Subject: Friday Note

Working under the NWoW rules.
You are kindly reminded to register whether you work from home or the building in the new registration tool, which can be found here.

Dear all,

The only topic of this week is the performance of DG1 so far.

While some people who see each other for the first time this year still present their best wishes for 2023, next week is already the end of January so we're monitoring how the DG1 production is going vs plan.
The good news is that the change of search limit dates (Euro PCT Bis delayed by 4 months) seems to have the desired result, the S/E ratio of all DG1 is still below 1,5. This time last year that S/E ratio was 2,2.

The other good news is that the DG1 production is still not far from the planned production. However unfortunately the last couple of days the daily production is too low, so that we're dropping quite quickly all over DG1, today we're at -400. DG1 is even behind last year comparing day to day.
The worse news is that in our two directorates, only 4 out of 14 teams are doing well against plan. Most of our teams are already lagging behind, some already quite far and they will have to catch up.

So we discussed this yesterday in the weekly management meeting and immediately the topic quality was connected to production.
Can we have good quality and good production at the same time? My answer is yes, it's what we did last year.
The more appropriate question is of course *what is good quality*? Do we insist on 100% perfection, guaranteed no non-compliances?

The answer to that (and I was asked to put it in writing which I'll happily do) is <u>no</u>.

100% quality is best and would be preferable, but it's not economically feasible. We should aim for it but it's ok if we don't reach it.

You all know the curve depicting the evolution of quality vs time. It's an asymptotic curve, where 100% quality is only achieved after spending an infinite amount of time.
And since time is money, and infinite amount of money. Our applicants are not willing to spend an infinite amount of money per application.

The Universal "Better" Curve
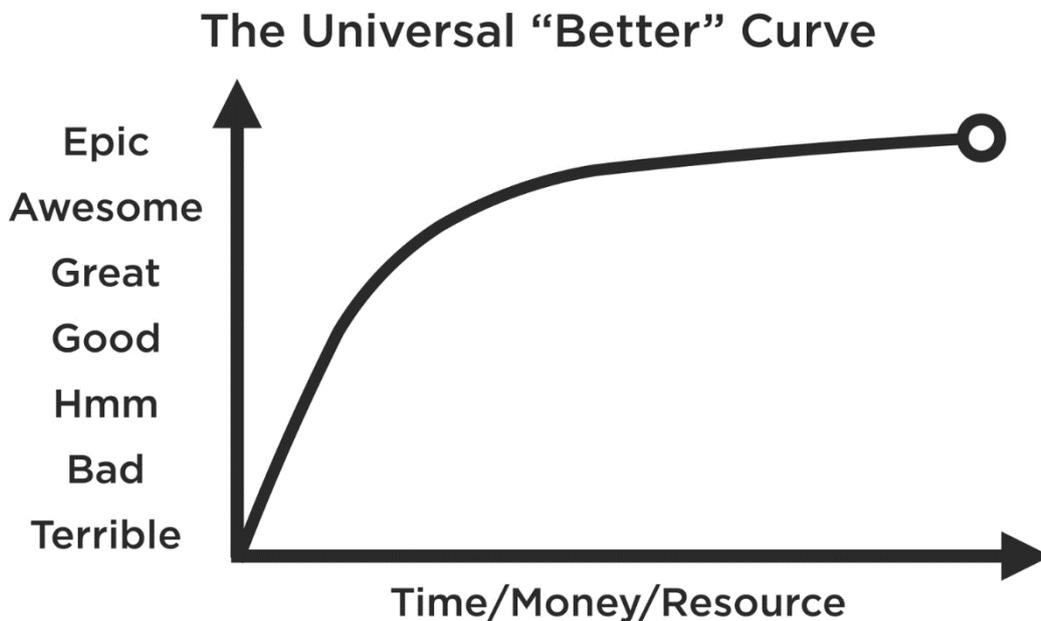
The EPO was designed with this in mind, that's why we have safety nets.
The 3 person division is a safety net. The TM check is another one. The FOs check once more.
And then if all is done and still we grant or refuse in error, the applicants have the option to disagree with the proposed grant, or to file an appeal, and the competition has the chance to file an opposition.
And later revocation, limitation or court cases. All safety nets to protect the rights of applicants and public.

The safety net options according to the EPC were designed knowing we would not be perfect, so an examiner insisting on guaranteed perfection is not working in line with the EPC.
We should aim for it yes, but not insist at all cost, since we can't afford it. In the curve above, the difference between 'Epic' and 'Awesome' is a factor 2 in time. We don't want 'Epic'.
(In the same curve, 'Good' and 'Great' are not good enough).

I usually draw a parallel with the aircraft industry. If an aircraft fails, people die. But still aircraft are not designed to be perfectly strong and reliable.

Aircraft are designed only 50% stronger than 'necessary'. Bridges, for instance, may be 6 times stronger than necessary, just in case.

An aircraft 6 times stronger than necessary would be too heavy, would probably not fly, and if it did the tickets would be too expensive.

Still all of us who fly accept this risk, trusting that the airlines do their best, knowing that it can't be perfect. We all look for the cheapest tickets.

Similarly our applicants trust that our examiners do their best, hope for perfection but don't expect it.

In the aircraft industry, if a problem is detected, they update the maintenance documentation and training, eventually the design of the plane, so that the next one is better.

We try to do the same with our feedback loops. That's one of the reasons we need you to make observations in the PWB: we can only try to fix problems that we know about.

Another argument brought forward against increased production is the current change in S/E ratio. ▮ is at 1,50 today, ▮ is 1,25. Last year we were above 3, so it's a big change.

I've heard that now that we have more time for examination, we need to invest first since examination does not give immediate production.

Then I wonder why in the two directorates together, 5500 intermediate communications were written during 2022 alone. And I wonder what we should do with the 3500 delayed examination files waiting for further action.

Doesn't that count as investment? In the last 2 years we practically did no cherry picking since we really worked on the dossiers that waited the longest.

This means we should now have a healthy mix of dossiers in our stocks. Some finishable, some needing investment. Definitely not all needing investment.

▮ has already sent out 350 intermediate COMMs this month, against last year 200 during the whole month of January. It's no wonder ▮ is the furthest behind plan of all DG1.

The 350 is 3 times higher than the examination finished in the same period. That ratio all over DG1 is below 1,5.

So yesterday I've informed the TMs that the situation will have to improve, very soon.

Not because production is the only thing that counts, it's because production is the only thing that guarantees our payslip on the 26th of every month.

Best regards / Mit freundlichen Grüßen / Sincères salutations

▮▮▮

Director ▮▮▮

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