

Statutory charges FY21/22: Consultation document

CAP 1986

Published by the Civil Aviation Authority, 2020

Civil Aviation Authority,

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First published 2020

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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 2021.

We believe our proposals represent a balanced approach to charging, reflecting current circumstances and the important role of the CAA in industry's recovery. We look forward to receiving feedback on these proposals, in particular from those we regulate.

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 FY21/22 Consultation [online submission form](#). The consultation closes at midnight on 4 February 2021.

Overview of our proposals

The CAA recognises the significant impact that the COVID-19 pandemic is having on the aviation and aerospace industries and is working closely with industry and government to assist with the safe gradual recovery of the sector whilst continuing its regulatory responsibilities. During the course of the pandemic, we have made changes to proportionately manage regulation, and will continue to work flexibly with the industry in responding pragmatically to the challenges presented by the virus. In recognition of the financial severity of the crisis on the aviation industry, the CAA has waived the charge increases that were consulted on for FY20/21. It is clear that there is still a long way to go before industry activity returns to pre-Covid levels. As such the CAA is not proposing to implement a general charge increase for the FY21/22 or implement the prior year proposals. Therefore, charges will remain at FY19/20 levels. Any new proposed charges included in this consultation relate to new activities the CAA expects to undertake in FY21/22, either as a result of the UK exit from the European Union or changes in legislation, as well as minor structural changes to the schemes.

In light of this, the proposals presented will aim to achieve two objectives: First, to ensure we have sufficient financial resources to fulfil our regulatory functions and facilitate industry's recovery, innovation and growth. Second, in doing so, to take into account the impact of the charges on those we regulate and the context on which they operate.

It should be noted that the CAA's income is heavily linked to industry volumes with c.40% of pre-Covid income generated from variable charges that are linked directly to airline and passenger traffic. Despite a number of cost saving measures undertaken internally in response to the crisis, this loss of income created a significant funding gap in FY20/21. The DfT agreed to provide the CAA with additional funding to cover this loss of income, so that the CAA could continue to provide regulatory oversight, assist industry with its recovery from the COVID-19 crisis and to continue delivering on other priorities, including the UK's readiness for its exit from EASA.

The DfT will continue to provide the CAA with the level of funding required for FY21/22 to cover the forecasted continued shortfall in our variable income, enabling us to continue to deliver our regulatory oversight, manage new and emerging issues and assist with industry's recovery and growth. The CAA is currently in discussion with the DfT regarding further funding to support industry for FY21/22.

The CAA is proposing the following charges to cover costs in the four areas where we are undertaking expanded activities:

1. **EU exit:**

The CAA has been developing its regulatory capabilities in readiness for the additional responsibilities it will assume upon leaving the EASA system on 31 December 2020, as well as working to ensure that the transition is as seamless as possible for industry and passengers. The CAA has agreed bilateral arrangements with the USA, Canada, Brazil and Japan that will become effective following the UK leaving the EASA system and will continue to work with the DfT and EASA into FY21/22 to help define the UK's longer-term relationship with EASA. Given the extensive work that is expected to continue into FY21/22, defining the UK's aviation relationship with the international community as well as developing UK legislation. It is proposed that we will retain the current EU exit funding recovered through variable charges, albeit likely reduced due to lower volumes.

We have also set out our proposals in this document for the basis of charging for specific new regulatory activities that will be undertaken on an application basis following the conclusion of the transition period, that are not covered by the current Scheme of Charges. These are detailed in Chapter 4 – Charge Proposals by Individual Schemes.

2. **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 airport.

The proposals associated with MPD are detailed in Chapter 4 – Charge Proposals by Individual Schemes.

3. **Safeguarding Competition in Air Transport:**

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. The proposals are detailed in Chapter 4 – Charge Proposals by Individual Schemes.

4. **Space**

Space activities relating to UK entities are currently governed by the Outer Space Act 1986 and are regulated by the UK Space Agency. The Act requires UK entities who procure an overseas launch and/or operate a satellite in orbit to hold a licence.

With the introduction of the Space Industry Act 2018, the CAA will undertake all regulatory functions in addition to regulating in-orbit activities under the Outer Space Act 1986. Further detail regarding the charging mechanism are included within 'Chapter 3 – Main Charge Proposals' of this document.

It should be noted, that although Government has proposed that the CAA undertakes the space regulation work, the final decision is subject to the Government's assessment of the recent consultation and Parliamentary approval.