

Statutory charges 2018/19: Consultation document

CAP 1601



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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.

6. Information Strategy

The Information Strategy project objective is to improve how the CAA capture, integrate, process, deliver, and present information in a consistent and timely manner and ensuring that we can trust the information we have or acquire so we can share and exploit it innovatively with colleagues and stakeholders. The project established an Information Governance Framework in 2016 and by the end of the year will have rolled out Microsoft Office 2016, Skype and OneDrive across the organisation. This will start to give our colleagues the tools required to collaborate more effectively.

7. Corporate Services Improvement (CSI)

The aim of the CSI project is to update our ageing finance, procurement and HR IT systems. Following consideration of a joint initiative, working with other Regulators the CAA has decided to proceed separately with the project scheduled to complete an Options Appraisal early in 2018.

Performance Based Regulation (PBR)

Our transformation into a performance-based regulator affects a wide range of regulatory processes and functions, including the way we assess risks, prioritise resources, deliver safety improvements, and carry out oversight. It requires us to gather better information about safety risks and use it to allocate resources in a more proportionate and targeted way. It improves aviation safety and aligns strongly with the UK Government's principles for better regulation.

This approach can be grouped into five areas:

1. Consistently gathering and analysing safety risk information about all parts of an organisation's operations and capturing it as a single regulated entity.
2. Assessing the performance of each organisation to manage its safety risks and agreeing with the accountable manager the necessary actions to uphold standards and further enhance safety.
3. Grouping safety risk information into industry sectors with similar types of operation to create a better understanding of the top risks and good practice.
4. Making more informed decisions about safety outcomes so that we and the industry can manage the top risks better across all sectors; also setting out what actions various stakeholder groups need to take to achieve the desired outcomes.

5. Proportionately directing our resources to oversight activity and safety improvement projects so that our attention is focussed on organisations and sectors where standards are not being upheld, or where there is the significant potential to enhance safety.

The focus over the next 2 years will be on continued embedding of PBR utilising the Sector information to create the total Risk picture and to provide a more efficient and effective suite of tools and training to support the development of our frontline staff. We will be including the recommendations made in the recent independent Safety Assurance review to build on the already well performing elements of PBR and to support those areas where further improvement can still be made. We have broadened out our risk based principles across all areas of SARG and to our new International Group. We continue to have an excellent working relationship with our industry and our PBR Industry Group (PBRIG) meeting has been reconstituted to focus on the development and implementation of Sector risk pictures. In the short term we have upgraded our Entity Performance tool (EPT) to version 3 to enable more accurate collection and scrutiny of the data. This has also included an update to the risk scoring and weighting to align with CAA corporate risk framework.

General Aviation Unit

In 2014 the CAA set up the General Aviation Unit to focus entirely on the GA Sector and to ensure that the regulatory regime for the GA Sector took a different path and was less onerous than that applied to the Commercial Aviation Sector. The Unit continues to work to remove unnecessary regulation and reduce the impact of required regulation to as low as possible without compromising safety. Nearly 4 years on the GA Unit is well established as a European leader in delivering regulation to the GA Community and CAA colleagues have been instrumental in achieving reductions in regulatory burden under the EASA regulations as well as the national regulations. The CAA remains committed to delivering effective and proportionate regulation to the GA community and working with that community to achieved shared aspirations. The CAA will continue to follow the top level principles for GA regulation:

- Only regulate directly when necessary and do so proportionately;
- Deregulate where we can;
- Delegate where appropriate;
- Do not gold-plate, and quickly and efficiently remove gold-plating that already exists.

More information and regular updates can be found on the CAA website at:
www.caa.co.uk/ga .

Chapter 3

Main charge proposals

General price increase

We have made every effort either to keep charges at the previous year's level or to increase charges at a rate below inflation. Over the past eight years, the charge increase was 5.3% compared to a UK inflation of 18.4% for the same period. We have achieved this by making efficiency savings as we implement major changes to the way we operate.

With the backdrop of the current CPI level being 3.0%, we are proposing to make a general price increase of 2.6% for 2018/19. This will ensure that we can continue our programme of further efficiency improvements, and that we continue to meet our statutory regulatory requirements.

Please see the scheme enclosures in chapter four for the changes to individual charges.

Cyber cost recovery

Why we are taking an increased interest in cyber

The threat posed to aviation safety from cyber has the potential to affect all areas of the UK aviation industry. Throughout 2017, the proliferation of worldwide cyber-attacks such as the WannaCry and Petya Ransomware attacks, along with a series of high profile hacks have served to increase concerns regarding cyber vulnerability in safety and critical national infrastructure systems. This has heightened the need to have a robust regulatory framework in place for aviation as soon as possible.

Under EU regulations the CAA has some existing safety oversight obligations for aviation cyber security ensuring that UK operators are complying with the Basic Regulation ((EC) 216/2008), its Implementing Regulations (IR) and Single European Sky (SES) legislation. Specifically the key obligations on operators are:

- Prevention of unlawful interference with the provision of air navigation services – ANS Common Requirements IR (EC 1035/2011)
- Protection of electronic computer systems to prevent intentional system interference and corruption - Air operations, EASA Basic Regulation (EC) 216/2008

- Ensuring integrity of aerodrome data and security of communications between aerodromes and relevant services such as ANS – Aerodromes IR (EU) No 139/2014
- Ensuring the security of aeronautical data and information so that it is protected from interference and unrestricted access – Single European Sky Regulation (EU) 73/2010.

Additionally, the '[Security of Network and Information Systems](#)' (NIS) Directive as adopted by the European Parliament in July 2016 gives the UK additional responsibilities for the economic security of critical national infrastructure entities in May 2018. The Department for Digital, Culture, Media & Sport (DCMS) recently conducted a consultation on the implementation of the NIS Directive in the UK. This proposed that the UK Government would delegate certain cyber regulatory oversight tasks for UK aviation to the CAA, with a clear expectation that CAA oversight will commence in May 2018. The CAA is planning on the basis that its oversight regime and the resources to deliver it will need to be in place by that time.

CAA's cyber strategy

In order to mitigate risks to consumers and the public, the Department for Transport initially funded the CAA to commence development of an appropriate regulatory framework. The core principles of this approach are:

- Establish relevant standards for cyber protection and management;
- Require in scope aviation entities to assess themselves against those standards, and in some cases procure audits from competent third parties (accredited by the CAA) to assess their performance against those standards;
- CAA would then hold entities to account for assessing shortcomings identified by these assessments and audit.

CAA plans to enact this oversight model using, as far as is practicable, its existing oversight safety processes but recognising that because NIS will bring into regulatory scope systems that go beyond safety and are critical for economic resilience, and because the skills required to carry out cyber oversight are different from those required for safety oversight, the CAA will be required to invest in cyber capabilities.

To date the CAA has conducted a comprehensive analysis of cyber risks and vulnerabilities throughout the aviation network, and utilised this to develop cyber security standards, which have been successfully piloted with industry and endorsed by the National Cyber Security Centre. Having established a solid baseline, the premise going forwards is to assess whether entities meet the required standards for cyber protection, and this is equally applicable for safety and economic considerations. The CAA has developed internationally recognised standards and

guidance to enable entities to proportionately demonstrate how their cyber risks are mitigated, and provide assurance of the appropriate quality of cyber protection. Underlying these standards are a detailed list of performance markers which both entities and the CAA inspectorate can use proportionate to their cyber risk, utilising existing safety management systems where possible and ensuring any additional burden is kept to a minimum. As soon as this work is finalised it will be published for industry with a visible web presence envisaged before the end of 2017. This is the foundation of cyber oversight becoming regulatory 'business as usual' and signals the transition from cyber as a government funded start-up activity to core regulatory process.

Funding CAA's cyber oversight capability

Over the past 3 years (2015/16 to 2017/18) the Government has provided 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.

The CAA is required to build on its established core cyber expertise within the CAA to provide, finalise and implement oversight of the aviation sector's cyber security.

The dynamic nature of cyber threat, combined with the development of the cyber oversight project has enabled the regulatory direction to mature in line with requirements. Whilst entities remain responsible for their own cyber security and understanding their own risk picture, the CAA now needs to develop a robust Target Operating Model for oversight. This model must focus on proportionate application of required standards, and the capabilities of auditors (both internal and external) to make such assessments. Additionally the increase in regulatory responsibility brought about by the NIS directive, whilst currently not fully understood, is expected to require additional resource. The CAA Target Operating Model intends to minimise any NIS impact as far as possible by adopting a common oversight methodology for both safety and economics, however NIS has brought into focus the extent of the considerations required and the need to urgently boost expertise.

At present, the CAA has 5 FTEs dedicated to developing the CAA's cyber programme. It currently estimates that this will need to increase by a further 6 FTEs to implement the framework across the aviation entities in the UK. This team will be responsible for:

- Establish relevant standards;
- Accrediting competent third party auditors;
- Reviewing self-assessment and third party audit reports;
- Discussing findings with entities and agreeing action plans;
- Linking this activity as far as practicable with existing safety processes.

The required skillset will encompass a blend of aviation and cyber experience and knowledge. The requirement for 6 additional FTEs is a conservative and realistic estimate centred on aligning with current regulatory methodologies and minimising increased burden, whilst acknowledging both the scope and potential severity of the risk, and the number of entities under the CAA regulatory remit.

How the costs should be allocated

Given these current pressures and our need to resource to meet requirements, we estimate that an uplift of £1m (comprising £0.4K 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). As stated above, for 2018/19 a total of £0.5m is proposed to be recovery from Industry.

This cyber oversight responsibility, whether derived from EASA regulations or from NIS, spans the airline, airport and ATM sectors. 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 at this stage to split the additional costs equally between the airline, airport and air traffic sectors. We will review this apportionment periodically to consider whether it remains appropriate.

Markets and competition work cost recovery

The CAA has identified the need for additional resources for its competition work during 2018/19 at a cost of £0.5m. This resource is to deal with promoting competitive aviation markets especially focused on airports. The cost recovery is most appropriately sourced from the variable charges made under the Aerodrome Licensing variable unit rate.

Unmanned aircraft systems (UAS) (drones) cost recovery

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 a need to review and re-organise the resourcing structure and three distinct areas have been identified:

- **Shared Service Centre:** primarily concerning processing of standard permissions within the Articles 94/95 of the UK Air Navigation Order with no requirement for technical validation; administration and dealing with payments; customer enquiries and enforcement administration.
- **Capability Team:** this new area will focus on applications for UAS operations outside of Article 94/95 ANO; renewals, exemptions, oversight, NQEs, Operating Safety Cases (OCS), expert technical assessments and associated emails/enquiries and enforcement decisions.
- **Policy Team:** various activities associated with development of the UAS sector working nationally and internationally together with industry and the DfT; giving advice and making decisions on the more complex non-standard UAS operations.

These proposed changes are expected to provide sufficient resource to improve the efficiency and effectiveness of the UAS regulatory activities that would see various enhancements over the forthcoming year to include:

- Improved application turnaround times from currently on average 90 days down to 15 days in respect of standard permissions with non-standard and National Qualified Entity applications moving towards 45 days in 2018/19. Industry is most keen for the CAA to achieve this soonest.
- Improvements to the renewals process to ensure that continued safety standards and processes are being evidenced.
- Increased capability to conduct more NQE site visits to ensure standards in UAS operations are being maintained.
- Continue to develop the knowledge base on OSC areas of risk mitigation and application of technical assessment to review such mitigations more efficiently.
- Greater liaison with the UAS sector to ensure the message of operational safety continues to be understood and achieved.

As a result, and in order to enhance the protection of the public and other air users, the CAA proposes to fund an additional £0.3m for the additional 4 FTEs by increasing the current UAS 2017/18 application charges by 40% with effect from 1 April 2018.

You can find our full pricing proposals in chapter four.

Chapter 4

Charge proposals by individual schemes

This chapter explains the remaining proposed changes. It shows in detail the effect on individual schemes' charges of the additional activities outlined in chapter three.

However, as detailed in the 'Overview of our Proposals' chapter, all charges are due to increase by 2.6%. These charge increase will be shown in the attached [Enclosures](#) – see chapter 6.

Safety regulation schemes of charges

The structural changes and pricing proposals of the safety regulation schemes are detailed below:

Air operator and police air operator certification scheme

Structural changes

There are no proposed structural changes to this scheme.

Pricing proposals

The prices under this Scheme are proposed to increase by 2.6%. In respect of the AOC variable charge unit rates, an additional 1.6% is proposed to be added in respect of additional funding for cyber activities – see chapter three above. The proposed 2018/19 AOC variable charge unit rates are as follows:

- 2.38 pence (2017/18: 2.28 pence) per 1,000 available seat-kilometres flown by that aircraft; and
- 11.64 pence (2017/18: 11.17 pence) per 1,000 cargo tonne-kilometres flown by that aircraft.

You can find full details of the proposals for this Scheme in the [Enclosure](#).

Personnel licensing scheme

Structural changes

i. [Verification of third country ICAO pilot licences - £45 – Table 8 b\)](#) refers

The current Scheme, under paragraph 3.10 Table 8 Ref b), provides for a charge of £45 to be levied for each application requiring CAA validation of licence documents for non-UK National Aviation Authorities. However, there is no charge for work involved by the UK CAA on requests from the UK CAA for another National Aviation Authority to validate licence documents.

It is proposed to levy a charge of £46³ on the applicant where validation of non-UK licence documents is required by the UK CAA.

ii. [Pilot and engineer examination paper review by the CAA](#)

Currently, on request by the exam student, the CAA carries out an in depth review of the specific pilot and aircraft engineer exam paper submitted. The CAA review incorporates a review of i) the specific question(s) set, the relevance and accuracy of the student answer(s) given and iii) CAA advice to the student on which part(s) of the syllabus should be reviewed. No separate charge is made for this service.

It is proposed to introduce a new charge of £130 per pilot or aircraft engineer paper examination. This charge would be refunded in total should the marking be uplifted.

This new proposed charge is in addition to the examination paper sitting charge of currently £69 (pilot exam) and £43 (aircraft engineer exam).

Pricing proposals

All prices are proposed to increase by 2.6%.

You can find full details of the proposals for this Scheme in the [Enclosure](#).

³ Inclusive of the proposed 2.6% price increase for 2018/19.

Aerodrome licensing and ATC services regulation scheme

Structural changes

- i. Designation of an additional aerodrome for a certified air traffic control (ATC) service air navigation service provider (ANSP)

Currently, the excess hour charge maximum to add an additional aerodrome to an already certified ANSP providing an ATC service is £11,760 in addition to the charge specified in Table 4 of the Scheme. It is expected that this additional excess hour charge maximum may prove to be inadequate.

To ensure that the costs incurred are recovered from those that cause those costs to be incurred, it is proposed that the additional excess hour charge maximum be increased to £70,000⁴.

Pricing proposals

The prices under this Scheme are proposed to increase by 2.6% plus the following specific increases:

- In respect of the Aerodrome variable charge unit rate, an additional 21.5% is proposed to be added in respect of additional funding for cyber and markets and competition work activities – see chapter three above;
- In respect of the Air Navigation Service Provider (ANSP) variable charge unit rate, an additional 5.4% is proposed to be added in respect of additional funding for cyber activities – see chapter three above.

The proposed 2018/19 variable unit rates are as follows:

Aerodrome licensing: 1.40 pence (2017/18: 1.13 pence) per Work Load Unit.

ANSP: 1.22 pence (2017/18: 1.13 pence) per Work Load Unit.

You can find full details of the proposals for this Scheme in the [Enclosure](#).

⁴ Inclusive of the proposed 2.6% price increase for 2018/19.

General aviation scheme

Structural changes

i. **Air displays – first application with multiple display days for a new air display season**

Currently, an application received with multiple event dates at the same location and by the same event organiser during the same season will attract a full charge for the first event date of the season. The remaining dates will be subject to the available discounted charges. In a few cases, the number of display items in respect of the first event date was much lower than for the subsequent event dates within the same application. As a consequence, the total charge is much reduced and does not fully recover the regulatory cost.

In order to assist an improvement in full cost recovery and in the spirit of how the schemes were to be operated, we propose that for each application made, a full charge will be levied for the one day that has the highest number of display items quoted with any remaining event dates under the same application being subject to the available discounted charges.

Where a subsequent application is made in respect of the same air display season with the event being held at the same location and by the same event organiser as a previous application, then a further 10% discount will apply to all charges for each event date in that subsequent application.

ii. **Air displays – air displays held for charitable causes**

The CAA has been approached by Industry for it to consider charging concessions where an air display is being held for charitable purposes.

We wish to assist in these causes, however, we are mindful that the regulation of air displays has increased since August 2015 and for which our charging mechanism is heavily under-recovering. At some stage we will need to carry out a full strategic review of charging for the regulation of air displays but this will not happen before 2019 in time for implementation as from 1 April 2020 at the earliest and only after full consultation with industry. In the meantime, we propose the following to assist air display events held for charitable purposes with the proviso that these interim measures may be amended/reversed following our review in 2019.

The CAA proposes to allow air display events held for charitable purposes to only pay one Post Event Charge (PEC) per application regardless of the number of display days quoted. The PEC would relate to the day that the maximum number of display items took place. However, the application charge must relate to the current fees and any increases going forward year on year. The criteria for classing an air display as for a charitable cause is suggested below but we will consider changes on the basis of practicality of the requirements and other views expressed in response to this consultation.

It must be declared on the application form that:

- a) the event organiser has stated that the air display event will be held for a charity or charities – the charity name(s) to be quoted:
- b) at least 50% of the income derived from ticket sales and/or from Council funding, plus at least 80% of donations received will be given to the named charity / charities;
- c) proof of such donations given to the named charity /charities must be independently audited by a qualified auditor and given to the CAA within three months from the date of the charitable event.
- d) if the audited proof of monies given to the named charity/charities does not satisfy the criteria above, then the PEC charge will immediately become liable for the events concerned.

Where a UK Registered Charity submits an air display application, then one Post Event Charge will be payable that relates to the display day quoted within that application that attracted the highest number of display items.

iii. **Part-DTO – Declared training organisations**

It is anticipated that the Part DTO requirements will come into force as of 8 April 2018 with Registered Training Facilities (RTF) needing to transfer to a DTO or an Approved Training Organisation (ATO) by 8 April 2019. Therefore, we propose the following new DTO charges:

- a) £55 – for each declaration made to the CAA and the same charge for any variation application made excepting a variation that concerns the CAA to validate a non-standard pilot training programme.
- b) £885 – for the CAA to validate a non-standard pilot training programme.

- c) £55 –an ATO that wishes to transition to a DTO.

We will assess the annual charge position once Part-DTO has been introduced and will be in time for industry consultation in November 2018 for implementation on 1 April 2019.

Pricing proposals

The prices under this Scheme are proposed to increase by 2.6%.

In addition, a further 40% increase is proposed in respect of the Unmanned Aircraft System permissions and exemptions and associated UK National Qualified Entity approvals – see chapter three above.

i. [Air display post event charge](#)

In accordance with [CAP 1388](#), CAA response document to the 2016/17 CAA statutory 2016/17 proposed charges consultation, we stated that the air display post event charge would be introduced using a phased approach over three years (2016/17 to 2018/19) and provide transitional support of £100k for the first year of the regulatory changes. The second increase was introduced on 1 April 2017 with a 50% price uplift and now the third and final increase will be introduced with effect from 1 April 2018. The final increase will see prices increase by 33.3% across the 5 higher charge bands. Using the current 2017/18 rates only, the impact of a 33.3% price rise is shown below inclusive of the 2.6% general Scheme price increase:

Number of display items	2017/18 charges (£)	2018/19 charges (£)
1 - 3	N/A	N/A
4 - 6	N/A	N/A
7 - 12	379	515
13 - 18	682	927
19 - 24	3,030	4,120
25 - 30	7,575	10,300
31 or more	11,363	15,450

You can find full details of the proposals for this Scheme in the [Enclosure](#).

Consumers and markets schemes of charges and economic regulation of NATS

Regulation of airports scheme

Structural changes

There are no proposed structural changes to this scheme.

Pricing proposals

Proposed charges relating to additional Runway Capacity and Developing Price Control Condition (H7 Review) for Heathrow Airport are as follows:

i. **Additional runway capacity**

A charge of £785k is proposed to reflect the cost of the internal resources activity and will be invoiced on a quarterly basis. Professional fees associated with this activity will be invoiced quarterly in arrears up to a value of £2,988k.

ii. **H7 Review**

Professional fees associated with this activity will be invoiced quarterly in arrears up to a value of £837k.

Economic regulation of NATS

It is noted that although not a CAA Scheme of Charges, the proposal for the CAA Licence Fee payable by NERL for the economic regulation of NATS will be directly consulted on with NERL and therefore will be outside of this Charges Consultation, as the Licence Fee is required to commence as from 1 April 2018.

Chapter 5

Monthly variable charge unit rate invoicing

With effect from 1 April 2017, we amended the basis of charging under the variable charge unit rates relating to the following Schemes, so that charges were on the prior year statistics, with a balancing payment calculated on actual statistics towards the end of 2017/18:

- Air Operator and Police Air Operator Certification Scheme;
- Aerodrome Licensing and EASA Certification and Aerodrome Air Traffic Air Traffic Services Regulation Scheme;
- Aviation Security Scheme;
- Air Transport Licensing Scheme;
- Regulation of Airports Scheme;
- Airspace Scheme.

This change caused some confusion with industry and now that we have upgraded our Aviation Statistics (AvStats) system, we propose to remove the need for deposit on all variable charges except the Air Operator and Police Air Operator Scheme and Air Transport Licensing Scheme.

This change is proposed to be effective as from 1 April 2018.

Chapter 6

Conclusion

Full details of all the proposed revisions to the existing Schemes are contained in the Enclosures, the links to which are shown below:

Safety and Airspace Regulation Schemes of Charges

- [Air Operator and Police Air Operator Certification Scheme](#)
- [Airworthiness Scheme](#)
- [Personnel Licensing Scheme](#)
- [Aerodrome Licensing and Aerodrome ATS Regulation Scheme](#)
- [General Aviation Scheme \(excluding Air Display proposed charges\)](#)
- [Aerial Application Certificates Scheme](#)
- [En Route Air Traffic Control Service Regulation Scheme](#)
- [Aircraft Registration and Registration of Aircraft Mortgages Scheme](#)
- [Airspace Scheme](#)

Consumers and Markets Schemes of Charges

- [Air Transport Licensing Scheme](#)
- [Regulation of Airports Scheme](#)
- [Air Travel Organisers' Licensing Scheme](#)

Aviation Security Scheme of Charges

Appendix A

Regulatory sector income statement

Regulatory sector income statement	Year 2017/18	Year 2018/19	2018/19 Target Budget vs 2017/18 Budget
	Budget £'000	Target budget £'000	Variance £'000
Revenue			
Safety and Airspace Regulation Group	59,704	63,116	3,412
Shared Service Centre	1,762	1,762	0
Consumer and Markets Group	17,713	18,187	474
Aviation Security	9,633	9,946	313
Total Revenue	88,812	93,011	4,199
Operating costs			
Employment costs	46,124	49,097	(2,973)
Services and materials	1,258	1,258	0
Repairs and maintenance	258	258	0
Research and development	250	250	0
Depreciation and disposals	1,924	1,924	0
Irrecoverable VAT	2,960	2,960	0
Other operating and general	10,987	10,988	(1)
Intra-group charges	22,980	24,355	(1,375)
Total Operating costs	86,741	91,090	(4,349)
Operating profit	2,071	1,921	(150)

Appendix B

Summary of safety regulation operating results by charges scheme

	Year to 31 March 2018 Budget			Year to 31 March 2019 Target Budget		
	Income £'000	Costs £'000	Profit / (Loss) £'000	Income £'000	Costs £'000	Profit / (Loss) £'000
Safety Regulation activities						
Air Operator Certification	23,286	22,180	1,106	24,305	23,707	598
Airworthiness	10,459	11,153	(694)	10,836	11,484	(648)
Personnel Licensing	10,032	10,987	(955)	10,393	11,255	(862)
Aerodrome Licensing	9,145	7,612	1,533	10,308	8,672	1,636
En Route ATS Regulation	3,938	3,727	211	4,040	3,838	202
General Aviation and AAC	1,215	1,202	13	1,558	1,538	20
Airspace Regulation	916	916	0	949	943	6
Total Safety Regulation	58,991	57,777	1,214	62,388	61,436	952
Other activities						
Aircraft Registration	558	451	107	573	465	108
Other	245	245	0	245	250	(5)
Total Other activities	803	696	107	818	715	103
Total	59,794	58,473	1,321	63,206	62,151	1,055

Appendix C

Summary of safety regulation operating results by charges scheme

	Year to 31 March 2018 Budget			Year to 31 March 2019 Target Budget		
	Income £'000	Costs £'000	Profit / (Loss) £'000	Income £'000	Costs £'000	Profit / (Loss) £'000
Airworthiness scheme						
Series/Exports, modifications and prototype	3,675	3,323	352	3,808	3,422	386
Renewals – C of As	1,535	1,506	29	1,590	1,551	39
Permits to Fly	228	948	(720)	236	975	(739)
Total certification	5,438	5,777	(339)	5,634	5,948	(314)
Total approval	5,021	5,376	(355)	5,202	5,536	(334)
Total airworthiness scheme	10,459	11,153	(694)	10,836	11,484	(648)
Personnel Licensing scheme						
Professional	6,580	7,319	(739)	6,817	7,477	(660)
Private	749	805	(56)	775	830	(55)
Air Traffic Controller	420	724	(304)	435	745	(310)
Simulator Approvals	532	455	77	551	469	82
Engineer Licensing	1,751	1,684	67	1,815	1,734	81
Total Personnel Licensing scheme	10,032	10,987	(955)	10,393	11,255	(862)
General Aviation scheme and AAC scheme						
Aerial Applications	17	10	7	17	10	7
Flying Displays	255	469	(214)	265	483	(218)
Parachuting Regulation	28	17	11	29	17	12
Other permissions and exemptions	915	706	209	1,247	1,028	219
Total General Aviation scheme	1,215	1,202	13	1,558	1,538	20

Appendix D

Summary of CMG operating results by charges scheme

	Year to 31 March 2018			Year to 31 March 2019		
	Budget			Target Budget		
	Income £'000	Costs £'000	Profit / (Loss) £'000	Income £'000	Costs £'000	Profit / (Loss) £'000
Regulatory Policy activities						
Air Transport Licensing	2,260	2,210	50	2,375	2,326	49
Passenger Complaints	436	339	97	451	351	100
Regulation of Airports	3,998	3,686	312	4,155	3,803	352
Airports Charges Review	837	837	0	837	837	0
London Runway Review	3,753	3,755	(2)	3,773	3,773	0
Total Regulatory Policy	11,284	10,827	458	11,591	11,090	501
Consumer Protection activities						
Air Travel Organisers' Licensing	5,457	5,375	82	5,654	5,564	90
Air Travel Trust and ATOL miscellaneous	349	349	0	349	349	0
Total Consumer Protection	5,806	5,724	82	6,003	5,913	90
Other activities						
Economic regulation of NATS	1,058	1,017	41	1,035	1,035	0
Other	1,142	1,142	0	1,142	1,142	0
Total Other activities	2,200	2,159	41	2,177	2,177	0
Total	19,290	18,710	581	19,771	19,180	591

Appendix E

Summary of aviation security operating results by sector

	Year to 31 March 2018 Budget			Year to 31 March 2019 Target Budget		
	Income £'000	Costs £'000	Profit / (Loss) £'000	Income £'000	Costs £'000	Profit / (Loss) £'000
Aviation Security sectors						
Airports charges	7,095	6,704	391	7,351	6,848	503
Cargo Operator charges	1,380	1,573	(193)	1,430	1,607	(177)
In-flight service providers charges	197	227	(30)	204	233	(29)
Vetting services and other activities	960	960	0	960	981	(21)
Total Aviation Security	9,633	9,464	169	9,946	9,669	277