Ryanair Dublin Office
Airside Business Park
Swords
County Dublin
Ireland
Telephone: +353 1 945 1212
**Website: www.ryanair.com**

13 December 2022

UK Civil Aviation Authority
11 Westferry Circus,
London, E14 4HD
United Kingdom

*By email: economicregulation@caa.co.uk*

**Re: UKCAA Initial Proposals for the next Price Control review ("NR23")**

Dear Sir/Madam,

The UKCAA initial proposals for the next price control review of NERL published on 27 October and the associated CAA request for feedback refers.

We acknowledge the fact that the CAA is pushing NERL on different levels to make them accountable and believe this will help and encourage NERL to push for an improvement in their performance. It is appreciated that the CAA provided an in-depth analysis of the situation and is seeking for airline's comments to be considered on all areas regarding this proposal, and some in more particular:

**Traffic forecast**
Regarding the forecast traffic considered, it is regrettable to see that the latest STATFOR October 22 forecast hasn't been used to do this analysis. We also find it disappointing the CAA did not base this report on the most optimistic forecast as it allows NERL to be more resilient in adverse situations. We count on the CAA to use the most updated and optimistic data for the final proposal.

**Revenue gap**
As previously stated, this insistence by ANSPs to recoup not only their costs, which should have been managed by the ANSP throughout the last number of years (while we all suffered), but the profit margins budgeted to make is tone deaf given that ANSPs are reliant on commercial carriers such as the Ryanair Group, the largest carrier in Europe, who was not the beneficiary of a government funded bailout. We call on a level of common sense to be applied by the network providers, as wholly owned entities of the state to move past this ridiculous insistence to pursue cash from the past and attempt to profiteer from a crisis and instead focus on the future and the recovery of the industry. We want to reiterate that we strongly object to the principle of penalising airlines for a traffic downturn that was entirely out of their control. The revenue gap should be covered by the UK Government, and not by airlines, many of which have not made a profit since the Covid pandemic started.

The 10-year period and flat rate proposed for the revenue gap will abet airlines while being responsible for recovering the traffic and lifting the whole industry. However, a lot of emphasis will be put on the 10-year period proposed - the fact that inflation, especially in the UK, is extremely high means that no inflation rates should be applied to this revenue gap which could lead in an escalated overall cost.

**Service delivery**
We do not believe that setting bonus incentive payments for the quality of service is a productive way of improving service. Just like you mentioned, a bonus would charge airspace users for what should be a normal and expected activity. All the industry is setting up goals to reach over the top targets, instead of introducing a bonus incentive payment, a penalty only incentive payment should be applied, pushing them to get better.

We are concerned about NERL's updated timescales as it reflects a lack of confidence in the outstanding outcome of their projects. This update mean airlines will have to bear the costs of those delays given its legacy and new system will still be running at the same time. We strongly believe driven timelines should be put on NERL to respect their deadlines. As mentioned, the upcoming upgrade system will increase resilience, it is a big scope that should improve operational efficiency and productivity and needs to be challenged adequately with ambitious targets.

**Costs**
We welcome the initial proposal to reduce NERL's enroute determined costs of £248M.
Regarding the staffing opex, we fully support the CAA with the decision to slow the growth in average wages to align with the overall trends in the economy, but we stress the importance of facilitating an accelerated training and validation cycle to ensure the capacity meets the demand.
We acknowledge the higher ATCO productivity forecasted will lead to a reduction in staff opex but believe this requires a more in-depth analysis as several factors such as the airspace modernisation will be late to be implemented.

We note that the CAA did not intend to apply any penalty to NERL on its performance under the capex engagement incentive in 2021 and 2022 as Egis rated their performance as "average". As much as we found it regrettable they only scored average, we agree with your proposed changes to be appropriate to incentivise continuous improvement in NERL's capex engagement and believe setting a higher baseline expectation to "good" to avoid a penalty will be beneficial and motivate NERL to be more efficient and drive a continuous improvement.

We remain available for any further clarifications you may require.

Yours sincerely,

Mathilde Dorfsman
**ATM Manager**