in all but one aspect to the Slow option. This high level of correlation between presented attributes prevents the calculation of the independent importance of each attribute. So it is of no surprise that Fast+ and Slow+ are preferred by respondents in a 2 to 1 ratio, amongst current users. Additionally, the split in preference between Fast+ and Slow+ can almost entirely be explained by the reduction in punctuality associated with the Fast+ option.

The CCB's concern is that HAL has, at least in part, based its choice of strategic options ('Service' v 'Savings') on the inconclusive output of the Choices Research.

In addition, the reliance of the two strategic options on Choices Research does not mean that the two options are directly connected to consumer research. There are different elements in the two that are not. 'Commercial developments (eg, hotels and offices on airport land) have not been based on much consumer research thus far. 'Service' has higher investment in Western and Southern Rail Links than 'Savings'. But how do these projects contribute (other than being generally positive) toward the

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<sup>8</sup> Annex 42.

<sup>9</sup> IBP Detailed Plan, p82.

consumer outcome ‘I am confident I can get to and from the airport’? How does that contribution metric differ between investing £1.65 billion under ‘Service’ and a minimal amount in ‘Savings’?

#### 4. Investing in service and connectivity?

HAL has identified a set of service interventions and improvements for implementation over the H7 period. Service improvements are derived from top-down insight, bottom-up insight, enhancing digitalisation, and surface access options. Below the CCB comments, where appropriate, on the challenges associated with each of these categories and choice of service interventions.

#### Service improvements identified using top-down cost benefit analysis

The CCB welcomes the application of Cost Benefit Analysis (CBA) to the WTP valuations to determine a rank order of ratios of the most cost beneficial potential service improvements. The CCB has stated its concerns regarding the raw WTP valuations as being potentially inflated and lacking in persuasive external validation. Even the scaled 67<sup>th</sup> percentile valuations still present questions as to their external validity. These valuations in turn run the risk of producing inflated benefit cost ratios and aggregate consumer benefits. The CCB has challenged HAL to focus on the scaled WTP 67<sup>th</sup> percentile results in its CBA analysis, although the ICS CBA report gives degrees of cost benefits for both the scaled and unscaled valuations.

HAL has set out the service interventions where the ratio of benefit to cost is above three.<sup>10</sup>

Table 7 - Cost Beneficial Service Interventions

Performance Aspect	Initiatives	Capex £m (2022-2026)	Benefit Cost Ratio
Baggage Loading	Improved Baggage Performance Management/ Collaboration	█	█
Departure Punctuality	Asset Information, Building Fabric, Stand Planning and Allocation	█	█
Wayfinding, Flight Information Screens, Wifi Seating Availability	Multi Faith Rooms, VIP Improvements, Lifts, Escalators, Conveyors, Help Points	█	█
<b>Total</b>		█	

Source: Heathrow/ ICS

Regarding the Cost Benefit Analysis:

- The CCB agrees that there is uncertainty around the ratios and that it is sensible as a result to focus on improvements that return a robust cost benefit ratio. HAL should include in its FBP further reassurance that this ‘arbitrary’ level has some basis in best practice. The CCB is concerned that a high BCA ratio cut-off (currently 3) might exclude important improvements that produce significant benefits for a high proportion of passengers.
- The ICS Cost Benefit analysis report highlights Arrival Punctuality as the third most cost beneficial service improvement. HAL has computed a spend associated with improving this metric, but has not included it in the list of attributes that passed the cost-benefit test and should therefore be taken forward into the list of service improvements. HAL should explain why this is the case.
- HAL has aggregated Wayfinding, Flight Information Screens, Wi-fi and Seat Availability into a single service package with benefit cost ratio of 17. HAL should explain why this particular permutation

<sup>10</sup> IBP Detailed Plan, p74.

of service attributes was chosen above any other permutation that could reach the benefit cost ratio of 3 test.

- Some of the valuations of service improvements, particularly concerning the attribute of baggage loading, appear infeasibly high, generating very high benefit cost ratios.

A summary of the findings of the top-down engagement projects suggest that consumers have given a clear direction to HAL to be ambitious in its service improvement plans, and consumers’ willingness to pay for those improvements. HAL should reflect on the breadth and depth of its proposed interventions and consider whether its plans are consistent with the findings of its own consumer engagement.

### Service improvements identified through ongoing bottom-up consumer insight

HAL has identified four pillars to support their investment priorities:

- Championing Service
- Best Environment
- Leading Product
- Open Communication

The CCB has had no sight of these ‘pillars’ prior to the IBP, and therefore no sight of any consumer research and engagement which underpins them. It is unclear how these four bottom-up pillars are consistent with the six consumer outcomes derived as a result of the synthesis work and which feature in the Summary IBP. There is a risk that HAL is unclear about the consumer outcomes it is prioritising. The CCB would welcome some clarity on how these two sets of objectives are to be interpreted.

HAL proposes that as a result of analysis of bottom-up insight the pillars lead to the initiatives set out in the table below and illustrative improvements to detailed service measures as a result of implementing the four pillars are also shown in the subsequent tables.<sup>11</sup>

Table 9 - Four pillars to improve satisfaction

Pillar	Initiatives	Illustrative Net ASQ Change (2022-2024)	Cost (Capex) £m (2022-2024)	Cost (Opex) £m (2022-2024)
Championing Service	Dynamic Resource Deployment	██████		██████
Best Environment	Boarding Gate Transformation, Arrivals Sense of Space	██████	██████	
Leading Product	Rest & Relaxation Zones, Dedicated Work Areas	██████	██████	
Open Communication	Live Journey Information, Real Time Feedback, Mega FIDs, Digital Assistance	██████	██████	
<b>Total</b>		██████	██████	██████

Source: Heathrow

<sup>11</sup> IBP Detailed Plan, p76-77.



Table 10 – Impacts to service measures (ASQ)

Service Measure	Improvement (2022-2024)
Seating Availability	██████
Wayfinding	██████
Flight Information	██████
Cleanliness	██████
Wi-Fi	██████

Source: Heathrow

It is unclear how these initiatives, which have their own capex and opex allocation,<sup>12</sup> overlap with the costed service improvements that appear in the interventions under ‘top-down’. For example, ‘seating’ appears in both lists (top-down and bottom-up) but both are separately costed for in the table of combined options.

### Transforming service to consumer with digitalisation

*Consumer insights tell us that some consumers are increasingly using digital channels to tailor and personalise the services received e.g. non-English speakers. More widely preferences for self-service are changing rapidly as people experience new technology in airports for the first time...Our current plan anticipates some investment to meet consumer needs in this area. However, there is clearly the potential to do significantly more and the CCB are carrying out further research to better understand how best to serve consumers in this area.<sup>13</sup>*

HAL has not referred directly to any consumer engagement to support this proposition. The CCB requests that the IBP makes direct reference to evidence for the proposition. In turn the CCB anticipates further research commissioned by HAL to better understand consumer needs in this area.

<sup>12</sup> IBP Detailed Plan, Table 5 – Combined Service Options, p79.

<sup>13</sup> IBP Detailed Plan, p77.

## Combined service options

We have sought to test an integrated package of service options with consumers. Table 5 below sets out the combined cost of the service options and also sets out the projected impact on the charge in 2022-2026 and 2022-2036. To estimate the charge over the longer period we have assumed that additional expenditure on improving service will be incurred in the periods 2027-2031 and 2032-2036 equal to the spend on the CBA and four 'pillars' in the period 2022-2026. We have also assumed surface access investments as described above.<sup>14</sup>

The WTP and Choices Research indicates that consumers express a willingness to pay up to £1-£2 more for their service priorities. Under a £1 impact, is thus well within the indications from our insight of what would be acceptable, which is a useful conservatism given the nature of such research.

Table 11 - Combined Service Options

Year	2022	2023	2024	2025	2026	Total
<b>CAPEX (£m)</b>						
Four Pillars	██████	██████				██████
Service Options	██████	██████	██████	██████	██████	██████
IT Automation & Personalisation	██████	██████	██████	██████	██████	██████
Surface Access contribution			██████	██████		██████
<b>Sub-Total</b>	██████	██████	██████	██████	██████	██████
<b>OPEX (£m)</b>						
Four Pillars	██████	██████	██████	██████	██████	██████
Service Operations	██████	██████	██████	██████	██████	██████
<b>Sub-Total</b>	██████	██████	██████	██████	██████	██████
<b>Airport Charge Change (Pence per passenger)</b>						██████

Source: Heathrow

The CCB notes that HAL conclusions from the WTP and Choices Research indicate that 'consumers express a willingness to pay up to £1-£2 more for their service priorities.' The CCB would welcome a more detailed explanation of this claim as it appears to be significantly at odds with the actual findings and the results as set out in annexes to the business plan. The CCB is concerned that HAL is imposing a very limited interpretation of the findings from its own insight and as a result has proposed an overly cautious set of service interventions.

### Proposed service interventions and the airport charge

The strategic options ('Service' v 'Savings') outlined in the IBP detail the airport charge under each strategic option.<sup>15</sup> The CCB understands that the increases in the airport charge associated with each option is a combination of the costs of Expansion and the costed service improvements set out in the IBP.<sup>16</sup>

It would be helpful if HAL was able to split the airport charge associated with each strategic option ('Service' v 'Savings') by the service improvements highlighted above and other items associated with Expansion and other activities. For the purposes of this commentary the CCB has assumed that the

<sup>14</sup> IBP Detailed Plan, p79.

<sup>15</sup> IBP Detailed Plan, p71.

<sup>16</sup> IBP Detailed Plan, p79.

proposed 99p to be added to the airport charge is included in the airport charges highlighted in the 'strategic options' tables.

## **Conclusions**

The CCB has the following summary comments on the significant pieces of insight HAL has conducted within its overall Consumer Engagement Strategy to date and its impact on the IBP and in particular the strategic options:

- Some outstanding challenges remain regarding:
  - the external validation of the WTP work;
  - the methodological approach chosen for the Choices Research;
  - the inflated levels of benefit cost ratios;
  - how all of the above does or does not support the choice of strategic options.
- Despite these shortcomings, the work points in the direction of consumers being willing to pay significantly more for an improved airport experience than either of the strategic options offer.
- In addition, the proposed increase in airport charge associated with either strategic option is almost certainly to be dwarfed by the expected reductions in airfare associated with a successful Expansion.
- There is no consumer-sourced evidence, as yet, to support the 'affordability challenge'. In fact all of HAL's central consumer engagement appears to contradict this challenge.
- The IBP offers no supporting evidence for the four pillars derived from 'bottom-up' insight. Nor does the IBP reconcile these four pillars with the consumer outcomes derived from the synthesis research. There is a danger that these two 'theories' conflict and create uncertainty as to the 'true voice of the consumer'.
- The proposed set of service improvements resulting in a £0.99 increase in the airport charge seems to bear no relationship with HAL's own consumer insight, which all points in the direction of much higher increases in the airport charge in return for more and higher services. The CCB would encourage HAL to revisit the results of their consumer engagement and consider whether a more ambitious set of service improvement interventions might be more aligned with the learnings from their consumer engagement.
- It remains unclear as to how HAL has arrived at the service permutations that characterise the two options of 'Service' v 'Savings'.

## **F.4. Sustainable Growth**

- Consumer engagement shows that sustainability is of high and rapidly changing importance.
- HAL should be clear how it will make the difficult trade-offs between sometimes conflicting objectives.
- HAL should include behavioral research in its engagement with current and future consumers.

HAL's consumer engagement on sustainability and sustainable growth has clearly highlighted its importance to consumers. Ninety-seven per cent of consumers cite sustainability as being of importance to them. Also noteworthy is the fact that more than two fifths of consumers (43%) report that their attitude towards sustainability has changed over the previous 12 months. These findings are a critical backdrop to HAL's future plans. If HAL is not able to meet consumers' high and rapidly

changing expectations for sustainable growth – and to climate change in particular – it cannot assume that passenger numbers will rise in accordance with forecasts.

It is clear that the proposals set out are embedded in an understanding of the consumer perspective, developed via an ongoing programme of engagement with consumers alongside other stakeholder groups, including local communities. Heathrow 2.0 identifies HAL’s various stakeholders and objectives for sustainable growth. The CCB has encouraged HAL to set out clearly how it will make some of the difficult trade-offs that will be required between these sometimes conflicting objectives, and looks forward to seeing the detail of this in the next iteration of the business plan. The CCB welcomes the work to apply learning from other regulated industries to help them monetise the value of intangible benefits to support balanced decision-making around sustainability. The CCB notes HAL’s calls for the regulatory regime to incentivise commitment to longer-term strategic priorities, such as sustainability, especially where engagement has demonstrated its importance to consumers.

To achieve sustainable growth, it is key that HAL’s further engagement with current and future passengers includes behavioral research to ensure that its approach delivers the behaviour change required to deliver its objectives around sustainable growth. It is also critical that HAL applies the broadest possible lens to its engagement with potential future passengers to ensure that its plans for sustainable growth take full account of the views of the full range of new consumers who will be using Heathrow following Expansion.

## F.5. Resilience

- Resilience is of fundamental importance to consumers.
- HAL has responded well but late to the CCB’s challenges with a consumer research project on resilience reflected in the IBP.
- This research must be used to drive rather than illustrate resilience planning, and include consumer views on the outcomes.
- HAL has not done any consulting with consumers on airspace strategy, which is critical to resilience.
- HAL should use its consumer research to develop a consumer-centric resilience plan.

The resilience of the airport is of fundamental importance to consumers and at the heart of the consumer experience, spanning all of the six consumer outcomes in HAL’s IBP. As required by the CAA, HAL’s resilience plans are produced in collaboration with airlines and other organisations operating at the airport to ensure that passenger inconvenience is minimised during disruptions.

Since its inception, the CCB has sought to understand what resilience-related consumer engagement was being planned and carried out in the development of HAL’s business plan. This topic continually featured in the CCB’s challenge log with a red ‘RAG’ rating until summer 2019. Until then, the CCB had not seen any substantive evidence that consumer engagement had been a central part of HAL’s approach.

At the end of July 2019, HAL shared with, and gave the CCB the opportunity to comment on, a research brief on operational resilience. The CCB was keen to ensure that the research encompassed the whole consumer journey and across the breadth and depth of operational activity, infrastructure investment and partnership working with all agencies involved in delivering services at the airport. HAL responded positively to the CCB’s input and incorporated it into the final brief. This was reflected in a very promising proposal by the contracted agency, Populus, timed to finish in the autumn. The CCB received sight of the initial research outputs very late in 2019 but the CCB were encouraged by the quality and robustness of the work that had been undertaken.

Nevertheless, the CCB remained concerned about the late timing. The CCB was aware that planning for the IBP was well advanced and expressed concern to HAL that the timing of the research outputs would mean that the consumer voice in resilience planning would not be adequately reflected in the IBP.

The IBP section on resilience has a good consumer focus in that the key findings and messages from the Populus research have been included and linked within the narrative to the consumer outcomes. The actual H7 proposals are framed around the high-level outcomes and there is a clear focus on the importance of operational efficiency and airport performance. However, it is difficult to see a line of sight, at appropriate granularity, from the consumer insights through to the proposed measures and activities. There is little focus on the consumer perspective and experience of, for example, disruption. Achieving the consumer outcomes is focused on the service being provided but the IBP is less robust on addressing the consumer view of the service being received. The mid-February systems failure at Heathrow demonstrates that the consumer bears the brunt of failures and their roll-through effects on the airport and airlines, no matter what the source or how rare the incident. Without obtaining the views of consumers affected by disruption, HAL (and other operators) lack information to gauge whether their inputs and contingency plans are effective. For the FBP the CCB expects to see the Populus research findings being used more thoroughly in order to drive, rather than illustrate, resilience planning, and for there to be a subsequent improved focus on what consumers need in Business-As-Usual situations and when things go wrong.

A key, although brief, part of the IBP's chapter on Resilience covers HAL's surface access proposals for working with partners on improved rail and road access. This section is also light on consumer insights and reflects the wider concerns of the CCB on consumer engagement in surface access generally that are covered in Section H of this report.

On another resilience-related matter, the CCB has repeatedly challenged HAL to ensure that consumer engagement and insight forms a key of its airspace strategy and, specifically, its consultation on airspace as part of the broader Expansion planning. This challenge has not been addressed.

In conclusion, the CCB considers that, unfortunately, consumer engagement in resilience planning was late in the business planning process. However, HAL responded positively to the CCB's views on the research methodology and delivered a thorough and well thought-through study on consumers wants and needs with regard to resilience. The framing of the IBP section and the consumer outcomes that HAL seeks to achieve are positive. However, that 'golden thread' does not flow through to the proposed H7 activities to produce a consumer-centric resilience plan. HAL needs to develop its resilience plans to better reflect the good base of consumer insight that it now has.

## F.6. Measures, Targets and Incentives

- For high-level consumer outcomes to be realised, the ‘golden thread’ of consumer insight must be reflected in how HAL’s performance is evaluated at the granular level of inputs and outputs.
- There is a disconnect between the high-level outcomes and a set of measures, targets and incentives in the IBP.
- HAL has not used consumer insight to ground the relevance of existing SQRB measures and to develop an additional comprehensive and relevant set of measures that can bridge the gap between SQRB and high-level consumer outcomes.
- Without a clear line of sight to measures of appropriate granularity, relevant targets and incentives have not been developed.
- HAL has a rich base of consumer insight which it should use to bridge this gap from the bottom up.
- The CCB has been concerned with the lateness and challenging nature of the work. While the CCB encourages HAL to undertake the consumer engagement necessary, doubts remain about whether the work completed and the learnings implemented in the short time before the FBP.

As outlined in the Consumer Engagement section, HAL has developed a set of high-level consumer outcomes that demonstrate, and are driven by, a clear bottom-up ‘golden thread’ of comprehensive consumer insight and the outputs of its Consumer Engagement Strategy. However, for these high-level consumer outcomes to become meaningful for the consumer experience, the same ‘golden thread’ must be reflected in how HAL’s actual performance is evaluated and assessed at the granular level of inputs and outputs.

The CCB notes that the IBP chapter overview says that HAL has developed a set of performance measures that are grounded in consumer research. The CCB disagrees.

The CCB is concerned that there is a disconnect between the high-level outcomes and the proposed measures, targets and incentives. There is, in fact, no clear, bottom-up line of sight between consumer insight and engagement and the measures, targets and incentives in the IBP. There is therefore insufficient evidence to demonstrate that they will deliver what consumers want and need. In the absence of evidence, the measures and targets appear to have been selected retrospectively, and in an ad hoc manner, to ‘fit’ the outcomes, and the ‘golden thread’ is not apparent. The ‘top-down’ approach is amplified in the IBP where HAL’s approach to measures is to assess their relevance to the outcomes rather than formulate them on the basis of the available consumer evidence. This approach also reflects an overly quantitative approach to consumers as homogenous, for example, failing to take account of some of the excellent work that HAL has undertaken in developing its understanding of consumers in vulnerable situations or the more recent work on the needs of future consumers. The CCB generally remains concerned that selective or relevant consumer insights are being used to provide *post hoc* validation, as opposed to systematic planning of, HAL’s thinking. The CCB have commented to HAL on numerous occasions about an over-reliance on a limited number of qualitative sources.

On this basis, the CCB considers that evaluating the delivery of consumer outcomes will be superficial and tokenistic. The IBP has an over-reliance on existing output metrics that are easy to measure. Over the last three years, in developing and delivering its Consumer Engagement Strategy, HAL has amassed a rich base of consumer insight and it is regrettable that this evidence has not driven the IBP’s approach to measures, targets and incentives. HAL has indicated in the IBP that it intends to do further work to develop measurable metrics that are more consumer and outcomes focused. Given that the high-level consumer outcomes were identified early in the business planning process, and that HAL

has a wide-ranging source of consumer insight, the CCB is disappointed with HAL's timorous, and less than timely, approach to identifying challenging measures and targets that are meaningful to consumers. The CCB has doubts that robust consumer research can be undertaken, and acted upon, to address these issues in the relatively short time between the IBP and FBP. And the CCB is concerned that this work will not be complete in order to inform the Constructive Engagement phase which is already underway.

## Measures

The CCB is clear that the CAA, in seeking to deliver OBR, expects HAL to build on the success of the existing Service Quality Rebates and Bonus Scheme (SQRB), including by retaining many of the current metrics where appropriate. The CAA has asked for the CCB's views on whether there has been an appropriate evolution of the SQRB to OBR.

The CCB's overarching view that the approach to reflecting consumer insight is piecemeal is demonstrated in this section by the identification of measures and targets. While HAL previously committed to ensuring that all elements of the OBR (including SQRB components) would reflect the entirety of the insights gained via the Consumer Engagement Strategy, the CCB finds this limited, resulting in an over-emphasis on the results of the Willingness to Pay exercise, rather than recognised good practice in the triangulation of research data. The proposed measures reflect inputs and outputs and the CCB is disappointed with HAL's lack of progress in determining evidence-based, outcomes-focused measures that matter to consumers.

From the outset, the CCB was conscious that HAL will face a key challenge in reconciling SQRB and OBR and, in doing so, keeping true sight of the consumer voice. The CCB made clear to HAL its expectation that SQRB measures should be justified with supporting consumer insight. While it is accepted that some of the SQRB measures which will carry forward to the H7 outcome framework are enabling measures of indirect benefit to consumers, rather than consumer outcomes in their own right, the CCB believes that some element of consumer engagement to validate these should have been possible and undertaken.

Whilst the CCB is generally disappointed with this section, HAL's putting forward for engagement with consumers and other stakeholders five measures that cover consumer priorities identified by research is welcomed. These include queuing time at arrivals for EEA and non-EEA passengers, departures punctuality, passengers with reduced mobility satisfaction and departures baggage delivery performance. The CCB see this as a genuine attempt to widen the scope of the performance package to better reflect the consumer experience. HAL is also proposing to change the definition of another four measures to better reflect what consumers want. However, while welcoming the intent, these changes do not change our key message that there is no consistent 'golden thread' reflecting consumer insight driving measures, targets and incentives.

HAL has recognised this and, in response to CCB feedback, is proposing a set of 'alternative measures' that will be subject to consumer acceptability testing in 2020. Again, this is welcome, although its lateness is an area of concern and underlines again our view that the planning of the overall performance package has not had consumer engagement at its heart.

So at the stage of the IBP there has been little evolution from SQRB to OBR. There is a gap between the set of measures proposed in the IBP – mostly the highly granular input measures of SQRB – and the laudable but very high-level six consumer outcomes. This gap implies that, as a regulatory matter, HAL will aim to do A, but will only be monitored and punished / rewarded on B.

The gap between laudable high-level consumer outcomes and concrete measures to monitor progress toward achieving those outcomes permeates the IBP and associated component work. Just as there is a gap between 'I have more choice of flights and destinations' and any proposed measures, there are gaps between HAL providing 'the best airport service in the world' to vulnerable passengers and

the performance measures entailed, and bottom-up service improvements such as 'Championing Service' and 'Best Environment' and the associated metrics. It may well be that HAL has already undertaken and will be undertaking consumer research which form the basis for measures which underlie these component goals. If so, it is not comprehensively clear to the CCB.

Although there has been little evolution to date, HAL is in a position to bridge this gap. HAL has amassed a rich set of consumer insight which can form the basis of such measures. The CCB suggests that HAL could more fruitfully apply its skills to bridge the gap from the bottom up, deriving measures which it then tests with consumers. Top-down research asking consumers to propose measures runs the risk of generating responses which don't have the benefit of HAL's knowledge and existing insight base.

### Targets

Clearly, the CCB has concerns about targets, whatever the level, reflecting measures that do not robustly reflect consumers' needs and wants. Nevertheless, HAL does clearly set out its approach to setting targets for each of its two strategic options, and the trade-offs it has made and why, including the Choices Research with consumers covered in detail elsewhere in this report. It remains the case that the targets are also not grounded in consumer insight and the line of sight from consumers to the targets themselves is not present. There is no evidence that consumers would find the targets acceptable or not. There is no direct read-across to existing consumer insight, for example, with regard to views on wi-fi or with regard to the richness of insight HAL has gained on passengers requiring assistance.

### Incentives

The CCB's concern with the incentives package follows through from our concerns on how the measures and targets have been formulated without consistent or systematic inclusion of consumer insight at planning stage. The CCB can see no evidence that the design and calibration of the incentives package has been informed through consumer engagement. Indeed, HAL has informed the CCB that this 'acceptability testing' will be carried out in the period between the IBP and FBP.

While welcoming the fact that acceptability testing will be undertaken, the CCB is now concerned that the research design, and therefore research outcomes, may be flawed if the packages being tested do not reflect what consumers really value in the first place.

Once again, the CCB is disappointed with the late timing of this work and has, for a considerable time, emphasised to HAL that this research should have been done much sooner, given the fundamental nature of the incentives package to the price control and the need to go into the Constructive Engagement phase with a package grounded in a consumer evidence base. The CCB has doubts that this work, which will require a sophisticated methodology and interpretation, can be done effectively in such a short time.

The CCB encouraged HAL to consider undertaking consumer engagement on the incentive and rebates mechanisms to be adopted in H7 to understand consumer preferences. Under the current regulatory arrangements, any rebates arising as a result of the SQRB/OBR schemes go to the airlines, with no mechanism to ensure consumers benefit directly. In addition, this approach results in future consumers potentially benefiting from the rebates arising from service underperformance experienced by different consumers in a previous period. While the CAA has confirmed that they have no plans to change their approach to the regulatory regime for H7, consumers' views on this issue have never been explored. The CCB encouraged HAL to undertake engagement to gain the consumer perspective on this issue. This could underpin the design of the incentives/rebates as far as the regulatory regime allows in H7, as well as informing future consideration of the most appropriate approach. The CCB is encouraged that HAL will test with consumers both the level of mechanism and the method of payment.



The CCB gives a cautious welcome, in principle only, to HAL's proposals for reputational incentives. The CCB supports the principle i.e. the recognition that the proposed areas encompass more of the consumer journey through the airport and include elements that are important to consumers but not wholly within HAL's control. But this ambition seems to be held in check and doesn't follow through the logic of consumer value: HAL focuses on reputational rather than financial incentives because there are no established targets or where there is no historical performance data. It is not clear to the CCB why some elements of each measure that HAL could control could not be financially incentivised, for example, measuring its own performance on PRM satisfaction, training of security staff on customer service, reducing waiting time in immigration through better airport design. It is not clear to the CCB why wi-fi availability, which is outsourced by HAL, is not wholly within its control, given the contract belongs to HAL.

The CCB believes that HAL should explore with consumers why these incentives should not be financial and increase its ambition in these areas so that it can properly reflect consumer value.

### **Conclusions**

HAL has developed a very good understanding of consumers' priorities, needs and requirements, and this is reflected in the high-level consumer outcomes. However, this consumer evidence has not been used effectively to drive the fundamental business plan approach to measures, targets and incentives. There is no clear line of sight, nor appropriate granularity, between the range and depth of existing consumer evidence and the proposed measures of success. Without this, it is not possible to justify whether the targets are sufficiently challenging. There has been no consumer engagement to date on the incentives package and a lack of evidence to demonstrate that it is aligned in the interests of consumers, or that it reflects an appropriate degree of simplicity, clarity and transparency. This section in HAL's IBP requires further extensive scrutiny and challenge.

### **F.7. Passenger Forecasting**

- Efforts by HAL to encourage higher load factors from airlines, including use of the airport charge, are not supported by consumer engagement.

The CCB is pleased to see the tie between passenger forecasting and consumer outcomes in the narrative.<sup>17</sup> HAL recognises that passenger volumes result from consumers choosing in an increasingly transparent competitive world on the outcomes of: 'I have more choice of flights and destinations' and 'I am confident I can get to and from the airport'.

The CCB understands why HAL has adopted a macro, long term, statistical trend methodology for its 'top-down' demand model coupled with a 'bottom-up' supply model developed from airline strategies, without incorporating research on consumer stated preferences. This is appropriate to the task at hand of long term high-level passenger volume forecasting. The forecast is subject to a number of uncertainties, especially because the step change in capacity upon completion of the third runway shifts HAL from a low-growth airport, where demand exceeds supply, to one chasing for growth in new passenger markets. As that point approaches, HAL's nearer term forecasts can be informed by qualitative and quantitative consumer engagement on the shape of demand, the changing profile of passengers and the implications for investment and services.

HAL discusses the effect of load factor versus yield strategies on passenger volume.<sup>18</sup> HAL states that maximising load factors rather than yield is a potential source of higher volumes, and the only feasible source while ATMs are constrained. Actualised higher load factors, once incorporated into projection assumptions, would reduce the airport charge. The CCB wishes to point out that consumers suffer the

<sup>17</sup> IBP Detailed Plan, 7.1.1 to 7.1.2, p141-143.

<sup>18</sup> IBP Detailed Plan, 7.2.3 p148-149.

disadvantages of high load factors ('densified' airplanes crammed full) and only eventually benefit as a class from any lower airport charges at the next regulatory re-set. The consumer receives no benefit from any intra-settlement cooperative strategies to increase load factors, such as the iH7 commercial agreement for HAL to pay 'rewards' to airlines with high load factors from airport charges collected from the crowded passengers of the prior period. The only exception might be any HAL promotional initiatives which reduce the airport charge on specific routes prior to the point of sale to consumers.

## F.8. Capital Investment

- Consumers have not systematically been at the heart of HAL's masterplanning process from the beginning.
- HAL has increasingly been making links between its Expansion planning and consumer outcomes, both-high level and granular.
- The 'affordability challenge', a factor in HAL's planning, is not evidenced by consumer views.
- HAL is using consumer engagement and research to tease out trade-offs between 'affordability', service levels, and the shape and rate of capital spend and Expansion in the IBP, Constructive Engagement, masterplanning, and FBP processes.
- Whilst the research has some weaknesses, the CCB would encourage HAL to continue the research, especially developing more quantitative research.
- This will help reduce the chance that the voice of the consumer, who pays for capital investment and stands to gain the most from Expansion, is lost as HAL undertakes Constructive Engagement with the airlines and moves to develop and implement the FBP.

HAL has set out upfront that the big prize of the IBP, incorporating Expansion, is for consumers – through lower airfares.<sup>19</sup> The narrative in the IBP links significant capital investment components and themes to the six consumer outcomes that HAL has defined through the Consumer Engagement Strategy developed and implemented with CCB input over the last three years:<sup>20</sup>

I have more choice of flights and destinations	additional capacity
I am confident I can get to and from the airport	PTIs, parkways, roads, and Western Rail
I have a predictable and reliable journey	improving resilience with the Southern road tunnel and baggage systems
I feel comfortable and secure at the airport	maintenance and improvement of facilities
I feel cared for and supported	
I have an enjoyable experience at the airport	

The IBP gives an overview of the masterplanning / DCO process which has been running parallel to and underlies the capital investment elements of the IBP. The CCB reported to the CAA in June 2019

<sup>19</sup> IBP Summary, p5.

<sup>20</sup> IBP Detailed Plan, 8.2, p166.

on its engagement with and challenges to HAL in this process from the first half of 2018.<sup>21</sup> Comments here summarise and bring forward some of the CCB’s comments in the June 2019 report.

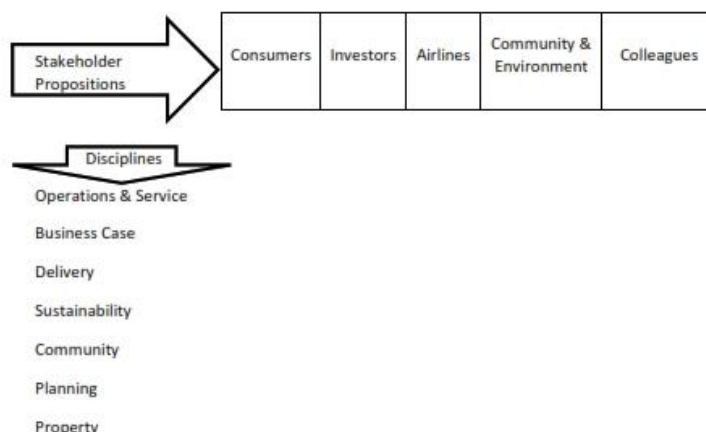
### The masterplan and consumer views

The CCB is surprised that the planning of such a major infrastructure programme, with all its multiple inherent unknowns, could be supported without a dedicated comprehensive programme of consumer engagement to support Expansion planning driving the process from the beginning.

### Process of HAL’s masterplan development and consumer engagement

When the masterplanning process began, HAL’s Consumer Engagement Strategy had not been developed, and the process of masterplanning appears to, at that stage, have been based on general strategic principles,<sup>22</sup> rather than driven specifically by a planned and systematic programme of consumer engagement. There was a misunderstanding or inconsistency among some at HAL that Consultation 1 of the DCO process, targeted at local communities in January 2018, represented consumer engagement. So consumers were not consistently understood as a stakeholder group distinct from (and sometimes conflicting with) local communities, let alone the primary driving stakeholder group.

The strategic principles were then informed by an initial synthesis of historical consumer research<sup>23</sup> to help develop seven disciplines for evaluating masterplan assemblies against five propositions, one for each stakeholder type:<sup>24</sup>



From this schematic it can be seen that consumers are not the primary stakeholder, and the evaluation criteria relevant to the consumer were assessed solely through the Operations & Service discipline. The evaluation criteria developed through 2017 and 2018 were set out in the Masterplan Scheme Development Manual finalised in mid-2018. The list of stakeholders consulted in the preparation of this manual does not include the CCB or any other consumer group.<sup>25</sup>

Since then HAL has formulated its Consumer Engagement Strategy, stepped up its consumer engagement in a variety of topics and channels, and had Blue Marble complete a comprehensive 2-

<sup>21</sup> 25 June 2019 Report by Heathrow Consumer Challenge Board on masterplan, available on the CCB website

<sup>22</sup> December 2016 Heathrow’s Strategic Brief

<sup>23</sup> May 2018 KPMG Golden Thread study

<sup>24</sup> IBP Detailed Plan, 8.5.5.1, p182-183, and HAL presentation to the CCB on 3 September 2018.

<sup>25</sup> 11 June 2018 Masterplan Scheme Development Manual, Appendix A.

phase synthesis of historical and contemporaneous consumer insights.<sup>26</sup> Blue Marble concluded that to the date of its syntheses, there had been no consumer engagement on Expansion *per se*, or the timing, components, or passenger charge costs thereof.

### HAL's Expansion Consumer Benefits Report

In response to the CCB's challenges, HAL evidenced its increasing consumer orientation by producing a comprehensive Expansion Consumer Benefits Report.<sup>27</sup> The CCB encouraged HAL to produce this and has had the chance to comment as it has been developed.

The consumer benefit validation section of the report seeks to demonstrate how consumer insight has shaped key decisions.<sup>28</sup> In many instances the consumer insight referenced in the report does not provide relevant and persuasive robust consumer evidence to support masterplanning decisions. Of particular concern is its over-reliance on qualitative work (including more recent Horizon workshops) and its associated verbatim and researcher commentary, which is not supported by robust quantitative findings. In supporting masterplanning, the report states that HAL has access to 1,200 commissioned pieces of consumer insight, yet just two qualitative market researchers supply 20% of all referenced insights.

The Expansion Consumer Benefits Report dwells on the benefits of specific elements to be constructed. It is more muted on the major benefits to consumers of increasing unconstrained capacity. The CCB is pleased to see that this has been articulated more clearly and consistently in the IBP as a whole.

### The 'Affordability Challenge' and Expansion

From 2018 external stakeholders other than consumers have raised an 'affordability challenge' which has been described as 'close to current levels of charges'. The CCB notes that this definition hasn't been agreed nor defined in detail. There is also no visible consumer source or objective evidence base for consumer support of this 'affordability challenge'. Much research seen by the CCB demonstrates that consumers have no idea of the existence of the passenger charge, or how much it is. Consumers are conscious of price and value but make this assessment in the context of the total journey cost.

The CCB pointed out the risk that HAL's responses to the 'affordability challenge' might not be informed by consumer views, and thus might eliminate benefits which existing insights show consumers find desirable. In its masterplanning report to the CAA, the CCB specifically suggested that HAL undertake consumer engagement to test consumer views on the trade-offs between the speed and scope of Expansion which would entail a higher or lower airport charge against the reduced or delayed benefit of increased choice in flights and carriers, and a resulting reduction in airfares.

HAL has responded to CCB by undertaking the Choices Research in September 2019.<sup>29</sup> The CCB welcomes the visibility of the projected airport charge in this consumer research, and the explicit sounding out of trade-offs between the airport charge, airfares, and service levels that might be associated with various scopes and phasings of Expansion. The responses clearly showed that consumers do not look at the money amount of the airport charge in isolation, but query what they are getting for their money. Consumers were relatively insensitive to different levels of airport charges but more sensitive to journey costs. They did not prefer a degradation in service levels in the form of reduced resilience and overcrowding in stretched terminal capacity, even if it offered lower costs.

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<sup>26</sup> Phase 1 was presented to the CCB on 17 September 2018 and the 12 July 2019 Report incorporating Phase 2 is at Annexes 29 and 30.

<sup>27</sup> Annex 41.

<sup>28</sup> Examples are also given in the IBP Detailed Plan, 8.5.1.2, p184-186.

<sup>29</sup> Annex 42.

Based in part on the Choices Research, HAL has offered two strategic options alongside its IBP Central Case: ‘Prioritising Savings’ and ‘Prioritising Service’.<sup>30</sup> The CCB recommends that HAL continue consumer engagement that addresses the weaknesses in the Choices Research and other prior relevant consumer research, so that consumer views are reflected during Constructive Engagement as HAL, in conjunction with airlines and other stakeholders, trades off between delivering new capacity, investment in improving service levels, and management of economic exposure in formulating its FBP. The CCB acknowledges that HAL has to trade off multiple competing demands. HAL should be explicit where it chooses to reject desired consumer outcomes in order to meet competing objectives from other stakeholders.

### **Strengthening the link between consumers and capital investment**

HAL plans to undertake more consumer engagement before the FBP on the significant consumer considerations and trade-offs relevant to capital investment and Expansion, including resilience.<sup>31</sup> In addition, the CCB expects that HAL will continue to use the Horizon online research panel actively on Expansion issues. The CCB would also suggest further research on future consumers, since the planning horizon for Expansion is long term, and the sharp increase in capacity entails attracting large volumes of passengers who aren’t using HAL’s constrained capacity today. The CCB encourages this intensive work programme and would like to see HAL undertake more quantitative research to ground these significant economic trade-offs. However, the CCB also has a concern that this is a heavy workload of consumer research and engagement that must be well specified, carefully constructed, and well executed within the short timeframe before the FBP.

## **F.9. Operating Expenditure**

- Links to consumer outcomes and consumer engagement are largely absent and where relevant could be set out.

Issues around the historical and projected cost efficiency of HAL’s opex lie largely outside the CCB’s Terms of Reference. However, the CCB would like to see a much stronger consumer evidence base for the ‘efficiency initiatives’ outlined in table 33 of the IBP.<sup>32</sup> These ‘efficiency initiatives’ appear to have only a limited connection with the small number of consumer outcome measures described in Chapter 6 of the IBP. The CCB suggest a much more consistent approach would be helpful, and that there should be a much clearer ‘golden thread’.

The CCB acknowledges that the ‘Next generation security improvements’<sup>33</sup> are built on a good understanding of the importance of the security experience to consumers and the degree to which security, particularly wait times, can be a point of stress for many. The IBP describes several ways in which the security experience might develop in the future. The CCB would encourage HAL to conduct further detailed engagement with consumers as these options become more concrete.

In general, reference to consumer engagement is missing from this section of the IBP.

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<sup>30</sup> IBP Summary, p32 and IBP Detailed Plan, p68.

<sup>31</sup> Annex 40, p3.

<sup>32</sup> IBP Detailed Plan, p238.

<sup>33</sup> IBP Detailed Plan, 9.5.2, p230.

## F.10. Commercial Revenues

- The CCB acknowledges that, under the single till, maximising commercial revenues gives leeway for the airport charge in the next price control period to be reduced.
- HAL's success in generating airport retail spend is not underpinned by any evidence (that the CCB has seen) that HAL has shaped the retail offer to address consumer outcomes directly, including basic needs.
- By making projections from historical trends, HAL runs the risk of not considering what consumer research and engagement can tell it about the changing consumer profile and how future consumers will use the space for retail and other needs, as Expansion brings in more and different passengers and space.
- The CCB recommends that HAL explore with consumers the trade-off between commercial revenue maximisation and the airport charge.

In respect of commercial revenues, the CCB acknowledges the trade-off represented by the single till, *ie*, that maximising commercial revenues enables aeronautical charges to be minimised. It is also acknowledged that some of the high-level objectives set out in this section of the IBP are informed by consumer engagement, for example the importance to consumers of a wide range of basic comforts, and of having an enjoyable and connected experience. Nevertheless, this section on commercial revenues is written largely from the objective of extracting the maximum spend from departing passengers. HAL's industry leadership in generating retail revenue is evidence that consumers welcome and are willing to pay for HAL's retail offer.<sup>34</sup> Since the CCB has not seen it, the CCB can only presume that as a successful airport retailer HAL uses consumer and market research to refine its retail offer in order to maximise commercial revenues. However, Heathrow is not equivalent to a shopping centre, which is competing with other shopping centres for custom, and which moreover has the legitimate objective of maximising return per square foot for investors. Rather, it is a monopoly provider of hub airport capacity: consumers have restricted choice as to whether they use Heathrow Airport, and once there, are captive customers. Therefore maximising retail revenue is not equivalent to maximising the consumer interest. The CCB has not had sight of much consumer engagement which considers the mix of functions and facilities consumers would like to have outside of revenue-maximising offers – the split between retail space and toilet / lounge / recreational / experiential space; the split between food & beverage and shops; and the mix between low- and high-end in either shops or food & beverage outlets. Therefore the CCB cannot consider that the IBP's focus on maximising commercial revenue *per se* demonstrates a strong link to the principal consumer outcomes.

The biggest source of commercial revenue, on the order of half a billion pounds, is retail.<sup>35</sup> HAL recognises that current and future consumer preferences will need to be reflected in the future retail offer. The CCB understands that projecting high-level trends is a more sensible approach than the spurious accuracy of building bottom-up projections off the current offer. However, in making straight-line projections using historical elasticities, HAL's retail planning is not taking into account even the broad-brush implications from research on current and future consumers.

HAL has prudently taken the low end of the range of historical and comparable retail elasticities to take into account that it already generates the top non-aeronautical spend of any airport in the

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<sup>34</sup> IBP Detailed Plan, p17.

<sup>35</sup> IBP Detailed Plan, p267-271.

world.<sup>36</sup> However, this masks the future changes in retail mix needed to address changing customer priorities:

- Food & Beverage versus Shopping – Current consumers have complained that they feel stranded in satellites, disappointed in the retail availability, but unable to double back to the main concourses. While HAL admits that more passengers in the satellites will mean spending is lower due to the limited space and ranges,<sup>37</sup> HAL does not take into account that the mix in satellites has to be tilted toward lower-spend basic needs and Food & Beverage away from higher-spend shopping.

The step change in square footage available with Expansion will need to be also need tilted more to lower spend per square foot Food & Beverage away from higher spend shopping to serve a higher volume of passengers.

- Changing passenger profile – HAL has noted that the future mix of consumers is likely to be different post Expansion (more and different destinations, probability of new airline entrants, probability of more budget-minded consumers as airline fares decrease). Despite this, the CCB also observes that most HAL engagement with airline and consumers on this has been with Heathrow's existing incumbents. The CCB encourages HAL to structure future engagement with airlines and consumers with this in mind.

Finally, the CCB recommends that the fundamental contribution of commercial revenues to the single till should be explored in more depth with consumers. It may be that consumers are happy that commercial revenues are maximised, if it leads to a lower airport charge for all passengers (let those who want Louis Vuitton handbags pay for them, even if that means I can't find a McDonald's). Alternatively, a wider, if less profitable for HAL, retail mix might be preferred by consumers even if that resulted in lower commercial revenue and a correspondingly slightly higher airport charge. To date, there has not been consumer engagement which explores this trade-off.

The HAL surface access products generating commercial revenue are discussed in Section H.

### **F.11. Other Charges**

The question of the regulatory treatment of ORCs is not an area where consumer engagement has obvious relevance. The CCB acknowledges that the identification of 'New Challenges'<sup>38</sup> in efficient use of capacity, and in sustainability, is driven by consumer engagement. Issues pertaining to consumers in vulnerable circumstances<sup>39</sup> are dealt with in Section I of this report.

### **F.12. WACC**

The CCB has no comment.

### **F.13. Financing**

The CCB has no comment.

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<sup>36</sup> IBP Detailed Plan, p243, and 27 January 2020 Constructive Engagement Commercial Revenues presentation, p18.

<sup>37</sup> IBP Detailed Plan, p255.

<sup>38</sup> IBP Detailed Plan, p275.

<sup>39</sup> IBP Detailed Plan, 'PRM services', p279

## F.14.Regulatory Framework

- The benefits to the consumer of a 15-year priced control period should be made explicit.

The CCB supports the commitment set out in the IBP that any proposals to change the regulatory framework are consistent with increased consumer benefits. With regard to the proposal to move to a 15-year price control, the CCB would like to see further evidence to support the consumer benefits of doing so, although the CCB recognises that this will be for the CAA to assess. The same applies to the consideration of which elements would be fixed and which elements would be subject to re-openers.

The proposed Community Compensation Fund, as specified in the NPS, represents a transfer of money from consumers to community. To date, no engagement at all with consumers has taken place around any aspect of this Fund. In line with the strong working relationship between HAL and CCB noted above, the CCB has commented on this in Section K of this report and will have a chance to look at further work on this matter.

## F.15.Governance and Assurance

- The CCB suggests that HAL appoint a senior executive responsible for consumer engagement across the business.

The CCB acknowledges and welcomes the interest which the HAL Board has shown in the principle that consumer engagement should be driving its business planning. This has been manifested in regular contact between the CCB Chair and the HAL Board and Executive Committee. The CCB also welcomes the personal attendance of Directors at consumer engagement events.

The CCB would encourage the continuation of this. The CCB would also welcome the periodic attendance of NEDs at CCB meetings, which would mirror best practice in other regulated sectors.

In its first annual report,<sup>40</sup> the CCB encouraged HAL to appoint a senior executive responsible for heading up consumer engagement across the business. Again, this would replicate best practice elsewhere. It has not always been possible to identify who is responsible for ensuring that all parts of the HAL business are oriented and informed by consumer engagement. The CCB would still encourage HAL to consider such an appointment. This would help HAL deliver on its commitment to:

*However, in the context of Expansion it is more important than ever to ensure our business plan is built on a foundation of extensive consumer research and engagement showing a clear 'golden thread' of how the needs of current and future passengers have informed our long-term planning.<sup>41</sup>*

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<sup>40</sup> [20180321 HAL CCB Interim Report](#)

<sup>41</sup> IBP Detailed Plan, p379.



## G. HAL's Progress on Engagement with Airlines on Consumer Engagement and Research / Development of OBR Framework

- The airlines have shared their consumer research with HAL in a synthesis compiled by Rainmaker.
- The CAA has supported the rollover into H7 of SQRB, which covers HAL's performance of services to the airlines.
- Progress toward developing OBR to bridge the gap between SQRB and consumer outcomes has been hampered by, among other things, ongoing differences of view on the regulatory framework.
- The CCB would welcome the airlines and HAL working together to identify desired outcomes for airlines and consumers, so that HAL can progress refreshing SQRB and developing meaningful measures, targets and incentives directed toward consumer outcomes.

The CCB has observed a certain amount of information sharing between HAL and the airline community in relation to consumer engagement and development of an OBR framework. Of particular note is the sharing of information which fed into a document, coordinated by the Rainmaker agency, which synthesises extensive consumer research and engagement work by airlines. However, this cooperation has not been systematic, and has been limited because of ongoing differences of view about the regulatory framework.

The airline community has been consistent in arguing that the SQRB measures, initiated in Q5 and continued in Q6, should in whole or part be rolled over into H7. The CCB recognises that development of these measures in Q6 has (at least) coincided with an improvement in airport performance as measured in objective external surveys. The CAA has also supported their continuation into H7. The CCB notes that there have been relatively few incentive or penalty payments triggered in Q6, so is unable to distill much about their effectiveness as incentives. The CCB has encouraged HAL to link the SQRB measures proposed in H7 to consumer outcomes identified through consumer engagement. The CCB considers that HAL has made little progress on this in the IBP, as discussed in Section F.6 of this report.

There has been a long-running debate between the airline community, HAL, and the CAA, about the OBR framework, and the intended overlay of consumer outcomes to the list of measures against which HAL's performance should be measured and incentivised in H7. Since the consumer experience of Heathrow results from actions and situations on- and off-airport by HAL and many others, the link to the performance of third parties not within HAL's direct control has clouded debate and development. This ongoing debate has tended to limit the engagement between HAL and the airline community on the identification of appropriate consumer OBR measures. The CAA recently sought to assuage airline concerns by reaffirming that the focus of any measures, targets and incentives added to SQRB would be targeted on HAL, whilst a 'potential benefit of OBR is to shine a light at the whole consumer experience at the airport.'<sup>42</sup> The CCB would welcome airlines and HAL working together during Constructive Engagement to identify desired outcomes for airlines and consumers, and how HAL efforts to achieve them should be assessed, as HAL endeavours to refresh SQRB and develop meaningful measures, targets and incentives to bridge the gap to consumer outcomes.

The CAA has published a number of discussion documents, culminating in the publication in April 2017 of CAP 1540, 'Guidance for HAL in preparing its business plans for the H7 price control'. The CCB encourages a further dialogue between HAL, airlines, and CAA in interpreting this Guidance, to ensure that there exists a common understanding. If this can be reached, a closer dialogue between HAL and

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<sup>42</sup> As presented in OBR Recap by the CAA on 27 January 2020.

the airlines should be achieved. In turn, this will be to the advantage of consumers and the development of a H7 plan which fully reflects their interests.

## H. Surface Access

- The evidence from HAL’s consumer research and engagement is that consumers consider the door-to-door journey for Speed, Ease and Trust – encompassing perceptions, infrastructure and services outwith HAL.
- In H7 this collective/single challenge arises in HAL’s need to balance consumer requirements with its ANPS obligations and commitments.
- HAL fails to keep in mind the consumer’s holistic view, instead concentrating energies on HAL’s current commercial revenue generators carparking and HEX, the HVAC, and the ANPS commitments.
- HAL can use the holistic consumer outcome as framing context to link the consumer view to the research, modelling and planning in the IBP and DCO application.
- HAL can use the learnings from this approach to shape more effective nudges to attain the ANPS commitments.
- Within a comprehensive overview HAL can identify which sub-set of surface access components HAL can contribute to (in addition to direct provision) by using its consumer engagement and other planning resources, service interventions, infrastructure, co-funding, and cooperation in marketing and improving consumer information and awareness. In this way HAL can help deliver the consumer outcome across the wide array of surface access modes, especially public transport, that make up the consumer journey.
- HAL’s surface access-related ‘alternative measures’ need to be developed further.

Of the consumer outcomes identified by HAL in the IBP, ‘I am confident I can get to and from the airport’ recognises that the consumer’s experience of surface access reflects on Heathrow. However, surface access is the product of modes, operators, infrastructure, services and policies outwith HAL, including those of local, regional and national governments – not controlled by HAL as a government transport authority. Nonetheless HAL can reflect the consumer’s holistic view of the end-to-end journey by using this consumer outcome as framing context against which it:

- analyses the components and links making up the end-to-end journey;
- identifies which of those components and links HAL can improve through its services, information provision, and co-investment;
- demonstrates how it uses this consumer outcome in working with government authorities, and other transport developers and providers.

This challenge arises in H7 with the need for HAL to balance consumer requirements and its ANPS obligations and commitments, in order to deliver the benefits of a consumer-friendly Heathrow operating both today’s two runways and tomorrow’s three runways.<sup>43</sup> HAL has built a base of consumer research and engagement relevant to surface access, with strengths and weaknesses described below. HAL can build on this work by addressing these weaknesses and using the learnings to make surface access better meet consumer objectives and to shape more effective nudges to attain

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<sup>43</sup> Annex 16 – Surface Access, p2.

the ANPS commitments. This will foster better consumer outcomes, as well as benefits to HAL in growing passenger volumes and the attendant airport charge and commercial revenues.

### Strong link to consumer outcomes and views

Both before and since working on the IBP, HAL has undertaken extensive consumer research and engagement relevant to surface access. All research seen by the CCB since its inception in 2017 was high quality in comprehensiveness and representativeness of the participants. Qualitative and quantitative work was robust, except as described below. The CCB was given opportunities to comment on and challenge the briefs for a number of significant research projects.

In addition, the CCB has encouraged HAL to use consumer engagement and research in its input to other developers or providers of surface access projects. The CCB recognises that HAL has been active in doing so, for example for the Western Rail Link.

From its synthesis of all consumer research to date,<sup>44</sup> HAL clearly articulated two out of six consumer outcomes which reflect the importance of surface access:<sup>45</sup> 'I have more choice of flights and destinations'<sup>46</sup> and 'I am confident I can get to and from the airport'.<sup>47</sup>

This recognises that whether consumers choose Heathrow depends on the entire consumer experience, including perceptions, infrastructure and services outwith HAL.

The synthesis of surface access research clearly identified three core needs when consumers consider and experience surface access: Speed, Ease and Trust.<sup>48</sup> The consumer considers the door-to-door journey, which can involve several modes, on and off-airport experiences (such as wayfinding), and HAL and non-HAL products. Consumer decisions go beyond the door-to-door, with choices made in advance of travel, and trust based on perceptions or lack of knowledge as well as direct experience.

### Disconnect with consumer views

HAL fails to keep in mind this holistic consumer view in several significant respects:

#### Fragmented presentation

It is telling that surface access from the consumer standpoint is not consistently presented in the IBP. It is discussed as HAL products generating commercial revenue; in the surface access proposition for the AEC, and in an annex that summarises the relevant consumer engagement and ANPS requirements.<sup>49</sup> This reflects the regulatory and compliance orientation of HAL in the IBP and DCO application process, as HAL responds to the constraints presented by the airlines, regulators, government authorities and other stakeholders.

#### Macro planning and propositions in the AEC for the DCO<sup>50</sup>

The currently drafted Surface Access Strategy, which formed a significant part of the AEC for public consultation undertaken from 18 June to 13 September 2019, makes little reference to the consumer. The stakeholders HAL consulted in developing its surface access proposals includes no consumers.<sup>51</sup> It is understandable that the AEC has a variety of different audiences. Nevertheless, HAL failed to take

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<sup>44</sup> Annex 40 – Consumer Engagement; Annex 29 – Blue Marble Synthesis of Consumer Research; Annex 30 – Blue Marble Synthesis of Consumer Insight Register; April 2019 IPSOS Synthesis of Surface Access Insights

<sup>45</sup> IBP Detailed Plan 3.2, p29.

<sup>46</sup> 'Easy to get to/from' was the single most significant factor in choice of airport. Annex 40, p3, and December 2017 Morar HPI Brand Tracker.

<sup>47</sup> Annex 40, p4-6.

<sup>48</sup> IBP Detailed Plan, p255 and April 2019 IPSOS Synthesis of Surface Access Insights

<sup>49</sup> IBP Detailed Plan – Commercial Revenues, p259-272; Annexes 17 and 18; and Annex 16 – Surface Access.

<sup>50</sup> Annex 17.

<sup>51</sup> Annex 17, 2.4, p47-54.

the opportunity to show how its planning is driven by consumer needs and benefits from surface access, and that the resulting surface access improvements generate benefits for these various audiences, including local businesses, communities and the environment.

#### Lack of analysis of and support for consumer choice and benefits across multiple modes for the long term

As far as the CCB is aware, virtually all the consumer engagement work that HAL has done on surface access is oriented to either complying with the ANPS requirements for the DCO process or assessing the impact on HAL's on-airport operations and commercial revenues.<sup>52</sup> Work on how HAL can interface with and provide supporting infrastructure or co-funding for coach travel and the Western Rail Link did involve HAL using its consumer engagement resources in a way that will improve the consumer outcome as well as contribute to meeting the ANPS targets. However, the work presented is devoid of any analysis of the Piccadilly Line, TfL Rail, TfL or other local and regional buses or shuttle buses, private hire cars and Uber, and private cars outwith HVAC and carparking considerations. These are all surface access modes used by the consumer (and often more than one on a single journey).

Perhaps HAL's recent work is subsuming and carrying on consumer engagement work done by HAL and other bodies in previous eras (eg any TfL work on consumer priorities for the Piccadilly Line, or any Highways England work on usability of M25 junctions). If so there is no reference to that work.

HAL is not analysing the array of consumer choices, experiences, and journeys to support how HAL can foster improvements in the consumer outcome 'I am confident I can get to and from the airport'.

Furthermore, the IBP and FBP set out HAL's vision and plans for 15 years, and the DCO materials for even longer. Over such a long time horizon, not incorporating consumer views on even the current array of surface access journeys, not to mention the future, is a gap with long term strategic implications.

The CCB recognises that HAL is not a government transport authority responsible for all surface access. Like consumers, HAL is a victim or beneficiary of the outcome from disparate parts of the ground transport network, both existing and not yet in existence. It would not be sensible or necessary for HAL to repeat research that underlies existing or planned surface access. Nonetheless, using the consumer's holistic view as framing context, as suggested in this report, would enable HAL to:

- provide an overview of all components and connections;
- refer to the consumer research (by other parties or HAL) that supports the planned changes and how those changes will contribute to the consumer outcome;
- identify to what extent the consumer outcome is already captured in the transport modelling done for the ANPS targets which underlie the surface access strategy, and how learnings from consumer engagement are being adopted to refine the modelling;
- identify which sub-set of surface access components HAL can contribute to (in addition to direct provision) by using its consumer engagement and other resources, service interventions, infrastructure, co-funding, and cooperation in marketing and improving consumer information and awareness.

In this way HAL can help deliver the consumer outcome across the wide array of surface access modes, especially public transport, that make up the consumer journey.

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<sup>52</sup> In the 23 surface access research reports covered in the April 2019 IPSOS Synthesis of Surface Access Insights, coach and the possible future Western Rail Link are the non-HAL public transport modes investigated. Six reports are on HEX (including the competitive overlap with Crossrail) and three are on carparking. Most of the remaining are on the use of airport roads and forecourts.

### Focus on maximising commercial revenue from HAL products relative to the larger surface access challenge

The objectives of HAL's business and the associated business plan are many. Surface access is one area where they overlap and may conflict. Surface access entails a variety of different infrastructure and services, a couple of which HAL supplies and earns revenue from. In the business plan HAL must persuade the CAA and other stakeholders that its projected outputs, revenues, costs, and investments are warranted and sound. In this vein the challenge to HAL's management is to maximise commercial revenue, the business locus of HAL's surface access products. Thus carparking, HEX, and in future the HULEZ and HVAC, are managed and regulated as commercial products generating commercial revenue and, under the single till, reducing the resultant airport charge – not as public infrastructure utilities generating benefits for consumers and the wider environment. HAL's management focuses on efficiently delivering the consumer benefits of these products *per se*, tracked by such metrics as carpark market penetration and train punctuality. Over the last five years HAL has undertaken significant consumer research on its HEX and parking products. This has positioned HAL to amend its parking offer and price points to clarify consumer perceptions of its brands and boost revenues. HAL is using the research to prepare HEX's defense against Crossrail: for example, in 2026-27 HEX will drop the current single ticket price from [REDACTED] to compete with Crossrail.<sup>53</sup> (This raises the question of why this surplus only becomes available to consumers in 2026-27, and why HAL's sustainability and public transport actions don't include dropping fares before then.) HAL has used findings from consumer research to shape the long-term trend projections in the IBP. Projected carpark elasticities and carpark revenue per passenger are lower than historic trends in recognition that more future passengers will be non-UK based and that HAL will be endeavouring to move passengers toward public transport.<sup>54</sup> HAL will be using consumer feedback to distinguish HEX as a premium product against competition.

However, the energies devoted to implementing consumer research findings for HAL's own surface access products are disproportionate to the level of effort required to implement consumer engagement to meet the ANPS commitments and deliver the surface access consumer outcomes.

### Reliance on the HULEZ and HVAC, with weak consumer engagement underpinnings to date

Given the low and declining mode share of public transport, the CCB understands why HAL is using the DCO process to seek permission for the 'stick' of a private vehicle access charge alongside any 'carrots' to help meet its ANPS public transport commitments. The assumed and modelled charge is £15 for the HULEZ and £15-£23 for the HVAC (2017p)<sup>55</sup> per entry onto the airport estate. Whilst this is per vehicle and on average may be less per passenger, it is a material cost on top of the projected airport charge of £26 to £30 (2018p) for the roughly 35m passengers who are the 62% today<sup>56</sup> or the 50% in 2030 using private cars instead of public transport.



To date consumer research on the hypothetical HVAC has been weaker than it should be to support such a material new charge, because it failed to incorporate the principal learnings from other surface access research summarised in HAL's own synthesis – that the consumer will decide based on Speed, Ease and Trust on the expected door-to-door experience on known options. Consumers were queried on the 'affordable', 'acceptable', or 'expensive' levels of HVAC – only as a cost, and one isolated from any other costs or any benefits. This highlights the ambiguous purpose of the HVAC – should it be

<sup>53</sup> IBP Detailed Plan, p265.

<sup>54</sup> IBP Detailed Plan, p264.

<sup>55</sup> IBP Detailed Plan, p263.

<sup>56</sup> Annex 16, p4, Figure 1, as of 2017.

high enough to reduce vehicle use and congestion, so that minimal revenues are generated, or should it be low enough to be 'affordable' and 'acceptable', spurring no change in consumer behaviour? HAL is motivated to make the HVAC high enough to nudge the required 12% to public transport, but not so high as to push consumers to another airport. How realistic is deflection to other airports, given that in practice the HVAC is just one cost on one leg on one mode in the consumer's value-for-money assessment of the whole trip, and given what other airports will be offering in choice of flights and surface access in 2026? The results could not be broken down to analyse trade-offs between different types of consumers: Did some respondents regard a high HVAC as 'affordable' because it would be paid by someone else as they are travelling on business or using public transport anyway, or because they are high-end travelers with a high inelasticity for convenience? No information was given on any public transport alternative which would achieve the consumer's objectives if nudged away from the private vehicle. Not articulated were any benefits to the consumer nudged toward public transport in the form of stress-free, economical and reliable surface access, particularly in comparison to roads which will be more congested in 2026. Neither were the benefits to the remaining vehicle users (and thus HVAC payers) of lower congestion and pollution. Suggested 'carrots' were mostly limited to HAL-only commercial products rather than the whole door-to-door-to-boarding-gate experience: examples include free wi-fi, which is free anyway, or fast-track through security, which if 67% of public transport users take up is no longer fast-track.

Unprompted or prompted, consumers have consistently voiced a desire that, and a greater acceptability if, the HVAC is used to improve public transport.<sup>57</sup> Given the material amounts involved, ██████████ per annum, and the monopolistic nature of the charge even compared to other commercial revenues like food & beverage, the proceeds must be visibly directed to surface access improvements to have legitimacy in consumers' eyes. There is scepticism and opposition if the HVAC is perceived as simply increasing profits. There is no visibility if the HVAC simply reduces the overall airport charge, as consumers have low awareness of how much the airport charge is, or how it is determined and paid. The research findings demonstrate that consumers see benefits in supporting the public good of public transport, even if they themselves as private car users are paying for it and not using it. Consumer understanding and support for the purpose and use of the HVAC will promote compliance, generate satisfaction for consumers with green concerns, and, importantly, trigger consideration of (improved) public transport alternatives, which was its purpose in the first place. HAL has considered these consumer responses in laying out different options for the treatment of HVAC revenue.<sup>58</sup> Whilst this is for the CAA to decide, the CAA's guidance supports more flexible treatment of surface access monies:

*Direct charges from one mode of surface access may be used to offset the costs of another, particularly where this would support measures to encourage modal shift from car to public transport which may be required for the efficient operation of the airport and /or to support obtaining planning permission for airport Expansion.*

The CCB favours dual-till, as this treatment directly and solely use proceeds on surface access improvements in a way that is visible and accountable to consumers.

### **Strengthening the link between consumers and HAL's surface access objectives**

HAL should adopt a comprehensive, holistic surface access strategy driven by the consumer perspective, using this 'golden thread' to overcome fragmentation by mode, provider, on / off-airport, HAL and non-HAL, and the split between infrastructure and services. As an airport HAL acts as coordinator and information provider for many airlines and operators for the benefit of consumers.

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<sup>57</sup> IBP Detailed Plan, p261; February 2019 Populus Exploring Potential Impact of an Access Charge and Emission Charge to Heathrow, and other research touching on the HVAC.

<sup>58</sup> IBP Detailed Plan, p262.

Similarly, for surface access, HAL should act as a coordinator and information provider for many transport modes and operators for the benefit of consumers. Fifty percent public transport usage will not happen instantaneously in 2030 upon completion of the third runway and Western Rail Link and adoption of the HVAC. As mode choice is based on knowledge and habit, HAL should use consumer research and engagement to innovate improvements in information about and the Speed, Ease and Trust of public transport today.

At this juncture, too, HAL should tie in consumer engagement on surface access with consumer green concerns. High consumer concerns about climate change and sustainable public transport identified by HAL<sup>59</sup> should be tied into informing consumers about the carbon impact as well as the Speed, Ease and Trust of private versus public transport options. HAL consumer engagement on both sustainability and surface access has often been too centered on its own virtuousness and not on consumer benefits and agency.<sup>60</sup> That said, so far consumers of all ages often look to governments and institutions to take up responsible policies rather than sacrifice their own wallet, convenience, or enjoyment.<sup>61</sup> Yet this is changing by the day. HAL's future consumer engagement should take this pulse, using findings to shape the tools it puts into consumer hands to attain the environmental benefits that consumers want.

In this regard, HAL should undertake and use consumer engagement for its surface access plans – not only for niche surface access products provided by HAL or others, but for the wider strategic vision. For example, responses in the HVAC and Western Rail Link research indicate that even consumers who don't use public transport today express support for the public good of public transport improvements as well as the private benefit of eventually enabling them to use public transport. HAL could use further robust investigations of these consumer views to support contributions to Western Rail Link beyond the estimated proportion of direct airport-related users. More generally, HAL could undertake consumer engagement on support for use of the general airport charge (beyond the HVAC) for public transport improvements.

HAL should provide unfragmented information to consumers for their door-to-door journey when they are making decisions and plans on surface access, which is well before their flight date.<sup>62</sup> Consumers make mode choices based on knowledge much more limited than they recognise. Awareness of existing public transport is low, and a smaller percentage of even the consumers aware of public transport options seriously consider taking them, as perceptions are worse than the reality.<sup>63</sup> Hypothetical interest in public transport translates into lower proportions of consumers willing to consider using it.<sup>64</sup> This is true for UK-based travellers with some familiarity with their UK home and

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<sup>59</sup> IBP Detailed Plan 2.1, p90-91. In addition, unprompted, consumers in the August 2019 Horizon workshop brought up connections between surface access and environmental concerns.

<sup>60</sup> For example, in the December 2018 Join the Dots Surface Access Communication Strategy Review, virtually all the communications statements tested started with 'Heathrow': 'Heathrow is reducing congestion on local roads and providing better public transport links ... as a responsible neighbour,' with no reference to how the target consumer benefits from lower congestion or more convenient and greener public transport. The review recommends that each statement must offer passengers a clear benefit, citing how their journey will improve, show benefits compared with driving, and reference personalised support.

<sup>61</sup> IBP Detailed Plan 2.1, p90-91, and March 2018 The Nursery Heathrow Sustainability Research and August 2019 Illuminas Designing the Airport of the Future.

<sup>62</sup> Annex 40, p6. In this regard HAL has improved its website in recent months. It no longer features carparking booking front and centre, but has clearer links to transport to/from the airport generally, including by public transport. However, coach options for example are still presented by coach company rather than by the geographic journey the passenger seeks.

<sup>63</sup> March 2019 Heathrow and Transport Focus, Getting to and from the Airport, Is Coach an Option? Coach and bus illustrate this: They cross the mind of less than 40%, are considered as an option by only 10%, and are actually used by only 4-5%. Yet the experience of those who actually used coach and bus was largely positive.

<sup>64</sup> Annex 40, p6 on 2018 Populus Western Rail Access to Heathrow.

the London area, and must be considered even more so for foreign visitors less familiar with public transport around Heathrow and their final UK / London destination.

HAL, in cooperation with area hotels, employers, and commercial outlets, should provide awareness and information regardless of provider about existing public transport on and immediately adjacent to the airport estate. Few UK or foreign travelers are familiar with the London bus network in the Heathrow environs or are aware that bus travel for the Heathrow area including to hotels is free. This is in the interest of consumers, who often resort to paying the £5 per person Hotel Hoppa bus fare or expensive taxi fares to providers who have no interest in informing them that the short ride is already available for free.

Alongside capital investment in new transport infrastructure such as Western Rail Link, HAL needs to consider and test service innovations to remove barriers to Speed, Ease and Trust in the take-up of new and existing public transport. For example, previous consumer research clearly points out that handling luggage is a prime barrier to Ease in considering public transport.<sup>65</sup> Luggage check-in or transport services and porter services at key transit points could address this. A Green Heathrow mobile wallet could offer discounted / capped total journey costs or complimentary porter services across all public transport modes, including family or group pricing.

The IBP Annex on Surface Access acknowledges the need for HAL to make information available, purchasing seamless, and public transport quick, reliable and easy. Initiatives by Heathrow or third parties in the AEC are along the lines of the above, plus additional important measures such as backfilling taxis and private hire cars (like Uber).<sup>66</sup> What is not yet apparent in the disparate documents are the concrete actions HAL will undertake, and how they relate to and will implement the findings from a comprehensive programme of relevant consumer research and engagement.

The engagement on surface access HAL intends to undertake between the IBP and FBP is given in Annex 40.<sup>67</sup> Future consumer research and engagement on the HVAC or public transport, including Western or Southern Rail Link, must make visible to participants concrete improvements in the public transport experience in order to obtain reliable consumer feedback on value-for-money and Speed, Ease and Trust evaluations. Travellers who have experienced good public transport at Schiphol, Hong Kong, Singapore or North Asian airports will mention this as a positive, whereas UK residents and US visitors who don't use public transport have negative indirect and often outdated perceptions, can't visualise good public transport, and don't consider it.<sup>68</sup>

While HAL strives to use consumer views to attain its ANPS commitment of 50% usage of public transport, a comprehensive consumer-driven surface access strategy will also address the needs of the remaining 50% using private vehicles. By 2030 these will be on the order of 33 million passengers, roughly the same number as the 62% of today's passengers.<sup>69</sup>

A consumer segment which merits further surface access research and product development is younger travellers (below age 40). Younger age groups are more concerned about the environment, less likely to drive or own cars or live in remote areas, are more familiar with alternatives to driving cars such as Uber or public transport, and have grown up obtaining information, planning journeys

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<sup>65</sup> Annex 40, p6.

<sup>66</sup> IBP Detailed Plan, p256 and Annex 16, p8.

<sup>67</sup> Annex 40, p5. It is not entirely clear, but HAL's purpose in the 'Maximising the Elizabeth Line' project mentioned here and in IBP Detailed Plan, p256, is interpreted as promoting awareness and usage to increase the number and proportion of Heathrow passengers using public transport, rather than deflecting patronage to HEX.

<sup>68</sup> Qualitative research focus groups for Annex 31, November 2017 Caroline Thompson What Matters to Passengers, and August 2019 Horizon Workshop on Expansion.

<sup>69</sup> Annex 17, p37 (2017 data) and IBP Detailed Plan, Passenger Forecasting, 7, p160, and assuming roughly 30% transfer passengers.



and flights, and making purchases on digital devices.<sup>70</sup> Younger travellers may not only themselves be the lead segment in taking up public transport, but also influence their older family members to use public transport.

Another consumer segment which merits further engagement on the whole door-to-door experience is passengers requiring support. HAL plans to do more work with this segment before the FBP.<sup>71</sup> Take-up of public transport, parking products, forecourt design and wayfinding, assistance (including with luggage) in the public transport system, and application of exemptions to the HVAC need to be explored with these consumers.

### Measures, Targets, Incentives and OBR

As noted elsewhere in this report, the IBP does not reflect much progress in moving from SQRB to a comprehensive set of measures including SQRB which address all the principal consumer outcomes. HAL recognises this and proposes several 'alternative measures' for further consultation, testing and refinement. The CCB is pleased to note that, partly in response to our feedback, HAL proposes a set of alternative measures which reflect the end-to-end passenger journey: 'Ease of access to the airport satisfaction' and 'Being sustainable satisfaction'.<sup>72</sup>

These satisfaction measures could feasibly be strengthened by more concretely tested measures. Assessing the practicality of surface access solely through *post facto* satisfaction surveys fails to fully capture the unsatisfied consumers who got lost or were turned off. For example, satisfaction with on-airport wayfinding by car, public transport and disabled users can be used as components of the general 'ease of access to the airport satisfaction'. This could be tested by mystery shopping, on-site trials, and virtual simulations. Such tests would be more informative than a post-trip general passenger survey in demonstrating how HAL can do its part in delivering the consumer outcome 'I am confident I can get to and from the airport.'

As highlighted here by the CCB, HAL plays a critical role in providing information to consumers about surface access it does not provide. This could be reflected in performance measures.

Just as HAL has proposed no surface-related measures so far in the IBP, so HAL has proposed no surface access-related targets.<sup>73</sup> Once appropriate measures of HAL's contribution to the consumer outcome are established, reputational incentives can be adopted. This would link recognition that the consumer outcome is a holistic end-to-end journey with a focus on measures, targets and incentives related to HAL's provision of service interventions, information and coordination. This would be consistent with the CAA's policy that development of targets in the evolution towards OBR should be focused on HAL.<sup>74</sup>

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<sup>70</sup> August 2019 Illuminas Designing the Airport of the Future

<sup>71</sup> Annex 40, p10.

<sup>72</sup> IBP Detailed Plan 2.3, p127-8.

<sup>73</sup> IBP Detailed Plan 3.2, p131-3.

## I. Vulnerability

- The CCB applauds the step change HAL has made from focusing on compliance with PRM statutes to a consumer-oriented strategy that recognises vulnerability in various forms, including vulnerability triggered by air travel.
- HAL's strategy and engagement programme is among the most developed and consumer-oriented as the CCB has seen in regulated and unregulated industries.
- HAL demonstrates a strong commitment to ongoing internal and external engagement with vulnerable passengers requiring assistance. The business plan needs to highlight how HAL's understanding of vulnerability has influenced its planning.
- This should be done throughout, but issues requiring specific attention include the surface access interface at the airport, the mixed deployment of automation and human assistance, and use of space for consumption and non-consumption needs.
- The excellent thinking and engagement on vulnerable passengers has not translated significantly into concrete measures, targets and incentives.

HAL's approach to consumer vulnerability and service inclusivity is an area which the CCB has followed closely. Early on in the H7 engagement process, the CCB issued a strong challenge to HAL to think beyond Passengers with Reduced Mobility (PRMs) in considering vulnerability and to develop an approach that recognised both temporary and situational vulnerability, and the particular context of air travel as a trigger for vulnerability. This was a very new way of thinking for HAL, requiring a considerable shift from their existing approach, which was driven almost entirely by their statutory responsibilities to PRMs. The CCB applauds the commitment that HAL has shown to engaging with the CCB to understand its expectations around vulnerable consumers and, subsequently, with consumers to fully explore vulnerability in air travel from their perspective.

Annex 37, the Consumer Vulnerability and Engagement Strategy, sets out the considerable programme of consumer research and engagement, including ongoing and bespoke projects, that has been undertaken on this issue as part of the overall engagement strategy. HAL also has a number of ongoing forums it has consulted as part of this process. The CCB has been impressed with HAL's commitment to this programme of work, and the progress that has been made to develop and progress thinking in this area. In particular, the CCB welcomed the focus on understanding consumers' views on the appropriate terminology to be used to describe vulnerability, and the extensive research project designed to explore how HAL can provide 'the best airport service in the world' to passengers who feel vulnerable or require support. This has afforded HAL a huge body of high-quality evidence from which to develop its strategy on vulnerability and inclusion.

Like the IBP itself, the Annex outlining the Consumer Vulnerability and Engagement Strategy is fairly high-level. Whilst the CCB recognises that the engagement programme is ongoing, the impression is that internal thinking on this issue is more developed than is reflected in either document.

Annex 37 sets out HAL's vision to provide '*a welcoming and accessible airport that ensures all our passengers can travel through Heathrow in the way that they choose, with the assistance and support they need.*' The CCB is very supportive of this vision, especially HAL's recognition of the importance of creating an airport environment that is as easy as possible for passengers to negotiate, regardless of their individual needs and circumstances, and ensuring that where support is required, it is available, flexible and responsive.

The CCB also applauds the Inclusive Framework that HAL sets out in Annex 37. While the framework is only briefly described, the approach HAL has shared with the CCB is in fact one of the most highly developed and consumer-need driven frameworks the CCB has encountered relative to other

regulated and non-regulated businesses. The CCB has been impressed by the level of internal engagement within the business to understand and disseminate consumers' experience of air travel. The CCB recognises the 'truths and insights' set out in the Annex as being grounded in high-quality consumer engagement.

The CCB is especially supportive of HAL's recognition of three types of vulnerability that might impact passengers. The CCB particularly welcomes the detailed research and engagement that HAL has undertaken to understand the impact of the airport environment on vulnerability. The framework refers briefly to the fact that people are likely to move between these three areas of vulnerability; acknowledges that air passengers are likely to encounter physical, emotional and cognitive challenges; and recognises the prevalence of 'hidden' vulnerability. The Annex would benefit from additional detail on this, to fully describe the areas of vulnerability; the interaction and overlap between them; how in practice these types of vulnerability can be triggered or exacerbated by the airport environment; and how hidden vulnerability might manifest. The framework also recognises that vulnerability can be temporary and situational and that, in some circumstances such as major disruption or airline failure, all consumers are likely to be feel vulnerable. Yet in such disruptions, the most vulnerable consumers suffer negative impacts and require more information, assistance and support.

The CCB has had a number of discussions with HAL about the airport environment and how the processes involved in air travel can impact on consumers and, in particular circumstances, render them vulnerable. The CCB welcomes HAL's acknowledgement in Annex 37 of the extent to which environmental and process improvements can reduce the impact of airport environment on passengers to *'provide an inclusive, accessible future proof environment for all, ensuring the necessary passenger processes do not exacerbate the need for assistance and support,'* alongside a recognition that some passengers will continue to need support, requiring human interaction, highly trained staff and excellent customer service.

The CCB is supportive of HAL's objectives relating to the spectrum of vulnerability it has identified, as the CCB recognises that these objectives, and the actions designed to deliver them, are being grounded in the engagement that has been conducted. Given the high-level nature of the IBP, HAL's vulnerability framework is not yet very visible in its H7 business planning. The CCB welcomes recognition in Chapter 3 of the IBP of the importance of design in reducing vulnerability relating to walking distances and wayfinding, for example. In addition, the importance of human interaction as a complement to automation is also recognised in the IBP.

In our view, there is a need for the business plan to make more explicit recognition of the importance of vulnerability and highlight the extent to which HAL's understanding of vulnerability has influenced its business planning. In particular, the CCB would like to understand how it will approach potential trade-offs relating, for example, to the physical environment, in particular, and between demand for frictionless automated processes with a continuing need for personal interaction with highly trained staff able to recognise potential vulnerability and offer appropriate support. These themes, and others, are likely to run throughout the business plan and must be acknowledged and addressed consistently. In addition, there are specific areas, which are key to business planning and, potentially, mission critical in the context of Expansion in which the CCB expect HAL to conduct a detailed analysis of the impact of vulnerability. These include:

- passenger forecasting - to ensure HAL understands the extent to which Expansion might exacerbate vulnerability among its passengers and ensure that its planned response will be adequate;
- surface access – where the needs of vulnerable passengers and the impact of planned policies around parking, drop-off and the HVAC, for example, must be fully explored to ensure that they

do not exacerbate vulnerability among passengers whose challenges are not related to physical disability;

- commercial revenues – where HAL’s drive to maximise profit per square metre do not take account of feedback from customers relating to the need, for example, for more space within shopping and food & beverage outlets to enable vulnerable passengers enjoy them independently or with assistance, as well as for more space to be available for seating and quiet spaces.

Finally, the Annex recognises the importance of HAL working collaboratively to deliver its commitment to offer the best airport service in the world to passengers that require support. In this context, the CCB is disappointed that HAL has not taken the opportunity to incentivise the behaviour required to deliver this commitment with appropriate targets and measures.

## **J. Consumer Awareness of the Airport Charge**

- The CCB questions whether HAL can demonstrate ‘high quality engagement’ whilst the vast majority of passengers are unaware they are paying customers.
- The CCB suggests that HAL raise awareness of the airport charge across its entire customer base.

The CCB notes the low level of consumer awareness of the airport charge amongst HAL consumers. In order to increase transparency and work towards an ongoing dialogue with consumers, the CCB suggests that HAL consider activities to raise awareness of the airport charge across HAL’s entire customer base. The CCB questions whether HAL can demonstrate ‘high quality engagement’ whilst the vast majority of passengers are unaware of the fact that they are paying consumers.

The CCB also have a further concern as to the extent to which this lack of awareness is colouring or biasing the output of HAL's entire consumer engagement. If respondents are not aware of their relationship with HAL (*ie*, as paying consumers) then it is possible to argue that all research output should be treated with caution.

The CCB notes that HAL has committed to undertake research to better understand consumer perceptions of the airport charge and how/whether this forms part of their perception of affordability. However, the CCB would encourage HAL to engage with consumers directly with a determined effort to make the charge explicit to consumers and so empower consumers to engage with HAL on an informed basis in all their interactions, not solely as participants in consumer surveys.

## K. Proposed Community Compensation Fund

- The ANPS calls for a fund to compensate communities impacted by Expansion.
- HAL has consulted with local communities on the fund, but not with consumers.
- HAL is now proposing funding to be entirely by consumers in the form of a 50p levy per flight, and planning to test its consumer acceptability.
- This represents a transfer from consumers, who cannot manage the negative impacts of Expansion, without their input or control.
- The CCB recommends that HAL consumer engagement on this issue be open to views on the fund's basic issues such as use and funding sources, rather than jumping to imposing a price on consumers.

The CCB understands that the ANPS calls for establishing a fund to mitigate and compensate communities that are impacted by Expansion.<sup>75</sup> The fund should provide a lasting legacy for local communities impacted by expansion. It is considered that the size, duration, and distribution of the Community Compensation Fund should be proportionate to the environmental harm caused by Expansion. The Airports Commission considered that a sum of £50 million per annum could be an appropriate amount at an expanded Heathrow Airport, and that, over a 15-year period, a Community Compensation Fund could therefore distribute £750 million to local communities.

HAL has consulted with stakeholders in the AEC, particularly local communities who are likely to benefit from the Fund. Amongst the feedback from the AEC was the principle that the fund should not be used as a substitute for, and should be in addition to, mitigation already required in or compensation committed in the DCO approval.

HAL has *not* consulted with consumers as of the date of the IBP.

Subsequent to the IBP HAL is now proposing to test the acceptability of a consumer levy charge of 50p per flight via an online survey amongst members of HAL's Horizon panel.

Without any consumer engagement, HAL has already defined the funding of the Community Compensation Fund as a material transfer from consumers to local communities. Consultations and principles developed so far also give the consumer on whom the cost is imposed *no* role in the governance of how the money is spent. The CCB recognises the well developed economic concept of 'the polluter pays'. The 'polluter pays' concept would normally seek compensation from the provider of the service (the originator of the externality) rather than the consumer of the product or service. Moreover, charging the originator(s) of the externalities (namely HAL and the airlines) would have the merit of providing an incentive for those operators to minimise the negative externalities. It's unlikely that a charge levied on the passenger would have the same mitigating impact – except possibly for the extreme of dissuading consumers from flying at all, which is not HAL's purpose in proposing a 50p levy.

The CCB recommends that consumer research design make no *a priori* assumptions with regards to who will contribute to the fund. The CCB suggests that the research start from a neutral position on who should pay to fund the scheme, prompting respondents with options of, for example, central government, HAL, the airlines, and/or local government as well as passengers.

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<sup>75</sup> IBP Detailed Plan, Sustainable Growth, 3.3, p97; Operating Expenditure, p222; and Regulatory Framework 3.8, p360 and 370.

Where consumers are willing to contribute, the CCB suggests that the research explore consumers' willingness to pay across an appropriate range of levies, rather than testing only at the proposed 50p per flight.

## L. Engagement between the IBP and FBP

- Consistent with the CCB's view on what is needed, HAL plans an ambitious programme of consumer engagement between the IBP and FBP.
- The CCB welcomes planned work on passengers requiring support; H7 Package Choices; measures, targets and incentives; future passengers; arrivals; and sustainability.
- The CCB suggests that HAL address gaps in consumer research on surface access, the Community Compensation Fund, targets and incentives, and automation.

In this section the CCB comments on HAL's planned consumer engagement and points out gaps to be addressed, including suggestions on specific issues discussed elsewhere in this report.

### HAL's planned consumer engagement before the FBP

HAL shared its plans for further consumer engagement following the IBP with the CCB in early February 2020. The CCB notes that this planned engagement comprises a considerable body of work, 19 projects in total, to be completed by October 2020. In practice, this means that the vast majority of these projects will need to be completed by early July 2020 if the findings are to make a meaningful impact on the development of the FBP, followed by acceptability testing of the full business plan proposals. HAL has given assurances that ongoing engagement will be conducted to a timeline that enables this work to influence the FBP, and that the timing of acceptability testing will allow time for changes to the plan and a further round of acceptability testing before it is finalised. The CCB also notes that additional resource is being brought into the insight team to enable this ambitious programme to be delivered. The CCB welcomes this investment in the consumer engagement programme and is hopeful that with these additional staff HAL will be able to deliver this ambitious workplan to a high standard.

The CCB is supportive of HAL's plans for future consumer engagement. The CCB is particularly pleased to see:

- Further planned work on passengers requiring support to fully explore and quantify their needs both at the airport and travelling to and from it. The CCB has flagged this as an area that needs development for the FBP. HAL's desire to offer the 'best airport service in the world' to passengers requiring support has implications for many aspects of business planning, and neither the proposals nor the trade-offs required to meet the needs of this group are visible in the IBP.
- Additional research on the H7 Package Choices, to explore the upper bound of the importance passengers attach to service improvements as part of a package that also includes an accelerated version of expansion. The CCB recognises that the 'offer' tested in this research is likely to be theoretical, at least in part, because it may not be feasible to deliver this package in practice, but that it is a necessary exercise in understanding the limits to the trade-offs customers are willing to make between cost, capacity and service. In discussing this research with HAL the CCB noted the importance of including the parameters for both reduced service satisfaction and reduced cost. This project, alongside the Affordability Research, is critical to provide a comprehensive understanding of the value consumers attach to service alongside other factors, and should underpin several key areas of business planning.

- Further engagement to explore views of appropriate measures and testing of the final proposed targets and incentives mechanism. The CCB welcome any attempt by HAL to progress its thinking beyond SQRB and to develop appropriate, consumer-focused measures, targets and incentives. The CCB is of the view that HAL already has a considerable body of evidence to underpin this thinking, and this evidence remains very valid. It is important, therefore, that additional research is used to supplement and refine existing evidence, and not to replace it.
- Two projects aimed at understanding Heathrow's 'passengers of the future' and their needs of the airport – The CCB has consistently flagged that for HAL to meet its forecasts for increased passenger numbers, an in-depth understanding of these future passengers and how they differ from existing passengers will be crucial.
- The ethnographic study of consumers' experience of arrivals – The CCB has consistently encouraged HAL to consider how it could make a difference to passengers' experience of arrivals, which is markedly less positive than other aspects of the air travel. Accepting that HAL is not responsible for all aspects of arrivals, the CCB think it likely that taking a passenger's perspective will provide invaluable insight on how HAL can make this a more positive experience. The IBP is largely silent on proposals for improving the arrivals experience, an area that must be addressed in the FBP.
- Consumer views of sustainability – While HAL has conducted some research on this to date, the CCB notes in Section F.3 to this report that consumers expectations around sustainability are deeply held and rapidly changing. They will expect HAL to provide leadership by setting challenging targets for sustainable aviation, in general, and on climate change, in particular.

### Areas of concern and gaps in planned engagement

As mentioned in Section F.2, the considerable work HAL has done and will still do is part of its Consumer Engagement Strategy. The CCB suggests that this juncture would be a good opportunity for HAL to report on progress against the Consumer Engagement Strategy.

Although broadly supportive of HAL's planned engagement for the period between the IBP and the FBP, the CCB has concerns about some aspects of it. The CCB also believes there to be a few gaps in the planned engagement for HAL to address in a timely fashion to ensure that the FBP is developed against a comprehensive body of evidence.

### Surface access

The CCB notes that HAL plans to conduct two projects relating to surface access. This planned engagement does not constitute the holistic approach to surface access that reflects consumers' decision-making in this area. Section H of this report outlines the importance of HAL building its understanding of – and developing its FBP on the basis of – a wide array of potential consumer journeys to and from the airport, both now and in the future. A holistic approach to engagement on surface access would also include other areas of importance to consumers including:

- the hypothecation of the access charge to pay for surface access improvements (for which consumers have strongly indicated support);
- passengers' willingness to pay for specific surface access improvements;
- and other initiatives with potential to smooth consumers' journeys to and from the airport, such as park and ride options and off-site baggage handling.

In addition, it is critical that HAL's engagement around surface access includes an element of behavioural research to ensure that, as well as understanding the options required to meet consumers' needs, HAL also understands the key drivers and barriers that determine their actual

decisions and behaviour. For example, an improvement in public transport options may not be sufficient, in practice, to ensure that people make the switch from private to public transport in sufficient numbers to meet the ANPS targets. Behavioural research is also of particular relevance in relation to the HVAC. In Section H, the CCB urges HAL to be clear about whether the HVAC is intended to discourage people from driving to their airport or generating commercial revenue from those that do. Once this clarity is reached, it is critical that HAL must have confidence that the HVAC can be designed and implemented in a way that will, along with other nudges, achieve the desired behaviour change among passengers.

#### Proposed Community Compensation Fund

In early February HAL shared with the CCB its brief for planned research to test whether passengers are willing to pay a 50p levy to pay for the Community Fund. The CCB raises a number of questions and concerns in Section K of this report. In consultation with other stakeholders, but *not* consumers, HAL has already moved in the direction of the consumer funding the entirety via imposition of a levy. Any consumer research should start from a neutral position and seek consumers' views on all aspects of the Community Compensation Fund, including appropriate funding mechanisms, before exploring the acceptability of charges at a range of levels.

#### Targets and incentives

The CCB notes that HAL plans to conduct further research with consumers to inform the development of consumer-focused measures to underpin the business plan and test the acceptability of the final target and incentives. The CCB urges HAL to give consumers an opportunity to influence targets and incentives, as well as measures for the FBP rather than simply test the acceptability of the final proposed mechanism.

#### Automation

In the IBP HAL notes the importance of maintaining human interaction alongside automation in meeting passengers' service expectations, especially with regard to passengers requiring support. HAL's engagement, to date, has not explored consumers' views of automation or identified the extent of their support for further automation. The CCB suggests that it would be helpful for HAL to understand this as part of its wider engagement around service.

## **M. Conclusion**

The CCB strongly commends HAL's intention to produce an IBP based on consumer engagement. However, in a number of major areas, that has not (yet) been followed through into the plan itself. Much work remains to be done to ensure that the FBP is indeed driven by HAL's consumers. The CCB stands fully prepared to support that work.

The CCB is extremely grateful for the full cooperation of all parties in the preparation of this report and hopes that its work, and this report, are helpful contributions towards ensuring the best possible plan, which works in the interests of consumers.



## N. Annex – CCB Engagement Meeting Log

2019

Date	Location / Organisation	Topic	CCB Attendance
07 Jan	HAL	CCB updated the LACC on the Challenge Log, Version 4	JH, IL, DH, JS, TM, CW
09 Jan	CAA	JH and IL attended a Heathrow stakeholder meeting with the CAA Board	JH, IL
21 Jan	HAL	CCB met with HAL to discuss current status of Consumer Engagement, strategy feedback and principles of incentives	JH, IL, DH, TM, CW
30 Jan	HAL	JH met with the HAL Board	JH
04 Feb	CAA	CCB met with CAA to discuss the HAL/airline commercial deal for iH7	JH, IL, DH, JS, TM, CW
18 Feb	HAL	Current Status of Consumer Engagement  Consumer Engagement Strategy feedback (Horizon quarterly report and Airport Choice brief)  Surface Access JH	JH, JS, CW
21 Feb	CAA	JH met with Beth Corbould of the CAA	JH
04 Mar	Daly's wine Bar	CCB met to work on Challenge Log, Version 5	JH, JS, CW, DH, IL, TMC
18 Mar	HAL	Current Status of Consumer Engagement WTP Aggregate Benefits Validation & CBA Update Surface Access - update on Strategy & Access charging research Part 2 Synthesis Expansion	JH, JS, CW, DH, IL, TMC
18 Mar	HAL	JH met with HAL Customer Director, Jason Knight	JH
01 Apr	HAL	CCB met to work on Challenge Log, Version 5	JS, CW, DH, IL, TMC
04 Apr		JH met with J Willott, Chair CAA Consumer panel	JH
15 Apr	HAL	Current Status of Consumer Engagement (Best Airport Service - parts 1 & 2, Operational Resilience Brief) Part 2 Synthesis Results Surface Access Charge Expansion - outline of June consultation Expansion - Heathrow feedback on CCB report on Expansion Future agenda & washup on previous meetings actions	JH, JS, CW, DH, IL, TMC
28 Apr	HAL	CCB met with HAL to discuss Arrivals Consolidation, H7 Choices Research and Preferred Masterplan	JH, IL, JS, CW

Date	Location / Organisation	Topic	CCB Attendance
01 May	HAL	JH met with Joint Steering Board, Compass Centre	JH
07 May	BA	CCB met with British Airways to discuss Expansion	JH, IL, DH, TM, JS, CW
14 May	HAL	JH met with HAL Executive Board where he took them verbally through the key points of the Challenge Log, Version 5. It was a good and constructive discussion. It was noted that the work of the CCB is appreciated by HAL, and Emma Gilthorpe specifically asked JH to pass on HAL's thanks to all CCB members.	JH
15 May	CAA	JH met with Beth Corbould of the CAA to discuss the final version of the Challenge Log Version 5.	JH
20 May	HAL	JH met with John Holland Kaye prior to the CCB meeting to discuss the Challenge Log Version 5 as he was out of the country at the time of the Executive Committee meeting on the 14 <sup>th</sup> .	JH
20 May	HAL	CCB met with HAL to discuss Surface Access Consolidation of Insights, Status of Consumer Engagement and How Consumer Engagement Drives the Business Plan	JH, IL, DH, TM, JS, CW
20 May	HAL	Following the CCB meeting JH met with Paul Smith of CAA to discuss the Challenge Log Version 5	JH
17 Jun	HAL	CCB met with HAL	JS, IL, DH, TM
19 Jun		JH spoke at CCB awayday/dinner	JH, IL, DH, TM, JS, CW
26 Jun		JH met V Shawcross, Chair Heathrow Area Transport Forum	JH
27 Jun	CAA	JH met with Beth Corbould	JH
	HAL	JH met with HAL Board	JH
01 Jul	HAL	CCB met with HAL	JH, IL, DH, TM, JS, CW
02 Jul		JH met with C Miller, DfT	JH
08 Jul	HAL	JH met with Programme Coordination Board, Compass Centre	JH
15 Jul	HAL	JH met with A Macmillan	JH
		CCB met with HAL	JH, IL, DH, TM, JS

Date	Location / Organisation	Topic	CCB Attendance
		JH met with BA and VAA	JH
16 Jul	VAA	CCB met with VAA	JH, IL, TM
19 Jul	EasyJet	CCB met with EasyJet	JH, IL, DH, TM, JS
05 Aug	HAL	JH met with the DfT where they discussed carbon emissions.	JH
06 Aug	CAA	The CCB met with the CAA for an update	JH, IL, DH, TM
08 Aug	CAA	JH met with Beth Corbould	JH
09 Aug	CAA	JH meeting with Beth Corbould for CAA catch-up	JH
19 Aug	HAL	CCB met with HAL to discuss: The Summary Plan, Principles for Incentives Methodology, Operational Resilience, Surface Access and the Consumer Engagement Plan	JH, IL, DH, JS, TM, CW
02 Sep	CAA	JH met with Freya Whiteman	JH
09 Sep	CAA	JH met with HAL Executive Committee	JH
10 Sep	HAL	JH met with Jenny Wilmott, CAA Consumer Panel Chair	JH
16 Sep	CAA	CCB met with HAL to discuss: Building a consumer-focused business plan; Development of outcomes, measures, targets & incentives and Consumer engagement feedback findings and proposals	JH, IL, DH, JS, TM, CW
16 Sep	HAL	JH is meeting with BA and VAA	JH
19 Sep	CAA	JH met with Freya Whiteman	JH
05 Oct	HAL	JH and IL met with HAL Executive Committee	JH, IL
21 Oct	HAL	JH met with Andrew McMillan	JH
21 Oct		CCB met with HAL to discuss: Building a consumer-focused business plan; Development of outcomes, measures, targets & incentives and Consumer, Surface Access and Consumer Engagement findings and proposals	JH, DH, JS, TM, CW
12 Nov	BA	CCB met with BA at their offices at BA Waterside to discuss Expansion	JH, IL, JS, TM, CW
13 Nov	CAA	JH met with FW of the CAA	JH
18 Nov	HAL	JH met with Andrew McMillan and John Holland-Kaye to discuss Constructive Engagement and the Initial Business Plan	JH
18 Nov	HAL	CCB met with HAL to discuss: Building a consumer-focused business plan; Development of outcomes, measures, targets & incentives and Consumer, Generation Z and Choices Research	JH, IL, DH, JS, TM, CW

Date	Location / Organisation	Topic	CCB Attendance
27 Nov	HAL	JH met with the HAL Board	JH
29 Nov		JH met with AOC/LACC	JH
02 Dec	CAA	CCB with CAA to discuss role of CCB and TORs	JH, IL, DH, JS, TM, CW
03 Dec	HAL	JH met with HAL Executive Committee	JH
12 Dec	CAA	JH met with Freya Whiteman	JH
16 Dec	HAL	JH met with Jason Knight	JH
		CCB met with BA, VAA and HAL	JH, IL, JS, TM

## 2018

Date	Location / Organisation	Topic	CCB Attendance
08 Jan	CAA	Update on the consultation. Information about the CAA's role in resilience, the history of it, why we care, highlights from CAA previous research.	JH, IL, DH, TM, CW, JS, AB
15 Jan	HAL	Literature Review, Service Proposition and Signatures, Expansion, Forward Plan of Activity. HAL and CCB discuss CCB issue log.	JH, IL, DH, JS, TM, CW, AB
25 Jan	HAAG	Introduce role and work of CCB and HAAG.	JH
25 Jan	CAA	CAA's legislative duties in respect of PRMs	JH
25 Jan	BA	Update on CCB work	JH
01 Feb	HAL	HAL Expansion and overview of DCO process	JH
05 Feb	easyJet	Overview of easyJet, easyJet's consumer research and the company's perspective on H7	JH, IL, DH, JS, TM, CW, AB
06 Feb	HAL	HAL Executive Committee to discuss Challenge Log	JH
09 Feb	Consumer Challenge Board	Introduction to new Chair	JH
19 Feb	CAA	CCB talked to CAA about PRM's	JH, IL, JS, TM, CW, AB
22 Feb	HAL	Passenger Sustainability Research - Focus Groups	IL
05 Mar	HAL	Discuss draft Interim report and Challenge Log	JH, IL, DH, JS, TM, CW, AB

Date	Location / Organisation	Topic	CCB Attendance
19 Mar	BA	BA's view on:  1. Development priorities for H7 and the consumer engagement evidence to support BA's priorities.  2. Aspects of SQRBA see as important to go forward into H7 and what consumer engagement evidence BA have in support.  3. Discuss draft Interim report and Challenge Log  4. Views on approaches to R3, including affordability getting defined as keeping charges flat and how that might be achieved, and alternative developers.  5. Resilience - views on how operational changes or investment can improve resilience.	JH, IL, DH, JS, TM, CW
29 Mar	HAL	Discussion on Surface Access	IL, JH
09 Apr	LACC	CCB update the LACC on progress	JH, IL, DH, TM, AB
09 Apr	HAL	Current Status of Research & Engagement, Consumer Research & Engagement Strategy and Sustainability	JH, IL, DH, TM, AB
23 April	CAA	Update on consultation and S16	JH, IL, DH, JS, TM, CW
23 April	HAGG and HAL	Consumer engagement on vulnerable passenger	JH, IL, DH, JS, TM, CW
23 April	HAL	Current Status of Research & Engagement and Business planning, Passenger Insight community - opportunity to input into planned topics, Feedback on synthesis brief and experiments and Principles of cost benefit analysis	JH, IL, DH, JS, TM, CW
24 April	HAAG	Update on CCB and HAAG Activity	JH
26 April	HAL / Airlines	Automation Event	JS
21 May	HAL	Current Status of Research & Engagement, Work package feedback (experiments, sustainability results) and airport charges	JH, IL, DH, TM, CW, AB
21 May	HAL	Surface Access Discussion	JH, IL
22 May	HAL	Vulnerable Consumers Discussion	CW
24 May	HAL	HAL Board to discuss progress since CCB interim report	JH
04 Jun	HAL	WTP Draft Report and a session on the process the Expansion team has taken to develop the strategic requirements and evaluation of the masterplan	JH, IL, DH, JS, CW, AB

<b>Date</b>	<b>Location / Organisation</b>	<b>Topic</b>	<b>CCB Attendance</b>
18 Jun	HAL	Current status of engagement plan, Sustainability Passenger Engagement Research, Synthesis of insights proposal, Draft WTP report, Draft Principles of outcomes and measures and Draft Consumer Engagement Strategy	JH, IL, DH, JS, TM, CW, AB
2 Jul	CAA	Introduction to new CEO of the CAA.	JH, IL, DH, JS, CW, AB
2 Jul	HAL	Expansion and Vulnerable Consumers	JH, IL, DH, JS, TM, CW, AB
3 Jul	HAL Exec	Update on CCB progress	JH
16 Jul	HAL	Willingness to Pay and Expansion	JH, IL, DH, JS, TM, CW, AB
19 Jul	HAL	Discussed updates to CCB Challenge Log	JH
27 Jul	CAA Consumer Panel	Raise concerns with consumer panel that are outside of the CCB remit	JH
30 Jul	DfT	Introduction to CCB and update on progress	JH
06 Aug	LACC	Discussed updates to CCB Challenge Log, consumer research and engagement, masterplanning, outcome based regulation and constructive engagement	JH, IL, DH, JS, TM, AB
20 Aug	HAL	Airline insight report, Western rail and Operational Resilience and Current status of work package feedback.	JH, IL, DH, JS, TM, CW, AB
03 Sep	HAL	Horizon Quarterly report, Airline business partner survey, Masterplan explained and Current status of work package feedback.	JH, IL, DH, JS, TM, CW
05 Sep	HAL	Willingness to Pay	DH
17 Sep	HAL	Synthesis of insights, customer insight to inform arrivals and Current status of work package feedback.	IL, DH, JS, TM, CW, AB
08 Oct	HAL	Preliminary outcomes and measures, Expansion workshops results and actions and Current status of work package feedback.	JH, IL, DH, JS, TM, CW
09 Oct	Heathrow Community Engagement Board (HCEB)	Introduction to CCB and update on progress	JH

Date	Location / Organisation	Topic	CCB Attendance
05 Nov	HAL	Cost Benefit Analysis	JH, IL, DH, JS, TM, CW
05 Nov	CAA	CAA's October Consultation and Initial Business Plan / Final Business Plan	JH, IL, DH, JS, TM, CW
06 Nov	Arora	JH met with Surinder Arora (Chairman), Carlton Brown (CFO), who outlined Arora Group and their thinking in relation to Heathrow. In return JH described the role and responsibilities of the CCB, which at present are limited to scrutiny of HAL as the licence holder and therefore the entity regulated by the CAA.	JH
19 Nov	HAL	Update on Consumer Engagement Plan, Expansion and Surface Access.	JH, IL, JS, TM, CW, AB
20 Nov	HAL Exec Committee	JH updated the HAL exec committee on progress of consumer engagement.	JH
17 Dec	HAL	The CCB updated HAL on the Challenge Log, Version 4	JH, IL, DH, CW

## 2017

Date	Location / Organisation	Topic	CCB Attendance
21 Feb	Heathrow AOC	Governance, responsibilities and consumer engagement carried out by the airlines	JH
21 Feb	CAA	2012 Aviation Act, CAA Consumer Panel and consumer engagement carried out by CAA	JH
24 Feb	CAA	Role of the CCB	JH
27 Feb	LACC	Governance and future investment	JH
01 Mar	HAL	Overview of Heathrow's performance and discussion of R3	JH
02 Mar	IATA	Previous price control period (Q6)	JH
03 Apr	DfT	UKG Aviation Strategy	JH
03 Apr	LACC	Introductory meeting	JH
05 Apr	BA	Overview of BA, BA's consumer research and BA's perspective on H7	JH, IL, DH, JS, TM
05 Apr	HAL	Introduction to consumer research and willingness to pay research	JH

<b>Date</b>	<b>Location / Organisation</b>	<b>Topic</b>	<b>CCB Attendance</b>
13 Apr	CAA	Overview of CAA, Consumers and Markets Group, CAA Tracker survey, Aviation Statistics, economic regulation of HAL	JH, IL, DH, JS, TM, CW, AB
20 Apr	CAA Consumer Panel	Introductory meeting	JH
21 Apr	HACC	Introductory meeting	JH
25 Apr	HAL	Willingness to pay research	DH
25 Apr	CAA	Introductory meeting	JH
03 May	HAL/NATS	Tour of airport, overview of punctuality, capacity, consumer research, Service Quality Rebate Scheme (SQR), Quality of Service Monitor, Airport Service Quality (ASQ)	JH, IL, DH, JS, TM, AB
08 May	CAA	R3/H7 work programme	JH, DH, JS, TM, AB
08 May	CAA Consumer Panel	Role, responsibilities and relationship between Consumer Panel and CCB	JH, IL, DH, JS, TM, AB
08 May	HAL	Engagement with airlines, DfT and CAA. Strategic Brief HAL 2030/2040. Consumer engagement on surface access, journey mapping, PRMs and social media	JH, IL, DH, JS, TM, AB
09 May	CAA	Update on CCB progress	JH
22 May	HAL	Influencing factors on the passenger journey and immigration insights	JH, IL, DH, JS, TM, AB
05 Jun	HAL/NATS	Airspace resilience overview, Consumer Research, Outcomes and Capital Overview	JH, IL, DH, JS, TM, CW, AB
03 Jul	LACC	Update on CCB progress	JH, AB
10 Jul	Virgin	Overview of Virgin Atlantic, Virgin's consumer research, and Virgin's perspective on H7	JH, IL, DH, JS, TM, CW, AB
12 Jul	HAL	Update on CCB progress	IL, DH
12 Jul	HACC	Introductory meeting	JH
17 Jul	HAL	Preparation for forthcoming meeting with HAL board. Review progress to date	JH
25 Jul	HAL	Personal introduction and description of composition, role, modus operandi and activities of CCB.	JH



Date	Location / Organisation	Topic	CCB Attendance
26 Jul	HAL	Personal introduction and description of composition, role, modus operandi and activities of CCB.	JH
02 Aug	Which	Introduce role and work of CCB. Explore consumer views of current and future Heathrow experience.	JH
05 Sep	HAL	Introduce role and work of CCB. Explore consumer views of current and future Heathrow experience.	JH
11 Sep	HAL	Feedback to HAL's Consumer Research and Engagement Strategy	IL, DH, JS, TM, CW, AB
21 Sept	HAL	Inception meeting for the qualitative phase in preparation for HAL's willingness to pay (WTP) research	IL, CW
28 Sep	BA	Update on CCB progress	JH, IL, DH, JS, TM, CW, AB
23 Oct	CAA	Update on consultation and presentation on airport charges	IL, DH, JS, CW, AB
23 Oct	HAL	Second review of HAL's updated Consumer Research and Engagement Strategy	IL, DH, JS, CW, AB
01 Nov	HAL	Review of qualitative research results	JH, IL, DH, JS, TM, CW, AB
09 Nov	CCB	Review of qualitative WTP research results	JH, IL, DH, JS, CW, AB
23 Nov	Border Force	Objectives and parameters of UK Border Force's work at Heathrow, and how that interfaces with HAL.	JH, IL, DH, JS, TM, CW, AB
04 Dec	HAL	Passenger Insight community WTP attributes PRM Surface access Consumer research and engagement strategy Business planning process	JH, IL, DH, JS, TM, CW, AB
05 Dec	Tripartite HAL Airlines CCB	Review attributes for WTP survey	JH, CW, DH, AB
05 Dec	HAL/CAA	HAL presented to the CAA/CCB how consumer engagement is driving Heathrow's Expansion plans.	DH

Date	Location / Organisation	Topic	CCB Attendance
11 Dec	CAA	Update on CCB progress.	JH
18 Dec	Lufthansa	Lufthansa views on consumer research and H7 and their expectations of R3/Expansion. Contrasts or lessons which can be learned from consumer experience of other major hub airports like FRA.	JH, IL, DH, TM, CW, AB
21 Dec	HAL	Update on CCB progress. CCB shared some of the key issues and challenges the CCB have raised or observed about HAL's consumer engagement.	JH