

**BOMBARDIER**

AEROSPACE  
Short Brothers PLC  
Airport Road  
Belfast BT3 9DZ N Ireland  
[www.bombardier.com](http://www.bombardier.com)

Registered in Northern Ireland  
Certificate No 1062  
Registered Office: Airport Road  
Belfast Northern Ireland

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***By email***

Paul Jackson  
Inquiry Manager  
Competition Commission  
Victoria House  
Southampton Row  
LONDON  
WC1B 4AD

Dear Paul

### **Response to Northern Ireland Electricity Limited Price Determination**

Bombardier Aerospace, Belfast is the largest manufacturing company in Northern Ireland. We employ 5,000 people and produce ten per cent of Northern Ireland's manufacturing exports. We are also one of the largest aerospace companies in the UK and our operations benefit more than 800 suppliers, subcontractors and other service firms in the UK and Ireland. For example, in 2012, we awarded work worth more than £250 million to suppliers throughout the UK.

As the largest manufacturer in Northern Ireland, we are a high energy user and recent investment in our facilities has increased our consumption. A vital component in our manufacturing processes, energy is our third highest cost after labour and raw materials. Recent research 'Northern Ireland Electricity Prices: Data and Comparisons', published by the Northern Ireland Utility Regulator, suggests that high energy users pay around 20 per cent more for electricity here than their equivalents in both Great Britain and the Republic of Ireland.

Since we export around 95 per cent of our products, we are competing in a global market where electricity costs are also often significantly lower than charges in Northern Ireland. For example, our energy costs are more than three times higher than those of Bombardier sister sites in North America, with whom we directly compete for business. Therefore, energy costs are critical to our overall competitiveness in an ever-challenging global market and affect our ability to retain existing work and win new contracts.

Bombardier recognises that the price review is complex and a detailed working knowledge is required to comment on the full specifics. However, we ask the Competition Commission to consider a number of general points when assessing the price control determination for Northern Ireland Electricity Limited (NIE):

Bombardier is under intense pressure to reduce operating costs through efficiency savings to maintain competitiveness within a global market. In line with the Utility Regulator's

proposal, we believe the NIE T&D's controllable opex should be subject to an on-going efficiency adjustment.

Careful consideration needs to be given to the uncontrollable opex and how the consumer is protected with the remuneration on a pass-through charge.

It is important to invest within the infrastructure to ensure a maintainable and reliable system, however capital expenditure should align with current economic conditions. NIE has requested a large increase in capital expenditure from RP4 to RP5. Other strategies should be investigated to extend the useful life of aging assets and spread the capital expenditure replacement programme over an extended period.

The Utility Regulator request for a 'reporter' to be embedded within the NIE organisation should be considered. The proposal, if fully implemented, has the potential to improve transparency and accountability, which will benefit all parties.

Bombardier would welcome the opportunity to discuss in more detail the issues raised above.

Yours sincerely

Russell McFadden