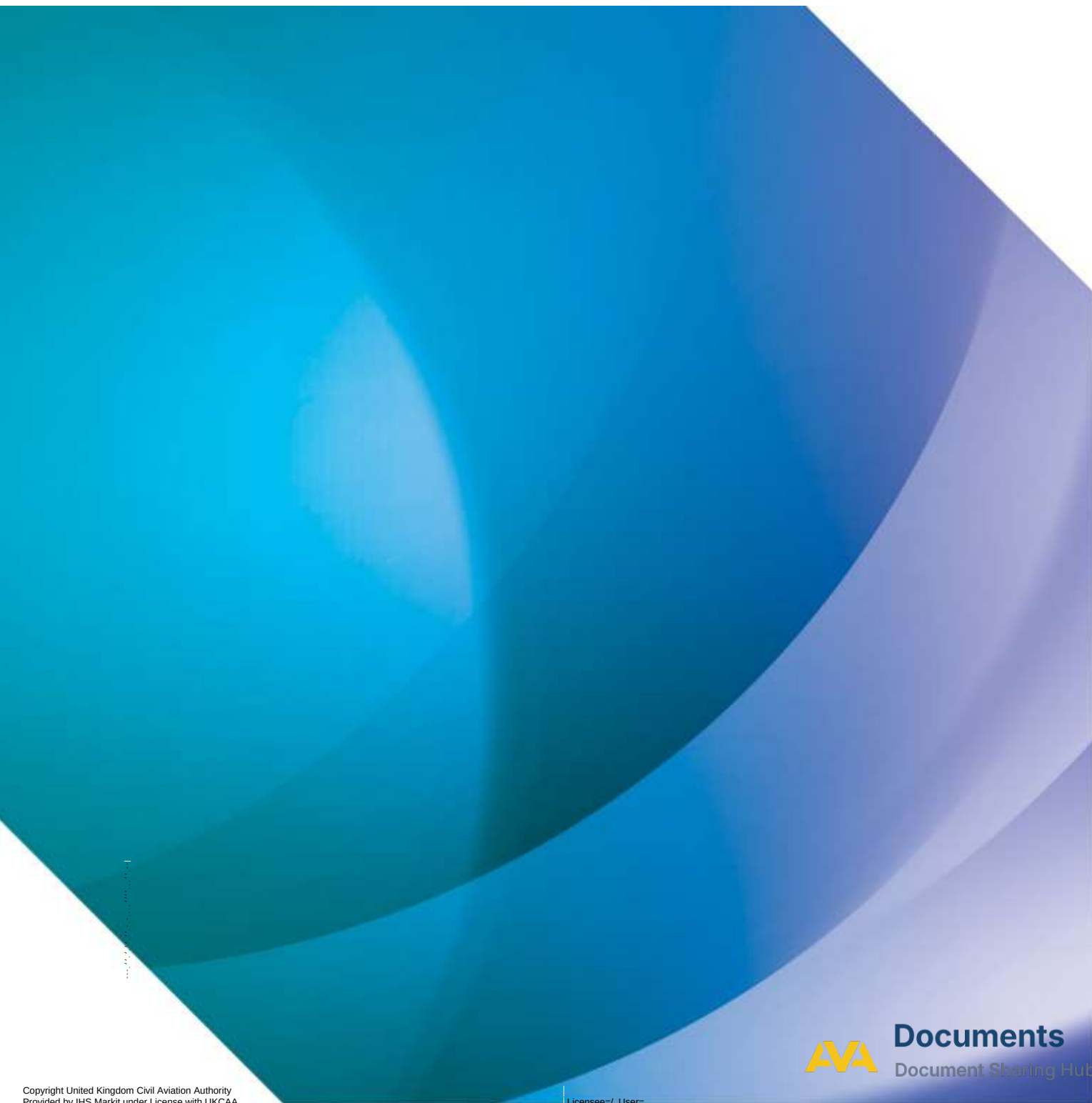


CAA Statutory Charges 2018-19: Consultation on Charges CAA Response Document

CAP 1626



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Executive summary

On 16 November 2017, we set out proposals for our Schemes of Charges due to come into effect from 1 April 2018. 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 2.6% across all Schemes of Charges in 2018/19.
- New specific charges to cover our costs in the following three areas where we are undertaking new activities:
 - **Cyber Programme** – a cost of £0.5m in 2018/19 for additional resources to undertake cyber oversight previously paid for by the DfT. This cost is to be recovered from airlines, airports and air traffic services;
 - **Unmanned Aircraft Systems (UAS)** – an additional cost of £0.3m as a result of increases in resourcing levels to better meet the demands of the rapidly expanding UAS sector. This cost is proposed to be recovered by increasing existing charges for UAS permissions and exemptions and UAS National Qualified Entity approvals;
 - **Markets and Competition Work** – a cost of £0.5m to support additional resources promoting fair and competitive aviation markets. It is proposed to recover this cost from the Aerodrome Licensing Scheme variable charge.
- **Air Display Charges** - Revised charge concessions in respect of air displays held for charitable purposes and further clarification regarding multiple events.

The consultation ended on 8 February 2018, by which time we had received 38 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 three amendments as follows:

1. **Markets & Competition Work:** The proposed new funding of £0.5m in relation to Markets and Competition work has been reduced to £0.25m. As a result, the aerodrome variable charge rate under the Aerodrome Licensing Scheme will reduce from the proposed 1.40 pence to 1.31 pence per Work Load Unit.
2. **Air Display Charges:** In recognition of the desire to promote the opportunity for new display pilots to be attracted to the air display circuit, further concessions have been made. Additionally, the charge band for 1 – 3 display items has been re-assessed.
3. **Declared Training Organisations** - The proposed charges in respect of Declared Training Organisations will be contained within the Personnel Licensing Scheme rather than within the General Aviation Scheme.

Further information regarding the above can be found under chapter 2 with responses to the feedback received detailed in appendix A.

We continue to 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 38 respondents provided submissions through the consultation exercise. The respondent type is broken down as follows:

Submissions	No.
UAS operators	26
Airports	3
Air display event organisers	2
Representative organisations	2
Airlines	2
Approved Training Organisations	1
National Air Traffic Services	1
Pilots	1
Total	38

- 1.2 The two representative trade organisations that responded were:

- Airport Operators Association (AOA)
- Historic Aircraft Association (HAA)

- 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

Funding for CAA contingency planning costs for Brexit in 2018/19

- 2.1 Following discussions with the Department for Transport, the CAA decided there was no requirement to change its statutory charges for any Brexit related activity in 2018/19 and therefore there was no requirement to consult charge payers.

Cyber cost recovery

Funding of cyber oversight costs

The proposed funding should reflect the risk to cyber attack on the various aviation sectors

- 2.2 To date, the development of the CAA's approach to cyber oversight including understanding the risks faced and the appropriate regulatory role in this context, has been funded by HMG. As for other core CAA regulatory activity, it is now appropriate that the cyber costs are funded through fees and charges rather than from HM Government. In order to meet our obligations with respect to EU regulations, and also those under the NIS Directive that will be introduced in May 2018, the CAA is now required to undertake ongoing oversight tasks in respect of both safety and economic resilience of UK aviation entities. The CAA oversight model is predicated on enabling industry to demonstrate how cyber risks are mitigated in relation to essential systems. In order to facilitate this, the audit function will be conducted either via self-assessment or through accredited expert third parties, both resulting in submission of an audit report and remediation plan to the CAA as assurance. The charges represent the costs of accrediting a suitable robust and independent third

party audit framework as well as providing standards, guidance and performance markers for self assessment.

- 2.3 At the start of this cyber oversight regime, as detailed in the Consultation document (CAP 1601), the costs have been allocated equally between airlines, airports and air traffic sectors as there is currently no other valid evidential basis upon how to split the costs. As more information is gathered in forthcoming years, adjustments to the charging schemes may be possible. The planned cyber FTE figure spans across the aviation domains. The cyber resources will incorporate risk analyst skills as well as a minimum amount of generalised cyber expertise and regulatory competencies. Whilst cyber is the risk of industry organisations to manage, necessary assurance must be provided to the CAA that this is being done, and that any weaknesses identified by industry have adequate remediation plans.
- 2.4 To enable proportionate charging the costs are recovered via the variable unit charge rate which is based upon the number of passengers and cargo at each airport.
- 2.5 The CAA fully intends to utilise the services of industry experts rather than building a large, internal and technical cyber capability, however, there will need to be a dedicated core team to conduct the oversight from an assurance perspective. The CAA has been delegated as the joint competent authority with the Secretary of State for Transport under the regulation. As such the CAA maintains a necessary role with respect to being assured of safety and economic resilience to cyber-attack, and holds enforcement powers in respect of the latter. The CAA core capability will therefore encompass a minimum number of cyber generalists with supporting regulatory, analytical, and risk management competencies to enable effective oversight. The CAA will also play a key role in the formulation and governance of an accredited third party audit framework for use by industry as appropriate.

General Aviation Scheme of Charges

Funding of UAS additional costs

The main industry concerns

- 2.6 The main concerns from industry centred around enforcement to stamp out illegal operations, improvements required in application turnaround times, why charges were targeted at companies and not remote pilots, and improved communications on latest UAS concerns. Each of these issues have been responded to below.
- **Why does the CAA allow so many illegal operations?**
- 2.7 A main concern from the UAS sector relates to the lack of enforcement of illegal operations. This activity rests with the police to enforce. The key point is to be able to gather sufficient and suitable evidence for a prosecution to be made. The HM Government is proposing changes in police powers and increased fines with regard to enforcement of UAS related offences in a forthcoming change to the Air Navigation Order and a draft drones Bill which are scheduled for the Spring 2018.
- **Price increases and turnaround times.**
- 2.8 The additional £300k funding for 2018/19 is to provide sufficient extra resource to improve the efficiency and effectiveness of the UAS regulatory activities to accommodate this new and rapidly evolving sector and to enhance the protection of the public and other air users. Through the re-structuring of the UAS team, significant improvements will be made to service levels by bringing down the turnaround times to nearer 15 days from the current position of 90 days.
- **Why targeted at companies and not remote pilots?**
- 2.9 The charges structure was significantly adjusted as from 1 April 2017 and remains proportionate and relevant to reflect the respective average costs incurred per activity and between initial and renewal applications for

operators and for NQE approvals alike. The regulatory permissions/exemptions are targeted at the UAS operator, be it an individual or a company, as it is the organisation that is regulated and is responsible for the performance of its pilots and to ensure that they operate in a safe manner - even though in many cases the operator and the remote pilot are one and the same. The availability of excess hour charging for those organisations that are more complex, covers the additional costs that may be incurred over the generally more straightforward operation relating to a single remote pilot operation.

- **Improved communications required by the CAA on UAS-related topics**

2.10 CAA communications with the UAS sector is most important. To that end we update the 'Latest News' section of the UAS webpages on the CAA website - <http://www.caa.co.uk/Consumers/Unmanned-aircraft/Our-role/Updates-about-drones/> which would include UAS information concerning EASA. We also publish important UAS information on Skywise.

Air Displays

Air display charge reductions relating to charitable events

2.11 Following the tragic accident at Shoreham, the CAA has completed extensive work in response to the AAIB Report and recommendations and its own Air Display Review. Where necessary we did take actions, and make changes swiftly and in some cases with minimal consultation but only where necessary. The CAA has over the last year to 18 months worked much more extensively and cooperatively with the British Air Display Association (BADA), the Military Aviation Authority (MAA) and directly with DAE's and the air display community. It remains our intention to work as collaboratively as possible with the air display community, of which this consultation is just a part.

- 2.12 We note your comments regarding our charge proposals concerning air display events for charitable purposes.

Air display charges are a barrier to new and less experienced display pilots being able to gain experience

- 2.13 We note these comments and have been working on alternatives since the publication of this consultation. To this end, we have agreed two new provisions that will encourage a greater number of events to be held in the charge band for the 1 – 3 display items and promote the opportunity for new and less experienced display pilots to obtain greater opportunities to extend and hone their flying display skills.

- **Revised charge bands for the 1- 3 display items**

- 2.14 In relation to the current charge band for 1 – 3 display items, we will split this into three separate charge bands, and reduce the charges from the proposed price of £390 to the following:

Number of Display Items	Full Charge	Discounted Charge (1 – 15 Days)	Discounted Charge (16 – 30 Days)
1	£95	£24	£48
2	£150	£38	£75
3	£250	£63	£125

- **Concessions for newly qualified display pilots**

- 2.15 Additional display slots at events to accommodate, subject to specific criteria, newly qualified display pilots (Tyro Display Authorised pilots (TDAs)). The following text will be inserted under paragraph 3.1 of the Scheme:

A display pilot operating within the first 25 months from initial evaluation for the grant of a Display Authorisation is called a Tyro Display Authorised (TDA) pilot. To help facilitate the opportunity for newly qualified TDAs to gain experience and exposure within the flying display community, Flying Display Directors (FDDs) may offer up to a maximum of 2 slots per flying

display to TDAs without incurring any extra charge should the additional item(s) move their display into a higher price band. TDA slots become available once the maximum number of display items in each price band have been occupied.

The maximum number of TDAs permitted at a flying display are:

Flying Display Charge Bands	Number of TDAs permitted
1 – 3 display items	0
4 – 6 display items	1
7 - 12 display items	2
13 - 18 display items	2
19 – 24 display items	2

Aerodrome Licensing and Air Traffic Services Regulation Scheme of Charges

Funding for Competition work cost recovery

The funding requirement for Markets and Competition work is not explained

2.16 The CAA has considered the impact on aerodromes and has managed to accommodate a reduction in its funding requirement to £250k. The increased charges are designed to fund any and all tasks we undertake in relation to the consideration of competition practices at UK airports, and such actions or responses as we decide to take following such consideration. It is not possible to provide granular detail because the activity we undertake is both ad hoc in nature and, potentially, project-based as a consequence of concerns that we identify or matters that are drawn to our attention by external agencies, commercial entities or consumer groups.

2.17 The aerodrome licensing variable charge rate was proposed to increase by a total of 24.1% but due to the impact of the above reduction, this increase has been reduced to 16.1%. The variable charge rate will therefore be 1.31 pence per Work Load Unit.

Chapter 3

Conclusion

- 3.1 We would like to thank all 38 respondents for their comments to the charging proposals.
- 3.2 Having discussed the comments received, and due consideration having been given by the CAA Board to the points detailed above, we propose to implement the charges outlined in the consultation document for the period commencing 1 April 2018. However, this is subject to the following subsequent changes as explained under chapter 2 above relating to:
- Further charge concessions for air displays in the charge band 1 – 3 display items and greater opportunities for newly qualified air display pilots; and,
 - The funding for additional resource in respect of Competition case work has been reduced from £500k to £250k.
- 3.3 The proposals concerning the Declared Training Organisations consulted under the General Aviation Scheme will be moved to reside within the Personal Licensing Scheme of Charges.

Appendix A

Summary of submissions received from charge payers and interested parties

Aerodrome Licensing and Aerodrome ATS Regulation Scheme (ADL) and Air Operator Certification Scheme (AOC)

ADL/AOC1: The proposed funding for Cyber costs should reflect the risk to a cyber-attack on the various aviation sectors

Ref 001

Final paragraph; penultimate sentence of Cyber cost recovery, Chapter three of the CAA Consultation Document: "We therefore propose at this stage to split the additional costs equally between the airline, airport and air traffic sectors."

My company is a commercial onshore helicopter operator, flying mainly in the UK under VFR outside controlled airspace. The impact of any cyber-attack on the aviation infrastructure will be far less on our operations than it would be on those of an "airline" (international; IFR). Not only should the size differential between companies such as our self and the "airlines" be taken into consideration (as I'm sure it will be), but so also should the relative impact of a cyber-attack.

Ref 028

The increased charge is believed to be 5.4% (by a process of arithmetic from page 17 of the consultation document). The proposed total of 11 Full-Time Equivalents (FTE) within the CAA's cyber programme appears to be higher than the number of personnel within what we would consider to be more critical departments such as procedure design. Whilst cyber is important, this is an ANSP and Airport risk to manage. Humberside Airport owns and provides its ANSP as part of the same business and has a limited income stream given the state of the economy, Humberside Airport and other airports that 'own' their ANSP will be paying effectively double the charge and independent ANSPs will recoup their additional costs by

increasing the charges to the airports for their services. In the case of Humberside, all of the airport's critical ANSP equipment is isolated from the internet with strictly applied policies to prevent connection during normal day-to-day activities and we are not sure what benefit the CAA's cyber team will bring? The CAA will recall that it issued IN-2016/013 "Planned Withdrawal of Retail Very Low Bandwidth Leased Lines (Analogue Private Circuits and KiloStream)" and that, as a consequence, there is likely to be a move to a more Internet Protocol based product and this could increase the risk from that which exists today; has any consideration been given to reversing this decision for those products that do not require connection via the internet? Additionally, the split of costs does not seem to be proportionate, perhaps it should be based on the volume of access to the critical networks?

Ref 033

There would also seem a lot of uncertainty about the role you will actually fulfil, and how you will fulfil it, in regard to Cyber Security. As part of our wish that you would continue to be cost-vigilant and avoid waste, in order to keep charges at a minimum, British Airways hopes that you will be able to utilise the services of industry experts in this field, as opposed to seeking to build your own capabilities at great expense to industry.

Ref 037

We welcome the CAA's plans to invest in the regulatory aspects of cyber security. We note the proposal to split the costs of the regulatory oversight programme equally between the airline, airports and air traffic services sectors. We would be grateful for information on how the charge is expected to evolve, and to receive clarity on how the CAA proposes to allocate the cost between ANSPs.

Ref 039

The increased charge is believed to be 5.4%. The proposed total of 11 FTE within the CAA's cyber programme appears to be higher than the number of personnel within what would ordinarily be considered be more critical departments. Whilst cyber is important, this is a risk which is already managed by ANSP's and there is a concern that those airports which operate their own air traffic control services in-house will be paying twice for the same outcome. The AOA therefore requests

further information as to how the charges are being utilised and what the value and outcome of that work will involve.

CAA response

See chapter 2, sections 2.2 to 2.5 in the main report.

Aerodrome Licensing and Aerodrome ATS Regulation Scheme (ADL)

ADL1: The funding requirement for Markets and Competition work is not explained

Ref 028

The increase [*relating to the additional funding for Markets and Competition work*] is not specifically detailed within the consultation documentation but based on the Cyber being equally shared between airlines, ANSPs and airports; it is believed to be an increase of 16.1%.

Whereas airports compete with each other within the UK, it is not the same on mainland Europe where the Regional Airport are seen as being of a wider-benefit to the region and many airports are supported by both the regional and national governments, even where they are loss making. The issue for the UK is that we are in many respects too competitive with the consequence that at many of the smaller airports profit is often too low (or non-existent) with some likely to go out of business unless a more cooperative direction is taken; this is compounded by the uncertainty of BREXIT and its unknown impact on aviation.

This work should ideally focus on the benefit that regional connectivity can bring, not on whether or not airports compete fairly with each other. If the aim is to review the larger airports, then perhaps it would be fairer to implement a charging scheme that targets those airports that are deemed not to have open competition?

It is interesting to read in the Future Airspace Strategy Visual Flight Rules (VFR) Implementation Group's (FASVIG) 'UK Airspace Modernisation' paper V 6.0, dated 10 November 2017, that many of the complaints made by the General Aviation (GA)

community relate to the poor service provision within the UK compared to the European Mainland; the difference to note is that the mainland European structure is not competitive in the same way as that of the UK with very few privatised ANSPs³ – if any – and with the majority of airports under Government or Regional control. This enables costs to be spread and for airspace structure to be managed for the benefit of all with the increased levels of safety that such cooperation brings.

Few of the UK's 62 ANSPs and airports work together (other than where an airport provides its own ANSP such as Humberside) and as a consequence, unless it is profitable or required to address a safety concern, ANSPs rarely provide additional services that are not directly concerned with aircraft departures from or arrivals to the airport or airports served by the ANSP.

If VFR GA aircraft are to receive the level of service as stated within the FASVIG paper they would like, a more joined up ANSP network is essential or perhaps more recognition that the UK ANSP and airport market is already too competitive and that non-airport-related GA services cannot so readily be provided.

Refs 036, 039

The increase is not specifically detailed within the consultation documentation. The AOA understands that due to certain legal constraints, the full extent of this charge cannot be explained. However, further detail is still required to justify an increased operating cost of £0.5 million.

CAA response

See chapter 2, sections 2.16 and to 2.17 in the main report.

Air Operator Certification Scheme (AOC)

AOC1: The proposed increase of 1.6%, over and above the general 2.6% price increase, could be reduced as the volume factor of 1% growth in 2018/19 seems low in relation to the AOC sector

Ref 033

As a general point, in relation to AOC costs, your budgetary income statement seems to have only built in an assumption of around a 1% increase in volume. This seems low. British Airways would ask that you review this assumption, with a view to being able to use the benefit that would be gained from that higher assumption on growth in volume to bring down the impact of the proposed additional 1.6% increase (over and above the general increase of 2.6%) on the unit price of the variable AOC charge to fund the new cyber security activities you will be undertaking.

CAA response

The CAA forecasts that due to Brexit uncertainty a restriction on volume growth is likely to occur in the run up to March 2019. Therefore, we have been prudent in our estimation on volume and therefore income generation. Should the volume growth be materially different resulting in excess income generation then, the CAA may consider an income realignment.

Airspace Scheme (ASP)

ASP1: The CAA should absorb the charge increase through efficiencies

Ref 036

Heathrow welcomes the CAA's work to change airspace in the UK. Airspace change in the UK plays a critical role in the Government's long-term efforts to reduce emissions, delays for passengers and to provide predictable noise respite for local communities.