

The Arcadis report on HAL's reflection of consumer interests in developing its expansion masterplan



Published by the Civil Aviation Authority, 2019

Civil Aviation Authority,
Aviation House,
Gatwick Airport South,
West Sussex,
RH6 0YR.

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First published March 2019

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We asked Arcadis to carry out an assessment of how Heathrow Airport Limited (HAL) had reflected the consumer interest in developing its expansion masterplan. This was an opportunity to gather information on HAL's masterplanning process, as well as evidence of how HAL was considering consumer views. Arcadis has not conducted a detailed comparison to industry best practice for infrastructure planning; rather it has commented on the appropriateness of HAL's approach based on Arcadis' corporate knowledge and experience.

We understand that as part of its masterplan process, HAL has many stakeholder views and statutory obligations to consider, for example it may need to amend their plans for environmental or operational reasons. We asked Arcadis to set out how HAL have approached trade-offs which affect consumers, which are inherent in a masterplan process. We also asked Arcadis to highlight decisions made by HAL and airlines that may impact consumers.

Arcadis commenced this work by engaging with HAL in July 2018. At this time, HAL intended to confirm its preferred Masterplan in October 2018, and hence Arcadis's review would conclude in a similar timeframe. However, after Arcadis commenced work, it became clear HAL's anticipated target date for the masterplan had moved to March 2019. Arcadis continued with the review, but as a result this report presents an initial review of the masterplan, which has been completed without sight of HAL's preferred masterplan. Given the timing of when this report was finalised, there remain significant decisions and trade-offs for HAL to make, and it is critical that HAL continues to closely focus on ensuring the final preferred masterplan, and its preferred scheme, reflect the interests of consumers.

The main findings of the Arcadis report include:

- HAL use the "Golden Thread" (see Figure 1, below) to describe the link between HAL's strategic vision for capacity expansion, and its detailed masterplan. This is a complex and detailed process, which is similar to processes found in other large infrastructure programmes;

THE GOLDEN THREAD THAT LEADS FROM AMBITION TO PLAN



Figure 1 - HAL's Golden Thread

- while HAL has seemingly developed and applied a process that attempts to capture the consumer interests, it has not been possible for Arcadis to validate how well the process has been fully implemented, without the final masterplan;
- HAL could improve its articulation of its masterplan process, including that although it uses simplified BRAG (Black, Red, Amber, Green) process to signal evaluation, there is a much more detailed process which underlies

these ratings. HAL could also improve the articulation of the explicit trade-offs between stakeholder benefits based on its evaluation process;

- as illustrated above, the Golden Thread process has 8 sequential steps, with some iteration. HAL has demonstrated good practice in undertaking these steps, for example by grouping outcomes by stakeholder groups, and by using data as evidence where possible;
- HAL has established a robust existing governance process; however it is likely this process will need to be more formally established, adopted and implemented in the future, as HAL moves to finalise and implement its masterplan;
- HAL provided case studies of changes it had made as a result of consumer feedback, as evidence of how it had reflected consumer interests in its masterplan. Arcadis found that while these changes were likely to be in the interest of consumers, the changes primarily offered other capacity, operation and/or resilience benefits to the masterplan;
- HAL's approach to engagement with the cargo industry to date has been high-level and limited to current cargo operators at HAL, though HAL could use existing commercial mechanisms to engage with the cargo community on the masterplan;
- HAL has included new criteria in its evaluation process to assess whether options offer sufficient flexibility for new carriers to be accommodated as part of expansion. Arcadis note this work is still ongoing, and that HAL's report on customer benefit valuation offers evidence in the consumer interest to be considered as part of this work;
- HAL has used an established customer experience methodology to benchmark customer experience against other organisations. Arcadis consider HAL has used this methodology appropriately and productively; and
- At times during its review, Arcadis observed HAL failing to sufficiently and coherently explain how consumer interests have been captured and reflected in the masterplanning process. Arcadis considers that communication of its masterplanning approach and process is a crucial part of stakeholder engagement for HAL, and will ultimately improve the masterplan process.

Our observations on the Arcadis report and HAL's efforts in ensuring the consumer interest is reflected in its masterplan include:

1. We welcome the work that HAL has undertaken to date on reflecting consumer views in its masterplanning process.
2. It is important that HAL maintains its focus in ensuring it reflects the interests of consumers. There is considerable activity for HAL to still undertake to finalise the masterplan and the scheme design, and thus HAL needs to maintain a clear commitment to ensuring consumer interest are appropriately considered in the masterplan, and ultimately delivered on as part of the expansion programme;
3. Where practical, it is essential that HAL develops a strong understanding of the views of consumers, develops robust evidence of these views, and builds key consumer outcomes into the masterplan and scheme design for capacity expansion; and
4. HAL needs to continue its efforts to engage closely with the airlines and ensure that to the extent it is reasonable and practicable that the airline community is involved in and aligned with HAL's consumer work.

We would welcome comments from stakeholders on any issues relating to these matters, including on HAL's masterplan, the Arcadis report on these matters, and our initial observations on the report by 5 April 2019. Responses should be emailed to economicregulation@caa.co.uk

We intend to carry out further work reviewing HAL's masterplan over the coming months, and also expect the Consumer Challenge Board (CCB) to provide a report on its view of HAL's reflection of consumer interest in the masterplan.

We expect to publish the responses we receive on our website as soon as practicable after the period for representations expires. Any material that is regarded as confidential should be clearly marked as such and included in a separate annex.

Please note that we have powers and duties with respect to information under section 59 of the Civil Aviation Act 2012 and the Freedom of Information Act 2000

If you would like to discuss any aspect of this document, please contact Beth Corbould (beth.corbould@caa.co.uk)

CAA February 2019