

Provision of Terminal Air Navigation Services in the UK: Call for Evidence

MAG response to CAA questionnaire on TANS

Motivation behind the choice of a closed process

1) *Please describe your motivation for re-contracting rather than holding an open tender?*

a) *Did you have specific aims that you were hoping to achieve?*

We did not make a decision at the outset to re-contract with NATS for TANS at M.A.G airports. Our approach was to conduct a staged assessment of the potential options available to us from a range of service providers, as well as the option to bring the services 'in house'.

[X]

[X]

As mentioned above, throughout this time we retained the ability to revert to a more formal tender process (and to considering the option of in-sourcing the services) in the event that re-contracting discussions with NATS did not produce an acceptable outcome.

b) *What were the key issues identified that factored in your decision not to hold an open tender?*

Ultimately the decision was only taken not to undertake a more formal tender process once we were absolutely certain NATS would meet our expectations, both in terms of efficiency and service levels.

[X]

An additional factor in our decision to re-contract with NATS was the opportunity to secure benefits for Stansted from a re-negotiation of the contract terms put in place by the airport's previous owner (which would otherwise have continued until 2018 and prevented us from appointing an alternative provider at Stansted).

c) *To what extent did you involve the airline community with your decision making?*

At Manchester we briefed the airline community on our strategic approach through a Joint Steering Group (a process through which the airport engages airlines in strategic and operational developments). The issue was specifically discussed on June 4th 2014, with confirmation of MAG's strategic intent at a meeting of the Airline Operators Committee on August 19th 2014.

At Stansted the Airline Operators Committee were appraised through correspondence with the Committee Executive on July 30th 2014.

Whether and to what extent market testing took place prior to or during the bid.

- 1) *Please describe the process that you have undertaken to i) assess your options and ii) re-negotiate?*

We held initial discussions with NATS about the possibility of a new contract at Manchester, and made clear the potential to re-negotiate the terms of the existing Stansted contract but explaining that this option was being examined as part of a wider process which would look to evaluate all viable options for delivery of the services.

That wider process, which was conducted in parallel, involved a number of exploratory meetings with alternative providers and considered the practicalities, merits and risks of taking the services in-house. We made NATS aware of the fact that we were considering other options and explained that a more formal tender process involving alternative TANS providers remained a possibility.

[X]

[X]

- 2) *Did you undertake any form of market testing activities? This may have included the following:*

- a) *Discussion with the incumbent ANSP*

Yes.

- b) *Discussion with alternative ANSPs – please list the ANSPs that you had discussions with and provide their contact details.*

[X]

[X]

[X]

- c) *Desk-based research into alternative ANSPs – please provide an overview of the approach taken to desk research and summary results of the process.*

We sought to understand the current state of the market for TANS both in the UK and across Europe, and the key service providers operating in the market.

We reviewed recent experience where airports have sought to change TANS providers, the outcome of these processes and the significant issues in these processes.

We sought to assess the experience of the different providers in transferring services away from incumbent providers, particularly in complex ATC environments comparable with Manchester and Stansted.

3) *Did you undertake any cost challenge activities with the incumbent? Particularly activities any activities undertaken to i) understand cost of provision and ii) understand the level of service*

Yes, we undertook combined cost/service challenges with NATS as part of the contracting re-negotiation. These challenges were focused on improving the level of service and performance, while at the same time seeking improvements in cost. We used data that had been provided through previous contract negotiations at Manchester and Stansted. We also used cost data from the current Stansted contract, and cost data from MAG's TANS operation at East Midland.

Negotiation process with the incumbent ANSP

1) *Please describe the nature of negotiation with the incumbent.*

The negotiation with NATS had the following key steps:

- Initial meetings with NATS senior management [REDACTED]
- Initial NATS proposal, [REDACTED]
- Second NATS meeting. [REDACTED]
- Second NATS proposal. [REDACTED]
- Heads of Terms negotiation and contract drafting

2) *How did you form the request for the renegotiation?*

Initially we invited NATS to participate in a process to appoint a TANS provider for Manchester and potentially Stansted. We did not enter into this on an exclusive basis, and made clear that we were considering all options for the delivery of the service including a more formal tender process and/or bringing TANS in-house.

3) *What criteria were used for assessing the proposal?*

The key criteria were:

- ability to meet airport/airline expectations in terms of service quality and operational continuity;
- ability to handle volume growth projections;
- ability to drive efficiency and value for money; and

- ability to partner with MAG on future strategic opportunities, including future capacity needs and airspace developments linked to future airspace strategy (FAS, NTCA and LAMP)

4) Did you have criteria under which your approach may have changed following an unsatisfactory negotiation?

If the negotiation had not delivered the right outcome by demonstrating that the best deal could be struck directly with NATS, then we would have adopted one of the alternative approaches which we were considering in parallel (ie a more formal tender process and/or bringing the service in-house).

Future

1) *Please outline the key terms of your contract including but not limited to overall cost, end date, break point arrangements, treatment of operational assets not owned by the airport and treatment of key safety documentation such as MATS Pt2.*

The specific commercial terms of the contract (including costs) are bound by confidentiality clauses with NATS. The remaining key terms of the contract are:

- [X]
- [X]
- [X]
- [X]
- [X]
- [X]
- [X]
- [X]
- [X]
- [X]
- [X]
- [X]

2) *Based on your experience of re-negotiation and the other market developments that are taking place what do you consider are likely to be your action at i) the break point ii) end of the contract.*

At the current time, it is too early for us to have a clear view on this question although the recent developments appear to suggest that the market is evolving and becoming more competitive. We will monitor the transfer of TANS to alternative providers at other airports, and the success of these providers in providing services on an on-going basis and if it is demonstrated that this can be done successfully and cost effectively then we would anticipate that this would be a key consideration as we approach re-procurement of a new contract. The same considerations will apply to the experience of airports transferring the service in-house.



3) How likely are you to tender in the future? What change(s) in the market would make you more likely to tender?

As above, it is too early for us to have a clear view on this question at the current time. However, we remain open-minded about the possibility of transferring TANS at Manchester and Stansted to an alternative provider or bringing these services in-house. [3<]

We will monitor the experience of alternative providers in transferring services away from incumbents in the interim period; we would be more likely to tender in the future these transfers went well. We will also monitor the success of airports in taking these services in-house.

We will also monitor the success of a range of different providers (including NATS) in providing TANS on an on-going basis, both in terms of efficiency and service; we would be more likely to tender in the future if alternative service providers established a clear track record of delivering cost efficiencies and service improvements over and above those achieved by NATS.

We will consider the build-up of experience and expertise in the relevant providers over the coming years, and assess their competence to take over complex TANS contracts at Manchester and Stansted; we would be more likely to tender if these alternative providers develop broader resource capability to demonstrate their ability to take on additional major contracts.