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NATS' approach towards stakeholder engagement

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Executive summary

Customer engagement has become a major theme in economic regulation, especially in the UK context. This study focuses on one regulated organisation, NATS (en route), the main air navigation service provider in the UK and, in particular, its subsidiary (monopoly) business of managing en route air traffic control. The emphasis of this research was on NATS' customer engagement as part of the Service and Investment Plan process (SIP). The research considered in particular the experience of the customer engagement processes as part of the SIP over the course of its existence. Documentary analysis of the SIP consultation process and extensive interviews with airlines, airline associations, airports and NATS were used to study changing understandings of the SIP process, how different participants understood and perceived the quality of the process, and how the SIP customer engagement process could be compared, if not benchmarked with other providers of air traffic services and other regulated industries.

The study found that NATS customers perceived NATS to be a highly competent and trustworthy partner. Participants largely had a positive view of the SIP consultation process and there was broad agreement that NATS compares very favourably to other Air Navigation Service Providers (ANSPs) in this respect, especially in the European context.

Participants outlined three areas in which they thought NATS could improve further:

- *Clarity of engagement objectives*: Interviews with customers and NATS staff revealed that there were **differing perceptions of the objectives of the SIP consultation process**. These ranged from the objective to inform customers about decisions to the objective of joint decision-making. To address this, NATS could **establish trigger points as part of the SIP process at which the 'informing' could turn into 'joint discussion' of particular options.**

- *Quality of information*: There was a general sense that **the SIP information material lacked 'digestibility'** despite being highly competent, detailed and timely. Participants highlighted that **shorter and simpler explanations** of complex material would enable them to engage with the provided information more thoroughly. The **establishment of consistent and unified key indicators would also enable customers to follow changes in the plan more easily,** while also providing an opportunity to establish the abovementioned trigger points.

- *Responsiveness to customer preferences:* There was a general appreciation among participants that NATS tried to take customers' preferences into account wherever possible. However, there was also a perception that **how NATS responded to the input of different customers was not always transparent**. This could be remedied by **specifically outlining how NATS responded to individual customer responses** in the final SIP or an accompanying document.

Introduction

1. Customer engagement has become a major theme in economic regulation, especially in the UK context.[1] Traditionally, discussion has focused on consultation processes with stakeholders, usually involving regulators themselves. There have also been consultative processes involving regulated organisations, often involving large investment projects, or changing codes of practices. More recently, the debate has turned towards processes that seek to encourage regulated companies to directly engage with their diverse customers, in a process broadly defined by the economic regulator.[2] Variations exist across different sectors and within sectors, with differences including the type of *ex ante* or *ex post* vetting by the regulator, the scope of the engagement process' brief or the kind of participants involved in the process. In the UK, aviation has been the source of interest in engagement processes, following the Civil Aviation Authority's (CAA) initial initiative to encourage 'constructive engagement' processes in 2005.[3]

2. This study focuses on one regulated organisation, NATS (en route), the main air navigation service provider in the UK and its subsidiary (monopoly) business of managing en route air traffic control. Following the 2000 Transport Act, a public private partnership for NATSs was established. NATS' ownership is a public private partnership involving the Airline Group (42 per cent), NATS staff (four percent), LHR Airports Limited (four per cent) and the UK government (49 per cent plus golden share). The 'en route' business involves all air traffic control services to aircraft flying to, from and over the UK and over the northeastern Atlantic. NATS (en route) is funded by airlines that are charged for the air traffic services provided to them. The 'approach control' business is partly a competitive business (the exception being the London region). Airports are fully competitive.

3. The particular focus of this research was on NATS' customer engagement as part of the Service and Investment Plan process (SIP). The SIP involved initially annual, subsequently bi-annual processes to engage with customers over the progress on the regulated business plan. The research therefore involved documentary analysis, research on a restricted access NATS' website that

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[1] S. Darcy et al. (2015), 'Customer engagement in regulation', **carr** discussion paper 82, London: CARR, LSE. <http://www.lse.ac.uk/accounting/CARR/pdf/DPs/DP-82.pdf>

[2] E. Heims and M. Lodge (2016) 'Innovation through customer engagement and negotiated settlements in water regulation, **carr** discussion paper 83, London: CARR, LSE. <http://www.lse.ac.uk/accounting/CARR/publications/DP-83.pdf>
Also E. Heims and M. Lodge (2017), 'Customer engagement in UK water regulation', *Policy & Politics*, <https://doi.org/10.1332/030557317X15046029080815>

[3] UK CAA (2005), 'Airports review – policy issues: consultation paper'. <http://webarchive.nationalarchives.gov.uk/20140605144844/http://www.caa.co.uk/docs/5/ergdocs/erg_ercp_airportsreview_dec05.pdf> Accessed 16 October 2017. One key insight of that process was the need to set clearer regulatory rules to guide participants, leading to the establishment of a 'customer consultation approach' by the CAA in 2008.

provides for all the documentation of this process (to which access was granted for the duration of this research) as well as interviews with NATS staff, airlines and airports. The interviews were conducted on the basis of the Chatham House rule.

4. The research concentrated in particular on the experience of the customer engagement processes as part of the SIP over the course of its existence. Over the past decade, the process has evolved. Some participants were able to offer long-term perspectives, others have been involved over a shorter period. In particular, therefore, the research was interested in changing understandings of the customer engagement process, how different participants understood and perceived the quality of the process, and how the SIP customer engagement process could be compared, if not benchmarked with other providers of air traffic services and regulated industries.[4]

5. The research suggests that NATS is regarded as leading in the European context in terms of its customer engagement. This partly also reflects the particular regulatory arrangements that apply to NATS. NATS is committed to the process of customer engagement (and customer relations more generally). Participants are also broadly positive about the customer engagement process and generally regard NATS as highly competent organisation with some participants wishing NATS to play a bigger co-ordinating role for the whole sector (outside of the SIP process).

6. However, there are some differences in views about the potential scope of customer engagement, as well as the type of information provision that reduce overall satisfaction with the SIP engagement experience. Some of this dissatisfaction can be addressed through changes in the way in which information is presented by NATS, other aspects might require a clearer regulatory definition of the boundaries of the engagement process. At the same time, the ambitions of the customer engagement process need to be seen in the context of overlapping experiences with related multilateral and bilateral engagement processes, and also resource limitations that impact on the capacity of various customers to fully contribute to engagement processes. Perceptions of the SIP customer engagement process were therefore, in part, shaped by broader perspectives on particular industry participants' relationship with NATS.

Background

7. The SIP process was an initially annual process that was intended to inform key customers of progress NATS made in terms of its Licence requirements, especially relating to investment plans, delivery against programmes, and an overview of present and forecast quality of service levels. The research focuses on this SIP process in particular; however, our research revealed that most

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[4] The terms under which the research was conducted are outlined in Appendix A.

customers preferred to discuss their engagement with NATS more generally (as well as in terms of the SIP).

8. In general, the SIP customer engagement process involves a set of steps. These involve

    a. an initial multilateral meeting that sets out the SIP
    b. a set of bilateral meetings that can be requested by customers, but are not mandatory
    c. the final SIP document following a further multilateral meeting if this meeting is considered appropriate
    d. the granting of approval by the CAA.

9. The SIP customer engagement process has witnessed some controversy and reform since 2015. In particular, the controversy related to the adoption of different investment priorities as part of the RP2 (Reference Period 2, 2015–2019) and the subsequent changes to the financing requirements which involved a 20 to 26 per cent increase in the cost of the programme. While participants were broadly sympathetic to the circumstances of the decision to change priorities, there was concern about the timeliness of the information, as well as its financing and the subsequent recalculation of costs which involved a considerable cost increase to customers (airlines). Subsequently, the responsible regulator, the CAA, became involved and requested from NATS, in withholding initial approval of the SIP 2017, that it should amongst a variety of issues[5]:

    a. further articulate the basis on which services and investment plans were amended, as well as providing for the premises for a discussion of different options
    b. develop a clearer discussion of the ways in which NATs has responded to customer input
    c. provide a clearer set of consistent key performance indicators that allowed for assessments of projects and programmes over time (including clear references in case of reformulating and relabelling of projects).

10. In addition, an independent external reviewer (Grant Bremer) was appointed to engage with NATS and to offer recommendations to develop the basis on which to take the SIP process further. NATS introduced more focused meetings and workshops, so-called 'Deep Dives', so as to allow for an in-depth discussion or presentation of particular themes. The CAA also required the SIP process to be placed on a bi-annual basis.

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[5] CAA (2017)
<https://www.caa.co.uk/uploadedFiles/CAA/Content/Accordion/Standard_Content/Commercial/Airspace/Air_Traffic_Control/Haines%20Rolfe%20letter%20SIP17.pdf> Accessed 16 October 2017.

11. The research took place in the context of the customer dissatisfaction over the SIP experience since 2015 as well as discussions about the future role of an independent reviewer. However, the interest of this study was in the customer engagement process in general and not to review the specifics of the challenges that have arisen in the past few years. The aim has been to develop recommendations for how NATS engages with its customers during forthcoming SIPs and future discussions regarding RP3 (2020–2024).

Assessing customer engagement

12. As noted, customer engagement has a long pedigree in the field of regulation, in particular in terms of requiring regulatory agencies to consult widely. More recently, largely in the UK, interest has turned to obligating regulated organisations to directly engage with their customers. The scope of these activities varies, but usually involves the formulation of an agenda by the regulatory agency and some form of *ex post* evaluation by the regulatory agency. Concern about these processes has involved the active endorsement of these processes by regulated organisations, the need to find sufficiently motivated and capable participants for these processes, and the concern that not all regulated issues can be placed on the agenda of such an engagement process, especially where different participants have commercially conflicting interests.

13. In other settings, there has been a long-standing interest in engagement processes, ranging from local processes involving urban planning to high level dialogues over socially divisive issues (such as German's *Energiedialoge* at various levels of government to deal with future energy sources or the siting of transmission networks). These processes are located with both regulated companies as well as public authorities.

14. The diversity of experiences renders it problematic to benchmark these processes. It is complex to compare processes in terms of 'satisfaction' as this depends on the congruence of interests across the different consulted parties. In some cases, achieving a meeting that includes a diversity of participants might be seen as a major success. In other cases, the achievement of a joint position might be a success. Variations also exist in terms of the scope of the exercise and the role of input from the public authority involved.

15. In order to systematically assess the quality of NATS' customer engagement as part of the SIP process, Table 1 offers an overview of three key dimensions to assess the (perceived) quality of the customer engagement process. This study examines the engagement process in terms of its procedural, participatory and responsiveness dimensions. In doing so, it incorporates traditional categories, namely questions of the quality of 'input', 'process' and 'output'.

16. The procedural and substantive dimension focuses on the timeliness and quality of the paperwork to guide conversations (also including web portals), the degree

of shared understanding regarding the 'rules of engagement' and objectives of the process, as well as the degree of shared understanding regarding membership of the customer engagement process.

17. In terms of participatory dimension, we focus in particular on the capacity and motivation among different participants to contribute to the process. Questions of capacity refer in particular to the demands on different participants to be involved in meaningful ways in the various aspects of the engagement process. The motivation component points to potential differences in the willingness of different organisations to contribute to the process per se.

18. As questions of 'output' and 'outcome' are difficult to specify, this study concentrates on the question of 'responsiveness': how do different participants perceive the level of actual engagement by NATS with their contribution? Such a question is not necessarily only about the degree to which NATS adjusts its decisions to the preferences voiced by its customers, but also relates to the quality of engagement. This refers to how much (perceived) emphasis NATS puts on justifying its reasoning to customers when it does not adjust its decisions to customer preferences.

Table 1 Dimensions to support assessment of customer engagement processes

Key dimensions	Indicators
Procedural & Substantive	Clarity of objectives of process and of process itself Quality of paperwork & online portal Timeliness of invitation/information Inclusion/exclusion of participants, including independent reviewer & CAA
Participatory	Capacity of different participants to participate Motivation of different participants to participate
Responsiveness	Type and timeliness of responsiveness & quality of response to engagement process input

Procedural and substantive dimension

19. Participants in general understood the nature of the process and the SIP cycle. There was a view that the process had become more mature and that the quality of discussion had improved over time.

20. Concerning the clarity of the objectives of NATS customer engagement activities it emerged that NATS and its customers do not necessarily have a shared understanding of these objectives. For NATS, the objective of the SIP engagement process is to provide information and updates to its customers. For other

participants, there is potential to extend the conversation towards a discussion of different options. Yet others suggested that 'updating' was an appropriate understanding as long as certain key aspects of the overall five-year plan were not under pressure. They proposed that once certain aspects were no longer met, then the customer engagement process could take on a different character, namely to discuss more extensively different options. In the context of RP3, these different options of a customer engagement process may be considered.

21. Depending on what kind of model of customer engagement is opted for by NATS, it may also be worthwhile considering whether 'consultation' is an appropriate name for the process. Some customers highlighted that they perceived this to be misleading. According to this perspective, the SIP was largely about information provision and should be turned into more active forms of consultation over options.

22. Crucially, a clarification of objectives also affects other dimensions of customer engagement, such as how to structure and communicate information to customers.

23. Traditionally, NATS has provided an 80-odd page set of slides containing information regarding progress on Licence requirements. These slides offer an executive summary and then different sections on issues such as business context, delivery on programmes, investment plans and other service level issues, as well as appendices with further information. The slides and the invitations are provided to participants via e-mail and are also available on the 'Customer Gateway' (NATS' customer engagement online portal). Participants agreed that this material is provided in a timely manner.

24. There was more concern about the quality of the information provided. Quality refers to issues of level and detail of information as well as the digestibility of the information provided. One observer criticised a tendency to 'obscure by complexity'. The quality of information provided was also part of the discussion with the independent reviewer in the context of the 2017 SIP. In particular, it was argued that the information tended to be so extensive that it was difficult for any one individual to be able to engage with the documentation. In part, there were concerns about the robustness of earlier assessments and the absence of scenario planning. This concern fuelled a sense that customers were generally presented with a fait accompli. Partly this reflected different understandings of NATS and the SIP customer engagement process in general, partly this pointed to disagreement over which issues were 'for information' or involved deeper exploration of different options.

25. While information provided was generally seen to display very high levels of expertise and competence, participants noted that the supply of this type of information has an inherent trade-off as far as comprehensibility of the material for customers is concerned. Some participants perceived there to be a tendency to

try to prevent thorough questioning by providing a large quantity of highly complex information material ('another 55 pages that nobody can understand'). In sum, the debate about the quality of information referred largely to digestibility: the detail of information was too high for participants to engage with. There was also criticism regarding the changing labels and programme names that featured in NATS' documentation and that made comparison of performance difficult.

26. The concern with the quality of information was compensated by informal cooperation among different customers (e.g. airlines) and their representative body (IATA). There were calls for a greater standardisation of the slides in terms of their format, the provision of a set of key slides (or a separate short document) that offered an over-time summary of key issues and indicators so as to allow for a conversation about headline figures. This could then be supported by more detailed information in background documentation. For the final document, participants wanted to see more evidence of the engagement process, namely, a summary of the different issues that had arisen and how they had been met by NATS. In sum, there was a call for a more focused set of information that allowed participants to understand more immediately the key issues arising from the documentation.

27. These concerns have been addressed in the role of the independent reviewer and the reviewer's recommendation that NATS is to provide for a summary of the key performance indicators and to ensure that labelling remains consistent over time. Nevertheless, the information provision by NATS could be improved further to allow for informed engagement processes; this would require an agreement on the key issues to be reported on over time. It would also require the use of simpler language and clear and concise explanations of key issues for customers with limited issue-specific in-depth expertise.

28. Participants were very positive about the structure and content of NATS customer web portal (the Customer Gateway). Most participants reported that they use this portal extensively, that they find it easy to navigate and that they find it very useful to have access to all SIP related material in one place. There was broad agreement that this portal should be maintained in its current form.

29. While there was little disagreement about the membership of the customer engagement process, namely airlines, and increasingly, also airports, there was more concern about the bilateral meetings. All participants regarded the bilateral meetings as extremely helpful and as evidence that NATS took its customer engagement requirements seriously. Minutes of these meetings were accessible to all customers on the NATS Customer Gateway apart from matters that were defined as 'confidential' by customers. Even though the degree of transparency regarding the content of the bilateral meetings on the web portal is noteworthy, there was some concern about the content of the bilateral meetings. There was criticism of potential preferential treatment of some customers rather than others

when it came to the timeliness of particular information. Despite the availability of information about these meetings on the web portal, there was also the suspicion that bilateral meetings were used to 'divide and rule'.

30. 'Bespoke' meetings offer clear benefits. However, it would be worth exploring as to whether there should be a certain standardisation of bilateral meetings (where information could be then shared so as to assure other parties).

31. As noted, there was broad agreement on the membership of the SIP engagement process. Some participants suggested that the membership could be widened to include individuals representing particular aspects, thereby widening the definition of customer. Thus, one might consider introducing participants with a particular focus – such as for 'noise' - that could engage on certain aspects of the SIP process. Others argued that the SIP was a specialised process and ill-suited for a wider membership base. One interviewee noted that extending and diversifying membership of the SIP processes risked 'fouling up the process'. In this view, other engagement processes were better suited for a widened participation base, such as when addressing local communities about noise issues.

32. There was also broad agreement that the role of the independent reviewer was helpful. However, for some, there needed to be more clarity in terms of the reviewer's tenure and appointment process in the future. For some, there was the risk of 'capture' (in terms of becoming 'too lenient' on NATS), for others, there was the risk of 'mission creep' (in terms of engagement in more issues than the quality of the SIP such as the overall running of NATS' investment programmes). Continuing the existence of a 'quality checker' outside of the CAA was supported by participants overall (despite some hesitation over the potential additional cost). In the future, the external reviewer could also be seen as a safeguard for NATS against demands for further information requests by customers.

33. There was also a concern with the effect of the independent reviewer on NATS. The primary function of a customer engagement process was intended to be with 'customers' and introducing a regulator-appointed reviewer risks making NATS particularly responsive to the reviewer rather than customers. While this problem was not noticed in the current arrangements, it points to potential sources of tension between NATS and the CAA over the role of the independent reviewer on the one hand, and between the reviewer and the customers, especially airlines, over the mandate of the reviewer on the other.

Participatory dimension

34. Customer engagement processes are inherently costly to the 'reporting' party in that it has to provide information, engage with input and seek support for its programme. The process also involves support from within the organisation so as to avoid accusations that customer engagement processes are little else than

window dressing where 'core business' remains virtually untouched. They are also costly for customers who need to commit staff time and other resources to read information material, conduct internal discussions of key issues arising from this information material, attend meetings, and follow up with the reporting party.

35. The attendance record suggests a stable membership of SIP meetings (as well as other key customer engagement meetings, such as Operational Partnership Agreement meetings) by attendees from bigger UK airlines and the airline representation (IATA) and airports, especially Heathrow. Other airlines, especially international ones, varied in their participation, but their participation was rather on the lower side. Participation numbers by attending organisation also varied, with NATS involving a number of staff to cover the various aspects of the SIP process. Most organisations were represented by one individual. One experience of a Deep Dive at NATS attracted a very limited number of participants (the event was seen as very useful, but attendance numbers were regarded as disappointing).

36. In terms of customers, there is overall a broad motivation to contribute to customer engagement processes, although the SIP was not central to all participants' considerations. Some participants placed emphasis on bilateral conversations. Others who attended were somewhat less motivated to participate as they regarded the overall process largely as a NATS presentation and justification without much possibility to input into actual decisions or discussion of options (see below). More generally, the overall group of participants was stable and knowledgeable of different aspects of the SIP process, but not all individuals could cover all detailed aspects of the exercise.

37. In this respect, it is worth noting that many participants highlighted that NATS was not always addressing the most adequate staff member when extending invitations and providing information material. This put considerable onus on individuals in customer organisations to ensure that given invitations and information material reached the best placed addressee. It was widely noted, however, that NATS could not be faulted in this respect as it was customers' responsibility to regularly update NATS in this respect. NATS could consider how to facilitate such efforts on part of customers. NATS similarly suggested that it depended on its customers to support the SIP process with adequate staffing.

38. It was also mentioned that customers can sometimes receive contradictory information from within NATS and that customers can feel overwhelmed by information in this respect.

39. The key issue was about capacity to participate in customer engagement. The capacity constraints here refer to issues of time and contribution. For some, the capacity to contribute was limited given the limited resources in their organisations and the need to persuade other parties in their organisation to

support the SIP process. The information intensity (or lack of digestibility, as noted above) impeded the capacity to contribute by some participants. Participants suggested that internationally there was a reliance on respective flag carriers to represent major airlines more generally as they had both short and long haul businesses.

40. The question of motivation and capacity of participants in customer engagement processes therefore points to issue of ensuring that the information is digestible so as to ensure that customers can engage with the process. Furthermore, it means that there has to be a clear understanding that customer engagement processes need to be carefully designed so as to not overwhelm the capacities of participants to contribute. In the interviews, there were no calls for a reform of the overall 'engagement ecology' involving NATS, but any advocacy for further engagement processes needs to consider the customers' capacity to be involved in meaningful exercises.

41. The minutes of SIP multilateral and bilateral meetings suggested that customers were posing difficult questions and challenging NATS on the draft SIP. However, the capacity to do so varied across participants with one noting that he was regularly 'dumbfounded'.

42. The recently introduced Deep Dives which address particular aspects of the SIP in greater detail were broadly well received. There was a general sense that these meetings are very helpful in facilitating more meaningful engagement with all aspects of the SIP on part of customers. Some participants noted that these sessions could be extended further to be able to go into even greater detail. Others, however, highlighted that the attendance of Deep Dives is too time consuming for customers. Relying on 'deep dives' should therefore not be seen as the sole avenue for enhancing an improved in-depth understanding of specific issues arising from the SIP.

43. The capacity and participatory dimension of NATS customer engagement were related, in view of participants, to the concern with the overall objective of the SIP customer engagement process. It was noted that if, for example, SIP engagement activities largely aimed at the presentation and legitimisation of decisions taken by NATS, capacity issues are less significant. If, however, the objective was to receive high quality input from customers, including discussion of options, capacity issues were seen to be more pronounced. Despite its implications for customers' capacity to participate, there was a general preference for the latter approach.

44. Airports were seen as important participants even though they were not 'customers' in the strict sense. However, their motivation to support the SIP process was seen as restricted with interviewees noting the limited interest of airports in supporting the process due to their distinct commercial interests.

45. NATS itself was concerned to be seen to perform customer engagement processes well, especially as part of the SIP. The motivation of NATS was to inform about agreed projects and programmes and to justify reasoned choices. The understanding of customer engagement was somewhat more restrictive than that of other parties; some concern was expressed that airlines were minded to 'micro-manage' NATS. There was also a strong emphasis on transparency of the process, as documented by the presence of the web portal for participants. The efforts on part of NATS were recognised by participants who acknowledged that NATS spent considerable energy and time to prepare SIP (and other) meetings.

46. However, there were issues with NATS in terms of managing the process in ensuring that there was consistency of programmes and labels over time. The functional requirements of the SIP process clashed with an organisation where such labels and programmes were subject to frequent change. The restrictive understanding of customer engagement also meant that there was a reluctance to openly debate potential options or to be questioned extensively. This led to some degree of comment that the customer engagement process resembled a defensive risk management process.

47. There was a concern within NATS that there was too little restraint by airlines to ask for 'more information'. There was a degree of concern with the capacity of the CAA to support the SIP process with sufficient institutional memory and with sufficient motivation to act as 'ringleader' in case of disagreement between NATS and its customers. Overall, the contribution by CAA was nevertheless seen as helpful and important.

48. Part of this observed tension reflects back on the ambiguity of the role of the customer engagement process and whether it largely supports an autonomous business in justifying its decisions and updating its customers, or whether it is a process in which customers can be actively involved in decision-making on a range of issues ('customers should be able to have a view how their money is being spent'). As noted already (point 20), there is a need for a prior agreement as to the scope of the SIP engagement process, and under what conditions (if any), customers should be involved in joint discussion of particular options. This might involve agreement on certain trigger points that would turn passive to more active engagement processes.

Responsiveness dimension

49. Many participants were of the view that NATS was generally receptive to listening to customers' concerns and was willing to address them in the context of the SIP process where possible. This impression overlapped with wider appreciation of the direct relationship NATS had with its customers. There was some broader concern about the way in which individual business relationships were fed into broader NATS discussions and whether NATS was able to be

responsive to its diverse set of customers (others, in turn, argued that NATS tended to be 'too' responsive to particular issues).

50. As noted, however, some participants suggested that the SIP engagement process was largely 'window dressing' in that there was only limited scope for actual engagement and that the evidence of how engagement was being utilised within NATS was limited. The finalised stack of slides for CAA approval contained a short summary of key points that had been raised, but it did not indicate the extent to which NATS had engaged with particular points raised during the SIP process. Further rounds of the SIP may want to involve more extensive reporting on how inputs have been employed in adapting the SIP.

51. All participants, however, recognised and accepted that NATS could not be responsive to its customers' preference at all times. NATS was regarded as a business (that was at times criticised for 'hiding' behind its regulatory obligations) and not as a regulator. Nevertheless, it was emphasised that NATS plays a key role in providing a coordinated overview of the system of air traffic management and air space design. Many thought that this role could be further extended and emphasised more forcefully in relation to other stakeholders. In this regard, there was a clear recognition that 'responsiveness' does not only refer to acting on customers' views expressed but involves being willing and able to justify why particular suggestions cannot be responded to. NATS was generally seen to fare well on the latter dimension of responsiveness.

52. There was, however, a concern with biases. Partly, this potential bias towards the largest users, namely British Airways and London Heathrow, was seen as natural as they were the largest users of airspace. In the future, more consideration may have to be given to the devolved regions of the UK. Different participants noted a degree of scepticism as to whether NATS' attention was not prioritising these business activities. This concern related also to potential biases involving the content and timing of bilateral meetings. Others however noted that they did not suspect any such biases, although they did note the problems of ensuring that all views of the customer base were represented, especially those of smaller and regional airlines, and that disagreements might reflect competing commercial interests.

53. The concern with responsiveness might be said to be a particular product of the past rounds of the SIP process that involved a major change in priorities (and their timing) as well as cost base. This introduced growing scepticism about NATS' engagement with customer engagement. In part, these concerns could be addressed somewhat with different kind of information and a slightly different structured set of slides for discussion. This revised set would prioritise key indicators and information points, and could establish trigger points at which the 'informing' would turn into 'joint discussion' of particular options.

Benchmarking NATS against other ANSPs

54. As already noted, almost all participants were of the view that NATS' customer engagement compares highly favourably to practices of other air navigation service providers (ANSPs), especially in the European context. There was an overall agreement that NATS' approach to customer engagement was generally far more professional, more organised, and more effective than that of other ANSPs in Europe.

55. It was noted that in contrast to NATS it is more common for most other European ANSPs to only hold one multilateral meeting per year. Some of these exercises only provided highly complicated and structured frameworks for shared decision-making without necessarily providing more informal opportunities for engagement. There was broad agreement that NATS stood out in its genuine attempt to listen and respond to customer preferences and its willingness to accommodate customers in flexible frameworks for exchange that permitted frequent meetings.

56. On an international scale, some other ANSPs were seen to be doing equally as well as NATS. Canada, Australia and New Zealand were pointed out by some participants as potential best practice examples on par with NATS. At the same time, participants highlighted that most of these ANSPs (including NATS) deal with operations that are small enough to engage customers in depth, highlighting that comparative evaluation needs to be treated with care. There was wide agreement, however, that NATS customer engagement practices are particularly good and appropriate in light of the specific nature of the airspace it manages.

57. Comparative evaluation of ANSPs' customer engagement needs to be treated with a degree of caution since ANSPs have different organisational and ownership structures, remits and licensing arrangements. ANSPs also have different understandings of who their customers are and how wide-ranging customer engagement activities should be. NAV Canada and Airservices Australia, for example, differ from NATS in the extent to which they also include and directly engage with passenger customers and the public more generally (especially in relation to noise).[6]

58. Relating to customer relations outside the SIP process, several participants mentioned that NATS compares very favourably to other ANSPs when the communication of potentially unpopular news is concerned. There was a general sense that NATS was particularly upfront and honest about communicating expected problems (such as delays) in advance wherever possible.

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[6] Airservices Australia (2016), <http://www.airservicesaustralia.com/wp-content/uploads/Communication-and-consultation-protocol_WEB.pdf> Accessed 25 September 2017; Canadian Airports Council & Nav Canada (2015), <http://www.navcanada.ca/EN/media/Publications/Aviation%20Industry%20Airspace%20Change%20Communications%20and%20Consultation%20Protocol-EN.pdf> Accessed 25 September 2017.

59. It was also noted that NATS' customer web portal (Customer Gateway) compares very favourably to other ANSP's platforms (where these exists), especially in relation to the comprehensiveness of the material provided on it.

60. On the procedural dimension, it was highlighted that in the European context NATS was uniquely reliable in distributing the SIP slide pack (and other engagement material) in advance of meetings. Participants agreed that other European ANSPs lag behind in providing detailed information materials for discussion in advance of meetings.

61. On the participatory dimension, NATS was widely regarded to fare well in extending invitations to carriers not based in the UK. Although these invitations were not necessarily always followed, NATS was seen to expend considerable effort in providing opportunities for engagement for such airlines. It also emerged, however, that NATS has a natural advantage in engaging international customers effectively due to its business language being English. Some European ANSPs were seen to be struggling to make engagement activities truly inclusive in part because meetings were often conducted in the local language, rendering participation by, for example UK-based customers, problematic.

62. Most participants highlighted that the engagement practices of other European ANSPs have started to improve in recent years. It was widely reported that these ANSPs have increasingly started to regard airlines and airports as customers where they had not previously always done so. Increased professionalisation of the material provided and an improved organisation of meetings were observed in other ANSPs in the European context, especially in the case of the French DSNA. Nevertheless, NATS was still universally seen as leader that other European ANSPs should follow.

63. While participants were very positive about NATS's approach to customer engagement and generally regarded it as model to follow for other ANSPs, they also highlighted that it would be impossible for them to resource engagement processes adequately if all ANSPs were to follow NATS' example. As was noted earlier, the capacity to participate adequately is a key issue in NATS' engagement processes and it is important to highlight that this issue is likely to become even more important in the near future. As other European ANSPs have begun to enhance their engagement practices, airline customers' capacity to engage thoroughly in all of these processes will be stretched further. It was argued, for example, that if all national air traffic management systems were to establish customer engagement processes as those involving NATS, then airlines and airports would be unable to properly participate in all of them. NATS and other ANSPs should be mindful of this dimension when extending their engagement activities simultaneously.

Benchmarking against other industries

64. As previously noted, customer engagement is becoming an increasingly important in other regulated sectors in the UK. It has become more common particularly in the water and energy sectors. By comparison with companies in these sectors, however, NATS has been energetic in setting up extensive customer engagement procedures for far longer and to a far greater extent.

65. At the same time, there are some common challenges with customer engagement in regulated sectors in the UK. This is especially the case when the quality of information provided by the company to customers is concerned.

66. In general, the digestibility of information provided to customers on the basis of which they are expected to challenge a particular organisation or company is a widely recognised problem in other sectors too. It is also a common suspicion of customer representatives in other sectors that organisations may provide a lot of highly detailed and complex information material to them to forestall them from being able to challenge the company effectively.

67. Seen in this light, potential criticisms around the digestibility of NATS' information material can be contextualised as being an inherent feature of customer engagement processes that needs to be tackled from both sides: Customers bear a responsibility to clarify if information (and which information precisely) is not digestible and why. Specific challenges on part of customers have been successful in triggering changes in the digestibility of information in other sectors.[7]

68. A key comparator for NATS in other UK industries may be seen to be Network Rail due to some similarities of the operational task of managing a complex transport network used by a diversity of customers, while being respectively wholly and partially funded by train operating companies. Even though this comparison, as the others mentioned above, needs to be treated with care, it can yield some interesting insights into how another UK organisation in the transport sector handles the challenges of customer engagement.

69. Network Rail has made organisational changes to reflect the necessary integration of train operators into their decision-making, for example, by devolving some decision-making to route managing directors, introducing customer developed scorecards against which Network Rail's performance can be judged, and including passengers in local decision-making boards.[8] This is

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[7] E. Heims and M. Lodge (2016), 'Innovation through customer engagement and negotiated settlements in water regulation, **carr** discussion paper 83, p. 12. London: CARR, LSE. <http://www.lse.ac.uk/accounting/CARR/publications/DP-83.pdf>

[8] Network Rail (2016), 'Delivering for our customers: transformation plan'. <https://16cbgt3sbwr8204sf92da3xxc5m-wpengine.netdna-ssl.com/wp-content/uploads/2016/10/Transformation-Plan-FINAL.pdf> Accessed 25 September 2017.

part of a larger reform programme which partially devolves responsibility over track maintenance to train operators.

70. In contrast to NATS, however, Network Rail has not traditionally been regarded as a customer focused organisation and is only at the beginning of developing processes akin to NATS extensive customer engagement frameworks.[9]

Conclusion

71. Participants in general regarded NATS customer engagement processes as advanced. This general appreciation was paralleled by a sense of dissatisfaction by customers with the SIP process. Generally, customers noted a clear commitment by NATS to enhance the SIP process and to address existing concerns. In terms of taking the SIP process further and in view of disagreements over recent years, customer engagement processes need to consider:

    a. the boundaries of the SIP process to ensure agreement on the overall objectives of the SIP customer engagement process. This might involve agreement on particular trigger points that widen the extent of the engagement process from an 'informing' to a 'joint discussion'.

    b. the digestibility of the information provided. For NATS this means a clearer and consistent focus on key indicators to support the engagement process (whilst offering sufficient backup detail in an appendix). The establishment of consistent and agreed upon key indicators would enable customers to assess change over time, encourage informed discussions and reduce the scope for scepticism among customers regarding NATS' activities. Such change would eliminate the apparent tension in that customers complain about a lack and an oversupply of information at the same time.

    c. the cost and capacity limits of engaging in extensive customer engagement processes. The cost of consumer engagement processes needs to be proportionate. This requires a focus on the capacity of customers to engage in the process; customers should be encouraged to sufficiently support the SIP by identifying appropriate staff expertise.

    d. the responsiveness of NATS to customer input. There needs to be a more transparent perspective on the ways in which NATS appears to be responsive to particular customers rather than others.

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[9] Department of Transport (2016), 'The Shaw report: the future shape and financing of Network Rail'. <https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/510179/shaw-report-the-future-shape-and-financing-of-network-rail.pdf> Accessed 25 September 2017. The Report highlighted that the customer engagement processes of Network Rail were relatively underdeveloped from the perspective of passengers and train and freight operators alike (p. 15).

72. Engaging with these aspects would offer the basis for discussion between the external reviewer and NATS as well as for the CAA to support the SIP customer engagement process. It will also enable the SIP process to support forthcoming engagement processes surrounding RP3.

Appendix A

The research project is based on desk-based study of consultation interactions of the SIP process made available to the researchers through access to NATS customer web portal, and on extensive interviews with involved parties. From July to September 2017, the researchers interviewed 23 people representing airlines, airports, airline associations, customer engagement specialists, the regulator, and other ANSPs.

While NATS supported the research financially, the study was conducted on the basis of independent research in which the outcome was open-ended and where the results would be made public. NATS and interview participants were shown drafts of this report to ensure that factual statements could be corrected. The research findings are the sole responsibility of the authors. All interviews were conducted on the Chatham House rule basis by granting all participants anonymity. We used semi-structured interviews to assess the extent of engagement with the SIP process, the perception of different aspects of the SIP process and potential avenues for improvement.

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