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Information  
Board

# Consumer Programme

2014–15

Updated May 2014

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# The CAA's Consumer Programme for 2014–15

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## Foreword

For the first time, the CAA is publishing a consumer work programme setting out what we intend to do this operational year for consumers, and why. We are not announcing a change of direction for the CAA. Rather, our intention is to explain in a consistent and coherent way how we plan to deliver our strategic objective to improve choice, value and fair treatment for consumers, as announced in our 2011-16 Strategic Plan. This publication should help us to measure and report on the success of our work and to ensure we remain focused across the CAA on delivering positive benefits to consumers. It will also promote a healthy market by providing our stakeholders with greater certainty about our priorities and how we are likely to respond to particular issues.





Consumers are the true drivers of effective markets and successful economies. Where air passengers can make well informed decisions, airlines and other aviation businesses can respond by giving them the products and services they want at the lowest possible prices. Consumer choice can drive innovation and growth.

Regulators have a role because in some circumstances markets alone cannot be relied upon to deliver low prices and high standards of service and customer care. However, this document sets out the CAA's desire to work with the grain of the market wherever possible, by empowering consumers to choose the best deals and demand better products.

On the whole, UK consumers already benefit from an exceptional choice of airlines, airports and destinations. So our focus is on supporting competition, by helping consumers maximise the value they get from the choices they have. However, in circumstances that we describe in this document, we cannot rely on competition to promote passengers' interests, and in these cases, we will intervene in the market to protect consumers. But we will do this in ways that are flexible to changing circumstances and without stifling opportunities for competition to develop in the future.

**Iain Osborne**

Group Director of Regulatory Policy

## Introduction

1. The CAA's Consumer Programme for 2014–15 will be of interest to a range of stakeholders, particularly those with a consumer focus. It is published alongside equivalent strategy documents on safety and environmental performance.
2. Our policy framework is underpinned by five 'consumer outcomes' (page 23). Our work programme for 2014-15 is geared towards achieving these outcomes and they will also form the basis for future work programmes.
3. The policy framework explains how the five outcomes relate to the CAA's current statutory duties and powers (see Box 1). Through effective consumer research and engagement we will identify and address the risks that could prevent these outcomes from being achieved. The five consumer outcomes are:
  - i) Consumers have access to the widest possible choice of providers and services and are appropriately protected, especially where offering choice is not possible or practical.
  - ii) Consumers are not unfairly discriminated against in terms of their ability to participate in the air transport market.
  - iii) Consumers are provided with clear information about the price and other aspects of air transport services that are important to them, and are kept appropriately informed before, during and after the point of sale.
  - iv) Consumers are provided with air transport services that perform as they have been led to reasonably expect, and are looked after appropriately when they don't.
  - v) Consumers have access to quick, fair and cost-effective complaints-handling when things go wrong.
4. Underpinning our consumer outcomes are two related organisational outcomes that will be critical to ensuring that our consumer outcomes are delivered in the most efficient and effective way:





- i) To base our work on a comprehensive understanding of consumer needs and experiences through an effective consumer research programme, effective engagement with consumer groups and businesses, and ensuring our consumer work continues to receive scrutiny and critical insight from our independent panel of consumer policy experts (see Box 6 on the CAA's Consumer Panel).
  - ii) To take a risk-based approach to our work, ensuring that the resources available to us are targeted at the most significant risks to consumers, and making the basis for our decisions more transparent to consumers, businesses and other stakeholder groups.
5. Our consumer outcomes set out the goals by which our stakeholders will judge us and hold us to account. We will publish and consult on our planned work programme every 12 months. Each consultation will include a review of our performance in delivering our work programme for the previous 12 months against these outcomes.
6. Unless there is good reason to do otherwise, the policy framework will be reviewed every five years as part of the review of the CAA Strategic Plan. As we have published this document midway through the 2011-16 Strategic Plan, our policy framework will next be reviewed in 2016.

### Box 1: Our role and responsibilities

The Department for Transport (DfT) sets a strategic policy framework for the air transport sector in the context of the Government's overall transport objectives. DfT leads UK negotiations on air transport in the EU and other international forums but in doing so looks to the CAA for expert advice. It is the role of DfT to lead on primary and secondary UK legislation relating to air transport (subject to Parliamentary approval), including the statutory framework which outlines the CAA's roles and responsibilities. As the CAA's sponsor, DfT monitors how it fulfils its responsibilities set out under the framework; and can commission advice to Ministers under section 16 of the Civil Aviation Act 1982, such as the work the Secretary of State asked the CAA to carry out in 2009 on the passenger experience at airports.

The legal basis for the CAA's consumer work is found in both consumer protection laws which apply to all businesses and in sector specific legislation. The 1982 Act gave the CAA some general objectives including that of furthering the interests of users of air transport services. Part 8 of the Enterprise Act 2002 gave CAA enforcement powers in the aviation sector for a range of general consumer legislation and some sector specific rules. The Civil Aviation Act 2012 and the Transport Act 2000 provided the CAA with concurrent powers under the Competition Act 1998 and Part 4 of the Enterprise Act 2002 for airport operation services and air traffic services respectively.

The Civil Aviation Act 2012 was a consumer-oriented Act, reflecting a growing awareness within government and society of the importance of meeting the needs of the consumer: new duties were introduced to promote publication of consumer and environment information; the CAA was given a clear primary duty to consumers in the economic regulation of airports; concurrent competition powers were extended; and provision was made for regulations to extend ATOL financial protection to a wider range of holidays by air.

The CAA also has responsibility for enforcing a body of European legislation which provides significant protection for the aviation consumer including:

- Regulation EC 1107/2006: access to air travel for disabled and reduced mobility passengers
- Regulation EC 261/2004: rights to compensation and assistance for denied boarding, of cancellation and long delays
- Regulation EC 1008/2008 Article 23: transparent pricing
- Regulation EC 2111/2005: informing passengers of the identity of their airline
- Regulation 1008/2008: Operating Licence requirements for air operators



**Box 1: Our role and responsibilities (continued)**

- Regulation EC 785/2004: insurance requirements for air operators
- EC 300/2008 Common rules in the field of civil aviation security
- EC 185/200 Detailed measures for the implementation of the common basic standards on aviation security

In addition to specified functions the CAA can also undertake other activities that it deems necessary to further its statutory duties. For example, in 1973 the CAA set up the Air Transport Users' Council (AUC) to act as a consumer advocate and mediate complaints between passengers and airlines/airports. Following consultation the AUC ceased to exist in 2011 but the CAA still assists passengers with complaints through its Passenger Advice and Complaints Team (PACT); and receives expert consumer advice from the CAA Consumer Panel (see box 6).

The CAA is the UK's specialist aviation regulator, and our remit encompasses, but also extends beyond, consumer issues. There are other statutory or government bodies with a generic consumer policy or consumer protection remit which may encompass the aviation sector. The Department for Business, Innovation and Skills (BIS) works to create markets that serve businesses' and consumers' long-term interests and its leadership includes a Consumer Minister. Other relevant agencies include the Competition and Markets Authority (CMA), which took over many of the functions of the Office of Fair Trading (OFT) and the Competition Commission (CC) in April 2014. The CAA works with these bodies where appropriate and keeps in touch with parallel regulators in sectors such as rail, telecommunications, financial services and energy which have common concerns with the CAA such as consumer empowerment. An example of joint work is the announcement by BIS in late 2013 of plans to end the use of premium telephone numbers for customers calling airlines, train operators and major high street and online retailers.



## Policy framework

### The rationale for regulation

7. Regulation is essentially about managing risks. The four strategic objectives (see Box 2) that we set out in our 2011-16 Strategic Plan reflect the three key risks in the aviation sector – safety risks, environmental risks and consumer risks – and a further, more general risk: that of inefficient and ineffective regulation that does not give value for money. As of 1 April 2014 the CAA has taken over responsibility for regulating aviation security from DfT. A new strategic objective has been added to our Strategic Plan to reflect this.

#### Box 2: Our strategic objectives

The CAA exists to protect the interests of the public. This is central to all our work: in safety and security, in market regulation and consumer protection, and in terms of the impact of aviation on the environment. We have five strategic objectives to achieve this:

1. To enhance aviation safety performance by pursuing targeted and continuous improvements in systems, culture, processes and capability.
2. To improve choice and value for aviation consumers now and in the future by promoting competitive markets, contributing to consumers' ability to make informed decisions and protecting them where appropriate.
3. To improve environmental performance through more efficient use of airspace and make an efficient contribution to reducing the aviation industry's environmental impacts.
4. To ensure that civil aviation entities operating in the UK maintain security arrangements which fully address the risk to their operations and to the public, in ways which comply with European and UK aviation security requirements.
5. To ensure that the CAA is an efficient and effective organisation which meets Better Regulation principles and gives value for money.

8. In the areas of safety and security, the interests of consumers and wider society are generally well-aligned. By taking action to protect consumers, for whom the safety of the aircraft they fly on as passengers is the highest priority, we also ensure that third parties and property are protected from the risk of unsafe aircraft resulting from accidents and terrorism.
9. Our work to improve the industry's environmental performance also has a strong consumer interest dimension. Ultimately, there can only be an aviation market that serves consumers if the industry's activities are understood and tolerated by the public. This means focusing on issues that strain social acceptance of aviation – such as environmental degradation through noise and air pollution – and ensuring they are kept in balance.
10. While our safety, security and environmental work engages with issues that are “beyond the market,” in the sense that they affect wider society, as well as consumers, our work to regulate consumer risks focuses on issues that arise within the market. These result from commercial relationships conducted between businesses (e.g. airports and airlines) and those who ultimately buy their products and services (e.g. passengers and cargo users). We define consumers as “anyone who uses but does not provide an aviation service” (see box 3).



### Box 3: Defining the consumer

We define consumers as “anyone who uses but does not provide an aviation service”. This focus on end users is consistent with various pieces of consumer protection legislation, although these tend only to cover individual or ‘household’ consumers. Our definition also includes businesses of all sizes that use but do not provide aviation services. Even though virtually every business involved in the provision of air transport services is a consumer in the sense that they are likely to buy products and services from other businesses (e.g. airlines are ‘consumers’ of airport services), we do not consider them to be consumers from a regulatory perspective.

In practical terms, consumers are passengers (i.e. those who pay to travel by air), or users of air cargo services (i.e. those who pay for something to be shipped by air). In many cases it is possible to simultaneously promote the needs of passengers and cargo users due to their shared interest in things like the cost and speed of transit<sup>1</sup>, safety and security<sup>2</sup> and the need for access to effective complaints handling and redress mechanisms when things go wrong.

However, our focus is most likely to be on passengers. We prioritise passengers’ interests over cargo users’ because, as a predominantly business-to-business market, the cargo sector is characterised by the presence of high volume users of air transport service, making high value and frequent repeat purchases. This means they are likely to be more experienced consumers than passengers and will have greater bargaining power.

As human beings, passengers are also arguably exposed to more serious risks, which may involve the potential for physical or psychological harm. For example, a delayed or cancelled flight is likely to inconvenience both passengers (who won’t get to their destination on time) and cargo users (who won’t receive or have their goods delivered in time), but only passengers are exposed to the risk of additional problems as a result of that delay, such as being stranded in an airport without access to information, food and/or refreshments, or the ability to contact family or friends. Finally, at the present time, we are not aware of any particular issues affecting cargo users that do not also affect passengers.

1 These factors are directly influenced by the availability of passenger routes (the vast majority of cargo carried to or from the UK travels in the belly-hold of passenger aircraft, rather than on dedicated cargo aircraft).

2 Although these will naturally be a higher priority for passengers as emotional and/or physical harm or death from an aircraft accident or terrorist attack is a much more serious risk than damage to, or loss of, property.

**Figure 1:** Examples of consumer problems at key stages of the 'consumer journey'



11. Our consumer work is not guided by a perception of air travel as a universal service. While we want to widen participation in the market as far as possible, unlike the regulators of sectors like water and energy, our objective is not to ensure that everyone, wherever they are in the UK, can use air travel services at a price they are able to pay. Instead, our concern is with the particular features of the aviation market that put those who do buy the services it offers at risk of detriment. These features are summarised in Figure 1 and explored in more detail in Box 4.

#### **Box 4: Consumer issues in the aviation sector**

In some markets there is little role for regulatory or government intervention beyond general contract law. As the OFT (now part of the CMA) has pointed out, this situation is likely to apply where “all product attributes and prices are easily observed and evaluated at the time of sale, when search costs are not significant, when consumers sample offers from multiple suppliers, and when most consumers are capable of making reasonably good decisions concerning the product in question.”<sup>3</sup> We do not believe that the aviation sector, which is characterised by relatively infrequent purchases of a service that is typically consumed weeks or months after purchase, satisfies all of these restrictive criteria. For example:

- When buying a service, such as a flight, consumers are generally much more reliant on information provided by the seller than they are when buying a tangible product. Because the seller knows much more about the characteristics and performance of their service, consumers face the risk that the information they need to make an informed choice may be incorrect, misleading, difficult to compare with information provided by other sellers, or simply not available at all. Behavioural economics has shown how consumers’ ability to collect and process all of the information potentially relevant to making an informed decision is limited by lack of time and other barriers and that this can be exploited by businesses so that consumers pay a higher price or buy a lower quality than would be best for them. As a regulator, we are concerned about these issues because they affect the effectiveness of competition.

<sup>3</sup> [http://www.offt.gov.uk/shared\\_offt/economic\\_research/oft991.pdf](http://www.offt.gov.uk/shared_offt/economic_research/oft991.pdf)

**Box 4: Consumer issues in the aviation sector**

- Some consumers may have characteristics that mean businesses see them as too expensive or inconvenient to serve in a competitive environment. For example, airlines and airports are unlikely to face sufficient commercial incentives to provide all the facilities and services that are essential for disabled consumers to be able to travel by air, because these consumers are low in number and have a variety of needs that differ from the majority of consumers. In such cases, the issue is not a lack of choice but the risk that leaving the needs of these consumers to the market risks exclusion from the market altogether. European legislation safeguards access to air travel for disabled people and passengers with reduced mobility (PRMs), but for this to ensure fair and non-discriminatory treatment consumers must be able to enforce their rights effectively.
- Supply chains that bring air travel services to consumers consist of multiple sub-contracted relationships, making them complex and – from consumers’ point of view – often opaque. While these arrangements bring benefits to consumers in the form of lower air fares, complex supply chains may also mean that systems and services are more fragile and less resilient when disruption occurs. For example, even though events such as bad weather cannot themselves be prevented, we have found that ineffective co-ordination and communication between, and preparation by, the many service providers can worsen the delay and discomfort experienced by consumers as a result of such events. If accountability between the various service providers is unclear, or if poor performance is not visible or easily challengeable, then the market alone may not provide the level of service that consumers expect.
- A fairly unusual feature of the aviation sector compared to other retail markets is that air transport services may not be provided to the consumer for several weeks or months after buying them. For example, many consumers book their summer holiday shortly after Christmas. As well as meaning that consumers are less able to anticipate the likelihood of their journey being disrupted (e.g. by weather or industrial action), purchasing some time in advance means that consumers face other serious risks that it would be unfair to expect them to manage themselves. These include that the airline or holiday company they plan to travel with could, in the meantime, run into financial problems and go out of business, leaving them out of pocket. Alternatively, their provider could collapse during their trip, leaving them stranded abroad.

**Box 4: Consumer issues in the aviation sector**

- As long as legal obligations are met and consumers have adequate information to inform their choices, service quality aspects (e.g. baggage charges; baggage reclaim; carriage of sports equipment; in-flight food etc.) are legitimate and important areas of competition between businesses, and we see no need for regulation to insist on businesses meeting defined standards of service. For example, many consumers are prepared to accept a relatively basic level of service from airports and airlines in return for lower fares. However, at airports with a significant degree of market power, consumers are – in the absence of regulation – likely to receive lower quality services than they would if those airports were subject to effective competition.
- The nature of air travel as a service, which – unlike a product – can't be returned to the retailer if it doesn't perform as reasonably expected, means that consumers need to be able to access to effective complaint handling and redress arrangements to deal with often complex problems. This includes being able to enforce the general and sector-specific legal rights they have under national and international consumer protection law. If consumers cannot enforce their rights through quick, fair and effective redress schemes then there is little incentive for businesses to follow the rules. For clarity, we consider redress to cover the entire complaints handling 'system' – not just the institutions (e.g. businesses, dispute resolution schemes) but also the outcomes (e.g. form of redress – financial compensation, apologies, explanations – and driving improvements in standards).
- Consumers' experience of air travel is, to some extent, influenced by services provided by the public sector, notably immigration control. Also, government naturally retains strong control over policy on core state functions such as policing and security, even when oversight and regulation of these functions are devolved to independent regulators. Because activities carried out by the state tend not to be exposed to competitive pressures (i.e. consumers cannot simply switch to another provider), there is no immediate feedback loop to highlight consumer detriment. Even if there were, a balance needs to be struck between the quality of the immediate consumer experience and other public goods like national security.

## Consumers are best served by well-functioning markets

12. The successful liberalisation of previously heavily-regulated aviation markets (see Box 5) has shown how effective competition in aviation markets is usually the best way to promote consumer interests and create the right conditions for innovation, investment and improvement.
13. Effective competition is not just about consumers having a choice of provider. It also requires consumers to have the information, skills and confidence they need to make informed decisions about competing products and suppliers and maximise the value they get from the decisions they make. Well-functioning markets therefore demand a strong supply side (competition between firms) and a strong demand side (active, informed and confident consumers). As such, we support the wider public policy view that the disciplines of competition policy and consumer policy<sup>4</sup>, traditionally seen as two quite separate things, are highly interdependent. This document seeks to make that link explicit in the context of the CAA's work.
14. Under the conditions described above, only the businesses making the best offers in terms of price, quality, range and reliability will thrive. The reward for consumers is that it gives them the price and quality that best meets their needs. In any market, it is essential that consumers are satisfied with the outcomes they get from the purchases they make, and this includes being able to obtain redress when things go wrong. If consumers lose confidence and become resigned to negative outcomes then they may shop around less, creating a vicious circle that reduces competitive pressure on businesses in the longer term.

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4 See OFT991: "One could say that competition policy comprises 'the set of policies and laws which ensure that competition in the marketplace is not restricted in such a way as to reduce economic welfare.' Whereas consumer policy 'consists of preventing sellers from increasing sales by lying about their products or by engaging in unfair practices such as unilateral breach of contract or unauthorized billing.'" ([http://www.of.gov.uk/shared\\_of/economic\\_research/oft991.pdf](http://www.of.gov.uk/shared_of/economic_research/oft991.pdf))

15. We will seek to use regulatory mechanisms that offer flexibility and respect freedom of choice by both businesses and consumers in order to enable the market to operate as freely as possible. Informational forms of regulation are more likely to achieve this aim than 'harder' forms of regulation, such as direct regulation of product or service characteristics (e.g. price, quality, quantity), banning certain products or services, or reliance on private or public enforcement of consumer protection legislation. These types of intervention may be difficult to target at the underlying causes of market problems, which risks either not correcting the problem, or introducing other harmful distortions to the market that were not previously there. Equally importantly, such interventions may also struggle to adapt to changes in the market over time.

### **Choice may not be possible – or wanted**

16. However, addressing consumer problems by promoting choice may not always be an option. It is often not possible for the market to offer as much choice as is desirable due to enduring economic bottlenecks, such as a shortage of airport capacity.
17. Another reason is that in some areas of the market consumers may simply not value choice. For example, consumers generally all want the same thing when it comes to the safety of the aircraft and airports they use – and in any case, even if consumers did want to choose on safety grounds, the need to protect third parties from safety risks would make this difficult to achieve. Consumers also want to be confident that their airline or holiday company won't collapse, before they depart or while they are overseas, leaving them out of pocket or unable to return home. However, it would be unreasonable to expect them to be able to assimilate and assess complex information about companies' financial positions to make this judgement, even if this information was publicly available.



18. Where choice is not possible or not wanted by consumers, we will regulate to push businesses towards providing a particular outcome for consumers. These activities include regulating prices and/or service quality standards where airports have market power over consumers, setting safety standards for airlines and airports, ensuring that consumers are protected from losing money or being stranded abroad if their holiday company collapses, and using our airline licensing powers to obtain better outcomes for consumers where UK airlines face financial difficulties. We will seek to design these interventions in ways that maximise value for consumers, for example:
- ensuring that economic regulation of airports delivers outcomes that are as close as possible to those that consumers would receive if competition was effective and that our interventions are flexible enough to adapt to changing circumstances and do not needlessly stifle opportunities for competition to develop in future;
  - designing standards, such as safety and security standards, in ways that encourage businesses to find the most efficient and innovative ways of meeting them.
19. The CAA has recently been tasked with regulation of aviation security. Keeping passengers safe is clearly in their interest, and, equally clearly, not something that can be left solely to a competitive market. Nevertheless, as aviation security regulator the CAA will seek to harness industry dynamics as much as possible, so as to ensure high levels of aviation security consistent with good consumer experiences.



### Box 5: How competition has benefited consumers

The creation of the single aviation market in the European Union swept away heavy regulation and opened the market to greater innovation and competition. In the five years following the introduction of the single market in 1993, the number of European carriers increased by 25 per cent, and more than 200 new routes opened up across Europe. By 2012 the number of carriers had fallen back again as the industry consolidated, but the number of routes between the original 15 EU Member States had continued to grow to more than three times the number in 1992.

The most prominent effect of liberalisation has been the widely documented emergence of ‘no-frills’ airlines, which took advantage of the new freedoms to expand rapidly across Europe offering low fares by using innovative business models that reduced the costs of the traditional airline business model. This expansion was facilitated by the parallel emergence of the internet as a new sales channel. Traditional ‘full-service’ carriers have been forced to respond and adapt. The resulting competition has brought significant benefits to the consumer in the form of lower fares and much greater choice than before.

In international long-haul markets, there has been less dramatic expansion or innovation. However, gradual progress with liberalisation, most notably the removal of restrictions on flights between Europe and North America in 2007, is facilitating greater competition. New entry or expansion on some routes remains constrained by restrictions in bilateral air services agreements between governments.<sup>5</sup> The UK’s airports have also become increasingly commercialised, with significant expansion outside of London. Over 70% of the UK population lives within less than one hour’s journey from at least one airport that offers connections to international destinations.

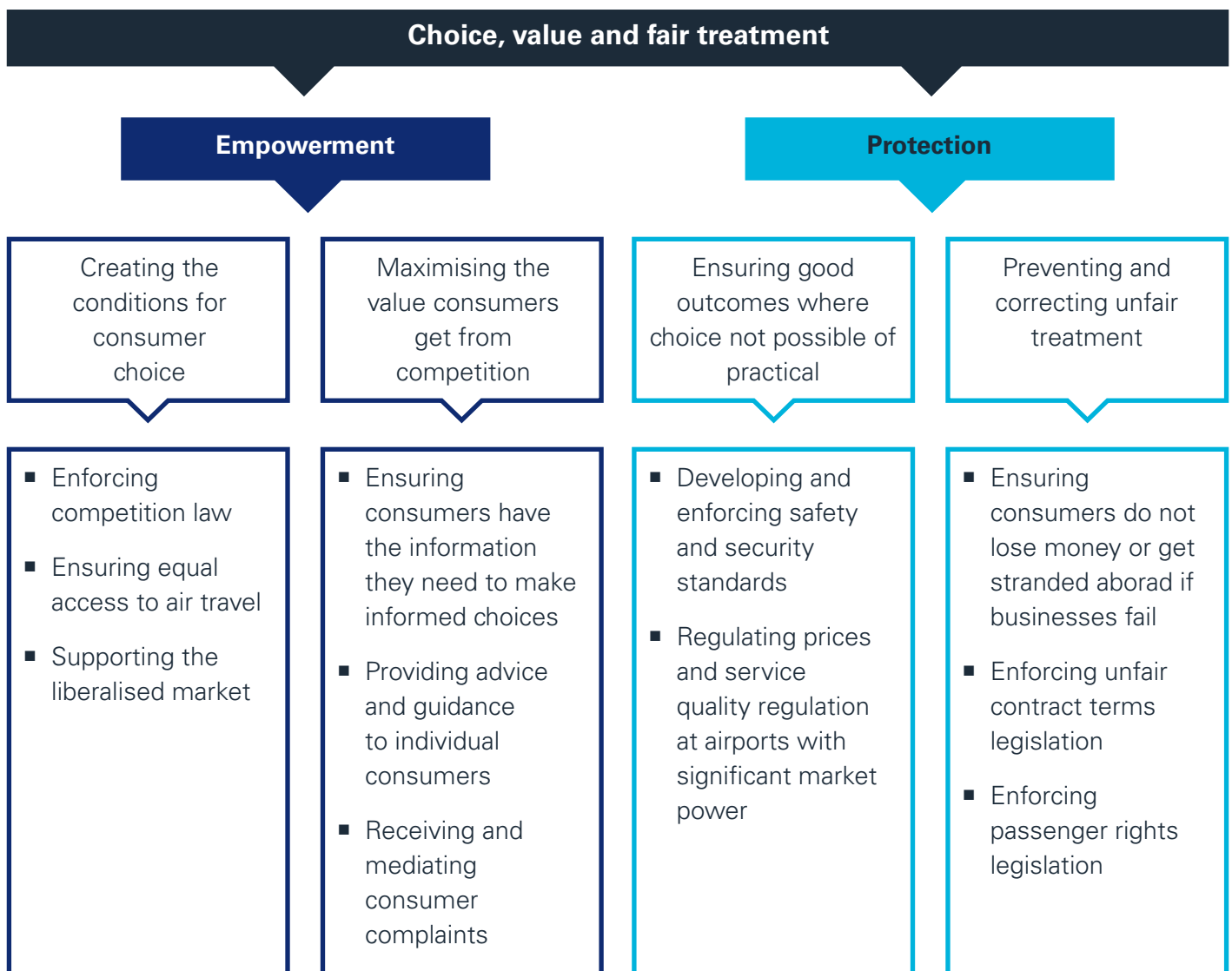
## Empowering and protecting consumers

20. As a rule, we will always seek to empower consumers so they can manage for themselves the risks they face when choosing and using air transport services, and only take special steps to protect them where this is not possible or practical. Therefore, the key question for us is whether we believe that a given problem can most effectively be addressed through informed consumer choice. Empowering consumers to make informed choices supports the public policy agenda that, wherever possible, people, not government and its agencies, should take more responsibility for decisions affecting their lives.

<sup>5</sup> Indeed, the CAA is occasionally required to choose between carriers where demand for new services exceeds what the air services agreement allows the UK to offer.

21. Figure 2, below, shows how empowerment measures fall into two broad categories: those that ensure that the market conditions are right for consumers to have a choice of provider; and those that seek to maximise the value that consumers get from competitive markets. Similarly, we see two distinct ways to protect consumers: ensuring they get good outcomes where market conditions preclude choice, or where consumers do not want choice; and preventing fundamentally unfair practices, including where consumers are denied their legal rights.

**Figure 2:** How we empower and protect consumers



## The role of enforcement

22. Our preference for empowering consumers does not mean that we will no longer need to enforce consumer protection legislation. Indeed, as the designated enforcer of a substantial body of consumer and competition law, we would be negligent to take such an approach. Nonetheless, we recognise that consumer empowerment measures, such as the provision of information, have the potential to reduce reliance on specialist enforcement measures in the longer term, providing that they also lead to the outcomes that consumers value.
23. Promoting compliance and taking action against firms that persistently and wilfully break the law will remain a core part of the CAA's work, in line with our objective to empower consumers. As our *Guidance on Consumer Enforcement* and our *ATOL and Operating Licence Enforcement Guidance*<sup>6</sup> explains, we take a risk-based approach to this work so that we focus our resources efficiently on the businesses that present the greatest risks to consumers. At the same time, we work to ensure that other, lower risk businesses do not, over time, become risk creators themselves due to a lack of regulatory attention.
24. Finally, while we are obliged to ensure compliance with existing regulatory requirements or legislation, we continually review these measures to ensure that they are working effectively for consumers:
  - Where we have discretion (typically over interventions we have developed ourselves, such as information obligations under our new information duties) we will consider whether interventions are designed in ways that are easy for businesses to comply with. If they are not, we will assess whether the desired consumer outcomes could be achieved by redesigning the intervention or taking a different approach

6 <http://www.caa.co.uk/default.aspx?catid=2516->

- Where our discretion is more limited (e.g. in enforcing passenger rights and unfair contract terms regulations), we will use our influencing power at the legislative level to seek appropriate changes to national or international obligations. An example of this is liaison with relevant government departments to improve the clarity, practicality and consumer perspective of European Directives and Regulations when they come up for review.

## Deciding which consumer issues to address

25. To be an effective regulator we must be able to understand where consumer problems are occurring, or could potentially occur, in the aviation market, who these problems are affecting (and how), and to assess whether action to reduce them is justified and feasible. We will consider consumer problems – or potential consumer problems – in the context of the harm they cause – or are likely to cause – to consumers. We call this harm ‘consumer detriment’.
26. Consumer detriment may be financial or non-financial in nature. Equally importantly, detriment may disproportionately impact certain groups or types of consumers, such as disabled consumers. It may be the case that detriment experienced by individual consumers does not affect the overall functioning of the market but intervention to address it may be justified on the grounds of fairness rather than economic efficiency.
27. Furthermore, detriment may be relatively ‘objective’ (e.g. measured in terms of prices and profits above – and service quality below – the competitive level) or largely ‘subjective’ (i.e. relative to what an individual consumer would reasonably expect to achieve from a transaction). In the latter case, it is particularly important to focus on ‘reasonable expectations’ rather than just ‘expectations’. For example, it would not seem appropriate to provide greater redress or compensation to some consumers simply because they had unreasonable expectations. Consumer research can be designed in ways that can help identify whether some consumers have higher or lower expectations than others. A summary of the different dimensions of a consumer issue that we might need to consider is provided in Table 1, overleaf.



**Table 1:** Dimensions of consumer issues

<b>Scale</b>	Intervention may be warranted if detriment is small, but felt by a large number of consumers/citizens, or alternatively, if the detriment experienced by even a small group of consumers/citizens is large.
<b>Distribution</b>	There may be disproportionately detrimental impacts on certain groups. In the aviation context these could include disabled passengers or consumers in regions dependent on air transport links.
<b>Duration</b>	Detriment could decline, remain the same or increase over time. If detriment is likely to change, it is important to understand the significance of these changes and the duration over which they are likely to occur.
<b>Type</b>	Detriment may be financial (i.e. lost money) or non-financial (e.g. stress, lost sleep, lost holiday) in nature. It may also be relatively 'objective' (e.g. measured in terms of prices and profits above – and service quality below – the competitive level) or largely 'subjective' (i.e. relative to what an individual consumer would reasonably expect to achieve from a transaction).
<b>Consequences of inaction</b>	The political, social and economic consequences of taking no action should be considered.

## Our consumer outcomes

28. We propose defining our strategic objective to improve choice and value for consumers in terms of five overarching consumer outcomes. Our starting point for these objectives is not the duties and powers we currently have, but, rather, what we believe matters most to consumers. Allowing our work to be guided 'bottom up' by the needs of consumers, as opposed to 'top down' by our statutory functions, means we will be better equipped to target the tools we have as effectively as possible at the problems consumers encounter.
29. Being guided by the needs of consumers will also help us identify whether there are problems in the market that we lack the tools to address. If this is the case then we will be able to explore other approaches, such as self-regulation, or seek to establish grounds for further statutory powers in order that we can respond efficiently and effectively. Box 1 explains our role and responsibilities in more detail.

30. In drawing up the five objectives, we have reviewed work done by regulators in other sectors. This work reflects our view in that the general outcomes that customers want from air travel are likely to be very similar to what they want in other markets<sup>7</sup>. We have also referred to the seven core principles of access, choice, safety, information, fairness, representation and redress, which guide the work of consumer organisations worldwide, as well as the United Nations Guidelines for Consumer Protection<sup>8</sup>. More fundamentally, we believe that the outcomes reflect common sense thinking about key regulatory issues, such as effective competition and fairness. The outcomes are:
- i) Consumers have access to the widest possible choice of providers and services and are appropriately protected, especially where offering choice is not possible or practical.
  - ii) Consumers are not unfairly discriminated against in terms of their ability to participate in the air transport market.
  - iii) Consumers are provided with clear information about the price and other aspects of air transport services that are important to them, and are kept appropriately informed before, during and after the point of sale.
  - iv) Consumers are provided with air transport services that perform as they have been led to reasonably expect and are looked after appropriately when they don't.
  - v) Consumers have access to quick, fair and cost-effective complaints-handling when things go wrong.
31. Our work programme is geared towards achieving these outcomes and they will also form the basis for future work programmes. Through effective consumer research and engagement we will identify and address the issues that could prevent these objectives from being achieved.

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7 Specifically, the Legal Services Board (<https://research.legalservicesboard.org.uk/wp-content/media/2011-Consumer-outcomes.pdf>), Ofgem (<https://www.ofgem.gov.uk/press-releases/new-standards-conduct-suppliers-are-first-step-simpler-clearer-fairer-energy-market>) and the Financial Conduct Authority (<http://www.fca.org.uk/firms/being-regulated/meeting-your-obligations/fair-treatment-of-customers>; <http://www.fca.org.uk/static/documents/business-plan/bp-2013-14.pdf>)

8 <http://unctad.org/en/docs/poditccclpm21.en.pdf>

32. Underpinning our consumer outcomes are two related organisational objectives that will be critical to ensuring that our consumer outcomes are delivered in the most efficient and effective way:
- i) To base our work on a comprehensive understanding of consumer needs and experiences through an effective consumer research programme, effective engagement with consumer groups and businesses, and ensuring our consumer work continues to receive scrutiny and critical insight from our independent panel of consumer policy experts (see Box 6 on the CAA's Consumer Panel).
  - ii) To take a risk-based approach to our work, ensuring that the resources available to us are targeted at the most significant risks to consumers, and making the basis for our decisions more transparent to consumers, businesses and other stakeholder groups.

### **Embedding a risk-based approach**

33. Regulators should align their activities to clearly-evidenced risks. Taking a risk-based approach to our consumer work will help us achieve our Better Regulation strategic objective by ensuring that we deploy the resources available to us in each area of our work in the most efficient and effective way. By focusing our activities on the most significant risks to consumers, we will also ensure that regulatory scrutiny and burdens on the businesses we regulate are targeted appropriately and are proportionate to the risks we have identified.
34. By making it clear how our decisions have been informed by our assessment of risks, we will make our decisions more transparent to consumers, businesses and other stakeholders. This will help promote understanding of the key risks and issues that consumers in the aviation sector face, and foster a more collaborative approach to addressing those risks and issues.
35. We have made significant progress in embedding a risk-based approach in some areas of our consumer work, such as ATOL licensing and enforcement of consumer protection legislation. Our further work to embed a risk-based approach through a strategic risk project is described in more detail in our work programme.

## The importance of consumer intelligence and insight

36. Fundamental to taking a risk-based approach to our consumer work is reliable and robust evidence of consumer needs and detriment. Without such evidence, the way we regulate is likely to be less proportionate, accountable, consistent and targeted, because we will be less able:
- in the first instance, to define objectives based clearly on the outcomes that consumers want; and
  - to monitor the market systematically thereafter for signs that risks to those outcomes have materialised or are likely to materialise.
37. We recognise that taking a risk based approach requires us to improve the way that we understand consumer issues. While we have always sought to use a robust evidence base and a wide range of sources of consumer intelligence (see Table 2, below), we recognise that our future work should be underpinned by a more systematic approach to obtaining consumer insight that enables us to monitor consumers' needs, preferences, experiences and attitudes and ensures that research insights and best practice are shared effectively throughout the CAA. In the work programme we describe the improvements we wish to make, along with some specific new research that we intend to undertake.
38. As well as ensuring that we focus on the outcomes that are important to consumers, a more systematic approach will allow us to more easily identify new and emerging risks to the objectives we set out in this document and to monitor whether existing regulations and legislation are addressing the risks they are designed to tackle. We also consider that a more systematic research programme would allow us to evaluate our interventions more effectively, and make changes if necessary, by establishing a series of baselines against which success could be measured. This is another key tenet of Better Regulation.
39. Establishing this consumer insight function will bring us into line with other sectoral regulators, such as Ofcom, Ofgem and the FCA, which carry out regular consumer research to directly inform their strategic planning activities.

**Table 2:** Sources of consumer intelligence

<p><b>CAA consumer research</b></p>	<p>We regularly carry out research into consumers' experiences in the markets we regulate. For example:</p> <p>Our departing passenger survey has been running since 1968 and provides vital intelligence for assessing the market served by UK airports, forecasting air transport demand and planning airport facilities.</p> <p>During 2012, we commissioned market research into consumer understanding of ATOL and expectations of holiday and flight insolvency protection.</p> <p>In late 2012, we carried out several pieces of research on consumer satisfaction with service quality and the passenger experience at Heathrow, Gatwick and Stansted as part of the development of our initial proposals for the Q6 review of economic regulation of those airports.</p> <p>In 2013 we carried out research to understand consumers' information needs when purchasing flights.</p> <p>In earlier years, we undertook extensive research into the passenger experience at the major UK airports (2008) and also commissioned a study on consumers' willingness to pay for different attributes of airline and airport services (2011).</p> <p>Importantly, where there are structural problems that limit choice in the market (i.e. they are present before a purchase has been made), consumers may not recognise that they are being harmed. In such cases, domestic and international price comparisons and economic modelling and experiments may be a more useful form of insight than 'consumer-based' sources, such as surveys.</p>
<p><b>Engagement with consumer representatives<sup>9</sup></b></p>	<p>As well as providing valuable insight on consumer experiences drawn from their own research, statutory and independent bodies can bring a valuable cross-sector perspective to regulators with a single industry focus. Consumer groups are also likely to help us better understand the experiences of vulnerable or disadvantaged consumers, who may have distinct needs and priorities. We recognise that many stakeholders, and particularly those on the consumer side, do not have the resources to respond formally to every consultation that might be of importance to them. As such, instead of relying solely on formal responses, we frequently supplement written consultations with face-to-face meetings, workshops or other events to elicit views and ideas and understand the concerns of stakeholders more generally.</p>

<sup>9</sup> These stakeholders include Airport Consultative Committees (which bring a regional perspective), ATIPAC (a committee of travel industry nominees and consumer and independent representatives which advises the CAA, Government and the trustees of the Air Travel Trust on financial protection for air travellers), statutory consumer bodies like Consumer Futures and the Consumer Council for Northern Ireland, independent consumer organisations like Which?, travel and consumer media, and disability groups.

<b>Engagement with regulated businesses and their representatives organisations</b>	Airlines and airports, and their trade associations, have access to a wealth of data from formal and informal feedback from their customers and are well placed to understand their needs. We recognise that some sources of intelligence in this category may be more reliable than others and we will need to consider carefully the reliability of all available intelligence on a case-by-case basis.
<b>Engagement with regulatory partners</b>	We work with other statutory agencies on policy and enforcement but also to share consumer insight. For example the UK Regulators Network (UKRN) is an association of the UK's economic and competition regulators which exchanges learning, explores common issues and develops common approaches where appropriate. We are an active member of a consumer working group that feeds into the UKRN's work, which in the past 12 months has considered a wide range of cross-sector issues, including Alternative Dispute Resolution (ADR), reputational regulation and consumer engagement strategies. Finally, as aviation is a global business, we believe that, in addition to domestic sources, intelligence from outside the UK could, in many instances, be relevant and helpful to our work in the UK market.
<b>The CAA Consumer Panel</b>	Our independent Consumer Panel is made up of nine independent consumer experts drawn from a wide range of consumer backgrounds. Unlike statutory consumer panels, the CAA Consumer Panel does not have its own dedicated research budget, but it does have full access to our research outputs and can suggest that we carry out new research if it believes there is a need. The Panel recognises the importance of research and data in providing the evidence base for so much of the CAA's activities (see Box 6 for more detail).
<b>The CAA's Passenger Advice and Complaints Team</b>	The Passenger Advice and Complaints Team (PACT) handles telephone and email enquiries and complaints from passengers who have not received a satisfactory response from an airline or airport. Speaking directly to passengers on a daily basis provides us with a rich source of intelligence to detect market problems. Nonetheless, complaints data has a number of limitations <sup>10</sup> and we will therefore interpret it in conjunction with other indicators.
<b>Traditional and social media</b>	We have well established relationships with journalists working on consumer issues and effective systems to monitor traditional media. However, the growing use of social media by consumers to express their opinions and sentiments about products and services means we cannot ignore its huge potential as a research tool, not least because using publicly available online data represents significant cost, effort and time savings over traditional research methods such as surveys and focus groups. Reflecting this, in 2013 we commissioned some analysis of social media conversations relating to an incident at Heathrow Airport to help us understand its impact on passengers and the general public. We recognise that the techniques for analysing social media content are improving all the time and we will continue to monitor progress within research communities, while looking for further opportunities to use this research channel.

<sup>10</sup> These limitations include: complaints may not be valid; there will be no complaints for problems of which consumers are unaware; those who complain represent only a subset of consumers who considered it worth their time and effort to lodge a complaint; and complaints will be limited to consumers who know where and how to make a complaint.



### Box 6: The CAA's Consumer Panel

The CAA's Consumer Panel was established in October 2012 following a review of the CAA's approach to consumer representation. The Panel acts as a 'critical friend' to the CAA, and its independent Chair and eight members, drawn from across the policy landscape, are tasked with providing the CAA with advice and guidance, challenging its ideas and scrutinising its work from a consumer perspective. We have consulted the Panel in the development of this document.

The Panel helps the CAA achieve its objective to improve choice and value for consumers in a number of ways, including:

- helping the CAA to understand fully, and take account of, the interests of consumers in its policy development and decisions;
- using existing CAA research, requesting the CAA to undertake new targeted research, and gathering intelligence, to understand the aviation consumer experience;
- providing the CAA with feedback from a consumer perspective on the effectiveness of its policies and practices;
- helping the CAA develop its approach to consumer engagement to inform its work challenging the CAA on behalf of aviation consumers in order to positively influence outcomes for passengers; and
- keeping a close eye on developments in the aviation market from a passenger perspective and developments affecting consumers in other markets.

Unlike similar panels in the legal services, financial services and communications sectors that were established as a result of legislation, the CAA Panel has no statutory basis. This means it has no legal power to require us to consider its advice or challenges to our views and respond publicly. Instead, we set the Panel up as a 'critical friend' with a secretariat that sits within the CAA, giving it the freedom to:

- look at all of our activities without the boundaries being set by statute;
- decide its own goals and work in the best way to achieve them, setting its workload between responding to the development of our work and pursuing 'own initiative' projects on issues that may not be on our immediate agenda; and
- easily access key documents, such as agendas and minutes for Board and executive committee meetings, that provide it with the intelligence it needs to plan and carry out its work effectively and gives it insight into our reactions to its interventions.

## Work programme

40. Our proposed consumer work programme (see Table 3) reflects our current understanding of the risks to the following five consumer outcomes being achieved.
- i) Consumers have access to the widest possible choice of providers and services and are appropriately protected, especially where offering choice is not possible or practical.

- ii) Consumers are not unfairly discriminated against in terms of their ability to participate in the air transport market.
- iii) Consumers are provided with clear information about the price and other aspects of air transport services that are important to them, and are kept appropriately informed before, during and after the point of sale.
- iv) Consumers are provided with air transport services that perform as they have been led to expect and are looked after appropriately when they don't.
- v) Consumers have access to quick, fair and cost-effective complaints-handling when things go wrong.

41. Our work programme consists of the following three categories of work:

- **Major priorities**, representing critical work areas for us to progress in the next 12 months to ensure we improve choice and value for consumers. For each major priority, we have identified the target outcomes we are seeking to secure and the strategies and deliverables that will facilitate those outcomes. This will help us assess the success of our work in each area and to ensure we remain focused on delivering positive benefits to consumers.
- **Core responsibilities and services** are key activities carried out continually to ensure that the market continues to deliver in the consumer interest.
- **Foundational work** is essential, typically internally-facing work that supports the delivery of our major priorities and core responsibilities and services.

42. We acknowledge that as our consumer insight function develops and our ability to identify and mitigate risks becomes more sophisticated the focus of our work may change. We therefore see consulting with stakeholders on our annual work programme as essential, both in terms of checking that we are focusing on the right issues and ensuring that stakeholders take the same view.

**Table 3:** The CAA's consumer work programme**MAJOR PRIORITIES****Critical areas of work to progress in the forthcoming 12 months**

<b>Economic regulation of airports</b>	
<b>Evidence base</b>	<p><a href="#">CAA passenger research: satisfaction with the airport experience.</a></p> <p><a href="#">Extensive stakeholder engagement.</a></p> <p>CAA passenger survey will continue to ask departing passengers about overall satisfaction with their airport experience.</p> <p>CAA airport and airline statistics.</p>
<b>Strategies and key deliverables</b>	<p>Q6 commences 1 April 2014.</p> <p>Where appropriate the regulation will contain incentives around the delivery of service quality standards at the airports – these will be reported and monitored monthly.</p>
<b>Related work</b>	Market power assessments.
<b>Final outcome(s)</b>	<p>Passenger interests are balanced with the cost of provision, such that appropriate minimum levels of service are maintained at the licensed airports.</p> <p>Consumers do not suffer detriment as a result of airport market power.</p>
<b>Economic regulation of air traffic services</b>	
<b>Evidence base</b>	<p><a href="#">Stakeholder consultation.</a></p> <p>Independent consultancy studies examining costs, to support the National Performance Plan:</p> <ul style="list-style-type: none"> <li>▪ Staff costs</li> <li>▪ Pensions</li> <li>▪ Capital expenditure</li> <li>▪ Cost of capital</li> </ul>
<b>Strategies and key deliverables</b>	<p>February 2014 – UK and Ireland NSAs publish draft Performance Plan for stakeholder consultation.</p> <p>June 2014 – UK and Irish governments submit the UK-Ireland RP2 FAB Performance Plan to the Commission.</p> <p>October 2014 – CAA publishes proposed formal changes to NERL licence.</p> <p>December 2014 – CAA publishes formal decision for NERL price control for RP2.</p> <p>January 2015 – RP2 commences.</p>
<b>Related work</b>	
<b>Final outcome(s)</b>	Efficient, cost-effective and punctual air transport services for consumers

<b>Informing the outcomes of the Airports Commission</b>	
<b>Evidence base</b>	<p>CAA passenger survey and airport/airline statistics.</p> <p>2131 Consumer Research (Passenger Choice &amp; Information Use): Final Report (Accent, 2011)</p> <p>Noise monitoring data.</p> <p>CAA research into aviation industry: passenger types and behaviour, airport and airline competition, the effects of capacity on congestion and delay, etc.</p> <p>Worldwide airline schedule data.</p> <p>Evidence presented to the Airports Commission by various third parties.</p> <p>Safety data and analysis.</p>
<b>Strategies and key deliverables</b>	<p>Prior to Airports Commission final report:</p> <p>To support the development of sustainable new capacity in the consumer interest, the CAA will engage the Government and key opinion formers to further the case for new runway development as recommended by the Commission, and, following publication, will assist Government and the Commission to develop consensus around their conclusions.</p> <p>To ensure that the new capacity is developed in a fashion that delivers best outcomes for consumers, while reflecting the importance of environmental sustainability, the CAA will engage stakeholders to help to deliver evidence-based, outcome-focussed debate around new capacity that centres on what type of development is best for the travelling public.</p>
<b>Related work</b>	<p>Economic regulation of airports which furthers the interests of passengers and cargo owners.</p> <p>Market power assessments.</p>
<b>Final outcome(s)</b>	<p>Consumers will benefit from additional airport capacity in the South East through enhanced resilience, improved reliability, reduced price rises and improved connectivity.</p>

<b>Promotion of ATOL scheme, including focus on ethnic markets and the travel trade</b>	
<b>Evidence base</b>	<p>Evidence on consumers' understanding of financial protection gathered from the CAA passenger survey.</p> <p>Information gathered from ATOL failures and market intelligence.</p> <p>Pilot outreach exercise in Leicester.</p>
<b>Strategies and key deliverables</b>	<p>A further ATOL advertising campaign building on the 'pack peace of mind' campaign from early 2013. To be launched early in 2014.</p> <p>Start of a programme of outreach activities targeted at ethnic markets, with the next exercise expected to take place by June.</p> <p>Travel trade education events aimed at ensuring that frontline staff understand protection and are capable of advising consumers accurately. Events planned for spring and summer 2014.</p> <p>Issuing detailed guidance to IT suppliers enabling them to build rules governing correct ATOL protection into the booking systems used by the travel trade. No planned date for completion.</p>
<b>Related work</b>	Work on price transparency in air travel.
<b>Final outcome(s)</b>	<p>Consumers are better placed to understand the financial protection offered as part of their holiday purchases.</p> <p>Consumers receive the protection to which they are entitled.</p> <p>Consumers from ethnic markets identified as at greater risk better able to access their rights; improved enforcement against unprotected trading.</p> <p>Consumers receive more accurate advice from the travel trade on the protection of their product.</p>

<b>Influence proposed new European package travel directive</b>	
<b>Evidence base</b>	Reviews of package travel directive (PTD) implementation by the Commission and the case law surrounding the PTD.
<b>Strategies and key deliverables</b>	<p>Work with BIS (the lead department on the UK contribution) to contribute to development of the UK position, including consideration of ATOL reform following the DfT's call for evidence.</p> <p>Build relationships with other European stakeholders to ensure that UK position is understood.</p>
<b>Related work</b>	Influencing revision of European Regulation EC261 on passenger rights.
<b>Final outcome(s)</b>	A new Package Travel Directive (2015 at the earliest) which enables both a more easily understood scope for mandatory financial protection, and improved information made available to consumers during purchase. Both outcomes put consumers in a better position to make informed buying decisions with regard to financial protection.

## Empowering consumers to make effective choices through information provision under the Civil Aviation Act 2012

<b>Evidence base</b>	<p><a href="#">2131 Consumer Research (Passenger Choice &amp; Information Use): Final Report (Accent, 2011).</a></p> <p><a href="#">Open Data on Air Travel: Provision of Information to the Consumer and the Public (MVA Consultancy, 2013).</a></p> <p><a href="#">Open Data on Air Travel: Provision of Information to the Consumer and the Public - Literature Review (MVA Consultancy, 2013).</a></p> <p><a href="#">Open Data on Air Travel: Provision of Information to the Consumer and the Public - Appendices (MVA Consultancy, 2013).</a></p>
<b>Strategies and key deliverables</b>	<p>Design and implement better information about:</p> <ul style="list-style-type: none"> <li>■ services for Passengers with Reduced Mobility (PRMs) by mid-2014; and</li> <li>■ flight reliability (begin business engagement first quarter of 2014-15).</li> </ul>
<b>Related work</b>	<p>Promoting access to air travel for PRMs.</p> <p>Improving the passenger experience during disruption.</p> <p>Promoting awareness of the ATOL certificate.</p> <p>Providing environmental information under the Civil Aviation Act 2012.</p>
<b>Final outcome(s)</b>	<p>Consumers can make choices and decisions based on clear and complete information.</p>

## Improving passenger complaints handling and implementing the ADR Directive

<b>Evidence base</b>	<p>Number of passenger complaints received by CAA (5-fold increase in 2013 following new right to delay compensation) and knowledge of turnaround times.</p>
<b>Strategies and key deliverables</b>	<p>Following the introduction of online complaint submission, we will continue to improve our processes to cope with increased volumes and influence airlines to improve their processes and prevent cases escalating to CAA.</p> <p>We will work with government and industry to implement the European ADR Directive in the aviation sector, which requires that consumers have access to a body that deals with disputes they have with businesses, and which satisfies the principles for set out in the Directive.</p>
<b>Related work</b>	<p>Clearer information for passengers and industry (e.g. via CAA's website) on passenger rights.</p>
<b>Final outcome(s)</b>	<p>Passenger complaints are dealt with quickly and appropriately.</p> <p>More broadly, businesses make positive changes for consumers in order to avoid the issues arising again.</p>



<b>Influencing the revision of European regulation EC 261</b>	
<b>Evidence base</b>	Increased litigation in the courts and our experience as regulator that some of the rights provided by the Regulation are unclear to companies and passengers.
<b>Strategies and key deliverables</b>	Work with government, offering analysis and our experience as national enforcement body for Regulation EC 261, which covers compensation and assistance to passengers in the event of denied boarding and of cancellation or long delay of flights, with the aim of achieving clearer legislation which works in the interest of consumers.
<b>Related work</b>	Influencing the review of the Package Travel Directive. Ensuring routine compliance with Regulation EC 261.
<b>Final outcome(s)</b>	Industry incentivised to improve resilience of flight programme. Passenger rights clear and can be easily delivered and enforced. Regulation works in the consumer interest.

## **CORE RESPONSIBILITIES AND SERVICES**

### **Key activities carried out on an ongoing basis to ensure the market continues to deliver in the consumer interest**

<b>ATOL licensing, crisis management and enforcement</b>	
<b>Evidence base</b>	As provided by ATIPAC. As provided by stakeholder consultation. Market research on holiday insolvency protection.
<b>Strategies and key deliverables</b>	Manage the licensing of tour operators in the UK to ensure that those offering protected air travel meet the licensing requirements, in terms of chiefly of customer information and continued provision of financial protection against insolvency. Manage the scheme so as to minimise barriers to entry and enable a competitive market to flourish. Manage cases when licensed businesses become insolvent, to ensure that buyers of their licensable sales are repatriated or receive refunds. Investigate and manage businesses selling air travel in breach of licensing regulations.
<b>Related work</b>	Influence proposed new European package travel directive.
<b>Final outcome(s)</b>	Buyers of licensable flights receive financial protection if their tour operator becomes insolvent. The travel market remains competitive, offering a wide choice of suppliers. UK consumers receive the financial protection to which they are entitled.

<b>Airline licensing</b>	
<b>Evidence base</b>	<p>Analysis of financial and company data.</p> <p>Market intelligence and information gathered from air carrier failure.</p>
<b>Strategies and key deliverables</b>	<p>Manage the licensing of UK airlines to ensure that licensing requirements are met.</p> <p>Continue to build relationships with CAA's counterparts in other regulatory bodies and European institutions.</p> <p>Administer traffic right authorisation (based on policy set by the Department for Transport) in relation to the operation of foreign registered aircraft in the UK.</p>
<b>Related work</b>	Crossover with the passenger protection provided by the ATOL scheme and European consumer protection legislation.
<b>Final outcome(s)</b>	<p>All airlines:</p> <ul style="list-style-type: none"> <li>▪ hold a licence assuring safe operations; and</li> <li>▪ maintain the required levels of aviation insurance.</li> </ul> <p>For UK airlines:</p> <ul style="list-style-type: none"> <li>▪ new start-ups not permitted unless financially viable;</li> <li>▪ CAA will attempt to manage businesses at risk of insolvency to minimise consumer detriment that may arise as a result of their failure.</li> </ul>

<b>Improving the air passenger experience during bad weather and other significant disruptions</b>	
<b>Evidence base</b>	<p>Add-on to CAA passenger survey about experience of disruption.</p> <p>Online survey of passengers affected by disruption, focusing on airline compliance with passenger rights.</p>
<b>Strategies and key deliverables</b>	<p>Update CAA information leaflet for passengers by January 2014.</p> <p>Continue work begun with airlines and airports to arrange systematic distribution of leaflet (physical and electronic) when flights disrupted.</p> <p>Increase our capacity to observe how disruption is handled, extending to some regional airports.</p> <p>Assess the results from the two passenger surveys on disruption to identify the degree of compliance with the re-routing and information rights requirements of the regulation and, more generally, the associated consumer harm in times.</p>
<b>Related work</b>	<p>Resilience conditions in new licences for regulated airports.</p> <p>Clearer information on CAA's website about passenger rights.</p>
<b>Final outcome(s)</b>	Consumer can expect to be properly served, within reason, whatever the original cause of the disruption.

### Ensuring routine compliance with Regulation EC 261

<b>Evidence base</b>	Add-on to CAA passenger survey about experience of disruption.  Online survey of passengers affected by disruption, focusing on airline compliance with passenger rights.
<b>Strategies and key deliverables</b>	Define and deliver a programme of enforcement action, in accordance with CAA's Regulatory Enforcement Policy, to ensure that airlines are complying with the financial compensation obligations under Regulation EC 261.
<b>Related work</b>	Improving the air passenger experience during bad weather and other significant disruptions.
<b>Final outcome(s)</b>	Passengers receive the rights to which they are entitled at the earliest possible stage. This in turn may stimulate positive operational changes on the part of airlines, for instance a reduction in delays/cancellations.

### Ensuring routine compliance with legislation on price transparency and unfair contract terms

<b>Evidence base</b>	Analysis of company websites and published terms & conditions.
<b>Strategies and key deliverables</b>	Continue to enforce transparency requirements by airlines, online travel agents and other intermediaries (this may include taking legal action where businesses are not persuaded to comply).  During 2014 work with the Competition and Markets Authority on a series of international workshops on the theme of unfair terms, funded by the European Commission.
<b>Related work</b>	Providing information for consumers under the Civil Aviation Act 2012.
<b>Final outcome(s)</b>	Consumers can make choices and decisions based on clear and complete information.  Consumers are less likely to be misled as a result of unclear and or unfair contract terms.

## Ensuring routine compliance with legislation on accessible air travel

<b>Evidence base</b>	<p>CAA complaints data.</p> <p>CAA passenger survey.</p> <p>Compliance questionnaire sent to airlines and airports in 2013.</p> <p>Scrutiny of airline/airport websites.</p> <p>New online survey planned of elderly and disabled people to investigate what proportion do not travel and why.</p> <p>CAA Access to air travel working group (bi-annual meeting of CAA with disability organisations)</p>
<b>Strategies and key deliverables</b>	<p>We will continue to work with airports and airlines to secure compliance with Regulation EC1107, if necessary through enforcement action. We have identified the following priorities for the next 12 months:</p> <ul style="list-style-type: none"> <li>▪ seating/on-board wheelchairs</li> <li>▪ arbitrary limits on numbers of PRMs carried</li> <li>▪ arbitrary limits on electric mobility aids</li> <li>▪ pre-notification of assistance needs</li> </ul> <p>In 2014 we will publish guidelines for airports on quality standards. We will follow this up with further work on monitoring and reporting against these standards.</p>
<b>Related work</b>	<p>Providing information for consumers under the Civil Aviation Act 2012.</p>
<b>Final outcome(s)</b>	<p>Improved consumer experience overall (and, in some cases an improved journey experience) for disabled passengers and passengers with reduced mobility.</p>

## Concurrent competition authority

<b>Evidence base</b>	<p>Detailed and evidence based complaints of breaches of competition law.</p> <p>Draw on CAA statistics and evidence from parties in assessing merits of a complaint.</p>
<b>Strategies and key deliverables</b>	<p>Align CAA policy and procedures as far as possible with those of the Competition and Markets Authority. Publish separate guidance if necessary.</p>
<b>Related work</b>	<p>Economic regulation of airports and air traffic services.</p>
<b>Final outcome(s)</b>	<p>Consumers protected from adverse effects of anti-competitive conduct by airports or air navigation service providers (ANSPs)</p>

## FOUNDATIONAL WORK

### Important work to support the delivery of our strategic priorities and core responsibilities and services

<b>Developing our consumer insight function</b>	
<b>Evidence base</b>	
<b>Strategies and key deliverables</b>	<p>Developing a framework to:</p> <ul style="list-style-type: none"> <li>■ maintain central oversight of the various pieces of consumer research we carry out</li> <li>■ maximise the value of outputs from any research expenditure</li> <li>■ share outcomes across the CAA and externally efficiently</li> </ul> <p>Continuing the development of the CAA Consumer Panel and ensuring its expertise and influence is felt across the organisation.</p>
<b>Related work</b>	All
<b>Final outcome(s)</b>	Consumers can have confidence that the CAA understands their needs and can respond flexibly to new and emerging issues that affect them.

<b>Better Regulation</b>	
<b>Evidence base</b>	Externally conducted better regulation health check will consider how we currently and in future should apply the principles of better regulation to our consumer work.
<b>Strategies and key deliverables</b>	Develop and apply a framework for gathering evidence and consulting openly on our interventions.
<b>Related work</b>	All
<b>Final outcome(s)</b>	Aviation industry and consumers closely involved in the policy development process, and agree with the action we have taken.

## The CAA Information Strategy Programme

<b>Evidence base</b>	Best practice amongst regulators and comparable information users.
<b>Strategies and key deliverables</b>	<p>CAA's emerging policies on the identification and collection of information to support our regulatory activities is implemented.</p> <p>CAA colleagues are easily able to access information on consumer work to meet their needs.</p> <p>CAA is publishing information on its consumer work to ensure transparency.</p>
<b>Related work</b>	All
<b>Final outcome(s)</b>	<p>The CAA has a stronger and better co-ordinated evidence base to support its regulatory decisions and priorities in line with better regulation.</p> <p>Consumer work uses its information to promote and enhance collaborative working across the CAA.</p> <p>It is presumed that all CAA's information on consumer work is fully transparent unless there are legal or commercial constraints.</p>

## Enhancing our risk-based approach

<b>Evidence base</b>	
<b>Strategies and key deliverables</b>	<p>Strategic risk project [PPT], aimed at:</p> <ul style="list-style-type: none"> <li>■ forming a clear view on what the risks are to our strategic objectives</li> <li>■ developing a public risk register or risk index to capture and communicate identified risks</li> <li>■ understand how identified risks are distributed among different stakeholders, including different groups of consumers</li> <li>■ ensuring our governance framework delivers proper accountability for the effective management of risk, including keeping the risk register current</li> </ul>
<b>Related work</b>	All
<b>Final outcome(s)</b>	We deploy our limited resources in the most efficient and effective way and make the basis for decisions more transparent to all of our stakeholders.