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Sent by email [REDACTED]

3 October 2018

Dear Martin

**NERL's interim SIP 2018 and outline RP3 Airspace and Technology programmes**

Thank you for providing NERL's Interim Service and Investment Plan (SIP) and outline RP3 Airspace and Technology programmes on 29 June 2018. We have had a number of constructive conversations with your team on these documents, and your positive engagement is appreciated.

Based on our review of the material provided, further discussions with your colleagues at NERL, and the report by Licence Condition 10 Independent Reviewer, Grant Bremer, we are not currently minded to approve the level of detail of the interim SIP and outline RP3 programmes.

We have previously highlighted to you several key areas where we considered NERL's SIP documents fell short of meeting our expectations. While we acknowledge the progress that has been made during RP2, and that the NERL team has tried to address early feedback from the CAA on the interim SIP 2018, we still consider that:

- the interim SIP 2018 provides insufficient explanation of the slippages in the technology programme, and that NERL's explanation of the mitigations in place does not provide confidence that further slippages will be prevented;
- the explanation for how further changes in scope for investment in RP2 have impacted NERL's expenditure is insufficient; and
- risk management across projects in the interim SIP does not appear to be consistent.

In addition to these specific concerns, we discussed with your colleagues that overall the SIP document lacks the appropriate level of detail, clarity, and focus, which should be improved given its status as a key document for consultation with airline users.

Although positive steps have been taken to respond to concerns, we have not seen enough continued improvement in the quality of the documents produced for the SIP process. However, we do not consider that the SIP documentation contributes sufficiently to meaningful consultation between yourselves and airline users and that it is appropriate to explore an alternative approach to improving the quality of the SIP. For the preparation of the interim 2019 SIP document, we would like you to seek external advice and support to assist in the document production. Working with independent skilled support would offer assistance to NERL in producing the interim 2019 SIP, and create a model document, not only in terms of scope, form and level of detail, but

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also with regard to clarity and tone, that NERL could then work to reproduce and continue to improve upon in the future. Establishing a quality benchmark for the SIP will also help NERL, CAA and airlines engage on how well the SIP documents and process are meeting expectations in the future.

With regard to the “skilled support”, we consider the next steps should be for NERL and CAA to agree on an independent professional or firm, who has relevant sector experience, as well as significant experience in preparing clear and concise reports on complex programmes, and can credibly engage with stakeholders. It will be important that the CAA is also happy with the proposed role and scope of the skilled support, through a formal terms of reference. We are encouraged that your team indicated in our initial conversations on these next steps that NERL viewed this proposal as a constructive way forward.

In addition to this approach to address documentation-related issues in respect of the SIP, I note that as part of our RP3 work, we are separately also considering the role of the SIP and shared governance processes from a more strategic perspective. We will engage with you and other interested stakeholders separately as part of the RP3 process on this point.

In the meantime, we will continue to closely monitor NERL’s delivery and reporting of its investments, and expect a marked improvement in the level of detail of NERL’s reporting moving forward. If, after engaging with an external expert to improve the SIP, this is evident in your submission of SIP 2019, we will then consider the approval of the form, scope and level of detail of the interim SIP 2018.

On the outline RP3 airspace and technology programmes, we consider that while you have provided an insight into your plans, the programmes are not yet sufficiently mature. We consider that despite continued focus as part of the RP2 SIP process, your approaches to benefits and portfolio risk management for RP3 should be improved. We also consider that you should now include detail along the lines that you presented during the RP3 customer consultation in your revised Business Plan to enable readers to assess the benefit of the programmes. We welcome the establishment of your P3O project office, and we expect to see the benefits of this in future reporting. I have written to you separately on the requirement for more information to support your RP3 investment programme in your Revised Business Plan.

I suggest our teams now meet to begin moving towards implementing a fresh SIP approach.

Yours sincerely



**Paul Smith**  
Director, Consumers and Markets Group

cc: Nigel Fotherby, Finance Director, NATS  
Thea Hutchinson, Head of Regulation