

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.
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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
<p>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.</p>

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.

The CAA is proposing to increase its charge to carry out its responsibility for regulating the airspace over the UK and as part of this requires changes to be made through its Airspace Change Process. The CAA should absorb the increase through efficiencies and hold this charge at a minimum.

CAA response
See our response under GEN 7 below.

Aviation Security Scheme (ASEC)

ASEC1: Why has the variable charge unit rate payable by airports increased when significant profits from airports under the Scheme are already being achieved at the expense of under-recoveries from Cargo and In-Flight Providers?

Ref 027

The Summary of AvSec Operating Results appears to show that the CAA has made a loss against Cargo Operator and In-Flight Service Provider operations during the FY 17-18 and will do so again in FY 18-19, whilst showing significant profits during the same periods against Airport operations. In fact, over the two financial periods it appears that a total of almost £900,000 profit has or will be made. With that in mind, why is a further increase being proposed to the amount charged to Airports per departing passenger (5.3 to 5.4p), as shown in the AvSec Scheme Enclosure, para 3.2.1? The detailed reasoning for this has not been provided.

Equally, why are the charges for Cargo Operators and In-Flight providers not being adjusted to address the forecast losses? Are airports subsidizing these activities and if so, why?

Whilst the 0.1p increase is relatively small, when added to the increases to other existing charges and the requirement to invest in newer and evermore expensive AvSec technology, it is extremely difficult for smaller airports to pass these costs on without making themselves un-competitive. When regional airports are doing their utmost to encourage the return of airlines and operators lost during the economic

downturn and to achieve growth in passenger numbers, such costs do nothing to support these endeavours. UK regional airports generally have significant available capacity when compared to our larger UK counterparts, which could and should be utilised. However, whilst our EU counterparts often consider regional airports part of the local, regional and national transport infrastructure and support them as such, the UK does not. We would urge the CAA to re-think its charging mechanisms with a view to supporting regional airports in achieving real growth and in doing so, ease some of the capacity issues across the UK network.

Ref 035

AGS Airports acknowledges the financial pressures faced by the CAA with increases in the cost base as well as the need for investment in modernising systems.

We understand from the documentation that the proposed CAA charge increase is from 5.3p/dep.pax to 5.4p/dep.pax effective from 1/4/18.

We understand that the UK market passenger number increases since the charge was introduced in 2014 to be per below (source CAA):

UK total 2-way pax '000 Increase Year on Year:

2013 Actual.	228,382	
2014 Actual.	238,385	+4.4%
2015 Actual.	251,478	+5.5%
2016 Actual.	268,492	+6.8%
2017 Forecast*.	277,251	+3.3%

*Forecast uses the CAA rolling 12 months data per October 2017

Assuming that 2017 passenger numbers were to also increase as per above table, this would equate to in excess of 25 million additional departing passengers in the UK (circa +£1.2m income at approx. 5p/pax) since the charge was introduced in April 2014 which should absorb any cost increases for the CAA.

We therefore feel that any level of increase isn't justified. Any increase will adversely affect the competitiveness of our airport(s) versus overseas competitors.

Ref 036

The Aviation Security Scheme variable charge is increasing to 5.4 pence per departing passenger. We point the CAA to the over recovery from Airports compared to other sectors in the year to 31 March 2018. The CAA need to address this imbalance, which should lead to lower charges to airports with thus a more equitable and accurate distribution of costs.

CAA response

The CAA is required to make a return on capital employed of 3.5% and this is required by each Scheme of Charges. The CAA has decided not to make significant changes to its Schemes of Charges this year. Once there is further clarity about the nature of the UK's relationship with the EU's aviation system post Brexit, the CAA will wish to ensure that its Schemes are restructured to accommodate any Brexit related changes whilst achieving greater clarity and less complexity. Therefore, the status quo will be maintained and a general increase of 2.6% covering all Schemes will be implemented.

En Route Air Traffic Control Services Regulation Scheme (ERR)

ERR1: The construction of this charge remains unclear

Ref 037

We note that this charge has increased by 2.6% to £4,040,490, reflecting the inflation applied across all statutory charges. As requested in previous years, we require greater transparency on how this charge is built up to understand fully what the charge represents and how it might be managed in future. We first made this request more than 10 years ago. Despite repeated assurances since then that more informative time recording and cost allocation systems were being developed, the

construction of this charge remains unclear. We will be unable to support the charge until sufficient transparency is provided.

CAA response

As we stated last year, for most of 2015/16, we worked closely with NATS to consider, through a number of meetings and workshops held, the determination of greater visibility/granularity of our costs against each of the applicable NATS charges. In addition, consideration was given to the perceived value added by the CAA for each activity undertaken. The conclusion was that NATS wished for more, not less, regulatory activity to take place in some areas, and on the cost granularity issue, although our systems could not provide the level of cost granularity desired by NATS. As a one-off exercise, we manually compiled the data to the mutual satisfaction of NATS and the CAA. However, the time taken to provide this level of detail manually was excessive and therefore we could not commit to the continued provision of such detail going forward without system improvements which we had no plans to accommodate in the short term.

The CAA systems remain unaltered and not likely to change pre Brexit. The structure of the Schemes of Charges is most likely to be amended once there is clarity about the future nature of the UK's relationship with the EU aviation framework. Therefore, further discussions on the possible level of detail desired by NATS may be approached at that time.

General Aviation Scheme (GAS)

GAS1: How can a 40% price increase be justified for UAS / NQE charges

Refs 002, 012, 020

How can a 40% price increase be justified, especially after last year's substantial increase, the service is not good enough, it clearly does not warrant such a huge increase. The service from the CAA is slow and painful and the amount of people using drones for commercial use without a permission is so high it kind of makes the

permission redundant, as no one is being prosecuted for this, even if you go to the police with more evidence than is required!

The only way to justify this cost is to bring the renewal turnaround time to 5 working days and for there to be an effective solution to stopping illegal drone activity.

Ref 003

I believe the propose 40% charge is disproportionate to the level of service we receive. Numerous individuals breach regulations and are not investigated at all. Before asking for more money from responsible operators you should investigate the irresponsible operators first. Then you may get a better reception. There are numerous operators that have taken the decision to continue operating and not renew their PFCO due to the lack of investigations. Particularly incidents which are reported to you and still not investigated. Whilst I respect charges have to increase we feel as operators we are not getting value for money. I propose costs are re-evaluated and spread across the scope of the CAA. For example rather than 40% increase I suggest a 10% increase with the remaining 30% recovered from other sectors. Please also bare in mind that if you actually investigated and prosecuted illegal flyers this would be another source of income for you from fines etc. Hence there being no need for the increase in costs. Another option would be to increase the new PFCO application cost but keep the renewal cost at current levels.

Ref 004

What the trend so far with UAV control by the CAA is continued punitive measures on law abiding PFCO holders, with little being done about drone operators who do not have CAA permission.

We face more strict controls and ever increasing costs for renewal (not to mention increased insurance prices that come with more UAV incidents by non PFCO operators), yet little seems to be done by the CAA to deal with these rogue operators who are causing all the issues.

If you wish to increase checks on PFCO holders and increase renewals fees, I'm sure most of us will be happy to accommodate this.

However, if you wish to do this there **MUST** be more action taken to uphold the value of the PfCO. More strict action taken against those who operate without a PfCO, and especially those carrying out commercial work without CAA permission.

On the forums online, I see many people reporting about such operators to the CAA and then complaining that neither the CAA and the police take any action.

Stop punishing PfCO holders who abide by the rules, and pay their fees, for the actions of the individuals who don't follow CAA guidelines, or operate commercially without permission.

The turnaround time for applications/ renewals should not be a priority for you fix - renewals should be made in good time by us, the applicants. As for new applicants, the wait is what it is.

Use the extra revenue to have a more meaningful impact, and help to safeguard our industry.

Ref 005

Overall, I don't generally object to the proposal to raise the cost of UAS applications. However, I feel that for many not only is the size of the rise very significant, but that also the additional benefits from the review are not necessarily geared in the right direction.

While I appreciate that there is a benefit from improving turnaround times for applications, for many this was an issue that sensible planning mitigated. What is a bigger problem for many UAS users, including myself, is that there are now a large number of people operating drones commercially without having obtained relevant permission. I feel that in return for a rise that is going to squeeze a number of UAS operators, many would appreciate a bigger effort to enforce the regulations regarding drone use, in particular those carrying out work without a PfCO and who are damaging the UAS operator market.

This could take a number of forms, including more time dedicated to people investigating enforcement issues, but also in terms of greater public awareness around people's responsibilities when hiring UAS operators.

Ref 006

This will only make the situation of unlicensed commercial UAV pilots worse. If you make it more accessible to people, in the same way as learning to drive and taking a test for that, then there would be a lot more safe, licensed pilots. I would argue the need to bring in a system similar to car driving licences in which you must have passed a test and understand that you will lose the licence if you go doing stupid things. I'm not saying the car system is perfect, for sure there are unlicensed drivers, however, there are very few and that is the difference. If you make it accessible the majority of people will quite happily follow the rules.

Ref 007

As a PfCO holder for a few years the cost increase I can accept if certain criteria are met: A service level agreement from the CAA to ensure we are getting the service that is offered.

Individual PfCOs so that it is with the person not the business. This in turn would gain you additional income and be fairer across the business world as currently I could employ 20 ops under 1 PfCO and just 1 payment to you vs a solo operator paying the same currently.

Standardise the Ops manual for standard PfCOs - this would vastly speed up and reduce your cost whilst ensuring that all operators have the same standard PfCO. Business's that require further permissions to be sorted through the Operational Safety Case system.

OSCs to be reviewed and responded to in a much quicker time frame as currently it holds back growth in the industry.

Produce a proper ID card showing personal details and permissions, the current digital photocopy of the document is very poor and I have had several clients say it looks like a very poor official document. It reflects negatively on all of us.

A national scheme to train/educate all UK police forces as to their obligations about ANO breaches.

To have the PfCO as a licence, currently an operator could have their business PfCO removed for breaches and go and work under another companies PfCO with no recourse or restrictions.

Along with these it would be good to have the CAA update all operators about the current EASA proposals and their situation, every 2 months, this would help us all understand what is happening.

Ref 010

40% increase in the cost of Permission for Commercial Operation seems very steep.

I can understand the CAA needs to improve its service and, consequently, needs to employ more people.

As a commercial UAS operator, I also see more and more instances of illegal operation of UAS and use of images taken during illegal operations. We have reported dangerous and illegal use of UAS to our local police who have unsuccessfully looked into the matter.

The CAA needs to take a more active role in prosecuting such instances of illegal and dangerous UAS operation to make it clear that such activities are illegal and will be investigated. A large number of commercial operators are fed up with the cost of running a professional business, only to be undercut by those without qualification or insurance.

Please use some of this increase to do more high-profile "policing" in order to "...enhance the protection of the public and other air users...".

As a small operator, it seems very unfair that we (2 employees) have the same PfCO costs for our company employing hundreds of qualified pilots.

It would seem fairer to have a PfCO cost based on the number of pilots in the organisation - whether these pilots are employees or contracted in as required. It should be possible, like car insurance, to be able to add and remove pilots on-line.

It would be extremely useful to have a formal CAA PfCO, similar to a driving licence, that can easily be carried and shown as required.

The current PfCO (ours is a poor scan of a paper document) does not look professional.

Ref 011

On behalf of the two aforementioned groups of both PFCO Verified and non-verified UAV Operators in the UK, we would like to make comment and in areas, oppose some ideas and instead put forward a counter-suggestion.

Firstly, anyone reading the document will read the first part and agree with you - a price increase that is being implemented because they have not kept up with inflation in the past is completely fair. However, the increase for UAV pilots- an eye-watering 40%.....this in no way is seen as fair or just by any of the UAV Commercial Operators, certainly after the increase already this year.

At a time when the UAV industry is growing exponentially (we keep tabs on it ourselves and have predictions on growth charted out in fact), why a 40% increase across the board on the people who are often struggling to make a living out of a career which is already being slowly crushed by both the increasing numbers of PFCO's, and the number of illegal operators out there who simply don't care about regulations, is just baffling to us, to be honest.

Given that the number of PFCO's NOT renewing is about half of those renewing each year (currently), and that the market is incredibly squeezed as it is for actual UAV related work; while the PFCO incremental number you're issuing (currently circa 5170 or thereabouts) is increasing, so is the number of operators dropping out.

So in light of the market being squeezed (there simply isn't enough work for 3500 operators out there, never mind another 650+ by next May as per our predictions) and that a lot of the forthcoming UAV use will not be manned but autonomous, this increase in new and remaining operators as seen in the last two years is going to be impossible to sustain. We certainly don't need any more NQE's.

Given that the DfE are reducing funding at a time when it should be leveled or in fact increased for this industry, not increased, we would politely ask; have you considered talking to the DfE in conjunction with the The Department for Business,

Innovation and Skills department to see where the Government can properly fund the administration of what is a very positive and world-class industry?

We as a very large group of PFCOs (circa 2700 members), have two main issues;

- 1) In the document, you mention the 'industry's biggest problem' was turnaround of permissions (et al). However, if you had spoken to a number of our Operators, after the already significant increase seen this year already - we'd be quite happy to wait the 90 days. In fact, we are operating to that turnaround time anyway, working in advance!

The second issue is perhaps the most important; A lot of people are starting to ask the question "Why do we even bother?". Obviously, we do because we are law-abiders. However, when it's clear, so painfully clear that it's actually making a complete and utter mockery of the entire PFCO - that people can do whatever they want, whenever they want, and get away with it - that many of us are asking that question. Asking why we're paying so much already, paying huge insurance premiums, operating to regulations set out by yourselves - when we genuinely needn't bother. No-one gets prosecuted for working outside of all this, no one gets reprimanded for breaking the regulations, and the CAA's response is (seemingly) to just ignore it and refer to 101 (who then refer to the CAA). Increasing these costs now is 100% going to increase the number of people out there not playing by your rules.

Ultimately, whereas we see your operational workload increase due to the numbers increase, a 40% hike right after the already significant price hike this year seems unjustified to us, sorry.

We'd like to make a suggestion, and yes, it does serve as self-interest, however that's what we're about - a group of professional individuals who are extremely keen to work within the rules and regulations set out by you, a group of individuals who are proud to do that. So given the increase in processing of applications, renewals, and OSC's, we would like to humbly propose this method of attaining the cost of the four new FTE's.

- Maintain the current charge for a basic renewal of the PFCO, and increase by RPI each year. Make it so that on renewal, it requires a 'self-certification' of 'no changes'

of the Ops manual (aside from any new ANO regs), and then spot-check instead of examining each one). Most of us now have been doing it a while, and nothing changes.

- Add a 50% increase to all NEW applications - this makes perfect sense.
- Add a further 50% charge for the adding of per alteration to the PFCO.

This application/change requires an in-depth analysis of the document in relation to the changes made in light of the application. The latter two is where you could justifiably make the increases, and not be hitting many Operators in an already light pocket in a tough market.

The panel of PFCO's that discussed this, voted in favour of 19-1 that this proposal would be acceptable, and more fair. Mainly because anyone looking to change their manual is usually established and earning a good income and those who are still building their businesses, are not, and are not those looking for OSC etc.

I'll sign off as representative of these groups by mentioning that twice before we have tried to engage with the CAA so we could work closer with you, and build a relationship with our members, but have received not even a single response. But we live in hope.

Ref 013

As someone now in their second year I find the CAA's lack of commitment to clamp down on dangerous and illegal drone use pretty disgusting.

Time after time incidents non PfCO holders blatantly promoting themselves and profiting are reported - and nothing gets done. I fail to see why I should remain a 'legal' flyer if quite frankly the CAA aren't doing anything to stop illegal operators.

As it stands it appears that anyone can now sell images / video captured if sale was not the intent of the flight. You have zero chance of proving that unless the operator advertises their 'service' and even then, the CAA do nothing.

Will I renew next year for a 'service' I don't receive at an ever-increasing cost? I think not - after all the CAA have an abysmally poor track record.

Seems to me so long as I fly 'legal' no one is going to come looking for me.

Ref 014

- A 40% rise is ludicrous.
- Not earning £100,000 a year doing this job so it hits hard.
- Already expensive since last increase.
- Why target existing PFCO holders?
- This will drive more illegal operators as there is no enforcement of the regulations by the police so many are just not bothering to renew.
- Should be per pilot not per organisation - that would generate revenue instead of several pilots being under one PFCO.

Ref 015

In your document, you state:

Improved application turnaround times from currently on average 90 days down to 15 days in respect of standard permissions.

Can you explain this please? On the application form, it was stated 28 working days turnaround time, and of all my peers who hold a standard permission, it was processed in less than 28 days. Perfectly acceptable. To say it is taking 90 days on average, the figures must be being skewed somewhat here?

I am finding the prospect of a second huge cost increase in less than 2 years, a little hard to stomach. I am a small operator/photographer. The cost is already not insignificant. Whilst I would like to be able to say my £100,000 a year earning won't notice this, in the last two years I have made less than £5,000 through aerial work.

I would also like to question why you feel it is necessary to target existing PFCO holders through the renewal?

Also, can you tell me whether this increase in cost, will lead to more enforcement of the ANO, in respect of blatantly illegal operators and hobbyists, that seem to get away with anything at the moment? Increased costs, with no apparent increase in

enforcement of the rules, strikes me as a money grabbing exercise whilst the industry is rapidly expanding.

The significant increase in costs to small operators, like myself, is likely to make things worse. Even I am wondered if I can restructure my operations such that I no longer require to pay for highly expensive PfCO renewal once per year. Instead I am wondering if I can get around the rules in a way that doesn't overly restrict what I do. I am very sure that I am not the only operator thinking this.

As a suggestion, in order to reduce turnaround times (and your costs), have you considered moving to a 2 or even 5-year cycle for standard permission PfCO renewals? It would minimise the paper work changes, and not really detract that much from legislation changes. In fact, you could even issue a mid-term update to PfCO holders with any legislation that has changed that is relevant to them (such as the changes to the ANO version that happened in 2016).

I completely appreciate the safety argument that would come back from the above point, but I am sure that doing a complete renewal every year, is a little excessive.

Can you elaborate how last year's increase has resulted in a better service, and better safety? I don't believe it has. There have been no prosecutions of rogue operators/hobbyists operating beyond the limits of the ANO.

Ref 016

I am writing to voice my disappointment in the CAA not enforcing drone regulations. I amongst other PFCO holders have undergone extensive training, pay our fees to the CAA and follow all the rules religiously. However it is very apparent that the CAA have no interest in prosecuting drone flyers operating commercially without a PFCO. In principle, I have no objection of the CAA increasing fees if you use this money to enforce the rules and prosecute offenders. I must also point out that the current PFCO represents poor value for money - all you get is a poor quality scanned document to prove you have a PFCO and the service offered is poor.

Ref 017

An increase of 40% is akin to usury.

This is not a business area with high profits. An increase of 40% for simple renewals of existing PFCO holders is outrageous when all that is needed is an insurance check and production of a stock pdf document!

No firm commitment is made for the time to process non-standard applications and OSCs. Only an aspiration is given, which no one in the industry has any confidence you will meet. I had to go through the formal complaints procedure to get any substantive answer on my OSC after hearing nothing for nearly 6 months.

Finally, why would small operators bother when the enforcement system for illicit flying is farcical. CAA has developed all responsibility to the Police, who are just not interested. For small operators doing local jobs, having a PFCO is frankly not worth the costs and bureaucracy involved at the moment. A 40% cost rise will only worsen the situation.

Ref 018

A renewal increase of 42% is extreme and does not align with increase in CPI rate of inflation.

There is a significant cost overhead to the operation of the business and this increase will hit the industry hard for existing PFCO holders, especially small operators who do not operate full time.

If the renewal cost was linked to the turnover of the holder, then could be deemed as fairer. Other industries, especially Broadcasting use this "licensing" approach.

There is little incentive to continue operating under a PFCO due to the high numbers of unlicensed operators and SUAS pilots in general that are never prosecuted.

If SUAS PFCO was a licence rather than a permission, there may be more acceptance of the cost increase.

Ref 019

Whilst I appreciate that the proposed increase of 5.3% is below the UK inflation level of 18.4% I do not feel that it is justified.

The annual fee is already at a high enough level for small operators like myself when factoring in annual insurance etc. There are lots of operators fighting over the very few enquiries that come in and it is the big players who generally win those jobs.

We hear on a weekly basis how "hobbyists" are breaking the law by operating their drones in an unsafe manner, but what is being done to stop them? As a PfCO holder I fly my drone strictly in accordance with the regulations set down by the CAA, however it angers me when non PfCO holders operate commercially yet flout every rule there is and the CAA appear disinterested in doing anything about it. Perhaps if more time & effort was set aside to police this more rigorously then an increase in the annual fee would be justified. At the moment it is not.

Ref 021

Many, likely most drone operators are low (if any profit) where the use case of aerial video or photography is used (many people are providing a value add onto existing businesses), with this in mind a hike in UAS application costs is a burden. The suggestion of a price hike this year follows a significant hike only last year.

The whole process of an annual renewal should be open to question, for many operators, annually they'll have no change, other than renewing their insurance policy or maybe a change of drone model, but the changes won't often be significant. With this in mind could the CAA consider a renewal every 2 years or even less frequent?

Increasing the price to be registered for a permission to operate a drone commercially (or with more freedom), is likely to reduce numbers of new entrants into the drone training process, increasing illegal drone operations, so this should also be considered as a consequence.

It's clearly evident that the laws as they stand are not being enforced, with illegal operators now able to brag about their antics on-line, on YouTube and Facebook without consequence. With this being the situation, increasing the cost burden to those having undergone training and examination with an NQE is rather unwelcome.

Ref 022

Have the CAA already forgotten this year's hike in price, my 2016 renewal was £56 and 2017 renewal £130, I'm glad inflation isn't responsible for this !

The current price does not represent reasonable value, a firearms certificate renewal is about £62 and this requires background checks, sometimes a house visit, a PfCO renewal is just simple desk check, probably one hour tops

A PfCO is issued for one year only, why ? a firearms certificates issued for 5 years and driving incenses are issued for 10 years, statistically an individual is more likely to cause injury to others with a vehicle than a drone (or a firearm as it happens) so there is no public safety case.

The claim that is that it will improve the service but we all know that that won't happen, maybe short term but after a year I'm willing to bet the delays will be back to normal.

The CAA apparently want more money to do more checking on PfCO holders, why ? all the rogue drone activity is by non PfCO holders yet there are no plans to clamp down on these people.

With increased costs the CAA will simply encourage people working part time in the industry either not to apply or renew their PfCO, therefore operate without insurance and basically drive them into the black economy.

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Ref 024

I have lost half my photographic work to an individual operating clearly and blatantly without a UAV license. Savills, Knight Frank and other global agents employ him.

I cannot understand why after 5 years of paying for a license and insurance I should frankly bother anymore if no one police's the rogue commercial pilots.

Ref 025

Whereas I fully understand the need to cover the ever increasing costs, I do find it a bit frustrating that there doesn't appear to be an overt effort to regulate the increasing amount of illegal and unsafe drone flying. Many PFCO holders I am in contact with also share this frustration, as we spend a lot of time, effort and money to be compliant with the law and then some ya-hoo comes along, breaks all the rules, undermines our industry and nothing is done about it. We are left asking "what are we paying for exactly?"

In summary, yes price increases are inevitable, but we also need to see an increase in the CAAs efforts to try and reduce the number of illegal drone operators, otherwise people are going to stop paying for a service they are not receiving...

Ref 029

In response to your request for feedback on the proposed price increase for the PFCO license I implore you to limit this amount. Or relate it to the size of drone.

I think many people will simply stop paying for a license and you will make less revenue than you do at present. Additionally, as a commercial operator I have not increased my rate and am not able to as clients will not pay. And I certainly can't put my rate up 40% and I urge you not to.

I appreciate your work as the CAA but I think you will be doing more harm than good with your proposed increase.

Ref 030

Normally I'd not feel the need to write in response to these things however there are a number of concerns I have over the latest proposed price increases

The documents suggest that over the last 8 years the price increase was only 5.3% and that an increase of 2.6% across the board was the intention for the new financial year. While on average this may be the case, within the UAV charges the initial application and renewal last year saw some 70% rise with no benefit to those of us who legally operate, in addition you state that 2.6% across the board is what's being

proposed for the new financial year, but yet again the UAV submissions and renewals are being hit extraordinarily hard at some 40% increase.

This time last year the industry was hoping the extra income from the price increase would have a big effect, in reality it seems to have got completely out of hand, the system is currently being viewed as a chase cow by many in the industry as its continual price increases just increase resentment when people fly illegally and have no come back, I Myself have reported a number of these and to date not one has been effectively dealt with, including a very high profile issue with an individual continuously throwing caution to the wind.

The fact that a vast majority of people in the industry have learnt to accept that no enforcement seems to happen, doesn't make it right, if the illegal operators were dealt with robustly it would hold more weight as to why the increase is needed, as it stands this price increase will likely go the same way as the last and have no real effect on PFCO holders.

The issue of reducing the turnaround time should only be relevant to new submissions and not renewals, renewals are able to be submitted 90 days in advance and should not be affected

My conclusion would be that the percentages quoted are not proportional to the UAV PFCO charges increase or not even close to, and that the service level hasn't changed with the last increase so why is this increase going to make a difference, on a final point, if the increase was about enabling enforcement and plans publicised how this was to work the increase would be acceptable and would likely gain support and possibly be something that could be increased further if they see action.

Ref 031

I'm a UAV pilot with current PFCO. I'm unhappy about the proposed increase in fees. The idea that the £300,000 pounds raised will bring waiting times down from 90 to 15 days seems to only benefit new applications and not renewals. Therefore, any hiked-up charges shouldn't affect holders of current pfco's.

It's incredibly hard already to make money with the costs involved and this will make it prohibitively expensive.

Ref 032

I feel this is too steep an increase based on this being an annual payment.

With insurance and other expenses incurred this increase is making it less likely that small operators can continue in business.

I hope you consider my opinion during your decision process.

CAA response
See chapter 2 sections 2.6 to 2.10 in the main report.

GAS2: Air display charge reductions relating to a charitable events are welcomed plus the change to charging for applications containing multiple event dates are accepted

Ref 008

My first reaction was the reiteration of the rationale behind the formation of the GA Unit some time ago. I note that they expressed their commitment to working with the GA community to achieve shared aspirations.

This has not been evident to my knowledge for the last two years in the case of the UK Air Display industry which is an important part of the GA community. The GA Unit and the CAA as a whole have demonstrably failed to meet their declared top level principles.

This [2.6% *general price increase*] is below the level of inflation as measured by the CPI and as such is commendable. However as far as the UK air display industry is concerned it is going through a period of considerable cost increases in many areas, not just regulation. Along with the fact that the industry is contracting for a number of reasons.

This [*the first date in a multiple event date application attracts the full charge so the applicant makes the number of display items low to attract a low full charge*] has long been a loophole exploited by a few event organisers who, unlike Flying Display Directors, are not regulated or accredited in any way. This, on the face of it, closes

the loophole in a sensible and equitable manner. On a personal basis I frequently took advantage of this to reduce the overall charge for a permission by the CAA.

I am pleased that the circumstances where a reduction in the permission charge for an event to benefit a charity can be made are now clear and transparent. The level of the reduction could be argued but in principle this is extremely useful. The present situation of having to go cap in hand to the CAA for a possible reduction was not acceptable, to me at least.

Ref 034

There is also a proposal to offer charging concessions to an air display being staged for 'charitable purposes'. I would be against this proposal. When there is already a shortfall in revenue generation, any concession to a particular category of events, however laudable the intentions, simply means a surcharge for other displays who may well be in no better position to pay. And, whilst an attempt has been made to define 'charitable purposes', many events that would not claim to be run 'for charity', still support charities, whether local or national, by providing free or discounted exhibitor space, permitting charitable collections on site, making charitable donations post-event; all of which could be at risk if the event had to share a greater percentage of the burden of charges.

Ref 038

The HAA acknowledges the logic of charging a fee for multiple event dates, calculated on the basis of 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.

The HAA welcomes the clarification of the circumstances allowing 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. We hope that future reviews will extend, not curtail, this flexible treatment of charitable events.

CAA response
See chapter 2 sections 2.11 and 2.12 in the main report.

GAS3: The air display charging model is now flawed

Ref 008

It is disappointing that a proposal made to Andrew Haines, the CEO of the CAA by me and passed on to the Finance Department was not actioned in this scheme despite them having 6 months plus to consider and implement it. This would have had the effect of creating a charge for a single item event and another for an event with more than one but up to three items. This would have given a real reduction for the single item or the 'grass roots' element of the UK air display industry. An element from where many stars of the air show sky today originated until they gained experience and a reputation. Event organisers could then recognise this and book them for the larger shows. If the seedlings are not nourished then the mighty oaks will never grow.

I quote the CAA statement in the preamble "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."

The vast majority of the charges with some notable exceptions have an increase of only 2.6% which I suppose we must count as a blessing though I must vehemently oppose the final imposition of the last tranche of the post event charges.

I again draw attention to the excessive charge for a single item display event in Table 1 which I previously mentioned. It is absolutely essential for the very future of UK air shows that the 'grass roots' are not penalised such as to inhibit their emergence.

Andrew Haines, the CAA CEO is well aware of my submission in this respect even if the Finance Department is not. I pointed out to the CEO that, on the basis of data supplied by the Finance Department, it was possible to reduce the single item charge yet a small increase to the up to three item charge would recover the same amount of overall income for the CAA. My suggested figures were not disputed and the CEO was to send my suggestion to the Finance Department many months ago. Nothing has happened.

In my experience, senior management at the highest level is often not aware of what their subordinates get up to or, alternatively, fail to do. That is until it is pointed out as I am doing now.

For too many years this consultation has been a tick box exercise with little or no change to the Finance Departments initial proposals after consultation. No doubt they imagine that having passed the draft for consideration and comment by the Finance Advisory Committee, who have no person as a member remotely involved with the air display industry, the proposals have been endorsed. They must be forced to think again.

Another swingeing rise in post event charges. In the case of a 7 to 12 item event an increase of 36%. For a 13 to 18 item event an increase of 36% and presumably, to save me some calculation, the same for the other bands. Another horrendous increase.

Although we knew from the introduction of the totally new post event charge in the 2016/2017 scheme and the subsequent decision to phase it in over a three-year period it is a huge additional burden on event organisers. They have to balance possible income against actual expenditure. Better informed people than I can reflect on how this has changed the economics of air shows. In practical terms, it has probably caused event organisers to reduce the number of display items in a show and thus reduce the CAA's iniquitous charges. This has adversely affected the entertainment value to those who attend and pay to watch. The claim by the CAA that there would be an increase in GA Unit staff numbers to cope with the administrative and inspecting burden has not been born out bearing in mind the endemic lateness of some permission issues which has existed for decades.

It is ironic that displays organised by the military through the MAA under their regulation RA2335 do not attract any permission charge whatsoever though their events have a high civilian aircraft content.

Ref 034

In relation to the Air Display element of the consultation the entire charging scheme is now simply a flawed model as the declining industry is unable to support the ever-increasing costs derived by the GAU's considerable expansion over recent years

supposedly to provide greater oversight of air displays. Indeed, we understand that in the last 2 years, with the GAU staffing in this area more than doubling, yet still failing to deliver Permissions in a timely fashion, the number of applications for air displays that provide a significant element of the revenue generation, has reduced by some 40%. Without doubt, if the full scale of proposed charges is introduced then we will see a further decline in air show and event numbers over the next year, leading to a further decline in revenue, and the descending spiral will continue until we risk it being only Farnborough International that can sustain the charges payable! Already, the charges are now a significant factor in how many display acts an organiser books. No organiser in their right mind would go over 18 items in a day and whilst many may still have some funds available they will decline to book additional acts if it is going to push them into another price bracket. So, the current price banding and charging regime is already adversely affecting the decisions of an organiser in booking displays.

It is now completely unrealistic to expect this struggling area of aviation to solely be able to support the changes being levied. The reality is that the whole aviation section has a role in sustaining the air show sector. Many of those past and present that have careers in the wider aviation sector, in whatever specific trade or profession, owe their early and then developing interest to going to an air show. Without a viable air show industry the entire sector will struggle even more to generate interest and recruitment. Therefore, the entire sector should be required to contribute an element of the costs being demanded by the CAA for the oversight of air shows.

Ref 038

The HAA acknowledges that the phased introduction of post-event charges announced in 2016 inexorably leads to a huge increase in the charges to be levied in 2018/19. We welcome the fact that this applies only to the 5 higher bands, with displays of 1-3 items and 4-5 items being protected from the increase. Nevertheless, the additional charges represent a significant cost increase across the middle to large air displays: a cost that there is no additional revenue to cover. We expect the result to be fewer displays and displays with fewer items, neither of which is

conducive to pilots maintaining currency, which is vital to their safe performance at air displays, especially in historic aircraft.

CAA response

The CAA recognises the current situation with regard to air display charges which is why we have not moved towards full cost recovery for the regulation of air displays this year and will continue to hold a significant under recovery position. The requirement to ensure permissions submitted on time are reviewed and granted in a timely manner is fully understood and we have been reviewing processes and procedures during the winter months to ensure this work is completed in a more timely and efficient manner during the 2018 display season. Air display staff that were necessarily diverted to air display policy work last year will be able to focus on permission work this year. We recognise the pricing model will need to be reviewed and would welcome proposals from the industry for models that would work more effectively to achieve full cost recovery.

GAS4: Charges are a barrier to new and less experienced display pilots being able to gain experience due to reduced opportunities at reducing smaller events

Ref 034

Further, since the Shoreham tragedy, many non aviation-minded event organisers, like County Shows, commercial organisations or charity open days, who might in the past have included a solo display or 2 at their event, have been put off by the outcry post-Shoreham and now do not wish to accept the liability that falls to the organiser of having a display at their event. In truth, the liability has always been there but the Shoreham aftermath and general blame culture and litigious nature of our society these days has bought the realisation to the fore and a fear for being held liable in the event of any sort of incident. Often, the kind of displays that featured at these events were the less-experienced aerobatic pilot trying to establish themselves in the industry and it was a great source of experience for them, enabling them to fly at different venues, in different conditions and airspace, and at the same time they were able to generate some revenue to offset the costs of their operation. However,

with the loss of these events, with the consequent loss of revenue to the CAA, but more importantly the loss of opportunity for the pilots, the new display pilot is struggling to get the bookings to gain the necessary experience to progress. Consequently, they have to self-fund training and currency flights, often at their home base, which is costly and significantly weakening their development for the future. More needs to be done to support the new and less-experienced display pilot. The proposal to permit an organiser to be able to include one or 2 in their display programme without adding to the count that derives the charges has some merit, but it is certainly not the whole answer. Indeed, the new and relatively inexperienced display pilot may not have the skills, confidence or competence to cope with a larger event. Active measures are needed to reverse the decline in overall events and to establish new opportunities for display pilots to perform without overly restrictive charges or restrictions. However, if the proposal to allow up to 2 inexperienced display pilots to be included in a larger display line-up is taken up and incorporated into guidelines, then the discounting arrangement must be applied to both the pre and post-event charge. It is not clear how a 'less experienced' display pilot will be defined for this purpose and we will be interested to see proposals.

Ref 038

The HAA considers that grouping together displays with one, two or three items into a single category for the purposes of assessing the level of the post-event charge places a disproportionate burden on the smallest events and unfairly penalises the entry-level display pilots. The level of the charge is such that a one-aircraft display at a small community event is simply uneconomic. Without new display pilots entering at grass roots level, the future of air displays is questionable. The HAA would strongly prefer to see a separate category for displays with just one item, priced at a level that reflects the economics of the operation of light historic aircraft: this should be no more than one third of the charge for events with up to three items.

CAA response

See chapter 2 sections 2.13 to 2.15 in the main report.

GAS5: Local air ambulance displays should not be charged for under an Article 162 Permission in relation to a charitable event

Ref 034

One area where many of our events do try to support a local charity is the local air ambulance, particularly because of the aviation connection. Often the charity will seek to include a flypast by an air ambulance as part of the display. This can generally be covered by the Exemption issued annually by the CAA to waive the requirement for the pilot to hold a Display Authorisation. However, the helicopter is generally limited by regulation to a single flypast or 2 and, more often than not, on the day it is not able to appear because the scarce resource is on an operational tasking. Under current guidelines the participation has to be listed on the application for the Article 162 Permission and is therefore liable to be included in the count for charging. If there is a risk that this inclusion may push the event into the next price band we will no longer accept the participation, because it is so rarely able to actually appear on time in its planned slot. This is at a loss to the charity who can benefit significantly from the appearance. However, if the air ambulance could be excluded from the count, like paradropping aircraft and the proposed inexperienced display pilot category, we could certainly be more agreeable and flexible in trying to accommodate their appearance.

CAA response
We will consider the introduction of a reduced or no charge for a flypast by an air ambulance helicopter flypast as part of an air display event held for charitable purposes.

Personnel Licensing Scheme (PLS)

PLS1: The charge for a PPL Licence issue should be compared with the charge for a DVLA driving licence – why is the CAA charge so much higher?

Ref 009

Increasing PLD charges by 2.6% is excessive and unnecessary for the following reasons:

- PLD costs are largely personnel-based - public sector pay is currently frozen and there is no reason why the CAA should fall outside of this government policy;
- The CAA should be increasing efficiency through automation and electronic licensing - this should lead to a fall in costs, not an increase. There is no mention of this in the document anywhere.
- There is no mention of benchmarking against other National Aviation Authorities, or similar government departments (e.g. DVLA) anywhere in the document.

The CAA should be justifying why they need to charge £143 for a PPL issue versus the DVLA charging £34. The additional requirement for checking log books does not justify 4 times the cost, and it is unlikely that CAA checks take 4x the time. Nor do scale economies justify this additional cost given that the costs are largely personnel-based and remain the same on a unit cost basis.

CAA response

The charges consultation is not referring to PPL licence issue costs per se, rather a general across the board price increase on all existing charges within all Schemes.

PLS2: Please rename the 'Personnel Licensing Scheme' to read 'Personnel and Organisation Licensing Scheme'

Ref 023

Please consider renaming the Document "Personnel and Organisation Licensing" (or other suitable name of your choice) since the index refers to and it contains, inter alia, Approval of flight simulators, Approval of pilot training organisations etc.

CAA response

We note your comment but will keep the current title as it infers all regulatory activities concerning the licensing of personnel, be they air crew, aircraft engineers, air traffic controllers and associated training which is required to obtain such personnel licences.

PLS3: Clarification required on the proposed new charge for exam marking reviews

Ref 026

We would like clarification on the following points regarding the exam review/re-mark charges:

1. There was a conflict between the charges found in the UK CAA website and the CAA Scheme of Charges document: - Website: £69, full examination fee for a Full Review (<http://www.caa.co.uk/Commercial-industry/Pilot-licences/Applications/Exams/Register-for-a-professional-pilot-exam/#technical-review-requests>); - ORS5 No. 321: £27, in accordance to paragraph 3.12, Table 10.
2. The new document does not solve this conflict: it introduces a New Charge of £130 in 3.11.2, but maintains the Administrative Charge for the same service in 3.12, now updated to £28.
3. Regardless, we understand that the idea is to have a charge of £130, which would mean an impressive 88% increase in this charge, when compared to the one in practice nowadays (482% if compared with the £27 in the official document). This is well above the 2.6% increase referred to in the Consultation Document Introduction.

Moreover, there's no explanation to be found detailing how the new charge was calculated.

4. We strongly disagree with this increase, particularly coming in a time where the ECQB is under a considerable update and there have been frequent errors made by EASA/CAA. The 88% increase comes across as a way to discourage students from appealing a paper, which should not be the purpose and can even be considered amoral, given the current problems we are having with the referred lack of quality of many of the new questions.

CAA response

The current examinations sat by candidates are computer-based which provides the same marking each time the exam is graded. For paper-based examinations, which were last used in June 2014, the candidates could request the CAA to carry out the administrative task of re-checking the paper-based marking – the charge under Table 10 related to the paper-based examination. The CAA web site held the correct charge of £69 (FCL exam) and £43 (AML exam) relating to the computer-based examinations.

The European Central Question Bank (ECQB) is reviewed by EASA annually and updates sent to the Member States. The last updates were received in December 2017 and contained 1,500 new questions and 2,000 existing reviewed questions and EASA requires the incorporation of these changes within 9 months. Therefore, there are continuing changes to the questions bank. This in itself may prompt candidates to mis-interpret the question and request a full review. An alternative option would be for the candidate to refer any queries or comments to their Theoretical Knowledge Instructor (TKI) to forward to the ATO's nominated Chief TKI (CTKI). The CTKI coordinates all comments for each licence type and sends to the CAA to review and answer questions raised. This method to gain feedback on an examination would satisfy the more general query and does not attract a CAA charge. However, the result would not be as targeted and as complete as the full review request from the candidate directly to the CAA for which the £130 would apply.

CAA response

Over the last 12 months for FCL, and across the 14 subjects and all licensing types, 382 requests for full reviews were received.

The increase in the charge to £130 is to reflect the CAA's cost recovery requirement under the Civil Aviation Act, and therefore is a proportionate charge to implement.

Regulation of Airports Scheme (RAS)

RAS1: The CAA is proposing to levy an unprecedented level of costs on Heathrow Airport

Ref 036

We acknowledge the critical role the CAA's Regulation of Airports fulfils. It is also true that expansion means that there will be increased workload in some areas of regulation in the next few years.

However, the CAA is proposing to levy an unprecedented level of costs associated with the Regulation of Airport Scheme charges on Heathrow. These include:

- a. £3.8million related to advisory costs in developing a new regulatory approach and policy in respect of the regulation of additional runway capacity in South East England. This appears to consist of £3.0million for external advisors and up to £0.8million for internal costs.
- b. £0.8million related to external advice on developing the price control conditions applying to Heathrow for the H7 Review.
- c. Finally, the Regulation of Airports charge is proposed to rise to 4.95 pence for each arriving passenger which is a 2.6% increase. It is unclear why this charge should increase given the already significant amount levied on Heathrow and the extraordinary charges for expansion related projects noted above.

The CAA must make savings to absorb these costs and reduce the scale of this increase. This is a direct analogy to Heathrow seeking to deliver expansion with no

increase to today's charges in real terms. At a bare minimum, there should be no increase in the Regulation of Airport's charge if additional project money is to be sought by the CAA.

CAA response
See our response under GEN 7 below.

General (GEN)

GEN1: A general price increase linked to inflation is acceptable

Ref 015

I think this is perfectly agreeable. A general price increase linked to inflation figures is acceptable.

Ref 028

We note and understand the reasoning behind the general price increase of 2.6% for 2018/19 (lower than the October 2017 Consumer Price Index rate of inflation of 3.0%) in order 'to ensure that the CAA can continue its programme of further efficiency improvements and can continue to meet its statutory regulatory requirements'. However, please note that many of the smaller Regional Airports, including Humberside Airport, have seen a reduction in income such that even the proposed increase places further pressure on our costs.

Ref 033

We recognise and welcome the efforts the CAA has made over the past few years to hold down costs and to make cost efficiencies. With this in mind we can understand the (lower than inflation) 2.6% general increase you propose for the charges, however we are disappointed that this proposed increase is much higher than the 1.5% incurred in 2017/18. We urge continued vigilance in terms of managing your costs and striving for increased efficiency.

Ref 037

In general, we note the increase of 2.6% across all charging schemes in 2018/19, and that this increase is lower than the current rate of CPI inflation, which we welcome.

Ref 038

The Historic Aircraft Association (HAA) is a membership organisation, whose aim is to promote the safe flying of historic aircraft in the UK. Many of our hundreds of members are actively engaged in the air display business and our comments on the proposed scheme of statutory charges for 2018/19 reflect that engagement.

We acknowledge and accept that it is reasonable that there should be an across the board increase of 2.6% on charge schemes in 2018/19.

Refs 036, 039

The AOA acknowledges the financial pressures faced by CAA with increases in the cost base as well as the need for investment in modernising systems. The AOA accepts the proposal for an increase of 2.6% across all Charges Schemes in 2018/19. Some charges do however increase beyond 2.6%, most notably Aerodrome licencing increasing by 21.5%.

However, the AOA remind the CAA of its de-regulatory agenda as well as the commercial pressures faced by airports. A defining feature of UK airports is that most operate in the private sector and as such they operate in a highly competitive environment, across all facets of their business. Keeping costs down delivers benefits not just to airports but airlines and passengers too.

To this end, the AOA encourages the CAA to explore the best practice of other economic regulators in the UK, which are targeting real price reductions. For example, Ofgem has committed to a 15% saving from 2016 to 2020 and Office of Rail and Road has committed to efficiency gains and kept its charges flat in its 2017/18 business plan.

The AOA has some specific concerns around the level of increase in areas where the CAA are undertaking new activities, particularly cyber security, unmanned aircraft systems and markets and competition work. The specific concerns are

addressed in the following sections. At a time when both the CAA and AOA are both working to reduce costly regulatory burdens, the AOA is concerned that in certain important areas, the regulatory burden on airports is again increasing and not decreasing.

The AOA therefore asks for greater clarity on the costs being applied and questions whether these charges must be applied collectively in the next financial year. Furthermore, the AOA questions as to why it is only the three principal payers (airports, airlines, ANSPs) that pay the costs. Other regulated stakeholders in the industry (e.g. cargo through-putters) might be considered in the charging schemes of the future.

The AOA also notes that some airports, particularly smaller airports, have experienced a reduction in income and with greater uncertainty related to the UK's decision to leave the EU, the AOA reminds the CAA that the proposed 2.6% increase will place further pressure on costs.

CAA response
Noted.

GEN2: The separate consultation in January 2018 on Brexit cost recovery will generate further debate on appropriate funding sources

Ref 028

Where an 'aviation deal' is not agreed prior to March 2019, would there be any change to the CAA's existing regulatory functions unless it was to be combined with a withdrawal from European Aviation Safety Agency (EASA), even though in all formal CAA information provided to date, the intent to remain within EASA has always been stated? We believe that most of the problems will lie with aircraft operators who may not be able to schedule their flights as they do now if the 'Freedoms of the Air are withdrawn as a result of the UK no longer being a member of the European Union (EU) and, as a consequence, airports might have to review their business plans if there is a consequential downturn in the number of flights. The

only change where 'aviation deal' is not agreed would be decisions on the 'Freedoms of the Air' and agreeing which airline from which country has the right to make internal flights within the UK under 'Cabotage'; however, this is a decision for the Government, not the CAA.

If the contingency planning is for a potential withdrawal from EASA, as airport, airlines and Air Navigation Service Providers (ANSP) already pay for the costs of EASA within existing fees; surely these funds would be simply transferred to the CAA? We would expect that if a decision was taken to leave EASA that the funding paid to EASA would be paid to the CAA in order that the functions to be replicated can be carried out, any additional one-off setup costs should be paid for by that part of the industry that is affected. The requirement for such contingency planning is an issue for Government not ANSPs or airports;

I am sure that the separate consultation in 2018 will generate an appropriate response once the current funding lines are made clear and areas for contingency planning made transparent.

Ref 033

We note you are having to forecast your costs in a period of uncertainty, with the impact from factors such as Brexit being unknown. Understanding this issue means that there are elements of your proposal that we are not going to question, but will rather await the outcomes and then deal with any corrective action required to realign the charges with actual charges in the future.

Ref 037

We note 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. Reference is made to a separate consultation in January 2018 but we note that this has not yet taken place. Further information on the purpose of the proposed charge and the rationale for recovering these costs from stakeholders is required. We would also be grateful for an update on when this consultation is likely to commence.

Ref 039

The consultation document notes 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. The CAA has also confirmed that it has already engaged a small number of staff working on Brexit issues and up to March 2018 the associated costs have been absorbed. As from 2018/19 it is proposed that this work should be funded by industry and it is expected that a significant step-up in activity will result, with 50 - 60 FTE's estimated for 2018/19.

The AOA requests further clarity as to what the additional costs for contingency planning will cover. The AOA believes the requirement for such scenario planning is primarily an issue for Government and the costs for scenario planning should not be borne by industry, although we accept that new charges result from a future agreement with the EU. Airports are already faced with a great deal of business and regulatory uncertainty due to Brexit, which is already having an influence on business planning and CAPEX investments.

CAA response
See chapter 2, section 2.1 in the main report.

GEN3: No apparent standard rounding policy on price increases**Ref 028**

Thank you for the opportunity to comment on CAP 1601 – Civil Aviation Authority (CAA) Statutory Charges 2018/19 Consultation Document. I have noted those increases that are detailed to be above inflation with all other increases uplifted by 2.6%. It is disappointing to note that there are errors within some of the amended charges such that some of the increases are greater than 2.6% or in a few cases, less than 2.6%; it is recommended that the CAA reviews all of the changed charges, other than those charges that are specifically detailed within the consultation document as being different to the 2.6% uplift. The CAA might also check how it rounds the calculations as there is no consistency to how rounding is applied, some are rounded down and some rounded up; there does not appear to be a standard process (where I have highlighted a difference (I have not checked every

calculation), I have applied a 'round up' at 0.5 and above otherwise I have rounded down). I have detailed those errors that I have found within this response.

Ref 039

The AOA notes that there are some errors through the Scheme of Charges and there seems to be no consistent process for the rounding of figures. The AOA asks that all figures are checked, amended, and communicated as required.

CAA response

The high majority of prices identified related to the maximum liability for a particular activity that is subject to excess hour charging. The policy adopted by the CAA is to round to the nearest £10 / £50 / £100 / £1,000 proportional to the value of the maximum liability rather than round to the nearest pound sterling an being applicable to all maximum liabilities over £1k. All other prices are rounded up at 0.5 and above. The only exceptions relate to inter-dependencies between charges for an activity due to one charge being twice that of another or a certain percentage of another and where the initial application charge, subject to excess hour charging, is tied into standard hours quoted in the Scheme.

GEN4: When will the full benefits of PBR be realised

Ref 037

We note the benefits claimed with respect to Performance Based Regulation (PBR) in general and the Entity Performance Tool in particular. However, we have not yet seen significant improvements in performance or a decrease in charges (other than by maintaining increases below the rate of inflation). Please indicate when the CAA expects the full benefits from PBR to be realised and the impact on statutory charges.

CAA response

The program of work to introduce Performance Based Regulation principles across SARG is well into an embedding phase. It was never a program to pass on savings to industry although some have interpreted it as such. Specifically, it

CAA response

was to use our resources more efficiently so that we could target them towards the areas of most significant safety risk. We can clearly demonstrate how that is being done in a way that was previously not the case.

The benefits of greater efficiency have additionally allowed the CAA/SARG to launch numerous initiatives, whole streams of work that would otherwise have required additional headcount have been absorbed within a largely unchanged headcount, without PBR this would not have been possible.

GEN5: Economic regulation of NATS**Ref 037**

We note the statement that NERL's Licence Fee is outside the scope of the consultation. We have already engaged separately with the CAA on the proposed charge. We look forward to the CAA's response to our questions so that the charge can be agreed before 1 April 2018.

CAA response

The CAA will continue to liaise with NATS on the NERL Licence Fee with a view to settling the 2018/19 charge by 1 April 2018.

GEN6: The CAA consultation commences in November when the airport and airline budgets have already been set**Ref 039**

The AOA notes the consultation period is once again misaligned with airport's financial year preparations. Many airports will have made arrangements already and negotiated with airlines. Furthermore, some tax years (e.g. Spanish owned UK airports) commence 1 January, not 1 April. The CAA consultation commences in November when airport and airline budgets have already been set for the following spring/summer. On this basis, the AOA recommends the CAA endeavour to carry out the consultation period far in advance of negotiations and the charges being applied.

CAA response

We acknowledge the mis-alignment between the budget setting process of airlines and airports with that of the CAA. However, the CAA Finance Advisory Committee (FAC) at which airline and airport representation is present discuss through periodic meeting through the year major issues that may affect charges for the forthcoming financial year commencing 1 April. The October FAC meeting identifies the main areas where additional funding will be required and the details surrounding those areas are explained at the November FAC meeting prior to Industry consultation launch.

GEN7: The CAA is imposing a significant cost burden on Heathrow Airport**Ref 036**

The CAA is proposing a significant cost burden on Heathrow, in excess of £10 million. This comes in a time when the entire aviation industry is finding cost efficiencies and lowering charges to consumers. It is important that the CAA takes the lead and mimic competitive behaviours. Savings have been achieved by the CAA, which should be passed back to industry through lower charges. Alternatively, these savings should offset other activities.

The CAA must address it proposed increase in charges and target itself with real term reductions both in 2018/19 and over the medium term. This is normal practice. In particular, we call on the CAA to:

- a. Commit to a framework of no real terms increases in charges over the life of the Heathrow expansion programme;
- b. Address the proposed increase of 2.6% in the Regulation of Airport's charge;
- c. Provide transparency on the work proposed for expansion regulation and other project work. Engage in a dialogue with Heathrow to seek ways to minimise this workload and thus costs for the entire aviation industry and its passengers;

- d. Reduce the very large increases in aerodrome licence fees to more acceptable levels; and
- e. Eliminate double counting and overlapping work, so that efficiencies made across the CAA work programme can be passed back to consumers through lower charges.

Heathrow trusts that the CAA will act on the points made in making its final decision on statutory charges for 2018/19.

CAA response

We acknowledge the concerns expressed by Heathrow Airport. As stated in our Consultation document (CAP 1601), over the last eight years the increase in our charges was only 5.3% while in the same period UK CPI inflation was 18.4%, and we were able to achieve this as we worked hard to reduce our operating costs over the same period. The major CAA Transformation Programme and the Performance Based Regulation was funded entirely from internal savings and these programmes will continue to deliver efficiencies and better customer service. We remain fully committed to controlling our overall costs to make these improvements in our efficiencies and to our customer services as an effective aviation regulator.