



Consultation Document

Issues affecting passengers' access to UK airports: a review of surface access

Response from:

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Response to Civil Aviation Authority

Bona-fides **BVRLA, the industry and its members**

- Established in 1967, the British Vehicle Rental and Leasing Association is the UK trade body for companies engaged in the rental and leasing of cars and commercial vehicles. Its members operate a combined fleet of 4.5 million cars, vans and trucks.
- BVRLA members buy nearly 50% of all new vehicles sold in the UK, an estimated 1 million vehicles (including 308,000 UK-made vehicles) per annum.
- Collectively, members of the BVRLA support around 317,000 jobs and contribute over £24.9 billion to the UK economy each year.
- Through its members and their customers, the BVRLA represents the interests of over 2 million business car drivers and 10 million people per year who choose to rent a vehicle.
- As well as informing the Government and policy makers on issues affecting the sector, the BVRLA regulates the industry through a mandatory code of conduct, helping its members deliver safe, sustainable and affordable road transport to millions of consumers and businesses. For more information, please visit www.bvrla.co.uk.

Executive Summary

The BVRLA welcomes the opportunity to comment on the CAA's consultation on issues affecting passengers' access to UK airports: a review of surface access. We would also like to thank the CAA for meeting with us and allowing us to discuss the rental sector's view of the market position of airports.

We note the comments in the consultation with regards to car rental and the mention of the Which? report and would like to draw your attention to work we have been doing with the Competition and Markets Authority who recently published a report into the short-term car rental market in the EU. Including some detailed research into the UK market, the report summarised some of the consumer issues that have been raised and the steps that companies and customers can take to make the sector 'work better'.



Response to Civil Aviation Authority

The BVRLA and its members are committed to providing the highest levels of customer service and transparency. The association worked very closely with the CMA, helping it to gain a better understanding of the daily rental business – its key processes and the main customer touchpoints. We also outlined the actions the BVRLA and its members were undertaking to enhance the industry's self-regulation.

After working with us for more than 18 months, the CMA believes that our members have 'set a benchmark for the rest of the industry to follow'.

Customers have a right to clear and transparent information about their rental. Like the CMA, we believe that our mandatory Code of Conduct, governance regime and free, no-obligation conciliation service will provide added peace of mind to customers.

Car rental is a viable often low cost and flexible alternative for both onward travel from airports and travel to airports when airports make it difficult and expensive for car rental to work at their airports they are denying their customers easy access to this vital travel solution and these costs are passed on to their customers.

In terms of improving service access to airports we would like to see the CAA address the following key points:

- Fair treatment – We believe that CAA should step in to ensure certain clauses are standard for agreements between rental companies and airports. These cover circumstances where passenger numbers decrease and ensuring that all car rental operators are treated equally by the airport operator.
- Charges – We suggest that airports should provide clear and transparent charges to the car rental operator. We would ask that the CAA look to ensure that airports justify their charges/increases to car rental operators so that car rental operators have a clear vision of where their money is being spent and that airport operators ensure the best deal is sourced for utilities.
- Mode share – Our view is that the CAA should ensure airport operators promote car rental in the same manner as it already does for other forms of onward transport, on their websites, in their literature and in their building.
- Tenant relationship – The CAA should ensure that airport operators work collaboratively with car rental operators to manage changes at the airport and improve the customer journey.
- Licensing of off-airport operators - All car rental companies that operate at an airport or from an off-airport location should be required to enter into a license agreement or permit with the Airport.



Response to Civil Aviation Authority

Specific Comments

Fair treatment

We believe the CAA should look to ensure that car rental operators are treated fairly by airport operators, we believe the abatement clause detailed below should be reviewed. In addition, we would suggest that all airport agreements should include a 'most favoured nation's clause'.

Abatement (passenger deflator) clause

We support Minimum Airport Guarantee (MAG) abatement when there is a 15% or more drop in deplaning passengers from the same month in the previous year or first contract year. We also support MAG abatement if monthly gross revenue decreases 15% or more from the same month in the previous year or first contract year.

If extenuating circumstances significantly alter the information provided by the airport, MAGs should be adjusted accordingly. In addition, when circumstances beyond our control arise such as the availability of gasoline, facility or access restrictions resulting from airport hindrances (construction), it is reasonable to abate the MAGs. It is unfair and unreasonable to require business partners to pay full MAGs for significant impacts at an airport beyond our control.

Most Favoured Nations Clause

All airport agreements should contain a "most favoured nation's clause." In the interest of fair and open competition, all car rental companies should be treated equally by an airport regardless of size, tenure or revenue. This creates a level playing field among all operators within an airport market, and prohibits an airport from providing more favourable or advantageous terms to certain operators at the detriment to others. It is common practice in North America for concession agreement to contain a MFN clause, and for each car rental agreement to have the same terms save for financial (MAG, % fee, rents) and allocation of space.

Example: "In the event that any contract granted by the Airport to any other car rental operator shall contain any terms and conditions more favourable to such operator than the terms and conditions herein described (other than the financial terms, number of allocated parking spaces and the location of the concession area, etc.), then, at the option of Concessionaire, this agreement shall be amended to include such more favourable terms and any offsetting burdens that may be imposed on any such other concessionaire. The intent of this provision is to ensure that Concessionaire will be able

Response to Civil Aviation Authority

to compete on terms as equal as possible with all other car rental operators and to ensure that no other concessionaire shall enjoy any rights or privileges more favourable to such concessionaire than those enjoyed by the Concessionaire herein.”

Charges

Rental companies have a number of different charges covering facilities, utilities etc. which they pay to be an ‘on airport’ operator. However, there is very little transparency around these fees they are often increased without explanation and cannot be directly attributed to a service improvement or a management fee.

Case Study Typical Airport Example

Car rental companies collectively pay £500,000 in maintenance and facilities charges at the airport. There is no governance around this, no audited accounts, no detailed budget produce to help rental companies plan their outgoings. There is no requirement for the airport to get best value for utilities and the current water and electricity charges are above current market rates. We don’t believe there is a tender process for utilities or if there is car rental companies are not involved in it. At the beginning of 2016 these charges were increased by approximately £2,000 per month there was no warning of this change and no explanation of what this increase covers. As costs go up car rental companies have to consider raising their rates or reducing their costs, both of which have a negative impact on the customer’s experience.

Our recommendation would be that airports should provide regular (per annum at a minimum) detailed accounting of any fees and/or surcharges such as utility, facility, maintenance and management fees charged to car rental partners per a concession agreement. Airports should provide all costings and allocations (airport investment versus industry investment as well as a breakdown by car hire operator) for capital expenditure contributions made by car rental companies. Concessionaires should be given greater notice where such charges need to be raised to enable proper planning to minimise customer impact.

Response to Civil Aviation Authority

Any taxes, fees or other charges that are not directly related to car rental operation should be borne by the airport. A detailed accounting of all fees and charges will ensure fairness in airport practices with car rental partners and transparency to those being billed for certain services. When an airport makes improvements in car rental facilities, or constructs new, the car rental operators should be a part of the process and the airport should mitigate car rental partner costs whenever possible.

Mode Share

Airports are often seen as not promoting car rental in the same way they do other onward transport modes at the airport. The below photograph shows current signage at an airport for a bus stop to the car rental centre, it is impossible unless you were next to the sign to know what this was telling you:



Poor signage such as the example above impacts on the customer's experience of the airport and car rental. It is therefore of benefit to all parties for clear signage to be permitted by the airports to enhance the customer journey.

The below example helps to show how some airports get it right and the signage for car rental is the same as for other forms of onward transport from the airport.

Response to Civil Aviation Authority



Websites are another area where there is a lack of promotion of car rental as an onward travel mode from the airport. We would suggest that Airports should promote all on-site car rental partners in an equal and fair manner. In addition, airports should promote car rental as a whole in the same manner as it already promotes other modes of transportation available such as rail, coach, taxi, etc. This includes placement/prominence of advertisements on airport websites, placement, size and type (branded vs. generic) of way-finding signage, and limiting solicitation of customers in arrivals. Each car rental partner should have the ability to display its brands on offer at airports with a link to the brand's retail site for customer booking.

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Tenant relationship

As the rental company is operating on land owned by the airport the airport can choose to move a car rental location, reduce the space available even dictate who cleans their cars. It would be of benefit to customers using car rental if there was a more collaborative relationship between airports and car rental companies to ensure regular meetings take place to identify issues and work together to improve the customer journey.

Agreements between rental companies and airports should include protections from arbitrary relocation of allocated space (i.e., counter space, ready/return lot or bays, service facilities, etc) by an airport. If an airport does need to relocate the car rental industry facilities in whole (meaning, all counters not an individual company's counter), then it should be at the airport's expense (utilities, communications, cabins, signage, etc.) and include a provision to reimburse each company for any remaining unamortized costs associated with the fit-out of the space.



Response to Civil Aviation Authority

Relocations disrupt operations, are confusing to customers and are expensive. Companies tender on the basis that they will operate out of certain space for the duration of the contract term. It is unfair for the airport to force the car rental companies to relocate to less desirable and often facilities further away mid-term at the car rental companies' expense. Relocating car rental operators further from the terminal forces Customers to make elongated and confusing journeys, which is a poor customer experience and disadvantages car rental unfairly against rail, coach and taxi operators who can operate from the terminal. An example of this would be Gatwick where there has been insufficient and inconsistent consultation with car rental operators regarding the proposed relocation of facilities further from the terminal. Exceptions would be any relocations where the car rental industry is working with the airport in the planning and design of a Consolidated Car Rental Centre (CCRC)¹ to improve the customer journey, increase space and improve operations, for example at Edinburgh Airport.

In an open market scenario at car rental centres, ready/return space (R/R space) should be reallocated every year based on the previous 12 month market share, in a way that does not involve significant capital expenditure by the car rental companies. In order to qualify a company must increase or decrease its market share by a set percentage (such as 2%) since the last allocation or reallocation. The qualifying company may decline their eligibility.

In a tender scenario, R/R space should be occupied for a set amount of time (such as 12 or 24 months) based on each company's bid share. After that, R/R space should be reallocated annually based on the parameters described above. There should be specific language in concession agreements that detail the reallocation process, timeline, penalty for non-compliance, etc. to avoid continuous delays.

By adopting this approach regular reallocation of R/R spaces enables/promotes efficient operations over the life of the facility as well as accommodates growing companies and provides consumers more access to the brands that they are favouring. Reallocation should be executed by the car rental industry letting the company with the highest market share select first. If an agreement cannot be made by the industry, the airport should have the final decision.

¹ A CCRC is where all car rental operators that are at the airport operate from one building that is normally a short walk or bus journey from the terminal building.



Response to Civil Aviation Authority

Licensing of off-airport rental companies

All car rental companies that operate at an airport or from an off-airport location should be required to enter into a license agreement with the airport. By entering into a license agreement or permit with the airport, car rental companies are agreeing to comply with stated minimum standards in terms of level of service which could include: age of rental vehicles, hours of operation, frequency of shuttle pick up etc. Their location and method of pick up and drop off of customers will be determined and controlled by the airport. This not only ensures airport customer safety, but also protects airports against issues that could arise from unlicensed businesses operating as a car rental company on the airport property.

Closing Comments

We hope our comments add value to the consultation process being undertaken by the CAA with regards to passenger's access to airports and that some of the measures outlined above can be taken forward.

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