

Statutory charges 2017/18: Consultation document

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Contents

Contents.....	1
Chapter 1.....	3
Introduction	3
Overview of our proposals.....	3
Chapter 2.....	6
Development activities	6
Transformation programme.....	6
Performance Based Regulation (PBR).....	7
General Aviation programme	8
Chapter 3.....	9
Main charge proposals	9
General price increase	9
Airspace Change Proposal (ACP) cost recovery.....	9
Unmanned Aircraft Systems (UAS) / drones cost recovery	10
Aviation Security (AvSec) and Security Management Systems (SeMS) cost recovery	10
Medical department cost recovery	11
Chapter 4.....	12
Charge proposals by individual schemes	12
Safety regulation schemes of charges	12
Air operator and police air operator certification scheme	12
Airworthiness scheme	13
Personnel licensing scheme.....	13
General aviation scheme.....	17
Aviation security scheme.....	24

Airspace scheme.....	26
Consumers and markets schemes of charges and economic regulation of NATS	27
Air transport licensing scheme	27
Economic regulation of NATS	27
Air Travel Organisers' Licensing (ATOL) scheme	28
Chapter 5.....	29
Existing payments by direct debit and monthly variable charge deposit invoicing....	29
Chapter 6.....	30
Conclusion	30
Appendix A	31
Regulatory operating results	31
Appendix B	32
Summary of safety and airspace regulation operating results by charges scheme..	32
Appendix C	33
Summary of safety regulation operating results by charges scheme	33
Appendix D	34
Summary of CMG operating results by charges scheme	34
Appendix E	35
Summary of aviation security operating results by sector	35

Chapter 1

Introduction

This consultation document explains our proposals for revisions to the existing CAA Charges Schemes, due to take effect from 1 April 2017.

We believe our proposals represent a fair and balanced approach to charging and we look forward to receiving feedback on these proposals, in particular from those regulated by us.

We welcome comments on all aspects of the proposals, including the charges structure and the level of the charges. Please could you use the [CAA Statutory Charge 2017/18 Consultation online submission form](#). The consultation closes on 9 February 2017.

Overview of our proposals

As a body that is directly funded by charges paid by those we regulate we fully understand the difficulties the industry continues to face. This is one of our primary considerations when we set our charges.

Over the past seven years the increase in our charges was only 3.7% while in the same period UK inflation was 19.1%. This is because we have worked hard to reduce our operating costs. As part of the CAA's five year strategic plan, we set ourselves stretching financial targets which included substantially containing the growth in employment costs, including ongoing pension costs which grew by in excess of £20 million. We set a financial target to save at least £16 million in employment costs over the 5 year plan period. By 31 March 2016, we had exceeded that target and we had reduced those costs by 2.2% in real terms; FTEs in the Regulatory Sector reduced by 19%¹.

However, we now face significant financial pressures with increases in our cost base as well as the need to make crucial investment in modernising our systems. Our two

¹ Excluding the effect of Aviation Security's move from the DfT to the CAA.

main workstreams, Performance Based Regulation (PBR) and the Transformation programme, will deliver long-term efficiencies and better customer service, and we are committed to controlling the costs of making these improvements.

Given these current cost pressures, we propose that there should be an increase of 1.5% across all Charges Schemes in 2017/18, which is lower than the forecast CPI rate of inflation of 1.8%.

In addition, we are proposing specific charges to cover our costs in the four areas where we are undertaking new activities:

1. **Airspace Change Process (ACP):** This will cost us an additional £915,000 in 2017/18. We are developing a new, bespoke online portal and will need additional staff to manage and run the new process. We believe that we should charge both airports and NATS (En Route) plc (NERL) for ACP as they are its primary sponsors and will benefit commercially from the improvements.
2. **Unmanned Aircraft Systems (UAS):** Our work on airspace safety issues posed by unmanned drones has been funded up to now by the Department for Transport (DfT). However, we believe the £500,000 that this work costs should be funded by commercial aircraft operators rather than the UK taxpayer as it is part of our core regulatory function. We propose that we recover these costs from the Air Operator Certification Scheme variable charges.
3. **Aviation Security:** We have made significant progress on our Security Management Systems (SeMS) project, but we have insufficient resources to deliver this policy initiative and the potential benefits for industry in good time. We propose to create four new, dedicated posts², three for SeMS and an additional training post to meet regulated training requirements, at the cost of £397,000 a year. We propose to recover these costs through the existing monthly variable charge to aerodromes where departing passengers exceed 100,000 a year.

² With associated support costs.

4. **Medical:** Our industry-wide consultation on the future structure of our Medical Department showed that we need an additional 1.5 full time equivalent (FTE) doctors over the next two years at the cost of £124,000 per annum. We propose that we recover these additional costs by increasing the variable AOC unit charge for those operating aircraft over 40 tonnes maximum take-off weight (MTOW).

You can find further details on these proposals in chapter three and the full pricing proposals in chapter four. Please note there are a number of further structural changes, which are also detailed in chapter four.

The AAIB final report into the Shoreham Airshow accident in 2015 has not yet been published. Until the final report has been published and the CAA response to any recommendations confirmed, we cannot be certain that the current level of resource will be sufficient to deliver the activity. If, in the event, additional resource is considered necessary a further CAA Charges Consultation with industry would be conducted.

Chapter 2

Development activities

Transformation programme

We are making good progress with the transformation activities and are starting to deliver the planned benefits. As with all transformation projects, successful delivery has to be balanced with expenditure control and this will continue to be our focus.

The programme highlights in the year include:

1. The Aviation Statistics project delivered a new IT system in May 2016 that manages the data collected from airlines and airports. Submitted data is now automatically validated, improving the quality of data. This, combined with new functionality, has improved our ability to provide tailored reports.
2. The Entity Performance Tool captures information about risks and supports our PBR approach. We launched this tool in August 2015 and further enhanced it in August 2016 based on feedback from frontline colleagues, bringing us a step closer to a fully integrated system that supports Performance Based Oversight.
3. The Customer Relationship Management and Portal project delivered a more stable portal platform in January 2016, which enabled our portal to be used more effectively for resource scheduling, correspondence management and from Spring 2017 will be used for e-licensing for commercial pilots.
4. The ATOL Licensing project will deliver a new online self-service system in Spring 2017 for travel businesses to apply for, amend or renew their ATOL licence and to track their licence applications.

Performance Based Regulation (PBR)

Our transformation into a performance-based regulator affects a wide range of regulatory processes and functions, including the way we assess risks, prioritise resources, deliver safety improvements, and carry out oversight. It requires us to gather better information about safety risks and use it to allocate resources in a more proportionate and targeted way. It improves aviation safety and aligns strongly with the UK Government's principles for better regulation.

This approach can be grouped into five areas:

1. Consistently gathering and analysing safety risk information about all parts of an organisation's operations and capturing it as a single regulated entity.
2. Assessing the performance of each organisation to manage its safety risks and agreeing with the accountable manager the necessary actions to uphold standards and further enhance safety.
3. Grouping safety risk information into industry sectors with similar types of operation to create a better understanding of the top risks and good practice.
4. Making more informed decisions about safety outcomes so that we and the industry can manage the top risks better across all sectors; also setting out what actions various stakeholder groups need to take to achieve the desired outcomes.
5. Proportionately directing our resources to oversight activity and safety improvement projects so that our attention is focussed on organisations and sectors where standards are not being upheld, or where there is the significant potential to enhance safety.

Since April 2016, whilst we have embedded the principles of PBR within the Airworthiness sector, the larger organisations have been included in detailed PBR reviews through targeting the higher risk areas. The smaller organisations have been assessed in their sectors and our Airworthiness colleagues have run seminars with

those sectors of industry to encourage information sharing about the sectors' safety risks. We are broadening out these risk-based principles across other regulatory areas over the next two years. We have had excellent engagement and support from the industry for PBR and believe we will all begin to see the anticipated safety and efficiency benefits.

General Aviation programme

The General Aviation programme has delivered a number of significant changes since 2013, with much more still to be done. You can find more detail on what we have achieved and future updates on the CAA website at: www.caa.co.uk/ga.

Two notable changes are:

- UK private pilot licence and national private pilot licence holders now only need to conform to the DVLA group 1 ordinary driving licence standard to meet our medical requirements.
- Securing funding from the EU to offset some of the costs for general aviation (GA) pilots who have to re-equip with 8.33 KHz radios.

We are committed to working with our colleagues in the European Aviation Safety Agency (EASA) and other states to improve proportionate, risk-based GA regulation Europe-wide, for example, on new rules to allow Declared Training Organisations and specific rules for Balloons and Gliding.

Chapter 3

Main charge proposals

General price increase

We have made every effort either to keep charges at the previous year's level or to increase charges at a rate below inflation. Over the past seven years, the charge increase was 3.7% compared to a UK inflation rate of 19.1% for the same period. We have achieved this by making efficiency savings as we implement major changes to the way we operate.

With the backdrop of the current 2016/17 forecast CPI level being 1.8%, we are proposing to make a general price increase of 1.5% for 2017/18. This will ensure that we can continue our programme of further efficiency improvements and that we continue to meet our statutory regulatory requirements.

Please see the chapter four and the scheme enclosures for the changes to individual charges.

Airspace Change Proposal (ACP) cost recovery

We have responsibility for regulating the airspace over the UK as set out in section 70 of the [Transport Act 2000](#).

Our Board approved a new airspace change decision-making process in September 2016 following a comprehensive review and public consultation. To support this process we will develop a new, bespoke online portal and will need additional staff for key aspects of the process. The cost of these additional requirements for 2017/18 is £915,000³.

We believe that we should charge both airports and NERL for these costs as they are the primary sponsors of airspace change proposals and they will benefit

³ The costs will rise to £925,000 split between airports and NATS in 2018/19.

commercially from the improvements through, for example, improved throughput and punctuality.

We propose that we should allocate charges equally to airports, through a variable charge based on Work Load Units, and NERL within the Airspace Scheme.

You can find our full pricing proposals in chapter four.

Unmanned Aircraft Systems (UAS) / drones cost recovery

The growth in the ownership and use of UAS in the UK, and globally, is well documented. Alongside this growth is an increase in the reported close interactions between drones and commercial aircraft. We need to understand the safety risk of these interactions better and take proportionate steps to mitigate it.

The objective of our UAS programme is to ensure the safe integration of UAS into the total aviation system. The programme has two distinct elements:

- To ensure the safety of other airspace users.
- To support the Government's objective of growing the UK drone economy, for example, Pathfinder technology demonstrators, cross-Government UAS strategy and early development of Unmanned Traffic Management (UTM).

To date, the DfT has largely funded both elements of the programme and they will continue to fund the second element. But as our work on safety is a core regulatory function, we believe that it should be funded by commercial aircraft operators, rather than the UK taxpayer. This element of our work costs £500,000 per annum which we propose to recover through the AOC variable charge.

You can find our full pricing proposals in chapter four.

Aviation Security (AvSec) and Security Management Systems (SeMS) cost recovery

Our SeMS programme, a DfT policy directive, which was passed to CAA AvSec for implementation in 2015, is unfunded. This means that, despite significant progress