

Statutory charges 2018/19: Consultation document

CAP 1601



Published by the Civil Aviation Authority, 2017

Civil Aviation Authority,
Aviation House,
Gatwick Airport South,
West Sussex,
RH6 0YR.

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First published 2017

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Chapter 1

Introduction

This consultation document explains our proposals for revisions to the existing CAA Charges Schemes, due to take effect from 1 April 2018.

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 2018/19 Consultation online submission form](#). The consultation closes on 8 February 2018.

It should also be noted that the CAA is undertaking contingency planning to prepare for the eventuality that an aviation deal is not agreed prior to March 2019 when the UK leaves the EU. Funding the costs of this contingency planning and its implementation will be the subject of a separate consultation in January 2018.

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 eight years the increase in our charges was only 5.3% while in the same period UK inflation¹ was 18.4%. This is because we have worked hard to reduce our operating costs over the same period.

However, we continue to 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 main work streams Performance Based Regulation and the Transformation Programme have and will continue to deliver efficiencies and better customer service. As such we are committed to controlling the costs of making these improvements.

¹ CPI

Given these current cost pressures, we propose that there should be an increase of 2.6% across all Charges Schemes in 2018/19, which is lower than the current CPI rate of inflation (3.0%²).

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

1. **Cyber Programme:** In 2017/18, the Government has provided £400K of funding to support the establishment of the CAA's cyber programme. From 2018/19, however, cyber oversight will be a core CAA regulatory activity and therefore the costs of the programme and oversight activity will need to be funded by CAA's statutory charge payers.

Given these current pressures and our need to resource to meet requirements, we estimate that an uplift of £1m (comprising £0.4m to replace the DfT funding that will be withdrawn in 2018/19 plus £0.6m to fund the additional 6 FTEs required to deliver the programme). However, for 2018/19, we are proposing to recover only £0.5m from the Schemes of Charges.

This cyber oversight responsibility, whether derived from EASA regulations or from the 'Security of Network and information Systems Directive', spans the airline, airport and Air Traffic Services sectors. It is not possible at this stage to determine which particular sector will drive the majority of the oversight activity, as there is presently no data in this emergent area of activity. Additionally, the complex cyber interactions between these three sectors, and involvement of multiple associated operators make it impossible to determine where charges should be apportioned at this initial stage. We therefore propose to split the additional costs recoverable from industry equally between the airlines, airports and air traffic services and review this apportionment periodically to consider whether it remains appropriate.

2. **Unmanned Aircraft Systems (UAS):** Over the last three years, the UK UAS sector has grown to currently 3,500 permit holders and 35 National Qualified Entities. This sector continues to grow with approximately 350 applications (initials, variations and annual renewals) per month currently being handled by the CAA.

We conducted a review of our UAS charging structure last year and its recommendations were implemented on 1 April 2017. These recommendations continue to remain sound although the ever developing UAS sector continues to demand additional regulatory oversight to ensure the required safety standards are maintained. As a result there has been

² ONS October CPI rate.

a need to review and re-organise the resourcing structure which has led to an additional cost of £0.3m. It is proposed to recover this cost by increasing charges for UAS permission and exemption and UAS National Qualified Entity charges.

3. **Markets and Competition Work:** Additional resources are required to support promoting fair and competitive aviation markets next year. This activity is related to airports and as such it is proposed to recover the cost, being £0.5m, from the Aerodrome Licensing variable charge.

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

Chapter 2

Development activities

Transformation programme

Over the last year, the Transformation Programme has embedded the significant changes it introduced in 2016, including the governance, processes and capability to ensure each project is more delivery focused. We have continued to significantly decrease the number of day rate contractor staff, which has helped us manage costs whilst also provided funding to address capability gaps particularly in project management, testing, business analysis and business change. We have also integrated the delivery of the Transformation Programme into the newly formed Portfolio Delivery business department – a permanent function established within the organisation to centralise the delivery of projects.

1. Aviation Statistics – Final Release

Following the delivery of the Aviation Statistics project in May 2016, which implemented a new IT system for the management of data collected from airlines and airports, the project, has subsequently delivered two more releases of functionality, to resolve some of the post go-live challenges and also to further enhance the system. The final release of Aviation Statistics is planned for November 2017.

2. The Entity Performance Tool (EPT) into Performance Based Regulation (PBR) Phase 3

The Entity Performance Tool (EPT) captures information about risks and supports our Performance Based Regulation approach. After the successful delivery of Phase 1 in August 2015 and Phase 2 in August 2016 a third is scheduled to deliver in Q2 2018 which incorporates a number of further enhancements. These represent an evolution of the current tool and a step closer towards a fully integrated system to support Performance Based Oversight which improves the CAA's ability to allocate resources to areas with the greatest potential to enhance safety.

3. The Customer Relationship Management and Portal

Following the successful delivery of a more stabilised Portal platform in January 2016 we have focused on the following initiatives across the project.

- Resource Scheduling Phase 1 – Delivered in April 2017

This improves the way we schedule the work of surveyors and inspectors, to ensure we optimise the use of our resources. The project has delivered a further software release of functionality and plans to deliver a third release in December 2017. Work is ongoing to understand how this capability could be expanded to benefit colleagues more widely across the organisation.

- **E-licensing for commercial pilots – December 2017**

The new e-licensing portal for commercial pilots was delayed and is now expected to go live December this year. The system and associated functionality is in place and being trialled by our license officers and internal pilots before launching externally. We have continued to engage with fourteen large Approved Training Organisations throughout the project who have all provided very positive feedback. Once this is rolled out to commercial pilots, this capability will be expanded to other licensing types over the next few years.

- **Correspondence Management**

This will provide a strategic correspondence management platform to enable us to respond quickly and accurately at the right level to external correspondence. This was put on hold to focus on e-Licensing and Resource Scheduling and a timeline for this work is being developed.

4. ATOL Licensing Phase 1 – Delivered in August 2017

The ATOL Licensing project delivers a new online self-service system for travel businesses to apply for, amend or renew their ATOL licence and by which they can track their licence applications. This system will replace the current paper-based system and will enable us to provide a quicker service to the travel industry. The project successfully launched the system with four ATOL holders in the summer and is now preparing to roll out to a wider group of ATOL holders.

5. Stakeholder Management & Engagement

Following the successful delivery of our new website in December 2015, we are now building our in-house website development capability to update the website applications and bring them in line with the new website which will enhance the customer experience. The first application to be upgraded is G-INFO and this is scheduled to go-live in November. We are also developing a more strategic approach across the organisation to stakeholder management and engagement.