



# Airlines UK:

## Speech by Richard Moriarty

Good morning everyone.

First, let me thank Tim and Airlines UK for the opportunity to speak today.

While the focus of my remarks today will be on the Government's proposed new passenger charter, there are a couple of preliminary general reflections I would like to make at the outset. Firstly, our collective focus on public safety cannot waiver.

I am sure I express the sentiment of everyone in the room when I say the recent tragedies in commercial aviation that led to the grounding of the 737 MAX8 fleet, were moments of deep distress and reflection to all in our community, and our thoughts remain with the families of those affected.

Working with key partners, like the airlines, airports and NATS, the CAA will remain relentlessly focussed on making this industry as safe as is possible. The public rightly expect this ahead of all else.

Secondly, this is a sector that arouses great emotion. It delights many passengers, unites friends and families, and is key to supporting our economic growth.

For many, it is a passion, which is something I find deeply humbling. You only have to go to one general aviation airfield to witness this. But for some people, aviation is a cause for concern.

Aviation will have a less bright future than it deserves if it doesn't rise to the challenge to become a better neighbour to local communities and recognise public concern over its carbon contribution.

And thirdly, before I move on to the main substance of the Passenger Charter, I want to be clear on our approach to regulation.

While we will not shy away from making tough decisions when we have to, I believe that we have most to gain by working together. After all, collaboration, and working as a 'system', has been central to the success of this industry since its inception.

Let me now use this opportunity to set out my thoughts on how the industry, the regulator and Government can work together for the good of the people who ultimately sustain the whole sector – the passengers.

Context here really matters. The underlying economics of the sector are positive. Overall passenger numbers are holding up, load factors are increasing, and new routes are being established. UK airports handled 292 million passengers in 2018, up three per cent on 2017.

Despite the current global political and economic uncertainty and fierce competition for passengers and a fight to sustain yields, UK airlines on the whole are braced for the challenges.

But we can't be complacent. 2019 feels like it may pose stronger headwinds and challenges.

Sadly, we lost FlyBMI in February, and we have also recently seen the administration of Wow Air and Cobalt, which operated routes out of the UK.

Ultimately passengers are best served by a vibrant, innovative and competitive airline sector, but one that is also profitable and sustainable.

That is not to say there will not be casualties along the way: market exit, consolidation and change is as much a feature of a vibrant market as new entry and competition between existing players. I fully recognise however, this can be distressing to those directly affected.

There is no question that UK air passengers today enjoy fantastic connectivity, both in terms of number of the destinations served and number of airlines flying those routes; alongside high levels of service compared to all other modes of transport.

By and large most aviation passengers on most occasions feel the industry serves them well. Our passenger surveys regularly show satisfaction levels above 80 per cent, which compare favourably to other modes of transport.

That said, no-one here today will say it is perfect and it can't improve; or that sometimes, on some days, passengers can be let down.

In terms of framing policy and regulation to respond to this we must recognise that air travel for the majority is not an essential service like water. Airlines operate in a broadly competitive market; one that the public does not consider systemically fails to meet their needs.

The reason for mentioning all of this is that it should serve as context to guide conversations we need to have about consumer rights and expectations.

The Government has put this question front and centre of its new aviation strategy with its proposed Passenger Charter.

I would be keen to use the opportunity of having you all here today to discuss how we believe the airline community should best respond to this initiative.

You have a good opportunity here. Government is clear it wants a Charter but the detail of this is to be worked through and will no doubt be informed by views of interested parties like airlines and consumer representatives.

I would encourage you to be on the front foot, to be bold and to develop ideas for this charter that show that you have recognised the challenge set by Government.

Ideas should, however, reflect the economic, commercial and consumer context of the airline market.

As always with Government and regulatory policy, don't wait for it to be done to you.

With this in mind, I would like to offer you seven points or suggestions to help frame the discussions you will have today.

My first point is that the Charter should be a clear expression of consumer rights and their responsibilities.

I hope you can agree with me that the core principle is that consumers should be aware of their rights when a product or service fails to deliver, and they should be able to exercise those rights easily.

The Passenger Charter does not start from scratch on this point. There is already a wide body of existing law in place that protects passengers' legitimate expectations.

There is merit in bringing it together in one place in a user-friendly format to raise awareness.

There are two areas of consumer rights where we as the regulator pay particularly close attention.

The first is regulation EU261. I appreciate some airlines may have different views on the tariff rates imposed by this European Regulation, but Brexit should not be seen as an opportunity to water down customer protections.

The Government and opposition have been very clear that consumer rights will not be compromised simply as a consequence of Brexit. In any event its adoption may be a requirement of future market access.

The second area is that we enforce the Regulation on Passengers with Reduced Mobility. UK industry deserves a lot of credit here for leading the way in many areas when it comes to making air travel accessible.

More passengers with reduced mobility use air travel in the UK than in any other EU country.

The industry has also complemented its focus on physical disabilities by looking at ways of making travel more accessible for those with hidden disabilities such as dementia and autism. 79 per cent of passengers requesting assistance express satisfaction with the service they receive.

We have already done a lot of work with airports, encouraging a consistent level of service for passengers with reduced mobility. We now want to do the same with airlines. While some good work has already been done there is room for improvement. Above all else, we need to see fewer occasions where things go very wrong.

To do this, all airlines need to implement dedicated policies to deal with and coordinate, special needs requests. Are your communication flows, information sources and contact points fit for purpose? The incidents we most frequently hear about are usually the result of a basic lack of communication between the airline and the airport.

These unfortunate situations should simply not be happening.

A second thought to offer you is whether the Charter should capture something about the first-tier complaints process. When, on those rare occasions things do go wrong it is important that airlines and airports address the passenger complaint seriously, quickly, empathetically and fairly for both sides. The process should also be easy and transparent.

Linked to this is a third point that the Charter should reinforce the value of Alternative Dispute Resolution. Court action should be a last resort: we all know it dissuades consumers from exercising their rights and there is a better alternative available in the form of ADR. At the moment this process is voluntary with the majority of UK airlines and many airports signed up to the ADR scheme.

We would like to see the scheme become mandatory. Consumers seek consistency and efficiency, so I encourage those who have not signed up to the scheme to do so.

A fourth point is to encourage you to think about what you can do to make Terms and Conditions more transparent.

Some terms & conditions can feel downright unfair to some passengers – charging a significant amount of money to correct a simple typo made during the booking process, for example. Passengers should be able to make informed choices based on transparent and fair terms & conditions.

The issue of paid-for allocated seating has made the headlines of late with some passengers claiming the booking process forces passengers to pay for seating.

We have been undertaking a review of airline terms and conditions which we are due to publish this summer. You won't be surprised to hear that we would like to see greater openness and transparency, albeit some airlines deserve credit for their policies and approach.

Increasingly consumers are simply not going to accept anything they regard as unfair or does not represent value for money. Just look at some of the messages on your own social media platforms!

A fifth point to offer is to encourage you to think carefully about the scope of the Charter. Passengers care about the end to end journey and there are a lot of players responsible for making this a success: airlines, airports, air traffic, Border Force, surface access providers, etc.

We don't want a Charter that is so wide and unwieldy that it serves no purpose; but I would encourage you to think carefully about the appropriate scope and whose activities should be included.

A sixth point to throw into the mix relates to what happens when airlines fall into insolvency. With the Bucks Review now published it is the time for the airline community to use the vehicle of the Passenger Charter to be very clear about how you will help passengers.

I have already briefly mentioned some recent airline failures. Unlike most businesses however, when an airline ceases trading a large number of individual customers can be left exposed.

Passengers holding tickets for future travel, or those on holiday at the time, have to seek help from their credit card or insurance provider to claw back a refund for new flights.

This is, needless to say, stressful and time-consuming and, more often than not comes completely out of the blue for unsuspecting passengers.

I am pleased to see more airlines offering rescue fares more often, but is there more than can be done?

My seventh and final point is that: it is really important we are all clear what the purpose and guiding philosophy of the Passenger Charter is. Is it best practice? Is it a regulatory tool?

And who owns it: airlines, the broader industry or Government?

Personally, I think because of the context I explained at the beginning of my remarks, the Charter feels better placed as best-practice than some form of regulatory tool.

That said, I'm sure Government will want to know that it serves a useful purpose and does what it is meant to do. This requires industry to rise to the occasion and take this opportunity to shape and influence.

I hope my seven points have given you food for thought. They are neither aimed to be mandatory nor exhaustive, but I hope enough to help get your discussion going today. Should the Government press ahead with its plans for a Passenger Charter, I hope conclusions from your discussions today will put the industry on the front foot in terms of helping to influence and design it.

Thank you very much for listening and engaging with this subject.

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