

Chief Executive's review

Martin Rolfe



Our initial business plan for RP3

We took time this year to understand from customers their priorities for RP3 and we are now consulting with them on an initial business plan which reflects these. Our core plan is designed to meet the two key challenges of safely maintaining service quality, despite rising traffic, while transforming the business and making us fit for RP4 and beyond. It is safety and performance-led, and delivers value for money for our customers. Overall we propose to maintain safety, delay and environmental performance in our UK en route operation at similar levels to today in spite of the growth in traffic we expect. At the same time, we will invest up to £800m in RP3 to complete the changes to our technology and airspace change programme. Our prices in real terms will be 12% lower on average over RP3 compared to RP2, and 23% lower compared to RP1. We will also complete the transition of our North Atlantic service from a procedural to a satellite-based surveillance operation.

The UK aviation industry is united behind the need for a fundamental modernisation of our airspace, both at lower levels around airports and in upper airspace. Our airspace structures have not changed significantly over the past 50 years and will not accommodate the forecast growth in traffic and airport infrastructure, including a new runway at Heathrow, without causing unacceptable air traffic delays to the travelling public.

We are proposing to take a leading role in modernising airspace in south east England, coordinating the design work and managing the programme at a network and airport level.

Currently, we are coordinating the industry's response to this requirement and I recently presented a feasibility study on the modernisation of future airspace for the London area to the Secretary of State for Transport. It is clear that for the modernisation to be successful it will require commitment and engagement across industry, Government and the CAA and understanding from the communities that will be affected.

Having an operationally and technically resilient service, which is predictable and consistent, is a high priority for our customers. We are enhancing the resilience of our service by recruiting operational staff, collaborating more closely with our customers on their daily operational plans and enhancing our network flow management resources to support ATC planning and tactical decision making. We are also investing in our essential technical services to further minimise the risk and impact of a service failure and to facilitate successful transitions to new technology. Finally, we are continuing to enhance our cyber security capability and have achieved the accreditation necessary to provide additional assurance to the government that our services are secure.

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Deliver a safe, efficient and reliable service every day

This year we safely handled 2.7% more flights and provided an excellent service with average delay per flight of 7.2 seconds (2017: 10.9 seconds). We anticipated that air traffic volumes would continue to grow rapidly and worked with airlines, the CAA and airports to meet demand, particularly through the summer peaks. Also, we carefully planned and consulted customers on the sequence for deploying electronic flight strips (an important initial step in our modernisation programme) into airspace sectors managed by our Terminal Control (TC) centre (which deals with the approach into London's airports). The deployment went very well and we received positive feedback from customers.

Deliver SESAR and transform the business for the future

We consulted customers during the previous financial year on our Service and Investment Plan 2017 (SIP17), which presented revised technology and airspace capital investment plans for the remainder of RP2. This followed changes that we had seen in the external aviation environment (such as higher than expected traffic growth) and progress made by the industry in developing SESAR technologies, enabling us to move away from legacy technology more quickly. After scrutiny, and with reference to the assessment of an independent reviewer, the CAA approved SIP17 last summer enabling us to progress with our plans to modernise and transform the business. Continued investment is needed in RP3 to complete the deployment of SESAR, and this is reflected in our initial business plan.

Through this year's consultation on SIP18, we have updated customers on the progress we are making. This included: the phased implementation of electronic flight strips into TC which completed in June 2018; completing the fit-out of the Combined Operations room at Swanwick⁸ with the platform and early versions of the new controller tools that we will be deploying in future; development of the new voice communications system; and the fit-out of new data centres to host our operational systems.

Also, we are currently consulting airline customers on the deployment of Automatic Dependent Surveillance-Broadcast (ADS-B) for use over the North Atlantic to deliver the safety and capacity benefits that the airspace requires to keep pace with demand. In May 2018 we invested in Aireon, which is developing a space-based air traffic surveillance service that provides a solution to this while also delivering fuel savings and CO₂ reductions for airlines. This investment ensures we will play a leading role in the development and deployment of this technology.

Win and retain commercial business

Faced with increasing competition for the provision of ATC at UK airports we have been working hard to strengthen this part of our business. By developing close strategic partnerships and using advances in technology to enhance our service and improve price competitiveness, we extended and retained a number of important contracts this year. We also made significant progress in developing our presence in Asia Pacific, a strategic market for us, with important new contracts awarded in Hong Kong and Singapore. More information is provided in the Service Line Performance section of this report.

Last summer London City Airport announced its intention to move to a digital tower ATC service as part of the development of its airport and I was delighted that they chose NATS to provide this. A digital tower enables air traffic controllers to manage aircraft from remote facilities instead of in traditional airport towers and, more importantly, allows the tower to be more integrated into the airport operation and the overall network. This technology is already a viable option for some airports and has the potential more generally to transform the way air navigation services at airports are delivered.

As a leading air navigation service provider, it is important that we play a key role in shaping the way this technology is implemented. For this reason we now jointly own alongside NAV CANADA, a 50% interest in Searidge Technologies, a Canadian provider of digital tower capability. Together with Searidge Technologies and other partners we are now developing a prototype digital tower for Singapore's Changi Airport.

Another focus this year has been supporting our Aquila joint venture with Project Marshall. The service provision contracts are performing well. However, as I reported last year, the asset provision contract faced schedule challenges. Working with our joint venture partner, Thales, and the MOD, we have now agreed a revised delivery schedule with enhanced programme processes to facilitate this. We now expect our element of the asset provision contract and our investment in Aquila to result in a lower level of profitability, and this is reflected in our results.

We were disappointed not to be selected by MOD as provider of its Project Guardian solution.

Our people

A priority for 2018 was a focus on our people and it remains a focus for the coming year. The first three years of RP2 have been challenging as we have faced much higher volumes of air traffic which we expect will continue to grow. Also, a large part of our strategy over the next three years is to replace much of our technical infrastructure. Both factors drive changes which affect our employees and this priority recognises that people are central to any successful transformation. In support of this we are investing in our change management capability to ensure that we systematically consider how change will impact our people and that the right support for them is in place.



Martin Rolfe
Chief Executive