

CAA statutory charges 2017-18: Consultation on charges CAA response document

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Enquiries regarding the content of this publication should be addressed to: charges@caa.co.uk

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Contents

Contents	1
Executive summary.....	3
Chapter 1	5
Consultation submissions	5
Chapter 2	6
Our responses to the consultation submissions	6
Airspace Scheme of Charges	6
Funding of the Airspace Control Process (ACP)	6
Aviation Security Scheme of Charges	8
Funding of the SeMS regulation rollout	8
Air Operator Certification Scheme of Charges and General Aviation Scheme of Charges.....	9
Funding of the unmanned aircraft system activities.....	9
Air Travel Organisers' Licensing Scheme of Charges.....	11
Existing ATOL holder accredited body accreditation – new or change a trust, trustee or trust account	11
Conclusion	12
Appendix A.....	13
Summary of submissions received from charge payers and interested parties.....	13
Air Operator Certification Scheme (AOC)	13
AOC1: The funding of this UAS work will benefit all overseas airlines but why only paid for by British airlines?	13
Airspace Scheme (ASP) and En Route Air Traffic Control Services Regulation Scheme (ERR)	14
ASP1: Funding of the Airspace Control Process (ACP).....	14
Air Transport Licensing Scheme (ATL).....	17
ATL1: Extension of the ADR Scheme to airports.....	17
Air Travel Organisers' Licensing Scheme (ATOL)	18
ATOL1: Typographical error concerning the quoted current charge for SBA renewal after the applicable date paid by Direct Debit.....	18
ATOL2: The proposed charge to change a trust, trust account or trustee should be reduced	18
Aviation Security Scheme (ASEC).....	19
ASEC1: Funding to cover CAA costs of regulating SeMS and deferral to 2018....	19
En Route Air Traffic Control Services Regulation Scheme (ERR).....	21
ERR1: Request for greater transparency on the breakdown of the charge.....	21

General Aviation Scheme (GAS)	22
GAS1: Consider reducing the charges for 1-3 display item events and splitting into two charge bands, 1 display item and 2-3 display items	22
GAS2: No obvious safety benefit following increased DA charges	22
GAS3: Why introduce model aircraft display charges now?	23
GAS4: Policy change so that each pilot or team requires a separate permission under SERA 5005(f)(2) – the 500 foot rule does not have a safety benefit	24
GAS5: Why no CAP 632 charges for ex-military aircraft operations?	24
GAS6: Reduced charges for air displays held for charitable causes	25
GAS7: Why such significant charge increases for UAS activities including NQE charges?	27
GAS8: Air display charges are too high and disproportionate	27
GAS9: The Post Event charge is not related to CAA effort in processing the air display permission	30
GAS10: Why double the charges for ex-military aircraft type rating exemptions?	31
Personnel Licensing Scheme (PLS)	32
PLS1: There is no case for any difference between the charge for Class 1, 2 or 3 medical reports filed with the CAA via the AME on line system	32
PLS2: Greater transparency on the breakdown on activities and why should the funding only come from the larger AOC holders rather than from AMEs?	33
Regulation of Airports Scheme (RAS).....	34
RAS1: It is important that the CAA an appropriately resourced regulator in order to further the interests of passengers.....	34
RAS2: What costs does the additional variable charge within the Regulation of Airports cover?.....	35
General (GEN)	36
GEN1: Extending the direct debit facility to variable charges	36
GEN2: The general price increase of 1.5% is not applied uniformly	36
Direct replies	37

Executive summary

On 17 March 2017, we set out proposals for our Schemes of Charges due to come into effect from 1 April 2017. As a cost recovery body, not funded by the tax payer, the cost of our activities must be paid by those we regulate.

The key proposals under this consultation were:

- A general price increase of 1.5% across all Schemes of Charges in 2017/18.
- New specific charges to cover our costs in the following four areas where we are undertaking new activities:
 - **Airspace Change Process (ACP)** – a cost of £915,000 in 2017/18 for additional resource to undertake the new ACP process; this also includes a new online portal. This cost is to be recovered from NATS (En Route) plc (NERL) and airports;
 - **Unmanned Aircraft Systems (UAS)** – a cost of £500,000 in 2017/18 to cover the safety aspects of work mainly involving in the mitigation of mid-air collisions between drones and manned aircraft, plus improving the education of drone requirements to industry. The cost is to be recovered via the Air Operator Certification Scheme variable charges;
 - **Aviation Security** – a cost of £397,000 per annum to employ additional resource to deliver the Security Management Systems (SeMS) project and to meet regulated training requirements. The cost is to be recovered from airports (where departing passengers exceed 100,000 a year) under the existing monthly variable charge to aerodromes.
 - **Medical** – a cost of £124,000 per annum for the next two years, following our consultation on the future structure of our Medical Department. The cost is to be recovered via the Air Operator Certification Scheme variable charges.
- Review of the charging structure under the General Aviation Scheme of Charges concerning regulatory activities relating to the approval of unmanned aircraft systems (drones).

The consultation ended on 9 February 2017, by which time we had received 28 submissions. The main concerns have been highlighted under chapter 2 of this document with the responses to all the feedback received detailed in Appendix A.

We are grateful for those submissions received and, after a CAA Board discussion, we propose to implement all proposals made subject to one amendment relating to the Air Travel Organisers' Licensing Scheme of Charges as explained under chapter 2, sections 2.12 and 2.13 below.

We remain committed to controlling our costs while investing in new processes, systems and skills in order to achieve further savings in the future. Our key objectives include: to provide the best possible outcome for consumers: be an efficient and effective organisation that meets the principles of Better Regulation; and to provide value for money in all our activities.

Chapter 1

Consultation submissions

- 1.1 A total number of 28 respondents provided submissions through the consultation exercise. The respondent type is broken down as follows:

Submissions	No.
Airports	6
Representative trade organisations	6
ATOL holders	2
Airlines	1
Authorised Medical Examiners	1
National Air Traffic Services	1
Other Organisations	8
Other Individuals	3
Total	28

- 1.2 The five representative trade organisations that responded were:

- Airport Operators Association (AOA) (2 submissions)
- Association of British Travel Agents (ABTA)
- General Aviation Alliance (GAA)
- Historic Aircraft Association (HAA)
- Large Model Association (LMA)

- 1.3 Chapter 2 of the document has focused on the main issues with all the submissions received from industry and our responses are detailed in appendix A.

Chapter 2

Our responses to the consultation submissions

Airspace Scheme of Charges

Funding of the Airspace Control Process (ACP)

Concerns as to the ability to recover additional CAA costs from airline users

- 2.1 NERL welcomed our proposals to invest additional resources in the airspace change process and the benefits of the new portal. However, it expressed concern about the proposed statutory charge because it did not have the ability to recover the additional costs from airline users. It argued that there was mixed support for our proposals on the new airspace change process for NERL to pay the proposed statutory charge and that non-statutory charging options had not been explored. It had, however, recently submitted an application to the FAS Facilitation Fund to cover NERL's share of the statutory charge and requested our support in that application. In the event that this application was unsuccessful, NERL would be forced to reprioritise other aspects of its airspace programme.
- 2.2 We consider that as the airspace change process is a statutory activity, and we are legally required to recover the costs of our regulatory activities, a statutory scheme of charges is the appropriate mechanism for recovering costs. We note that the new charge, which we intend to apply between April 2017 through to December 2019, is being split equally between UK airports and NERL, rather than being placed on a single entity. This reflects the diverse views about the best means of recovering our additional airspace change costs for RP2 and the necessity of recovering such costs. Decisions on the use of the FAS Facilitation Fund are a matter for the airlines rather than the CAA, so it would not be appropriate for us to comment on NERL's application.

Proposals for a revised charging mechanism

- 2.3 The General Aviation Alliance proposed an alternative approach that would involve the incremental airspace costs being recovered through a charge related to the volume of controlled airspace managed by that airport, plus an additional charge applied when an airspace change proposal is submitted. A further approach could be to apply a discount to these charges depending on the number of aircraft movements using the airspace. GAA argued that by varying charges in accordance with volume of airspace and movements, there would be a stronger incentive for airports to more efficiently use and design controlled airspace. Further, as air traffic movements are more stable than passenger numbers, this would provide us with a more predictable income stream, and where workload increases because of additional airspace change proposals, income would rise to cover the costs.
- 2.4 We consider that an activity or usage based charge may have some merit. However, in this case, because the intended charge relates only to our incremental airspace change costs (the majority are already covered through UK en route charges) and because the new charge is intended to apply only for a finite period of time (2 $\frac{3}{4}$ years), a more complex scheme such as the one proposed by GAA would not be proportionate. In the event that the structure of such airspace costs is considered again in the future, we would consider such an option.

Request for confirmation that NERL and the airports would not receive preferential treatment due to paying the new charge

- 2.5 As with all our statutory charges, those paying do not receive any preferential treatment in regulatory decisions and therefore we are content to provide such confirmation.

Aviation Security Scheme of Charges

Funding of the SeMS regulation rollout

Concerns over the significant increase in the aerodrome variable charges

- 2.6 We undertook informal discussions with airport representatives about our planned increases in charges ahead of the formal publication of the consultation and also through the AOA's own Security Committee. Although any charge increases are unwelcome, the overwhelming message received during those discussions was that the proposed increases were reasonable in the circumstances and not unexpected.
- 2.7 Thanks to the collaborative approach we have built with the AOA over the last three years, we have driven forward considerable change in aviation security regulation. The majority of reviews have resulted either in the UK More Stringent Measures being withdrawn, simplified or clarified. From information received from airlines the changes implemented in the last 12 months, notably in respect of screening of unaccompanied hold bags, have delivered cost savings to industry amounting to tens of millions of pounds a year.
- 2.8 Therefore, taken in the round, whilst acknowledging concerns about the proposed charge increases, we provide good value for money. We are not complacent in our objective to contain costs and deliver ever greater efficiency but the proposed extra funding is to cover the important delivery of SeMS which was an activity that was not funded on transfer from the DfT in April 2014, and for which a DfT policy directive was passed to us in 2015 to implement the SeMS programme. Without this extra funding, the requirement to deliver the planned compliance activity in full would compromise the effective delivery of the SeMS programme rollout.

Air Operator Certification Scheme of Charges and General Aviation Scheme of Charges

Funding of the unmanned aircraft system activities

Concerns were expressed regarding the increase in UAS permission and exemption charges and the additional cost to charge payers of £500k

2.9 One of our objectives is to maintain a safe UK airspace environment and protection for third parties through a proportionate regulatory regime with responsive guidance, permissions and exemptions. This will be delivered progressively and support the intent of the UK Government's emerging Drone Strategy. In order to achieve this objective, we have already set up a UAS Programme under its Emerging Technologies Steering Board.

2.10 The ongoing UAS Programme of work was defined in the context of the DfT led cross-government Drones Strategy. However, we anticipate initiatives arising from the DfT public consultation, 'Consultation on the Safe Use of Drones in the UK' (which closes on 21 March 2017), and this may influence the scope of requirements and our deliverables during 2017/18.

2.11 The 2017/18 programme has been aligned into three priority areas:

1) Safety

This is in relation to the proposal for the additional funding of £500k for 2017/18 to be recovered from the larger airlines via the variable charge under the Air Operator Certification Scheme. The following four key elements will be covered:

- Better articulating and responding to risks in relation to aviation and the general public as a result of drone activity;
- Driving an education and communications campaign to better inform drone pilots of their obligations and responsibilities;
- Identifying and developing a view on technical mitigations to mid-air collisions. The aim is to minimise future risks by using new technologies and influencing manufacturer standards; and

- Influencing the EASA Basic Regulation ([Regulation \(EC\) No 216/2008](#)) and so ensure the UK is best equipped to support the aviation industry.

These activities are part of our core-regulatory functions and therefore the cost is being funded via our Schemes of Charges and not via the UK Taxpayer.

2) Effectiveness and efficiency improvements

The following activities within this programme are proposed to be funded by the current mechanisms under the General Aviation Scheme charge proposals:

- Refining internal CAA safety decisions and approvals;
- Improving the internal CAA processing efficiency; and
- Refreshing our website and UAS regulations based on EASA positioning.

As stated in our Consultation Document ([CAP 1477](#)), the current charges under the General Aviation Scheme have been in this Scheme for many years and the mechanism and charge levels have been superseded by the marked increase in drone activities to a point where the current prices and structure do not recover the associated costs. As a result, the charging mechanism that relates to the UAS approval activities, including the charges for National Qualified Entities (NQEs), has been restructured. The revised charges now better reflect the average time taken to process these applications and thereby cover the associated increased costs to adequately resource these activities going forward.

3) Department for Transport (DfT) – Driving the future agenda

We will continue to be funded directly by the DfT to support the theme of ‘driving the future’ agenda. This agenda is informed by the Government Drones Strategy and the CAA elements of support include: