

Running out of capacity?

Eva Heims and **Martin Lodge** suggest that recent experiences in air traffic management offer general lessons for customer engagement in regulated organizations

The call for more and better customer engagement has become a standard theme in contemporary UK economic regulation. Regulators increasingly ask regulated companies to enhance their customer engagement processes and thereby improve public services. Especially when regulated monopolies are concerned, this seems to be a sensible approach. How exactly such engagement processes are supposed to work, however, often remains somewhat ambiguous, and significant variations in practices have emerged across sectors and parts of the United Kingdom (Heims and Lodge, 2016; Darcy et al., 2016). This piece reflects on one example of customer engagement in a regulated monopoly, that of the UK's air traffic management service provider, NATS, and suggests that demands for ever more and 'better' customer engagement processes need to consider carefully the challenges that customer engagement brings.

Building on earlier research, **carr** was asked by NATS to conduct independent research into its customer engagement processes that relate to its 'en route' services. Its 'en route' business is a regulated monopoly that deals with all air traffic control services to aircraft flying to, from and over the UK and over the northeast Atlantic. NATS is a public-private partnership in that the government owns 49 per cent plus the golden share, whereas airlines and the university pension fund own 42 per cent, LHR airports 4 per cent and NATS staff 4 per cent. Its 'en route' services are funded on a flight basis by the users or 'customers' of this business, namely the airlines.

The central question of this study was how 'customers' perceived the success or otherwise of NATS' customer engagement processes. The particular focus of this research was on NATS customer engagement in the Service and Investment Plan (SIP), a bi-annual process, in which NATS engages with its customers over its business plan as part of its licence conditions. The SIP discusses progress and considers current and future levels of service. The SIP typically involves an initial multilateral meeting, bilateral meetings on demand of a particular customer and, when deemed necessary, a final multilateral meeting. The responsible economic regulator, the CAA, approves the SIP document. The underlying idea of customer engagement was to encourage NATS to 'test' customer responses when developing its business.

The findings of this study allow us to better understand the specifics of customer engagement at NATS. They also allow us to develop general insights into the challenges of using

customer engagement processes as a regulatory strategy. These challenges relate in particular to concerns about the overall agreement on the objectives of customer engagement processes, the capacity and motivation of different participants, the type of information to support actual engagement and the type of responsiveness by the regulated organisation to such processes.

Evaluating processes of engagement, such as the SIP, is an inherently difficult task as outputs and outcomes are often difficult to observe or disentangle. We consider the performance of a customer engagement along three dimensions: procedure and substance, capacity, and responsiveness.

The SIP is, in the view of the participants (i.e. mainly airlines but also airports), an example of an advanced and leading customer engagement process in the air-space management sector internationally. Participants were similarly positive about NATS' general approach towards dealing with its 'customers', whether this was in the SIP process, other multilateral working groups and committees, or bilateral business relationships. Nevertheless, there were also areas of concern, disagreement and criticism.

On the procedural and substantive aspects of customer engagement, disagreement existed about the purpose of the SIP customer engagement process. For NATS, customer engagement in the context of the SIP was about providing updates and explaining decisions. For others, the SIP should go much further – including a more interactive discussion of different options and robust exchanges over calculations. Others, in turn, suggested that the engagement process could fulfil both such visions: during 'normal' times, the SIP process could be largely about updating and informing; once, however, key objectives and plans had to be amended, then engagement should extend to a broader discussion of different options and associated costs.

This disagreement about the ultimate purpose of customer engagement was particularly evident in the evaluation of the information supplied to customers by NATS which supplied timely information to all participants. However, this information was widely regarded as so complex that it stood in the way of extensive engagement across different customers, i.e. airlines and airports. A propensity by NATS to change project names also hindered the ability to assess and compare performance over time. In other words, the concern was not so much about the quality of the provided material but rather about its 'digestibility': the too detailed information and inconsistent programme labels. The documentation was therefore regarded as standing in the way of high level discussions about over-time performance. Furthermore, while NATS prided itself on its maximum transparency, for example, by including all documentation in a restricted web-portal that was accessible to all participants, there were also concerns about asymmetric attention. In particular, concern was expressed that bilateral meetings were utilized to 'divide and rule' among participants.

The capacity dimension highlighted the limitations of engagement processes when they cover multiple areas of specialisms. The SIP documentation with 80 odd pages of slides, ranged from operational to finance information. This, in turn, required customers to be capable of devoting resources to accompany this process, in terms of time and knowledge. While customers and NATS were all highly motivated to engage, the capacity to do so was somewhat more mixed. Apart from the major (national) airlines, attendance was limited, and even among these, it was only the national flag carrier, British Airways, that regularly attended with more than one participant. The question of how much capacity such customer engagement processes require also relates to NATS and its capability in shaping its business processes around

engagement processes rather than customer engagement performances being shaped by priorities set in internal NATS processes.

Finally, the responsiveness dimension relates to the perception of participants as to what extent customer engagement encourages information input and processes. Responsiveness is therefore not understood here as immediately responding to any demand, but in terms of justifying options in a satisfactory manner. Customers here were somewhat divided between those who regarded the exercise as 'window dressing' and those who were broadly satisfied by demanding more transparency in the way in which NATS had selectively responded (or not) to input during the process.

In sum, the SIP raises important issues about customer engagement processes in general. Firstly, it highlights the critical nature of having a shared understanding of the fundamental purpose of the engagement process. Secondly, it emphasizes the importance of providing the right level of consistent high level information, backed up by detailed information, that allows customers to engage in an informed way rather than be 'dumbfounded by minutiae' (as one participant admitted). Thirdly, it also highlights the capacity limitations of participants; it was widely agreed that if all European air traffic management operators engaged as widely as NATS, then no airline could engage with all of these processes in any extensive way. This raises also the issue about who counts as a 'customer'. The SIP process was nearly exclusively about the immediate (paying) customers, namely airlines, but also increasingly involved airports.

Customer engagement is the name of the game in contemporary economic regulation. However, rather than simply advocating 'more', one should carefully consider the exact setting of particular engagement processes, focus on information

requirements to support active engagement by 'customers', however defined, and consider the resource limitations of those parties that are supposed to be engaged. The central question, therefore, is about designing processes that reduce capacity demands on participants. If customer engagement is to be chosen as a viable regulatory strategy that can improve public services and incentivize behaviour of regulated monopolies, these issues need to be taken into account. Without addressing them, the whole interest in customer engagement in economic regulation risks becoming 'last week's salad' rather quickly.

REFERENCES

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