

**From:** [Geoff Hounsell - VP-FOS](#)  
**To:** [economicregulation](#)  
**Subject:** [External] FW: NERL NR23 Business Plan update  
**Date:** 10 March 2022 10:17:00

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Greetings

Thanks for the opportunity to provide feedback on the proposed NERL NR23 business plan.

Obviously the industry at large is still recovering after the last few years and while there are certainly some positive signs, the impact will continue to be felt for a considerable period yet. As such it would be naive for entities to simply “pick up where they left off” prior to the pandemic or look to recover lost revenue (which we have all faced and continue to do so). Our general expectation from providers moving forward is that the same increased economic diligence and scrutiny demonstrated by most over the last 18-24 months will continue. This does not in any way suggest no additional expenditure but rather any expenditure is clearly justified with sound operational reasons to either protect continuity and/or will provide significant benefit to the aviation system.

Generally speaking, it would appear the NR23 business plan does broadly follow this principle and NERL appears to be trying to maintain a reasonable balance between progression and recovery. I note this is particularly difficult in the current environment with so many unknown variables (particularly projected traffic) and external influences.

Some specific comments across the board are as follows:

Staff costs

- There is no provision for improved staff productivity. This is despite changes/investment made in previous periods with the express purpose of improving efficiency and making increasing resource capacity. Previous investment (and investment in this RP) should all be factored into improvements in productivity (even cost avoidance) where available
- While acknowledging business planning based on overtime is fraught, does by excluding from planning AND factoring overtime represent some form of duplication.
- Strategy to address balance of staff costs (particularly debt relating to pensions) remains unclear
- Same basic principles should be applied to both operational and non-operational but understanding distinctions will remain

Non Staff costs

- Cyber security must be factored but diligence applied to ensure risk is managed and balanced against cost, evolution will continue over time
- Transition to licenced based service models (away from CAPEX) needs validation. No issue with the concept but like all over investment justifiable for core reasons and not simply shifting responsibility.

CAPEX

- Transition away from legacy systems is much needed but needs to be balance to manage both risk and cost

Oceanic Plan

- NERL state emphatically that safety has improved based on the introduction of ADS-B in the oceanic environment and the ability to meet the mathematical TLS. While acknowledging importance TLS, operator expectation is the service delivery will be

measurable by operational safety enhancements and not simply mathematical modelling

- Same applies to service benefits and not sure how 2021 can be used as a useful measure for service improvement given the substantial drop in traffic
- During this next period we expect the review overseen by CAA to properly assess whether the touted benefits provided by this technology actually deliver versus the costs.

Happy to discuss further if and as required

Regards

**Geoff Hounsell**

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**Subject:** NERL NR23 Business Plan update

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NERL has published an update of its NR23 business plan for the [NR23 price control review](#). The update includes information that was previously redacted in the version of its business plan that was published on 7 February 2022.

To allow stakeholders opportunity to consider this information, we have extended the deadline for stakeholders to submit comments to us (at [economicregulation@caa.co.uk](mailto:economicregulation@caa.co.uk)) to **10 March 2022**.

Further details can be found in [this correspondence](#), which was published today on our website.

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