Air Traffic Control: Symposium on Organizational Reform

National Academy of Sciences
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NATS
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UK Government Objectives for PPP

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Safety, Service, Value, Environment

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Government, Customers, Staff

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History of NATS

NATS Established 1962

Reorganised – now a company and wholly owned subsidiary of the CAA 1996

Public–Private Partnership (PPP) proposed for NATS 1996

Transport Act enshrines the PPP in UK law 2000

Swanwick Area Control Centre opens 2002

Airline Group is preferred partner – buys 46%, gains operational control 2001

Ten year, £1000 million investment programme launched 2003

Re-financed due to aviation downturn – 9/11 2003

2 Centre Strategy complete. Operations at Swanwick & Prestwick 2010

NATS wins Spanish Towers contract 2011

Becomes part of UK regulator CAA 1972

2001

2010

2003

2002

2000

1996

1962
NATS Today

Strategic Partnership Agreement

Government (48.9%)

Airline Group (41.9%)

Heathrow Airport Ltd (4.2%)

Employees (5%)

Airline Group = 7 UK Airlines plus Universities Superannuation Scheme. (USS)

CAA

RPG

SARG

Licensed by Gov’t via CAA

100% subsidiaries

NATS Holdings Limited

NATS Limited

NERL
NATS (En-Route) plc

License holder

NSL*
NATS Services LTD

No economic regulation

*NSL includes subsidiary NATS NAV Ltd
Government’s objectives for the 2001 NATS PPP

- Maintain and improve safety and national security
- Secure access to private sector capital
- Secure access to private sector management expertise
- Provide incentives to improve efficiency
- Ensure accountability to users
- Provide freedom to invest and undertake business overseas
- Provide a return to the taxpayer
Why the NATS model – the PPP – was selected

- Different interests to consider:
  - Politics – A Labour Government
  - Government departments:
    - Treasury looking for sale receipts and to remove capital financing from Public Borrowing Requirement
    - Defence looking to retain a productive relationship at an operational level
  - Considered a number of different models
    - Full Privatisation – a “Private Contractor”
    - The Public Private Partnership (PPP)
    - The NavCanada model
    - Government owned corporation

- The PPP considered the best model to balance competing requirements.
Objectives

Safety & security
- Significant safety improvement

Private capital
- Self sufficient, and not reliant on State funding with financing secured for investment

Management expertise
- Attracted Executives from Private Sector

Efficiency
- 40% real reduction in underlying controllable costs; delivery of capital investment to time/budget

Customer focus
- Low levels of operational delay, enabled fuel savings and high level of engagement with airlines

Business development
- Spanish Towers, Project Marshall contract (Military)

Tax payer return
- Trading profitably and with dividends to shareholders
# NERL Performance since PPP

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<tbody>
<tr>
<td>Traffic volumes (millions)</td>
<td>2.0</td>
<td>2.0</td>
<td>2.1</td>
<td>2.2</td>
<td>2.3</td>
<td>2.4</td>
<td>2.5</td>
<td>2.4</td>
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<td>2.1</td>
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<td>Delay seconds NERL attributable</td>
<td>109.4</td>
<td>130.1</td>
<td>40.7</td>
<td>20.9</td>
<td>22.2</td>
<td>22.4</td>
<td>25.2</td>
<td>18.3</td>
<td>4.1</td>
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<td>7.0</td>
<td>1.3</td>
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<td>Safety (airprox)</td>
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<td>- Risk bearing (A/B)</td>
<td>4</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
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<td>Additional fuel savings (Kt)</td>
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<td>Profit/(loss) £</td>
<td>(106)m</td>
<td>(35)m</td>
<td>1m</td>
<td>66m</td>
<td>75m</td>
<td>86m</td>
<td>63m</td>
<td>67m</td>
<td>55m</td>
<td>71m</td>
<td>155m</td>
<td>129m*</td>
<td>134m</td>
<td>173m</td>
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<tr>
<td>NERL gearing</td>
<td>112%</td>
<td>86%</td>
<td>82%</td>
<td>71%</td>
<td>63%</td>
<td>55%</td>
<td>59%</td>
<td>60%</td>
<td>55%</td>
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<td>55%</td>
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<td>53%</td>
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* Restated - on adoption of the revised IAS 19: Employee Benefits
Considerations for FAA reform

- Ownership
- Corporate and Governance Structure
- Regulation of with safety, economic and competition aspects
- Relationship with the military
- Continuity of Service requirements from a major stakeholder viewpoint (Government, customers, etc)
- Financeability (charging/revenue, sources of finance, administration regime (the air traffic administrator)
- Key employee issues (pensions, terms and conditions, shareholding)
- Risk Mitigation Regime
- Traffic Volume Risk regime (avoid 100% exposure)

recommended reading:
National Audit Office report on NATS PPP