

HCEB RESPONSE TO CAA ECONOMIC REGULATION OF HEATHROW: PROGRAMME UPDATE



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INTRODUCTION

The Heathrow Community Engagement Board Ltd.(HCEB) welcomes the opportunity to respond to the CAA's update on its programme for development of the economic regulation of Heathrow Airport Limited (HAL).

Given the role and remit of HCEB, we have chosen to provide views on issues raised in the paper that are of most relevance to us.

The HCEB response will focus on views from our Passenger Services Group (PSG) and our Transport, Environment and Noise Advisory Group (TENAG).

Over the last two years, HCEB has carried out a significant amount of research into and engagement with communities and stakeholders impacted by the operations of HAL. We have worked in partnership with organisations such as [YouGov](#), [BritianThinks](#), [Traverse Ltd.](#) and [Temple](#) to ensure our research is evidence based and supported by technical experts in certain fields. This response includes our views on the stakeholder engagement proposals outlined by the CAA which are based largely on our own research and engagement experience. For this particular response, we have done further work with Traverse Ltd on developing our views on the CAA 's proposals around stakeholder engagement. We would like to thank Traverse for their contributions to this work.

SUMMARY OF RESPONSE

Our response to the programme update is set out in detail over the following pages.

However, at paragraph 17, the CAA has asked for responses in particular in five key areas (in bold). We have responded to four of

these in detail and made general observations throughout.

- **the development of scenarios and the uses to which they should be put to inform decisions on HAL's next price control;**

We fully support the creation of multiple scenarios built with the collaboration of all stakeholders.

We agree that, in relation to the regulation of Heathrow in its current 2-runway format, these scenarios should be the mutually agreed basis for the 'trigger mechanisms'

- **our view that it will be important to consider whether the form and duration of the new price control should be adapted to deal with future uncertainty about the volume of air traffic;**

We believe that the evidence – in particular around the prospect of further significant disruption to air travel - would suggest that shorter periods of price control for the foreseeable future make most sense.

- **our proposed approach to engaging with stakeholders, making greater use of workshops and a continuing emphasis on the importance of constructive engagement, less reliance on large set piece consultations and, where appropriate, the use of shorter consultation periods;**

In line with our knowledge and expertise, this is the area where we have made the most observations.

The ambition in the document to increase the quality of engagement with stakeholders requires the flexibility, otherwise the engagement will be seen as relatively cosmetic and one-off.

Whilst there are many references to engagement with stakeholders, it is unclear whether the CAA intends this to include wider stakeholders, such as local communities, environmental bodies, local businesses, suppliers and others who may be impacted in a positive or negative way by the development of HAL going forward.

To gain the greatest impact from engagement, we would encourage the CAA to gather views from the full landscape of stakeholders, including local communities and the wider public.

The role of HCEB will be crucial in representing community and passenger interests, along with the airline stakeholders implied by the consultation document, especially as shorter response times are planned

We would welcome more formal engagement between the HCEB and the CAA to ensure the views of passengers are taken into account to the highest possible degree.

- **the timing and scope of our future publications, including a further consultation in June 2020 and a way forward statement in early 2021;**

HCEB recognises the importance of setting a timetable which will provide some certainty on pricing controls sooner rather than later. However, this short timetable brings with it various challenges. In particular, **we would encourage the CAA to consider:**

- How to ensure that its proposals are accessible to the wider range of stakeholders at a time when there are restrictions on the types of engagement which can be undertaken. In particular, it should consider the channels and engagement methods used, the presentation of the information and how it can ensure that the wider range of stakeholders are represented within the engagement and decision-making process.
- The impacts of the current context on stakeholders' ability to respond to engagement, given potentially limited resources and competing priorities.

- Giving stakeholders enough time to engage with the proposals and share their views.
- Identifying opportunities to work with stakeholders to understand the most efficient and effective ways that they would like to be engaged, to gain the greatest value from engagement.
- Integrating the engagement and formal consultations, such that engagement flows into consultation phases and stakeholders feel fully informed before the start of consultation. This can help to mitigate the impacts of shorter consultation period.

CONTEXT

In its programme update, the CAA highlighted the ongoing uncertainty around HAL's expansion proposals following the Court of Appeal's decision. That period of uncertainty will now extend further, following the decision by the Supreme Court in May to allow HAL and the Arora Group permission to appeal the Court of Appeal's decision. This uncertainty has significantly impacted on Heathrow Airport's expansion team and stakeholders involved with aspects of the Airport Expansion project. This includes the HCEB.

The COVID-19 pandemic continues to have a huge impact on people, communities, businesses, airports, travel and airspace in the UK as well as around the world. Many UK airlines have grounded hundreds of aircraft and staff, including many at Heathrow Airport, have either been furloughed or made redundant

While the Supreme Court has given permission to HAL to appeal the Court of Appeal judgment, the impact of this judgment and effects of the COVID-19 pandemic have created a uniquely difficult and sensitive time for everyone working in or around Heathrow Airport. As a result, HAL is understandably reviewing its plans for the future.

Heathrow Airport continues to play a critical role in the national recovery from COVID-19 but for many, expansion remains a controversial topic. With those plans on pause for the time being, now is the time to be investing in relationships for the long term; to make sure life around Heathrow is better tomorrow than it is today. HAL has made a

public commitment to being a good neighbour, something which is just as important with two runways.

The role of the HCEB today

Who?

The HCEB is the Airport Consultative Committee for Heathrow Airport. We are wholly independent of both HAL and the Government, and have an independent chair. Our values are independence, impartiality, inclusivity, transparency and integrity.

What?

We aim to publicly hold Heathrow Airport accountable to the stakeholders and communities who are impacted by its operations and ensure that we facilitate engagement in its decision-making.

Why?

To encourage decision-making and communication by HAL which can be trusted by the stakeholders and communities who are impacted by its operations.

To ensure that there is a clear and accessible process for any issues raised by stakeholders and communities to be addressed quickly and fairly by HAL in a transparent and accountable way.

To ensure fairness and transparency for the stakeholders and communities who are impacted by the airport's operations.

How?

We independently facilitate a clear, transparent and honest dialogue between stakeholders, communities and HAL, to provide monitoring and scrutiny of current airport operations and plans for the future, as well as proactively engaging communities and stakeholders in decision-making at Heathrow Airport.

Our advisory groups

We have a number of advisory groups which exist to provide high level strategic advice to the Chair and the Board of Directors on how the HCEB can fulfil its purpose. These include two advisory groups (stakeholder & community and elected members), the Passenger Services Group (PSG) and

the Transport, Environment and Noise Advisory Group (TENAG).

Further details of these groups can be found on our [website](#).

Our work in relationship building, stakeholder and community engagement & research

Since we started operating in April 2018, we have undertaken a range of community engagement activities.

We have:

- established new groups and structures to reach a broader group of the stakeholders and communities impacted by Heathrow Airport than our predecessor body could
- given local communities the opportunity to meet and directly engage with senior decision makers, including two Government Ministers for Aviation
- reached over three quarters of a million people with targeted social media advertising, posted surveys and local adverts
- commissioned a large body of rigorous independent research into stakeholder and community attitudes and needs for the future
- undertaken a survey to find out what matters most to those affected by Heathrow Airport and sought views from the community about HAL's consultation on airspace
- partnered with student engagement experts Campus Industries to involve students and young people in the conversation about the future of Heathrow Airport and the surrounding area
- undertaken work to help facilitate responses from communities (particularly seldom heard groups) to the Airport Expansion Consultation

A recurring theme throughout this activity has been the issue of trust. In addition to undermining any efforts to effectively consult on future plans, the historic lack of trust from some stakeholders and the community towards the airport has risked souring any conversation about Heathrow Airport's current

operations – a critically important part of our role.

The transparency and scope of our work has demonstrably increased trust from stakeholders and local communities that they will and can have a say in the day-to-day operations of the airport as well as its future. But this trust is fragile, and any broken promises, no matter how small, could see it diminish again.

We have looked at best-practice examples of stakeholder and community engagement, monitoring and scrutiny in the UK and internationally. In the UK, we have met a number of ACCs such as those for Luton, Gatwick, London City and Manchester. We have also engaged with our equivalent organisation for Vienna International Airport, the Vienna DialogForum.

This work has put HCEB in a strong position to advise on the best and more innovative methods of engagement with stakeholders and communities; some of which we will share in this response. It has also helped inform and shape our plans for the future – albeit, following the Court of Appeal judgment, a different future – drawing on practical real-world examples of how meaningful engagement, monitoring and scrutiny takes place at other airports.

HCEB RESPONSE TO THE CAA'S PROGRAMME UPDATE

HCEB welcomes the CAA's update on the development of the economic regulation of Heathrow at a very challenging and uncertain time. It is hoped that the following views from HCEB will be taken into consideration ahead of the June 2020 consultation.

Our PSG and TENAG have provided views on some of the main points raised in the document. We have then taken a more focussed look at the proposals around stakeholder engagement.

Response from the PSG

The HCEB PSG has one simple objective: to consider on their own initiative, or by the direction of the HCEB, any issue in connection with Heathrow Airport that would improve the passenger experience, and to report their conclusions and recommendations to HCEB. The group's views are as follows:

Although the impact of COVID-19 on aviation is unprecedented, it is actually the third significant event which has resulted in a major disruption to the aviation sector and Heathrow Airport over the last 20 years. Whilst this current global pandemic is by far the most far-reaching, it was preceded by the events around September 11th, 2001 and the April 2010 eruption of Eyjafjallajökull. We reference both of these incidents because they reinforce the importance of recognising that aviation is a vulnerable sector, be it through terrorism, natural disasters or major health events.

As the group which has the sole objective of representing the interests of passengers as they fly from, to or through Heathrow, the PSG supports any initiative and regulation which ensures the economic viability of the airport and the airlines which serve it. A vibrant Heathrow, in the context of a competitive UK aviation market, provides choice for the consumer and an environment in which passenger experience standards are constantly improved.

Although the PSG recognises that CAP 1914 represents the 'regulated' component of HAL's income stream, it is also worth stressing that major disruption does not only impact the flow of regulated income but all associated

passenger spending. **The impact of fewer passengers is quickly felt not only by HAL but also by the significant number of businesses and employees who operated in and around Heathrow.**

We also note the strategic national role Heathrow has played throughout COVID-19. It has provided a vital cargo service for essential medical items, perishable foods to maintain food supply and for the repatriation of UK citizens back to the UK and foreign nationals to their home country.

We fully support the creation of multiple scenarios built with the collaboration of all stakeholders (please see HCEB response to stakeholder engagement below). We would recommend that those scenarios should be clearly 'tiered', from worst to best case, in a formal consultation.

We agree that, in relation to the regulation of Heathrow in its current 2-runway format, these scenarios should be the mutually agreed basis for the 'trigger mechanisms'. However, because of the uncertainty around COVID-19 and the future impacts on travel, we find it hard to see how these trigger mechanisms can be linked to fixed dates. **Notably, in the absence of a vaccine it is conceivable that future 'waves' of the pandemic will result in global or regional travel disruption again.**

We understand that business needs stability and an operating 'horizon' but **we believe that the evidence would suggest that shorter periods of price control for the foreseeable future make most sense.**

It also seems appropriate that, when building these scenarios once recovery comes and the operating environment gets closer to normal, these 'past' scenarios are not discarded but used as new floors which can be implemented as and when disruption reoccurs. This would then speed the process of regulatory intervention in the event of any future material impact on the aviation sector.

Finally on stakeholder composition, and in particular looking at the consumer engagement work which had been carried out by the Consumer Challenge Board, **we would welcome more formal engagement between the HCEB and the CAA to ensure**

the views of passengers are taken into account to the highest possible degree.

Response from TENAG

The HCEB TENAG liaises with stakeholders, communities and Heathrow Airport to explore ways of reducing adverse impacts of both operations and development including outside the formal airport boundaries. To date, this has resulted in suggestions for new ways of managing flight paths, noise, surface transport and parking policies. Future plans include supporting a ULEZ package, employment, training and biodiversity. The group's views are as follows:

While the document makes it clear that it is based on the expectation that traffic levels will recover in the longer term, the current plans for economic regulation relate to a two runway airport only.

It is also likely that in future distancing habits developed during the Covid-19 lock-down will in part continue into the longer term; therefore, even if the original development plan does not go ahead, it seems highly likely that there will be additional pressure on space including parking and surface access.

There are also ongoing environmental concerns, which may well result in modal shift for short haul trips – and in turn fewer flights overall or alternatively more long haul flights. **Local communities have enjoyed less noise during the COVID-19 lockdown period and will want to hold on to as much of this change as possible.**

Various recent opinion polls have found that people would prefer the government to prioritise health and wellbeing over economic growth even after the pandemic has subsided. Alternatively, others whose employment depends on the airport may advocate economic growth – albeit sustainable. **What is clear that no one can return to 'business as usual' and that there are fundamental pricing implications.** We, and the HCEB as a whole, have a key role in supporting the expression of these views from an independent and trusted standpoint.

Another role which HCEB's TENAG brings to the regulatory debate relates to the need for flexibility which is widely acknowledged to be

inevitable as the world recovers from the global lockdown. This implies a different approach to pricing which could include price intervention to stabilise charging and demand. **Here again the role of HCEB in engagement with stakeholders and the local community will be constructive.**

The CAA's proposed approach to engaging with stakeholders

This section of our response is based on our engagement work with stakeholders and communities over the last two years.

We have also worked in partnership with industry-leading engagement specialists Traverse Ltd.¹ who have considered the proposals against the eight questions set out in section two.

We have presented views in a 'SWOT' format, assessing the potential strengths and weaknesses of the proposed approaches, opportunities that the proposed approaches may offer and potential threats that the approaches may present in terms of strong engagement and robust and informed decision making. We have concluded this section with suggested areas that we encourage the CAA to consider ahead of the June consultation.

Strengths

It is encouraging to see the CAA's stated intent to engage in a meaningful way and to make use of the information gathered to inform robust and evidence-based decision-making.

The CAA recognises the need to develop effective presentations of options and information which allow those responding to consider the potential scenarios, whilst also providing responses and data which support analysis and practical decision making.

The CAA's intention to involve HAL and other stakeholders in developing these scenarios is a positive element that suggests a collaborative approach. **This approach should also allow stakeholders to be informed and consider the likely scenarios prior to engagement, giving the potential for greater and more informed views as the process moves forward** as well as potentially streamlining engagement through greater understanding by stakeholders of the process for developing those scenarios.

The CAA's recognition of the need for flexibility and its clear outlining of this intention

is also a strong element. Effective engagement and consultation should recognise the context in which it is being delivered and where there may need to be revisions or adaptations to reflect changing circumstances as part of an ongoing engagement.

The CAA recognises that this may necessitate a move from set periods of engagement, such as formal consultation, to ongoing involvement of stakeholders within the process. This move towards more collaborative engagement has the potential to enhance the outputs and outcomes and suggests that CAA is properly considering the current context in which they are engaging.

It is encouraging to see the commitment to both early and ongoing engagement. **Developing an ongoing dialogue is an effective approach to robust decision making that incorporates the developing views of stakeholders, and the earlier that this can begin, the more effective it tends to be.**

The programme update also notes the need to encourage stakeholders with whom the CAA is engaging, and in particular HAL, to undertake their own engagement with stakeholders to ensure that the stakeholders' own views (and in the case of HAL, their business planning) is informed by the views of stakeholders. It is pleasing to see that the CAA recognises its responsibility in encouraging the enhancement of engagement and the wider value that this can provide. It is worth noting here that **the role of HCEB will be crucial in representing community and passenger interests, along with the airline stakeholders implied by the consultation document, especially as shorter response times are planned.**

The programme update refers to the need to build on the work of the Consumer Challenge Board. Similar bodies have been used effectively within the utility sector, where the use of challenge panels has been part of a positive development of more inclusive and participatory engagement with price control processes, and therefore greater legitimacy of decision making for regulators.

¹ More can be found about the work of Traverse on their website at: www.traverse.ltd

The proposed staged approach to engaging and signposting the expected content of those engagement phases is valuable in informing stakeholders as to when they can share views and the topics that they will be asked to consider and comment on. This is even more important in the current context to support the planned use of more limited resources. This staged approach also suggests that the CAA has given thought to the engagement process as a whole and considered the need for and how to use input from engagement at each stage of that process.

Weaknesses

Whilst there are many references to engagement with stakeholders, it is unclear whether the CAA intends this to include wider stakeholders, such as local communities, environmental bodies, local businesses, suppliers and others who may be impacted in a positive or negative way by the development of HAL going forward.

Whilst the topic under consideration is primarily commercial in nature, those commercial elements will be critical in determining how Heathrow Airport develops, and how changes to Heathrow Airport will have wider benefits and impacts.

To gain the greatest impact from engagement, we would encourage the CAA to gather views from the full landscape of stakeholders, including local communities and the wider public. The CAA should consider how these views may shape primarily commercial decisions, given the critical importance of Heathrow Airport to the national and local economy and environment.

Whilst we recognise that the subject of price control and economic regulation may not be immediately accessible to these wider groups, a fundamental element of strong engagement is the opportunity for all relevant stakeholders to understand the proposals and share their views. Where necessary this may mean presenting information in ways that are more accessible to different stakeholder groups and supporting them in debating the potential benefits and impacts that the proposals may generate.

The more flexible approach and the move away from formal consultation has the potential to exclude some stakeholder groups

from the process or limit their ability to take part. This may include the stakeholder groups, such as consumers, which the CAA has identified as a key audience, as well as wider groups. It will be important when undertaking the proposed discussions and workshops to ensure that the full range of views and stakeholders are represented. **We would advise the CAA to consider developing a specialist toolkit to enable constructive engagement.**

Reference is made to building on the work of the Consumer Challenge Board. It is unclear however whether the CAA would also seek to include other bodies, and in particular the HCEB, who can provide wider views and perspectives and enhance the robustness, quality of planning, engagement and decision-making by ensuring that the full range of views is captured and considered. These groups can also provide valuable insight into how best to engage with the stakeholder groups that they represent.

It is also unclear from this document if the CAA will provide information to the wider public on the ongoing process and whether there will be an opportunity for public involvement in the process in some form.

Opportunities

The CAA has the opportunity to lead improvements in engagement and consultation amongst its stakeholders.

By aiming to engage in a way that reflects best practice and seeks to encourage others to do the same, the CAA can generate a step change in engagement around Heathrow Airport and set a benchmark for good engagement on a national and even international level.

The CAA also has the opportunity to implement new routes and methods of engagement that will deliver more robust and in-depth intelligence and data on which to base decisions. This may include using digital tools to expand the reach of engagement and gather wider views and employing collaborative or deliberative models of engagement and approaches that support greater involvement and buy-in from stakeholders.

Threats

While shorter timescales for engagement can be necessary, this may impact on the volume and content of responses and the ability of stakeholders to consider and reflect on the proposals. **A shorter timescale may also be challenging where the CAA is engaging representative bodies, who in turn may wish to engage their members before responding. This may undermine the intended robustness of the data gathered.**

It may also be challenging to ensure that all stakeholders can be reached during engagement phases.

Undertaking engagement on a short timeframe may also be a barrier to inclusion, in particular when engaging on complex topics.

The proposed programme of engagement is acknowledged as challenging, and the CAA should consider how it will ensure that it has the time to consider and integrate the data gathered from engagement into the developing proposals in a meaningful way.

An approach to engagement which balances informal approaches with more formal methods as a number of positive elements. However, **care is needed that informal approaches are underpinned by an effective methodology for recording the input received and tracking how it is used in decision-making in order to gain greatest value.**

The views and priorities of stakeholders within the context of the global pandemic and the associated impacts, may differ, sometimes significantly, from those that they may have at other times. Whilst this does not mean that these views lack validity in terms of decision-making, there is potential for these views and priorities to shift as circumstances change.

Summary

The statements and approaches that the CAA has set out in its document suggest that its approach has potential to deliver effective engagement that contributes to a robust and informed decision-making process.

They further indicate that the CAA recognises the need to adapt its approaches to the current uncertainties and to remain open and

flexible to making further changes. In taking this flexible approach, it will be important to **recognise and mitigate the risk of excluding certain groups of stakeholders.**

The CAA also clearly recognises the need both to seek views from a range of stakeholders and to develop a dialogue with those stakeholders. However, the references to the stakeholder groups within the document suggest that these may primarily be commercial interests and consumers. Consideration should be given to the value of including a wider range of stakeholders, such as local communities, local businesses, and wider interests outside the purely commercial, including organisations such as the HCEB to represent these wider interests.

The document sets out a 'roadmap' of engagement, which can be a valuable element of any approach by allowing stakeholders to understand how and when they will be able to contribute views, which in turn should mean that the CAA receives views relevant to the stage of development of the proposals.

The use of shorter timescales for engagement, whilst understandable, raises a number of considerations about the robustness of the processes, which should be reflected in the decision-making process. In addition, shorter timescales for decision-making run the risk that there is not sufficient time for the views gathered to influence decision-making. It will be important to have a strong process for recording and tracking data gathered and its role in the decision-making process, reflecting the challenging timetable.

The current circumstances may have a significant impact on the views and opinions shared by stakeholders, and these may change as circumstances change. Care will be needed in using the data gathered in decision-making, recognising the potential for the views shared to shift in the future. The CAA's proposed approach does however appear to recognise this.

The CAA should reflect on opportunities to encourage innovation and enhancement of engagement within the aviation industry.

Considerations

In preparing for the June consultation, we would encourage the CAA to consider:

- How to ensure that the proposals are accessible to the wider range of stakeholders. In particular, it should consider the channels and engagement methods used, the presentation of the information and how it can ensure that the wider range of stakeholders are represented within the engagement and decision-making process. **This will be particularly important at a time when there are restrictions on the types of engagement which can be undertaken (primarily face to face activities).**
- Innovative approaches to engagement, including both online and offline approaches, recognising the benefits and limitations of these approaches and reflecting this in the decision-making process.
- The impacts of the current context on stakeholders' ability to respond to engagement, given potentially limited resources and competing priorities.
- Reflecting on the best balance between short and impactful engagement and consultation periods and providing enough time to engage with the proposals and share their views.
- Ensuring that it supports stakeholders in responding, reflecting the shorter timescales for engagement proposed.
- How the current context may shape the responses of stakeholders and reflect this within the decision-making process.
- Identifying opportunities to work with stakeholders to understand the most efficient and effective ways that they would like to be engaged, to gain the greatest value from engagement.
- Integrating the engagement and formal consultations, such that engagement flows into consultation phases and stakeholders feel fully informed before the start of consultation. This can help

to mitigate the impacts of shorter consultation period.

- Clearly articulating the areas where input is sought, and the feedback required. This will be important to ensure that each phase of engagement delivers the greatest value in shaping development and informing decision making. This is particularly important when seeking input in a short time frame.

The CAA's role within the aviation industry provides an opportunity to drive enhancement in engagement within the wider industry and set new standards.

In this document, the CAA has demonstrated an openness to developing new and effective approaches, and so these opportunities should be sought out as part of this engagement process.



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