



INAIR 2017

TWO BUSINESSES OF AIR NAVIGATION SERVICE PROVIDERS:

THE CASE STUDY OF **NATS**

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BUSINESS! (?)

service providing organisations

VS

business conducting companies

IN THE PAST

- **public utilities** (**public ownership and governance, public interest**)

THEN

- **corporatisation, commercialisation, (partial) privatisation**

IN THE EU

- **integration labeled by the SES initiative through supranational regulation of the EC (common performance scheme + common charging + further SES legislation)**



AT PRESENT

- **going** commercially
- **conducting** business
- **expanding** internationally



PAPER AIMING AT NATS

- the descriptive analysis of NATS (equity, subsidiaries, the shift in the narrative in annual reports) and its **commercial business strategies** through Ansfoff's matrix
- a definition of **global multinational multiproduct ANS** company
- to discuss **potential impacts** of such development on the global ANS industry and the SES's goals



ONLY SEVERAL RESEARCH CONTRIBUTIONS SO FAR

- Button and McDougal (2006)
- Tomová (2016)
- -----
- Thompson et al. (2016)
- Comendador et al. (2012)
- Baumgarnter and Finger (2014)

NATS's STORY STARTING

- **National Air Traffic Control Services (1962)**
 - **NATS CAA (in 70-ies)**
 - **NATS** as a separate subsidiary of CAA (1996)
 - NATS as a **public-private** entity (2001)
-

a private owner Airline Group (46%)

employees (5%)

government (49%)



NATS's STORY CONTINUING

- 9/11 and the drop of air traffic
- financial problems (a lack of funds)
- **restructuring** the NATS equity's structure

private owners **s** Airline Group + **BAA**
employees
government



NATS HOLDING's EQUITY AT PRESENT

Airline Group (42%) +LHR Ltd. (4%)

Employees (5%)

Government (49%)



WHO IS AG?

Table 1. The composition of Airline Group 2001 and 2017

2001	2017
<ul style="list-style-type: none"> • BA • British Midland • Virgin Atlantic • <u>Thompsonfly</u> • Monarch • easyJet • My Travel 	<ul style="list-style-type: none"> • <u>USS Shernon Limited</u> ← • BA • Pension Protection Fund ← • easyJet ← • Deutsche Lufthansa AG • Virgin Atlantic • Thompson Airways Limited • Thomas Cook Airlines Limited

Source: (Butcher, 2012) and NATS's website as of September 2017.

CHANGING NARRATIVES

- **“Our brand values define who we are, and we stand for *as a business*”** Annual Report & Accounts - NATS (2008)
- **“NERL and NSL share six brand values which inform and underpin what NATS is and what we stand for *in every area of our business.*”** Annual Report & Accounts – NATS (2009)
- **“Our vision is to be acknowledged as *a global leader in innovative air traffic solution and airport performance*”**
Annual Report & Accounts –NATS (2011)
- **the term “*our business model*” is mentioned for the first time** Annual Report & Accounts – NATS (2014)



BUSINESS MODEL ON TWO PILLARS

NATS HOLDING



NATS En Route PLC

(**regulated** business)

NATS SERVICES

(***commercial*** business)

NATS SERVICES

- the share of revenues generated by NATS Services (appr. 20 %)
- the value of revenues generated by NATS Services (appr. 200 m GBP)
- **FOUR** service lines of **NATS Services**:
 - **UK airports** (70 - 80 %)
 - **defence**
 - **other UK business**
 - **international** (4 - 5 %)



UK AIRPORTS **SERVICE LINE**

- **14** of the UK's major airports
- but not London Gatwick and Edinburgh (**Air Navigation Solution Ltd.**, a subsidiary of **German DFS**)

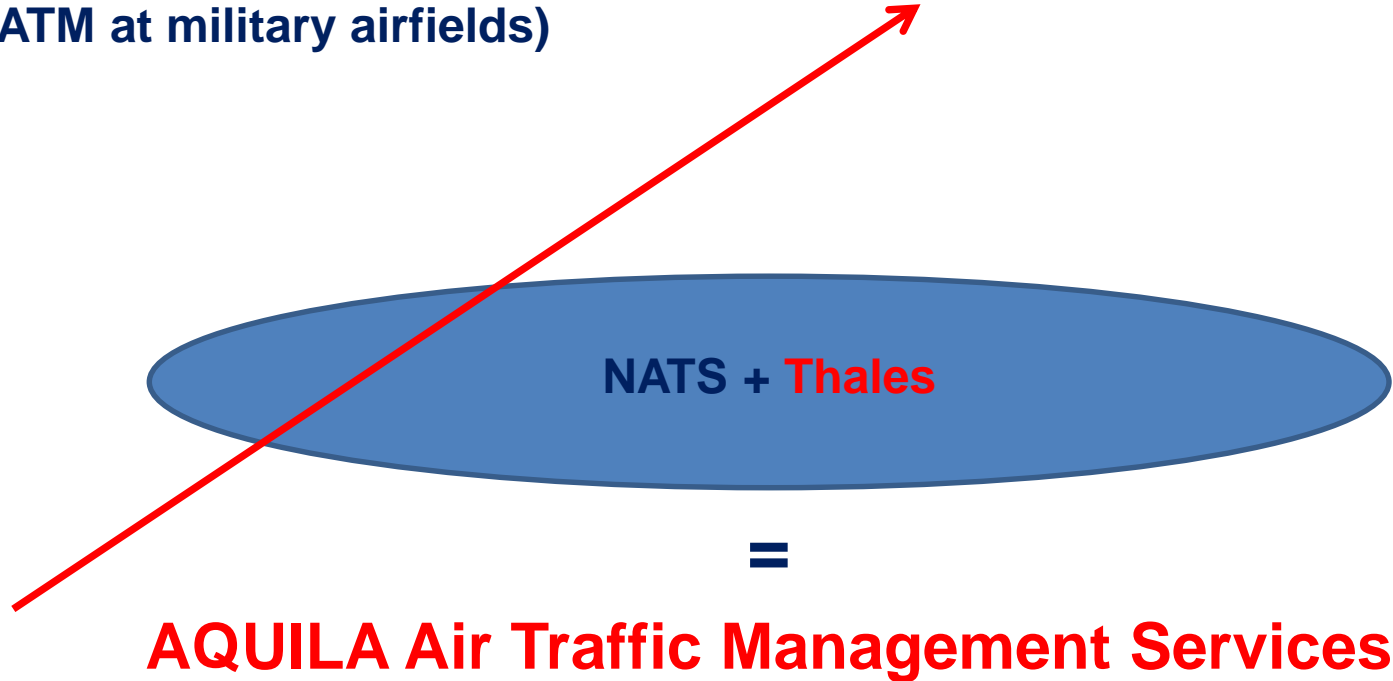
competition for market

liberalisation of terminal ATC services



DEFENSE SERVICE LINE

- the UK Ministry of Defence's project **Marshall** (transforming terminal ATM at military airfields)



INTERNATIONAL SERVICE LINE

- NATS signed a contract with the UAE to design airspace around the Dubai World Central International Airport in 2006.
- the regional headquarters of NATS was opened in Dubai for the Middle East and North Africa regions in 2014
- FerroNATS, a joint-venture of Ferrovial and NATS and ATC's transitions at nine Spanish airports were performed between 2012 and 2014
- NATS Holding was awarded a contract to cooperate with the Civil Aviation Authority of Singapore to deliver expertise, best practise procedures and processes, including training services in 2015



INTERNATIONAL SERVICE LINE cont.

- NATS entered in the contractual cooperation with the **Department of Transportation and Communications** in the **Philippines** to increase runway utilisation at Ninoy Aquino International Airport in 2015
- NATS Holding also plans to be a stakeholder in the provision of ANS with Air Navigation Services of **India** (announced in 2016) prob. through **JV** in 2016
- NATS expressed its interest in the delivery of the ATC service at Long Thanh Airport in **Vietnam** in the middle of 2017
- ...



INTERNATIONAL SERVICE LINE cont.

- NATS signed a letter of intent with Japan Air Navigation Services (JANS) to enhance efficiency and supply of Japan's air navigation system in 2017
- NATS together with NAV Canada decided to invest in the Canadian company Searidge Technologies. The company is aimed at the evolution of digital tower solutions – a new concept in the delivery of ANS in 2017



ANSOFF'S ILLUSTRATIVE MATRIX

<i>new markets</i>	<ul style="list-style-type: none"> • <i>ATC at airports abroad (Spain)</i> • <i>designing airspace and other ANS <u>services</u> (Dubai - UAE)</i> • <i>expertise, procedures, <u>training</u> (CAA Singapore)</i> • ... <p><i>market development</i></p>	<ul style="list-style-type: none"> • <i>digital tower concept through the common investment with NAV Canada</i> • ... <p><i>market diversification</i></p>
	<i>existing markets</i>	<ul style="list-style-type: none"> • <i>ATC at the UK's airports,</i> • ... <p><i>market penetration</i></p>
		<i>existing products</i>

Figure 1 Ansoff matrix with the examples of NATS's commercial businesses

COOPERATION WITH CAAi (?)

- To support its commercial capabilities in global aviation, NATS Services signed an agreement with the CAAi which is a part of the UK CAA
- CAA **International** = a technical cooperation arm of the UK Civil Aviation Authority (UK CAA) International Group.
- As a registered **UK Social Enterprise**, it supports ICAO and EASA on international cooperation initiatives.
- As a **social** enterprise, it functions **on a commercial basis**, however, **any profit is reinvested back into the global aviation community**.

CONCLUSIONS

- **The diversity of partners, customers, markets and products = growing complexity of commercial business conducted by the NATS Holding at present.**
- **Different forms of partnerships (institutional (Acquila, FerroNats) and contractual)**
- **The commercial businesses performed by NATS independently without partners.**



NATS is...

- *a multinational multiproduct air navigation services company of a public-private nature which conducts two businesses - regulated and commercial, ...*
- *and which has strategic holdings in the ANS-related entities ...*
- *...the strategic holdings are realised going vertically and/or horizontally within the ANS supply chain ...*
- *... to expand globally and to be competitive, NATS uses the different forms of partnerships (institutional and contractual) with miscellaneous partners from both private and public sectors, ...*
- *exploiting multidirectional product and/or market strategies.*



IMPLICATIONS

- the architecture in the delivery of ANS is being continuously changed
- emerging “ANS globals“ (global multiproduct ANS companies with regulated and commercial business)
- service providing organisation = history?

Trump Backs Air Traffic Control Privatization

By JULIE HIRSCHFELD DAVIS JUNE 5, 2017



President Trump signed a memo on Monday outlining the principles of his plan to privatize the nation's air traffic control system. Stephen Crowley/The New York Times

WASHINGTON — President Trump endorsed a proposal on Monday to privatize air traffic control, seizing on a decades-old idea as proof that

COMPETITION OF GLOBAL ANS COMPANIES ?



WHO WILL WIN ?



Thank you for your attention.

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