

FY22/23 CAA Statutory Charges Consultation Response

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Executive summary

On 25 November 2021, we set out proposals for our Schemes of Charges due to come into effect from 1 April 2022 ([CAP2282](#) – Statutory charges FY22/23: Consultation document refers).

During 2021 the aviation and aerospace industry has found itself dealing with the ongoing effects of COVID-19. We acknowledge that the industry still faces a significant challenge from the issues created by the pandemic, and the actions taken by the CAA in our proportionate approach to our work with industry during this period reflects this. We will continue to operate in a flexible and pragmatic manner whilst the challenges presented by the virus persist and as the industry recovers.

The worldwide rollout of the COVID-19 vaccination has had a significant impact on the recovery of the industry over the past twelve months. This recovery has gathered pace through the back half of 2021, seeing passenger volumes averaging 50% against the 2019 baseline by the turn of the year. Our current forecasts suggest a continuation of this trend to the end of the financial year, with volumes expected to reach 60% by March 2022. To put this into context, the original forecasts received from the DfT earlier in 2021 had suggested passenger volumes of 19% in December 2021, and 28% in March 2022.

Since the start of the pandemic the CAA has been presented with the challenge of a substantial funding gap, linked to the collapse in variable revenues generated from airlines and airports. These revenue streams accounted for roughly 40% of the CAA's annual regulatory budget in 2019 and are directly linked to passenger throughput and distance flown. The CAA's cost base, whilst containing a small element of variability, is predominantly fixed, the largest element relating to our staff. It was determined early on in the pandemic that we would be unable to conduct a sufficient level of regulatory oversight to provide assurance over the safety and security of passengers and the public if staffing levels were to be reduced, even for a temporary period. As a result, the DfT agreed to provide funding to cover the shortfall generated by this loss in variable revenue, in conjunction with a number of cost-saving initiatives implemented by the CAA. This support from the DfT is to continue

over the next three-years through the Comprehensive Spending Review as industry volumes return to 2019 levels and the CAA can return to being a self-sufficient organisation.

The CAA, like all businesses, has experienced pressures on its cost-base from the high-rate of inflation in recent times, with the CPI rate reaching 5.5% in January 2022, as published by the Office for National Statistics (ONS) on 16 February 2022. This is exacerbated by the decision over the previous two-years to maintain prices at 2019 levels to ease the financial impact of COVID-19 on the industry. The CAA has found ways to consistently absorb the impact of inflation wherever practicable in the past, however the limit of what can be achieved without impacting the quality of our regulatory oversight, and thus the safety and security of passengers and the public, has now been reached. Due to these increased cost pressures, the CAA has proposed a general price increase of 2.9% across all schemes, with the exception of the Spaceflight scheme, to take effect on 1 April 2022.

Other than the general price increase, the remaining proposed charges related to new activities which the CAA expect to undertake in FY22/23, either as a result of changes in legislation or regulation, as well as minor structural changes to the scheme. The CAA has opted not to review long-standing issues of under-recovery in relation to certain charges at this time, in recognition of the current financial pressures facing the industry.

The key changes under consultation were:

1. **General Price Increase:** An increase of 2.9% across all schemes, with the exception of the Spaceflight scheme, is proposed from 1 April 2022, rounded to the nearest whole pound, £10, £50, £100 or £1,000, depending on the scale of the charge, unless the charge is specifically quoted in pence.
2. **Design Organisation Approvals (Part-21 Subpart J) Annual Charge:** The existing charging mechanism, based on the most recent EASA-equivalent oversight invoice, is proposed to be replaced with a specified annual fee based on the category of approval held.
3. **Continuing Airworthiness (Type Certification) Annual Charge:** A new annual charge levied on those organisations who hold Type Certificates is

proposed to be introduced to cover the cost of continuing airworthiness activities taken on by the CAA following the withdrawal from the EASA system. The charge is determined by the complexity, weight and thrust of the aircraft, propulsion system or equipment type, as well as whether the CAA is the Certifying Authority for each product.

- 4. Cyber Annual Charge:** The National Aviation Security Programme (NASP) brought new aviation entities into the scope of our regulatory framework as of 31 December 2021. A new annual charge of £5k per each NASP entity is proposed to cover the cost of this regulatory oversight from 1 April 2022.

The consultation period ended on 3 February 2022, by which time we had received 21 submissions from 12 stakeholders. The main concerns have been highlighted under chapter 2 of this document. It should be noted that where responses have been received in relation to subjects not included in the consultation document these have not been addressed in this response document. These points have, however, been considered and discussed internally for consideration for amendments to the Schemes of Charges in future years.