

Economic Regulation Group
Group Director's Office



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A handwritten signature in black ink, appearing to read 'Ian Hall'.

Mid-term review of the Customer Consultation process

In its policy update document on the CP 3 review published in February 2009, the CAA confirmed that it would initiate the Customer Consultation process between NERL and its airline users with the objective of better informing the CAA's own regulatory decision making in 2010 on the price control to be set for NERL for CP3. The desired output from the Customer Consultation process is a NERL business plan for CP3, key aspects of which have been fully discussed with users. The business plan should summarise where users agree and where they do not, summarising the greater detail on user views that will be set out in the minutes of CCWG. This plan would be delivered to the CAA preferably by the end of November, but no later than early December 2009.

The CAA subsequently published on 13 March a consultation mandate following which NERL proposed a Customer Consultation Content Plan and a set of Working Arrangements for the Customer Consultation Working Group (CCWG). The Content Plan set out the timetable for a series of meetings to be held monthly between April and October/November 2009 with an outline agenda for each. Following a "kick-off" meeting on 23 March, where the CAA explained the context of Customer Consultation within the CP3 review, the amended Content Plan and Working Arrangements were agreed between NERL and customers. We note that the first full meeting of CCWG was held at the end of April.

Key ERG staff have been given access to the CP3 Customer Consultation website so we are able to review all of the documents that are produced, including meeting minutes. This gives us a useful flavour of how the process is going.

In its February document the CAA announced that it would conduct a mid-term review in June/July 2009 to be able to take a fully-informed view of the progress made to date in the Customer Consultation process and the prospects that going forward this will lead to a successful outcome in terms of the aims described above. I am therefore writing to the two



co-chairs of CCWG to explain how we propose to conduct the mid-term review and to invite comments.

As indicated in the CAA's February policy document we are looking for both written and oral contributions to this review. In terms of written views, while we would not rule out comments from individual members of CCWG we believe that a co-ordinated submission from CCWG in the form of a progress report, agreed as far as possible by both NERL and airline participants, would be particularly helpful to the CAA in reaching conclusions on whether Customer Consultation process is making the necessary progress and whether this might be expected to be maintained over the coming months. We would wish to receive such a report, if possible, by the end of June which should allow time for this to be drawn up and then aired at the CCWG meeting on 23 June and agreed before it is submitted to us.

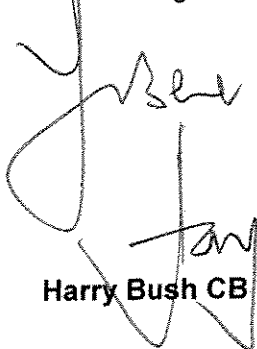
The progress report would form the main basis for the oral briefing which, as you know, we have arranged for the morning of Friday 10 July at CAA House. The CAA will be represented by the Panel of members appointed by the CAA Board to conduct the CP3 Review, which I chair, together with Chris Jesnick (Chief Operating Officer) and Catherine Bell (Non-executive member of the CAA) supported by ERG staff. We see merit in a joint meeting with the two co-chairs, along with your respective teams, but would be happy for sequential meetings if you would prefer this, although as is normal in the conduct of price control reviews we would wish such meetings to be open to the other side. We are planning to have a transcript taken.

We would also be glad to receive views from interested parties who are not represented in CCWG if they have relevant observations to make on Customer Consultation. I am therefore arranging for this letter to be published on the CAA's website.

Once we have considered the written and oral material we would aim to reach conclusions and announce them before the meeting of CCWG on 28 July. Those conclusions could, for example, endorse the Customer Consultation process as it stands, suggest where improvements could be made to it or, at the extreme, recognise that the process will not bring added value. The timetable we have set out for the mid-term review does, however, balance the need to give Customer Consultation sufficient time to demonstrate that it is making progress while keeping open the possibility of a timely reversion to a more traditional, regulator-led, process should this prove to be necessary.

I hope you agree that this is a sensible way to proceed and I look forward to receiving the progress report at the end of next month. We will let you have further details nearer the time on the organisational arrangements for the oral session on 10 July.

I am writing a similar letter to Roger Wiltshire at BATA.



Harry Bush CB