

Statutory charges 2020/21: Consultation document

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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 2020.

We believe our proposals represent a 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 2020/21 Consultation [online submission form](#). The consultation closes at midnight on 10 February 2020.

Overview of our proposals

In setting out these proposals, we aim to achieve two objectives: first, to ensure we have sufficient financial resources to fulfil properly our regulatory functions; and second, in doing so, to take into account the impact of the charges on those we regulate and the context on which they operate.

Over the past 3 years our legal functions / regulatory activities have extended and involved us undertaking new tasks that have been included in our Scheme of Charges. A number of these activities were initially requested by and funded from the DfT before being included in our charges.

However, including these extra functions and charges, over the past 10 years the CAA's charges will have fallen in real terms by over 9%.

We continue to face significant financial pressures, with increases in our cost base, particularly our people costs, as well as the need to make crucial investment in modernising our systems. Project Delivery has and will continue to deliver efficiencies and better customer service. As such 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 1.7% across all Charges Schemes in 2020/21, in line with the current rate of inflation.

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

1. Cyber Security Oversight:

The Cyber Regulatory framework is being extended to include Air Traffic Management Under EU Regulation 2017/373 effective from January 2020 and National Aviation Security Programme (NASP) organisations under EC300 Regulations effective from December 2020. Therefore, we propose to increase resources by an additional 1FTE plus external expertise and training costs which equate to £256k. It is proposed to fund the additional cost equally between airline, airport and air traffic sectors in line with the previous cost recovery methodology.

Additionally, from the work undertaken in 2019/20 with the Operators of Essential Services (OES) under the EU's Network and Information Security (NIS) Directive, this has enabled the CAA's core regulatory function to become established and to commence the new oversight regime for cyber security. Previously, these costs (£274k) were equally split amongst the operators. To ensure that the cost associated with this activity is proportionate, it is proposed in 2020/21 to instead apply a fixed charge of £16k payable by the operator of each service which meets the thresholds described in The Network and Information Systems Regulation Schedule 2.

2. Innovation Hub:

In April 2019, the CAA set up its Innovation Hub. The purpose of the Innovation Hub is to facilitate and enable innovation in aviation by focussing on sector wide transformational and disruptive benefits of emerging technologies and business models. This new activity contributes to the discharge of our duties under section 108 of the 2015 Deregulation Act. The industry has welcomed the innovation service we have established to date: more than 70 organisations from small start-ups to large global corporations have already engaged with us, and already we have accepted 7 companies into our sandbox to focus on developments that will have learnings and benefits for the wider aviation sector.

In 2019/20, the Innovation Hub has been funded by the Department for Business Energy and industrial Strategy (BEIS) through the Regulators' Pioneer Fund (RPF). The funding expires at the end of March 2020 and therefore from April 2020, we are proposing to fund the core Innovation Hub capability through an increase in the Scheme of Charges. This cost (£0.6m) would be funded by an increase of 2.1% to each of the variable charge unit rates under the Air Operator Certification, the Aerodrome Licensing and Air

Traffic Services and the Aviation Security Schemes. We judge that these sectors are the main beneficiaries of the services we are providing through the Innovation Hub. Companies that wanted extended regulatory engagement in the sandbox or programmes such as the Government's Future Flight programme will have separate funding arrangements.

3. **Brexit:**

Our approach to Brexit will continue to be preparing to regulate, and assist industry in being ready, for the range of different possible Brexit outcomes whenever they happen. For 2020/21, this could include agreeing and implementing the UK's long-term relationship with EASA and other states, and/or advising the Government on the legislative framework that would apply to UK aviation outside the EU. It could also mean preparing for the end of a transition period in December 2020 with no UK/EU agreements on aviation to replace existing air connectivity agreements or mediate the consequences of UK potentially no longer participating in the EASA system. To enable the CAA to undertake this significant level of work, and help industry prepare for this range of outcomes, we propose retaining Brexit funding for 2020/21 at £1.6m, requiring no additional Brexit-related increases to this year's charges.

4. **Airspace Charges: Reduction in Charge**

Reference Period 3 of the UK Eurocontrol Enroute rate is due to commence from 1 January 2020. Therefore, the costs relating to the Airspace Change Process and the Airspace Modernisation Strategy Programme have been incorporated into this rate. As a result, the Airspace variable charges and the Airspace charge levied to NATS that were introduced in 2017/18 will be removed from 1 April 2020, with the reduction already being reflected from 1 April 2019 to cover the period from 1 January to 31 March 2020. As a result, from 1 April 2020, this Scheme will revert back to being called the Instrument Flight Procedures Scheme.

5. **Future consultations**

The CAA is preparing to consult separately on three additional activities to be included within the Schemes of Charges:

- **Spaceflights:** The charges related to regulatory activity under the Space Industry Act 2018 (currently planned to be effective by the end of January 2021) will be subject to a separate consultation later in 2020.

- **Market Power Determination (MPD):** Under the Civil Aviation Act 2012 (as amended), we can be requested, or we could instigate an assessment ourselves, to undertake an MPD or assess whether a Material Change of Circumstances (an MCC) has occurred at a large UK airport¹. This will be a separate consultation.
- **Safeguarding Competition in Air Transport:** This activity would only be introduced on the occasion that the UK left the EU and EASA under a no deal Brexit scenario. Regulation (EU) 2019/712 would require the CAA to investigate, in collaboration with HM Government, practices distorting competition between UK air carriers and third-country air carriers which threaten injury to UK air carriers. This will also be part of the separate consultation with MPD.

Unless otherwise indicated all prices shown in this document are exclusive of the proposed 1.7% general price increase.

¹ A large airport is defined as an airport in which the number of passenger movements exceeded 5 million in the previous calendar year.

Chapter 2

Key Updates

Brexit cost recovery

Our approach to Brexit will continue to be preparing to regulate and assisting industry in being ready for the range of different possible Brexit outcomes whenever they happen.

Activities undertaken in 2019/20.

We prepared ourselves to operate for the potential scenario of UK leaving the EU with no Withdrawal Agreement in place during April 2019 and at the end of October 2019.

This work included:

- Extensive policy and legal work to support Government's development of 18 Statutory Instruments required to incorporate the EU aviation acquis into UK law in the event of a no deal;
- Negotiation of new bilateral air safety agreements with the USA, Canada, Brazil and Japan;
- Making ourselves ready to regulate airworthiness design certification;
- Implementation of an IT system to manage inbound mail and cargo to the UK;
- Implementation of an IT system and database to process an expected fivefold increase in third country Flight Carrier Permits once the UK leaves the EU.

Alongside this work, we undertook a wide-ranging and proactive campaign of national and international stakeholder engagement to build confidence in and understanding of the CAA's planned approach to the outcome of Brexit and to support the UK aviation industry in their own Brexit related risk assessment and decision-making.

Brexit-related activities planned for 2020/21

Once the UK's departure from the EU in early 2020 is finalised, there remains a range of different scenarios for us to plan for. These include agreeing a new long-term aviation relationship with the EU and its implementation, as well as the possibility that the transition period could end in December 2020 with no UK/EU agreements on aviation.

In preparing for these scenarios our role remains providing advice to Government, preparing our own regulatory processes and systems, and advising industry accordingly.

The UK ending a transition period in December 2020 with no agreements in place would mean CAA preparing to operate outside of existing systems. It would also require us to develop additional internal capability including on rule making (estimated at 6 additional Aviation Policy specialists) and for us to complete an extensive programme of reissuing permissions (e.g. EASA aircraft Certificates of Airworthiness and Part FCLs for UK commercial air transport pilots) to reflect the changes underlying their ongoing validity.

In a transition period, activities would also include supporting the Government in negotiating and implementing air connectivity agreements and the longer-term arrangements for aviation safety, and advising Government on the aviation legal framework that should apply to the UK after exit.

All of this work would require significant policy, legal, technical regulatory and communications resources and potential additional change to a range of CAA's processes and systems depending on the nature of those arrangements.

As set out in detail in last year's charges consultation, the CAA undertakes safety oversight work under contract for EASA. The work means that our UK charges are lower than they would otherwise be because it allows corporate costs to be spread over a wider range of activity. During 2019/20, and as a result of Brexit, EASA reduced the level of work it has allocated to CAA and we expect this to continue into 2020/21, creating an additional financial pressure for the CAA to manage. While the Brexit budget we have for 2019/20 and 2020/21 primarily provides for the direct costs associated with preparing for Brexit, they contain some provision for the management of this financial risk.

The fluidity of potential outcomes means that we will keep this situation under review during 2020 and adjust our approach accordingly.

Project Delivery

Over the past year the Portfolio Delivery department has been continuing to implement those projects which improve the effectiveness and efficiency of the CAA both internally and externally. Examples include the Drones and Model Aircraft Registration and Education Service, the 'Big Data' project, the Accommodation move to Canary Wharf, eLicensing Services, the Information Strategy project and Corporate Service Improvements to introduce new Finance and HR systems.

The Transformation Programme, which delivered projects such as Aviation Statistics (management of data collected from Airports and Airlines), Entity Performance Tool

(EPT) supporting Performance Based Regulation (PBR) and Oversight, and ATOL Licensing (a new online self-service system for travel businesses to apply for, amend or renew their ATOL licence) has completed. The focus is now on prioritising those initiatives (projects, products and services) that support the CAA as a world class regulator in a digital world.

Drones and Model Aircraft Registration & Education Service

The CAA 'Drones and Model Aircraft Registration & Education Service' (DMARES) is delivering the systems, processes and content to meet new measures in force from the end of November 2019. These require operators of drones and model aircraft weighing 250g - 20kg to be registered and pilots flying these drones and model aircraft ('remote pilots') to obtain an acknowledgement of competency from the CAA, having passed requirements set by the CAA such as an online safety test to prove their knowledge of the restrictions, e.g. the height limit of 400ft for all drone and model aircraft flights. The primary outcome of the project was the entry into service of the new scheme on 5 November 2019. The Scheme will be run through 2020/21. Any changes to the charging mechanism will be subject to consultation.

eLicensing Services

E-licensing is an online service which currently enables commercial pilots to apply for licenses and ratings through a personal portal account and was launched in December 2017. Ongoing improvements for commercial pilots have continued since then, however progress has been slower than anticipated and we have so far been unable to move on to other licence holders (for example, private pilots and engineers). Consequently, the end-to-end licensing service is currently under review and we will be working with industry to ensure that we are delivering a service that is customer centric, easy to use and future proof.

Information Strategy

The Information Strategy project will improve how the CAA shares consistent and accurate information through the delivery of the appropriate governance and technology tools. A new Information Governance Framework was established in 2016 followed by the delivery of Microsoft Office 2016, Skype for Business and OneDrive across the organisation which concluded in February 2018. During 2018, remote working connectivity tokens were replaced with improved methods to connect to our network in support of our Smarter Working strategy and the organisation wide roll out of Azure Information Protection was completed, improving the way we classify and handle information. Migrations of Outlook mailboxes to Exchange Online, and Mobile Device Management to Microsoft Intune were also completed by September 2019, significantly increasing the accessibility of information from mobile devices. The focus of the project is now on the continued roll-out of SharePoint Online, which will be the primary corporate content management system which has