

Statutory charges 2019/20: Consultation document

CAP 1720



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Chapter 1

Introduction

This consultation document explains our proposals for revisions to the existing CAA Charges Schemes, due to take effect from 1 April 2019.

We believe our proposals represent a fair and balanced approach to charging and we look forward to receiving feedback on these proposals, in particular from those regulated by us.

We welcome comments on all aspects of the proposals, including the charges structure and the level of the charges. Please could you use the CAA Statutory Charge 2019/20 Consultation online submission form (CAA Consultation web page link). The consultation closes on 7 February 2019.

It should be noted that the CAA is continuing discussions with the DfT on the best way to introduce the Drone Registration Service together with Remote Pilot Competency education for introduction with effect from 30 November 2019. A separate charges consultation will be undertaken early in 2019 in relation to this. The exact timing of the charges consultation is yet to be finalised but the proposed charges will be planned to be implemented with effect from 1 October 2019 when registration applications will start to be accepted.

Overview of our proposals

As a body that is directly funded by charges paid by those we regulate we fully understand the difficulties the industry continues to face. This is one of our primary considerations when we set our charges.

Over the past eight years the increase in our charges was only 7.9% while in the same period UK inflation¹ was 20.2%. This is because we have worked hard to reduce our operating costs over the same period.

However, we continue to face significant financial pressures, with increases in our cost base as well as the need to make crucial investment in modernising our systems. The Project Delivery (Transformation Programme) has and will continue to deliver efficiencies and better customer service. As such we are committed to controlling the costs of making these improvements.

¹ CPI

Given these current cost pressures, we propose that there should be an increase of 2.4% across all Charges Schemes in 2019/20, in line with the current CPI² rate of inflation.

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

- 1. Brexit:** The CAA has been undertaking contingency planning for two different Brexit Scenarios:

A: the first is that the UK remains a member of the EASA system of safety regulation for the whole of 2019/20;

B: the second is that the UK departs the EASA system of safety regulation on 29 March 2019, and at that point, and for the duration of 2019/20, the arrangements set out in the [Technical Notices published by the UK Government on 24 September 2018](#) prevail.

During 2018/19, the CAA has been preparing to implement Scenario B on a contingency basis and by the end of 2018/19 will have recruited up to 55 FTEs to carry out the necessary tasks that are required both in 2018/19 and from 2019/20. Up to £2.7m of its costs incurred in 2018/19 in preparing for this scenario have been funded by the Government. However, the CAA is working on the basis that the Government will not fund any incremental Brexit costs in 2019/20 and therefore any additional costs will be absorbed by the CAA's statutory scheme of charges.

Further information regarding the implication of these two scenarios are outlined in chapter three of this document.

- 2. Cyber Programme:** In 2018/19 the Scheme of Charges uplift of £0.5m enabled the CAA's core regulatory function to become established and commence the new oversight regime for cyber security. There was a recognition that this funding uplift would fulfil part of the requirement and the CAA has set-up a core cyber team that has progressed with the implementation of the CAA's cyber oversight strategy.

The EU's Network and Information Security (NIS) Directive was transposed into UK law in May 2018 which designated the CAA as co-competent authority with the DfT for the 12 organisations that fell within scope in the aviation sector. These operators of essential services (OES) have been designated under NIS having met the thresholds based on the level of

² ONS October 2018 CPI rate.

economic or societal impact which could result from disruption to the services they provide.

Clarity has been gained this year on the requirements for both the CAA and Industry as the roll out of the NIS Regulation has progressed. However, to meet the statutory obligations, set out under NIS and take on the full remit under EU legislation for safety, we estimate an uplift for the next financial year to be £274k to enable a growth in team size of an additional 3 resources. This will enable the CAA to develop from the information gathering and set-up phase into active oversight with respect of NIS, and to continue to develop an appropriate and proportionate performance-based oversight regime in respect of aviation safety. The additional cost will be charged equally to each of the 12 operators designated under the NIS Regulation.

3. **Airspace Change Process & Airspace Modernisation Strategy**

Programme: Relating to the Airspace Change Process the CAA's new CAP1616 Airspace Change Process places additional requirements on the CAA, particularly with new review gateways. In addition, there has been a significant increase in the volume of airspace change applications (in 2015 we received 7 change requests and in 2018 so far that number had risen to over 70). We propose two phases of resource increases to manage this new level of demand and requirements for the process: in 2019/20, we propose increasing the FTE resources by 9 at a cost of £416k with a phased introduction over the course of 2019, funded from April to December 2019 by airports and National Air Traffic Services En Route PLC (NERL) and thereafter via the UK Eurocontrol En Route unit rate i.e. outside of the Schemes of Charges. We propose a further increase of 7 FTEs in 2020/21 funded through the UK Eurocontrol En Route unit rate and depending on demand we may need further FTE increases in future years.

This proposal concerning the Airspace Modernisation Strategy Programme covers new resources to deliver new sponsorship and the delivery monitoring and oversight tasks required of the CAA by the UK Government under revised Directions. We propose to increase resources by 9 FTEs to deliver these new tasks with a phased introduction over the course of 2019, funded from April to December 50:50 by the DfT and by airports and NERL, and thereafter via the UK Eurocontrol En Route unit rate. The costs to the CAA Airspace charging scheme in 2019/20 will be £208k. We propose a further increase of 4 FTEs in 2020/21 funded through the UK Eurocontrol En Route unit rate and depending on demand we may need further FTE increases in future years.

Unless otherwise indicated all prices shown in this document are exclusive of the proposed 2.4% general price increase.

Chapter 2

Key Updates

De-risking of CAA International Ltd (CAAi) Profit Contribution to CAA

As stated in the CAAi Annual Report and Financial Statement for FY17/18, the company operates in a highly competitive environment. Economic conditions have become more challenging in recent years and the future presents some uncertainty. This is driven by: the decline of oil prices from 2015 driving down demand in the Middle East which has yet to return, in spite of some oil price recovery; strong competition from other consultancies with a far lower cost base; foreign Government bodies offering services but with external funding; and, most recently Brexit.

Brexit, and in particular a 'No Deal' Brexit, is a major threat to CAAi. Initial impacts on revenues are estimated at a reduction of £7.5m, approximately 50%. This is made up of projects that directly depend on our EU Member State status and our membership of the EASA system, as well as indirect impacts related to services offered to 3rd countries where EASA alignment is part of the client's requirements. The current uncertainty has already had an impact on training and exam revenues and it is clear EASA are making decisions now to manage their own exposure no matter what the Brexit outcome, further increasing risks to future revenues.

This uncertainty about CAAi future profits is not simply a threat to CAAi, it represents a significant risk to CAA's overall financial position and must be managed if CAA is to fulfil its statutory obligations.

Over the last five years, we have used the cash profits from our commercial activities to reduce the fees and charges paid by stakeholders; this has amounted to approximately £2.5m cash per annum over the last 5 years, or approximately 3.5% of charges reduction, across the schemes supporting SARG. We are committed to the gradual reduction of CAA's reliance on this cash contribution over the coming years so that the risks to CAA finances noted above are mitigated and profits can be retained by CAAi for reinvestment, buffering their own risk and making targeted interventions aimed at benefiting the UK consumer flying overseas. This change is consistent with the general principles that regulation should be cost-reflective and that commercial risk from operations should not be carried by our regulatory charge-payers.

The current cash contribution to CAA absorbs nearly all of the cash profit possible from the current revenues, restricting the ability to invest and therefore reducing the opportunity for growth. This puts at risk not just the cash contribution to CAA

finances, but the total contribution from CAAi to CAA, the benefit of which is felt as a reduction in fees and charges: this includes overheads levied on each Full Time Equivalent purchased by CAAi from CAA and the company charges paid by CAAi to CAA. The total CAAi contribution to CAA including manpower costs is approximately £6m p.a. and excluding the manpower costs this amounts to approximately £4.7m p.a. in direct contribution to CAA finances; a failure of CAAi will have wider implications than the cash contribution.

A failure to develop the company's product propositions and pricing strategy in line with changing market dynamics and expectations could further erode the company's competitive position. To grow (or even to stand still) CAAi needs to invest in new and refreshed products and services, including investment in specific key future competencies in CAA where use of current charging schemes would not be appropriate. In addition, CAAi is now an accredited Social Enterprise, committed to using profits to improve aviation standards across the globe, to the benefit of both UK consumers and UK industry. Recent contracts with Thailand (a significant UK consumer destination) have helped them remove their ICAO issued 'Significant Safety Concern', and we have worked with growing aviation states such as Kuwait to restructure their regulatory framework and increase inspector competence. In line with our social enterprise agenda we have then used some of these profits, where in excess of the contribution, to invest in our purpose, for example fully funding two Aerodrome Certification courses, one in Africa and one in South East Asia in partnership with ICAO, as well as offering training places to ICAO as part of their 'No Country Left Behind' agenda. CAAi is also underwriting a specialist post in Wildlife Hazard Management for our State Safety Partnership Team, to be able to work with overseas NAAs and UK industry to help address birdstrike hotspots; a recent project in partnership with a UK carrier has made a significant impact on birdstrike risk in the Gambia. This is raising UK's profile and reputation around the world and particularly within ICAO.

Considering the risks to CAA finances being carried by the high level of uncertainty surrounding market conditions in general and Brexit in particular, it is now time to reduce the dependency on CAAi's cash contribution in line with the CAA strategy and to support CAAi's overall contribution to the CAA's purpose. However, we are also cognisant of the other Brexit related costs included in this year's consultation; we are therefore proposing that the 2019/20 cash contribution is limited to £2.25m, a reduction of £250k. Further reduction in CAAi profits may be considered in future years.

Project Delivery (Transformation Programme)

Over the last year, we have integrated the delivery of the Transformation Programme into the Portfolio Delivery business department – a permanent function that has

enabled the more effective delivery of projects required to support significant change happening across the business. Over this period, we have continued to deliver on the Transformation Programme, and completed the Aviation Statistics and the Entity Performance Tool projects.

Aviation Statistics – Project Closed

Following the delivery of the Aviation Statistics project in May 2016, which implemented a new IT system for the management of data collected from airlines and airports, the project delivered three more software releases to improve the functionality and further enhance the system. The final release of Aviation Statistics was delivered in December 2017.

The Entity Performance Tool (EPT) into Performance Based Regulation (PBR) – Project Closed

The Entity Performance Tool (EPT) captures information about risks and supports our Performance Based Regulation approach. After the successful delivery of Phase 1 in August 2015 and Phase 2 in August 2016 the third and final software release was delivered early in February 2018. This represents an evolution of the current tool and a step closer towards a fully integrated system to support Performance Based Oversight which improves the CAA's ability to allocate resources to areas with the greatest potential to enhance safety.

The Customer Relationship Management and Portal

Following the successful delivery of a more stabilised Portal platform in January 2016, we have focused on the following initiatives across the project.

- *Resource Scheduling*
This benefits internal productivity by improving the way we schedule the work of surveyors and inspectors, to ensure we optimise the use of our resources. We plan to conclude and close as a Transformation Programme project in Q1 2019.
- *E-licensing for commercial pilots*
This is an online service which enables our commercial pilots to apply for licenses and ratings through a personal portal account. This was launched in December 2017 and we have since made further improvements based on stakeholder feedback through software releases every 2-4 weeks which we aim to complete in March 2019. We are reviewing how we expand e-licensing to other licence holders (for example, private pilots, engineers).

ATOL Licensing Phase 4 – November 2018

The ATOL Licensing project has delivered a new online self-service system for travel businesses to apply for, amend or renew their ATOL licence and by which they can

track their licence applications. This system replaced the paper-based system to enable us to provide a quicker service to the travel industry. The project successfully launched the system with four ATOL holders in June 2017 followed by the roll-out to 268 ATOL holders in January 2018. The system then went live and was available to all ATOL holders in June 2018. Since then further enhancements have been made to the system and we expect to close this as a Transformation Programme project in December 2018.

Stakeholder Management & Engagement

Following the successful delivery of our new website in December 2015, we have established an in-house website team to allow us to be more responsive to changes required, such as developing a reusable microsite which is being used for Brexit. The project also designed and implemented a more strategic approach across the organisation to stakeholder management and engagement. We expect the project to conclude as a Transformation Programme project in March 2019.

Information Strategy

The objective of this project is to improve how the CAA shares consistent and accurate data so that the right information is available in the right format and of the right quality, enabling us to make decisions that support optimal outcomes. This is achieved through delivering the appropriate governance and technology. An Information Governance Framework was released in 2016 followed by the delivery of Microsoft Office 2016, Skype and OneDrive across the organisation which concluded in February 2018. In March 2018, remote working connectivity tokens were replaced with improved methods to connect to our network in support of our Smarter Working strategy and in September 2018 the organisation wide roll out of Azure Information Protection was completed, improving the way we classify and handle information. The focus of the project is now the continued roll-out of SharePoint Online which will be the corporate content management system and has been delivered to 3 business areas to date.

Corporate Services Improvement (CSI)

The aim of the CSI project is to update our ageing finance, procurement and HR IT systems implementing a modern, integrated solution. Following consideration of a joint initiative, working with other Regulators the CAA decided to proceed separately with the project. A feasibility study was completed in February 2018 which led to solution option being agreed (SAP Business by Design and Success factors). Procurement concluded in September 2018 and the delivery partner is onboard with project mobilisation underway.

Chapter 3

Main charge proposals

General price increase

We have made every effort either to keep charges at the previous year's level or to increase charges at a rate no more than inflation. Over the past eight years, the charge increase was 7.9% compared to a UK inflation of 20.2% for the same period. We have achieved this by making efficiency savings as we implement major changes to the way we operate.

With the backdrop of the current CPI level being 2.4%, we are proposing to make a general price increase of 2.4% for 2019/20. This will ensure that we can continue our programme of further efficiency improvements, and that we continue to meet our statutory regulatory requirements.

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

Brexit cost recovery

Brexit is an important issue for aviation, as it is for other sectors of the economy. In this charging consultation, we have included two different Brexit scenarios:

- **A:** the first is that the UK remains a member of the EASA system of safety regulation for the whole of 2019/20;
- **B:** the second is that the UK departs the EASA system of safety regulation on 29 March 2019, and at that point, and for the duration of 2019/20, the arrangements set out in the [Technical Notices published by the UK Government on 24 September 2018](#) prevail. In this scenario, the CAA would have to undertake various additional tasks in order to minimise potential disruption to the travelling passengers and the industry that enables them to travel.

In both cases, we are assuming that certainty about the outcome will occur close to the end of 2018/19 and therefore the CAA will continue to plan for scenario B above until that point.

During 2018/19, the CAA has been actively preparing and implementing plans for Scenario B and by the end of the year will have recruited up 55 FTEs to carry out the necessary tasks. Up to £2.7m of its costs incurred in 2018/19 in preparing for this scenario have been funded by the Government. The CAA is working on the assumption that the Government will not be funding any incremental CAA Brexit

costs in 2019/20 and therefore any additional costs will be absorbed by the CAA's statutory scheme of charges.

The implications of these two scenarios is set out below.

Scenario A: the UK remains part of the EASA system

In this scenario, the no deal Brexit contingency plan would not need to be implemented beyond the point that it had already reached, and there would be a scaling back of this activity to minimise unnecessary costs.

On the basis that there is certainty no later than the end of March 2019, the CAA estimates that it would incur approximately £0.4m of costs in 2019/20 as the team that has been recruited to develop and implement the no deal Brexit contingency plan is efficiently managed down to reflect the change in workload.

We would propose recovering these costs by increasing the variable charge unit rates by 1.2% within the following schemes:

- Air Operators Certification;
- Aerodrome Licensing and Aerodrome Air Traffic Services Regulation;
- Air Transport Licensing;
- Regulation of Airports;
- Aviation Security.

It is possible that there will be certainty about the UK's long-term membership of EASA before the end of the current financial year. As soon as sufficient certainty is realised, the CAA will minimise its financial exposure and adjust the charges appropriately to reflect the relevant costs in the following year.

Scenario B: the UK leaves the EASA system in March 2019

This is the scenario which the CAA has been preparing for during 2018/19. In doing so, the CAA's objective has been to minimise potential disruption to passengers and the aviation industry from such a scenario. The CAA's preparations for this and the additional activities it would take on are set out on our dedicated website. In total, in this scenario, we estimate that our statutory charges would increase by a total of £3.6m. These costs would be recovered as follows:

- a) New activities for which there is an associated income stream:
 - ICAO State of Design Approvals, including Design Organisation and Production Organisation Approval. We estimate this will require an additional 19 FTEs at a cost of £1.8m. Cost recovery would be via the Airworthiness Scheme of Charges.
 - Airline licencing, including foreign operator permits. This would cost an estimated £0.1m.

- Aviation security would be undertaking the additional work to assess EU country air carriers to recommend to the DfT for approval of third country operators to fly cargo into the UK. An additional 2 FTEs at a cost of £0.1m are required and the cost would be recovered by increasing the aerodrome variable charge unit rate in the Aviation Security Scheme.
- b) Activities recovered through an adjustment to CAA's variable charging schemes:
- Some of the incremental activities are not related to specific charging mechanisms and, therefore, we propose to increase each of the variable charges (Air Operators Certification, Aerodrome Licensing and Aerodrome Air Traffic Services Regulation, Air Transport Licensing, Regulation of Airports and Aviation Security) by 5.4% to recover the estimated costs of £1.6m and CAAi's reduced profit contribution (£250k).

These incremental activities are spread across a range of CAA's functions and includes:

- Increase in activity in CAA's Shared Service Centre managing new licencing processes;
- Increase policy and legal capability to review and consider potential changes to UK aviation legislation at the end of the 2-year period set out in the proposed secondary legislation (and as detailed in the Technical Notices);
- A programme team to ensure that the new responsibilities the CAA is taking on are being professionally managed;
- Communicating changes to the aviation system to the industry and passengers, and responding to a significant number of additional public queries;
- Contingency for costs that can't currently be foreseen;
- Reduction in the cash contributed from CAAi reflecting the assumption that EASA would no longer be contracting work to CAAi.

More information and regular updates can be found on the [CAA's EU Exit microsite](#).

Cyber Programme Cost Recovery

Throughout 2018, the proliferation of worldwide cyber-attacks continues to cause concern with the aviation industry now being targeted alongside other industries. This goes to underline the requirement for the CAA's approach of a robust regulatory framework to be in place as soon as possible.

Additionally, the EU Network and Information Security (NIS) Directive gives the CAA additional responsibilities for the economic security of critical national infrastructure.

The CAA was designated as co-competent authority alongside the DfT and oversight has now commenced with the 12 organisations that were designated under the regulation.

In 2017 we set out our strategy to mitigate risks to consumers and the public, by developing an appropriate regulatory framework.

The core principles of this approach have evolved as follows:

- Establish relevant standards (set out in CAP 1574) for cyber protection and management for all aviation entities;
- Develop a robust third-party audit framework utilising cyber specialist accredited under the new Air Transport Targeted Ethical Security Testing (ATTEST) framework;
- Require in scope aviation entities, in respect of NIS, to assess themselves against cyber standards set out by the CAA, and in some cases procure audits via the ATTEST framework to assess their performance against those standards;
- Oversee entities' compliance with recommendations as assessed via ATTEST;
- Enable all entities to participate in a proportionate cyber oversight regime with optional use of the ATTEST capabilities where not required by EU law;
- Maintain oversight of the ATTEST framework

Funding CAA's cyber oversight capability

Year 1 of the NIS implementation has commenced with an information gathering exercise with the 12 designated Operators of Essential Services (OES) which concludes early in 2019. The next phase is to establish and roll out an accreditation regime to enable third party cyber security audits. The CAA announced in October 2018 they have established a new partnership with the Council for Registered Ethical Security Testers (CREST) to create this new framework which will be known as ATTEST. Commencing in the summer of 2019 the 12 organisations that are designated under NIS will be instructed to engage with third party organisations accredited under ATTEST and the outcome fed through the established oversight processes within the CAA. These entities remain responsible for their own cyber security and understanding their own risk picture.

In order to continue to develop and set-up the full oversight capability in respect of NIS, and an appropriate and proportionate performance-based oversight regime in respect of aviation safety the CAA estimates an increase 3 FTEs.

This team is responsible for:

- Maintaining relevant standards;

- Setting up, maintaining and overseeing the ATTEST accreditation framework for competent third-party auditors with its partner CREST*;
- Reviewing self-assessment and third-party ATTEST audit reports;
- Discussing findings with entities and agreeing action plans to ensure appropriate compliance with ATTEST recommendations;
- Linking this activity as far as practicable with existing safety processes.

The required skillset will encompass a blend of aviation and cyber experience and knowledge. The requirement for 3 additional FTEs will enable the CAA to set-up both the safety and economic resilience methodologies required to span the EU and NIS regulations.

How the costs should be allocated

The uplift in costs in 2018/19 were equally split across airline, airport and air traffic sectors. Having reviewed this split the same will apply this year. The additional costs of £274k, however, will be distributed equally between the 12 operators of essential services designated under the NIS Regulation. The core focus of activity for next year will be rolling out the new third-party audit regime with the OES, integrate the output of these reports into current Performance Based Oversight activities and commence engagement with those organisations not in scope of the NIS regulation.

Airspace Change Process (ACP) and Airspace Modernisation Strategy (AMS) Cost Recovery

There is a requirement for additional resources to service the existing airspace change process and those required to fulfil the new AMS functions given to the CAA by the DfT under the Government's new airspace directions 2017 and on which the CAA consulted in July 2018 as part of the recent AMS. The following proposals emanate from these considerations.

Airspace Change Process

We propose to increase resources in two phases. The first is in 2019/20 and involves increasing by 9 the FTEs dedicated to airspace regulation. This will be at a cost of £416k with a phased introduction over the course of 2019, funded from April to December 2019 by airports and National Air Traffic Services En Route PLC (NERL) and thereafter via the UK Eurocontrol En Route unit rate i.e. outside of the Schemes of Charges. We propose a further increase of 7 FTEs in 2020/21 funded through the UK Eurocontrol En Route unit rate and depending on demand we may need further FTE increases in future years.

The rationale for the additional resources:

- The CAA's new CAP1616 ACP places additional requirements on the CAA, particularly new review gateways.
- The volume of airspace changes is increasing. In 2015, we received 7 applications for airspace changes. In 2018, we have received over 70 applications, and looking to the future, we are expecting to review 14 major changes as part of the Future Airspace Strategy Implementation (FASI)-South programme. This size of programme is unprecedented in scale.
- Airspace change is becoming more litigious in nature: this means that the CAA will be required to continue to demonstrate diligence in its approach to each change.
- The 9 FTEs will be a mixture of technical regulators, project managers, lawyers etc.

The rationale for charging airports and NERL for this increase:

- These parties are those who are most likely to sponsor airspace change this remains consistent with the funding approach for 2017/18 and 2018/19 in the development of the ACP Portal with its successful launch on 24 October 2018.
- From 2020, we are assuming that these incremental costs will be factored into the UK Eurocontrol En Route unit rate. This is on the basis that the main beneficiaries of airspace change are all airlines flying in UK airspace and because the UK Eurocontrol En Route unit rate is already used to fund UK airspace regulation costs.

Airspace Modernisation Strategy

This proposal covers new resources to deliver new sponsorship and delivery coordination tasks required of the CAA by the UK Government as part of the Airspace Modernisation Strategy. We propose to increase resources by 9 FTEs with a phased introduction over the course of 2019, funded from April to December 50:50 by the DfT and by the airports and NERL, and thereafter via the UK Eurocontrol En Route unit rate. The CAA cost will be £208k recoverable via the Airspace Scheme. We propose a further increase of 4 FTEs in 2020/21 funded through the UK Eurocontrol En Route unit rate and depending on demand we may need further FTE increases in future years.

The rationale for the additional resources:

- **Sponsorship:** this will be a joint task with DfT and will involve commissioning projects (e.g. FASI-S, Electronic Conspicuity (EC) etc) from third parties and agree project delivery roles and deliverables.

Decide whether and how to escalate issues to Ministers/CAA Board as required for decision.

- ***Delivery Monitoring & Oversight:*** though the Delivery Monitoring & Oversight function will not have powers to compel action, it will need to exhibit leadership for progressing the overarching AMS programme, develop overarching programme plans, monitor risks to delivery, report on progress, and help problem solving. Project specific Project Management Offices will be established for key elements of the programme (e.g. FASI-S, FASI-N, EC, etc). The team will have a mixture of leadership, technical and programme management capabilities.
- The new AMS governance structure is intended to mark a substantial stepping up in Government and CAA leadership of modernisation (whilst recognising that much of the detailed delivery will happen at a project level), and both parties want this change to be impactful, visible and to have the confidence of all airspace stakeholders (commercial air transport, GA, military etc). This role and approach has been part of the recent AMS public engagement process.
- DfT and CAA's current view is that an additional 9 FTEs for this role is justified.

The rationale for the charging approach:

- To help establish the function, DfT is willing to fund 50% of CAA's incremental costs in 2019/20 only.
- UK airports and NERL are the main drivers and beneficiaries of the wider airspace modernisation programme, though this is an imperfect allocation as it does not include overseas airlines or GA.
- Post January 2020, all commercial airlines using UK airspace would fund the modernisation programme through the UK Eurocontrol En Route unit rate. The UK Eurocontrol En Route unit rate is already used to fund all other airspace regulation costs.

You can find our full pricing proposals in chapter four.

Chapter 4

Charge proposals by individual schemes

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

However, as detailed in the 'Overview of our Proposals' section in chapter one, all charges are due to increase by 2.4%. These charge increases will be shown in the attached Enclosures.

Safety Regulation Schemes of Charges

The structural changes and pricing proposals of the Safety Regulation Schemes are detailed below:

Air Operator and Police Air Operator Certification Scheme

Structural Changes

Balloon Operator Declarations

Under Regulation (EU) 2018/395, with effect from 8 April 2019 commercial balloon operators will only have to declare their operation to the CAA. Balloon AOC certificates issued to operators of balloons by the UK CAA before 8 April 2019 shall remain valid until 8 October 2019 or to the date of the next AOC renewal should that date be sooner. Revised charges for Balloon Operator Declarations are shown in the AOC Scheme Enclosure.

Pricing Proposals

The prices under this Scheme are proposed to increase by 2.4%. In respect of the AOC variable charge unit rates an additional 5.4% increase, in respect of funding for a Brexit no deal scenario and CAAi's reduced profit contribution, is proposed to be added to the Scheme variable charge unit rates – see chapter two above. The 2019/20 unit rates are proposed as follows:

- 2.57 pence (2018/19: 2.38 pence) per 1,000 available seat-kilometres flown by that aircraft; and
- 12.55 pence (2018/19: 11.64 pence) per 1,000 cargo tonne-kilometres flown by that aircraft.

Unless otherwise indicated all prices shown in this document are exclusive of the proposed 2.4% general price increase.

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

Airworthiness Scheme

Structural Changes

Design Capability – Brexit

Following a Brexit no deal scenario, the functions currently performed by EASA in relation to the following activities will pass to the CAA for which the following charges are proposed.

Design Organisation Approvals (Part-21 Subpart J)

Transition charge

Under a Brexit no deal scenario we have prepared available resource to assume oversight of the current UK Design Organisation Approvals (DOAs) and Alternative Procedure to Design Organisation Approvals (ADOAs) currently holding EASA DOAs and ADOAs. To recover the additional 19 FTE resources to cater for the design capability cost, we have proposed to introduce a transition charge for applications received to obtain UK-issued DOA or ADOA approval under Part-DOA that currently hold an EASA-issued DOA or ADOA.

As we are not fully aware of the requirements to oversee these organisations undertaken by EASA, we propose to charge in respect of the transition application on the basis of the EASA surveillance charge categories uplifted by 202% to ensure full cost recovery for the DOAs and we propose to charge a transition fee of £3,505 for each ADOA application. The total income generated by these transition charges is estimated to be £1.8m. We are aware that EASA is reviewing increasing its charges as from 1 January 2019 due to under-recovery of its associated costs.

Initial and variation charges

The proposed charges relating to the initial and variation applications for DOA and ADOA approvals, are as follows:

Activity	Charge
<i>Initial applications:</i>	
Part-21J DOAs covering:	
Type certificates	£14,020
Supplementary type certificates (STC) / Major repairs	£14,020
Minor changes / minor repairs	£7,010
European Technical Standard Order (ETSO) ADOAs	£7,010
<i>Variation applications:</i>	
Part-21J DOAs	£1,736
All the above charges are subject to excess hour charges at £204 hr up to a maximum of £120k per year or part of a year, in which the investigations take place.	

Type Certification Approvals – Aircraft Engines & Auxiliary Power Units - Brexit

In respect of an application for the approval of an engine or an auxiliary power unit which would include investigations concerning defects in or modifications to an approved engine or an approved auxiliary power unit, a charge of such amount as may be decided by the CAA having regard to the expense incurred by it in making the investigations, but not exceeding:

- in the case of gas turbine engines, £378,000;
- in the case of any other engines of 300 kW or less, £34,000;
- in the case of any other engines or auxiliary power units, £64,000;

for any year, or part of the year, during which the investigations are carried out.

The income generated from this activity is not expected to be significant.

Aircraft and Aircraft Engine Emissions - Brexit

In respect of an application for:

- a) the certification of a type of aircraft or a type of engine as complying with requirements relating to fuel venting, or
- b) the certification of a type of turbojet or turbofan engine as complying with requirements relating to smoke emission,

the applicant shall pay in each case, for the investigations required by the CAA, a charge of such amount as may be decided by the CAA having regard to the expense

incurred by it in making the investigations but not exceeding £86,500 for any year, or part of the year, during which the investigations are carried out.

The income generated from this activity is not expected to be significant.

STC / Major Modification Validation - Brexit

Two new provisions are to be added to the Scheme to ensure CAA cost recovery for validation work that will be needed in a Brexit no deal scenario to meet the UK's State of Design/State of Registration responsibilities. The first will address the validation of incoming design changes (Supplementary Type Certificates and Major Changes/Repairs) installed on aircraft intended for the UK register, the second will provide for recovery of CAA costs at an hourly rate when supporting the external validation of UK designs by other Regulatory Authorities.

The proposed charge details can be found in the Airworthiness Enclosure attached to this consultation.

Part-21G Annual Charges

As from 1 June 2016, the pricing structure for Part 21G approvals was amended to introduce a two-banded regime within the Airworthiness Scheme for both initial applications and annual charges.

This adjustment was to better reflect the perceived proportionate charging between those Part 21G approvals holding just C and/or D ratings from those larger organisations that hold A and/or B ratings.

This brought the Part 21G approvals into line with the Part-145 and Part-M SpG approval price structure which were already reflecting a two-banded structure.

However, whilst the CAA re-adjusted its budgets to accommodate the reduction in income it has now reached a stage where the reductions which have impacted the 2017/18 and the 2018/19 annual charges are proving to be unsustainable and not adequately reflecting the cost of the oversight undertaken.

Therefore, it is proposed to increase the annual charge for the Part-21G approval holders holding just C and/or D ratings from £3,505 to £10,515 for those organisations with an associated annual turnover greater than £2.25m. The annual charges relating to the other two categories of annual turnover will remain unchanged at £3,505 (2018/19 prices).

The Part-21G initial application charge, for C and/or D ratings only, of £3,505 will also remain unchanged as this charge is subject to excess hour charges up to a value of £120,000 (2018/19 prices).

The additional annual income generated from this proposed increase in annual charge is estimated at £700k.

It should be noted that the comparable EASA charges for Part-21G surveillance (annual) charges are all higher than the CAA proposal, ranging from £7k to £45k depending on related organisation annual turnover. EASA has already indicated that it may increase its charges next year by between 30% to 60% to ensure full cost recovery for this regulatory activity.

Part-CAO and CAMO Charges

It is expected that Part-M Light, Part-CAO and Part-CAMO will be voted on by the EU Commission and adopted in the UK in early 2019/20. The main impacts will be:

- Part-M Subpart F approval holders will be required to convert to Part-CAO during the 2-year period from regulation adoption.
- Part-M Subpart G approval holders will be required to immediately convert to either a Part-CAMO (requires a Safety Management System (SMS)) or Part-CAO (no SMS required) approval on the date of regulation adoption.
- Part-ML will permit Part-66 engineer approvals to carry out airworthiness reviews and issue the Airworthiness Review Certificates on European Light Aircraft (ELA) 1 and ELA 2 aircraft.
- Aircraft under Part-M which are to be transferred to Part-ML will require a new ARC to be issued under Part-ML at the next ARC renewal date.
- No new applications for a Part-M Subpart F or Subpart G will be accepted as from the Regulation adoption date.

The new approvals where appropriate have been aligned to the current charges. However, all proposed amendments are shown in the attached enclosure. It is not expected that there will be a material change in income generation as a consequence of the transition of Part-M Subpart F and Subpart F approvals to Part CAO and Part CAMO approvals.

Pricing Proposals

The prices under this Scheme are proposed to increase by 2.4%. Unless otherwise indicated all prices shown in this document are exclusive of the proposed 2.4% general price increase.

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

Personnel Licensing Scheme

Structural Changes

Medical System Replacement Programme – Medical Assessment Charges

The current systems used by the Medical team to support the issuing of medical certificates are the Medical Administration & Reporting System (MARS) and the Aeromedical Examiner (AME) Online. These are legacy systems which have been in

place for almost 20 years, use technology which is no longer supported and are increasingly becoming unfit for purpose.

In September 2017 the Medical System Replacement Programme commenced a project to replace the current MARS/AME Online system. This recommendation stemmed from the basis that the system no longer met the needs of CAA colleagues nor the external Aeromedical Examiner (AME) user community expectations.

The overall objective of this project was to replace the current MARS and AME Online medical system with a modern fit for purpose commercially available and supported system which facilitated compliance with EASA regulations. This new online system is planned to be introduced by 1 April 2019.

Thereafter, the AME will no longer be invoiced quarterly for the charge for each medical report submitted to MARS/AME online. Instead, the pilot / Air Traffic Control Officer (ATCO) or student will use the new online system and pay online before submitting an application for a medical assessment.

The charges are proposed to be:

Medical Assessment Type	Charge
Class 1	£14
Class 2	£8
Class 3	£14

All applications for medical assessments are required to be made via the new online system, Cellma, and on the basis of approximately 43,500 medical assessments per annum the estimated annual income generated is £450k. For 2019/20 there will continue to be no charges for LAPL or self-declared medical assessments using the online system, however this will be subject to review for the 2020/21 Scheme.

It is planned that the charges will be reviewed again next year to reflect the knowledge gained from operating the new online medical system.

Part-66 Aircraft Engineer Change of State

Where a Part-66 approval holder wishes to change the State of issue of his/her approval from the UK, a charge of £120 has already been introduced during September 2018. It is proposed to incorporate this charge within the Scheme as from 1 April 2019.

The income generated from this activity is uncertain at present but could involve 1,000 engineers in 2018/19 which would total £120k. The income generated in 2019/20 is less certain and estimated to be in the order of £25k.

Pilot Licence and Medical Records Change of State

Where a pilot wishes to change the State of issue of his/her licence from the UK CAA to another National Aviation Authority (NAA), then we have been charging £45 to process the information required to the receiving NAA.

It is proposed to incorporate the existing charge of £45 to move the licence to another NAA within the Scheme as from 1 April 2019. There will be no change to level of income received from these charges.

In order to change licence issue to another NAA the pilot is required to move his/her medical records to that NAA before the pilot licence may be transferred to that NAA. A charge of £77 for moving the pilot's medical records to that NAA is already included within the Scheme for this purpose. However, as from 1 April 2019, it is proposed to increase this charge to £105 to ensure full cost recovery is achieved.

It is uncertain as to how many Change of State pilot medical requests will be received but with an estimate of 500 received over the year, the additional income generated would be £14k.

Private Pilot Licence Examination Papers

The CAA wishes to ensure that pilot competency is being maintained at the highest standard and to move to an e-exam scenario for the provision of frequently updated exam questions and papers that relate to the latest regulatory changes.

A project has been undertaken which will deliver e-exams for the PPL student by 1 April 2019. The PPL exam is composed of nine theoretical knowledge exams each of which has a Question Bank providing exam questions. The cost of providing the PPL exam questions is proposed to be £10 and on the basis of 20,000 exams per annum will generate £200k per annum to offset the associated costs.

Aircraft Engineer Licence (AML) - New Categories and Removal of Limitations charge

Prior to the 2018/19 Scheme, the CAA had a charge of £53 in relation to the application fee to remove a licence limitation from a Part-66 licence. This charge was removed in error from the Scheme for 2018/19. Therefore, as this work is still required we intend to re-instate the charge at £55 within the 2019/20 Scheme.

The Commission (EU) Regulation 2018/1142 published on 14 August 2018, refers to two new licence categories. The new Part-66 licence categories B2L and L are due to be introduced as from 1 October 2019.

There is no need to amend the existing charge for the grant / extension of a basic licence issued in accordance with Part-66 for each category or sub category combination being £330, as this charge will apply to all licence categories including the new B2L and L categories.

Declared Training Organisations (Part-DTO) – Annual Charges

With the implementation of Part-DTO with effect from 3 September 2018, initial applications and conversions from Registered Training Facilities (RTFs) to Part-DTO are required by 8 April 2019 if the RTF wishes to continue offering training for EASA licences and ratings after that date.

Whilst we already have charges within the current Scheme of Charges to cover the above, we have derived the proposal for the annual oversight charge.

The regulatory requirements for a Part-DTO declaration is a simplified process hence the proportionate fee. But the requirement to conduct scheduled oversight, which was not required for RTFs means that the CAA needs to introduce increased annual charges.

The future oversight periodicity will be based on the DTOs' safety and compliance performance. CAP 1637 – Guidance Criteria for Declared Training Organisations provides further information on Part-DTO.

The proposed charges for Part-DTO charges are as follows:

Charge Type	Charge
Conversion from RTF to DTO (until 08/04/2019), or Conversion from ATO to DTO	£55 (existing 2018/19 charge)
Required review of new initial declaration to become a DTO	£177
Variation of a DTO declaration	£177 per application
CAA to validate a training programme	£885 (existing 2018/19 charge)
Annual charge for conducting Table 36 courses	Non-complex ATO: £177 plus £133 for each additional site DTO: £133 plus £100 for each additional site

The extra income generated is estimated to be £20k.

National Gyroplane Approved Training Organisations – (ATO – N (G))

With the enactment of the Air Navigation Order 2016 (as amended), the CAA is now able to issue a Commercial Pilots Licence (Gyroplanes).

In accordance with Article 168, the CAA requires the CPL(G) and Flight Instructor (Gyroplane) to be conducted through an approved training organisation to ensure adequate training standards and safety and compliance performance. Additional training sites will also be chargeable to approve and oversee.

The following charges are proposed:

Charge Type	Charge
Initial application	£531 to add a CPL(G) and/or a FI(G) course plus excess hour charges at £177 up to a maximum of £1,239; plus for each additional site, £265 plus excess hour charges at £177 up to a maximum of £1,239
Variation application	£354 to add a CPL(G) or a FI(G) course up to a maximum of £1,239; plus for each additional site, £265 plus excess hour charges at £177 up to a maximum of £1,239
Annual charge	FI(G): £294 CPL(G): £294 Each additional site: £177

Initially, the number of ATO-N (G) applicants will be very small and therefore the resultant income generated is not expected to be significant.

Pricing Proposals

All prices are proposed to increase by 2.4%. Unless otherwise indicated all prices shown in this document are exclusive of the proposed 2.4% general price increase.

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

Aerodrome Licensing and ATC Services Regulation Scheme

Structural Changes

There are no proposed structural changes to this Scheme.

Pricing Proposals

The prices under this Scheme are proposed to increase by 2.4%. In addition, a 5.4% increase in respect of costs of a Brexit no deal scenario and CAAi's reduced profit contribution is proposed to be added to the Scheme variable charge unit rates – see chapter two above.

The proposed 2019/20 variable charge unit rates are as follows:

Aerodrome Licensing; 1.41 pence (2018/19: 1.31 pence) per Work Load Unit.

ANSP; 1.32 pence (2018/19: 1.22 pence) per Work Load Unit.

Unless otherwise indicated all prices shown in this document are exclusive of the proposed 2.4% general price increase.

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

General Aviation Scheme

Structural Changes

Unmanned Aircraft Systems (UAS) – Application charge for 20 kg mass or less without fuel non-standard permission/exemption

Currently, the applicants, making application in respect of UAS under 20 kg mass or less without fuel applying for a non-standard permission or exemption, are required to pay a fixed charge of £1,729 (7 work hours). More of these application types are requiring work to be undertaken to fully process the submitted Operational Safety Case in excess of the 7 work hours to which this fixed charge relates.

Therefore, it is proposed to charge for excess hours at £247 per hour up to a maximum of £14,260 per year or part of a year in which the investigations are carried out, for those hours incurred in excess of 7 work hours.

Unmanned Aircraft Systems (UAS) – Charge of CAA Advice & Guidance

The new UAS Unit of the CAA is encouraging dialogue with potential applicants by providing 90 minutes of regulatory advice free of charge. However, thereafter it is proposed to charge for any additional regulatory advice on the basis of charges at £247 for each additional hour or part of an hour incurred. Any chargeable time will be invoiced in arrears by the CAA to the potential applicant and payable on demand.

From past experience there have only been a few applicants that have required more than 90 minutes of regulatory advice before making application or deciding not to progress such application. Therefore, the impact on income generation is not expected to be significant.

Unmanned Aircraft Systems (UAS) –UAS Applications Rejected by the CAA

Of the total number of standard UAS permissions received around 50% are currently held because of at least two errors on the application are awaiting further information from the applicant. Applications with 3 or more errors are rejected with full application charge refunded and this equates to around 4% of the total number of applications. The CAA takes a maximum of 30 minutes to assess a non-standard application by a technical surveyor. Therefore, it is proposed that a rejection charge of £124 (30 minutes) is applied to all applications where a technical assessment has been undertaken by the CAA and has resulted in specific feedback to the applicant. The application charge would be refunded less the technical assessment charge of £124.

The annual income generated from this proposal is estimated to be approximately £20k.

Minimum Aircraft Equipment List – Part-NCO, Part-SPO and Part-NCC

With the adoption of Part-NCO together with Part-NCC and Part-SPO, the requirements for Minimum Equipment Lists (MELs) have been reviewed. The General Aviation Scheme paragraph 3.20 is proposed to be amended as follows:

Application type	Charge
Initial application – Basic: ANO Art 78A, Part-NCC, Part-SPO (Complex Declarations) Part-SPO (Non-Complex Declarations) Part-NCO notifications	£1,859 £531 £118
Initial application – aircraft already approved under an AOC and operated without change by another operator for non-AOC operations NB If a change is requested then the full basic initial charge is payable.	£531
Variation application (excepting Part-NCO notification)	£177 plus excess hour charges up to the maximum charge for the respective initial basic permission charge
Variation application – Part-NCO notification	£84

As MELs are not overseen by the CAA but are required to be displayed in the aircraft for aircraft ramp checks, there will be no oversight charges levied. Therefore, the renewal charges under Paragraph 3.20 of the Scheme will be deleted.

Part-SPA Helicopter Offshore Operations (HOFO) specific approval

Helicopter offshore operations (HOFO) to or from offshore locations, including helidecks, ships and windfarms, pose certain specific safety risks which were not adequately addressed by Regulation (EU) No 965/2012. Some Member States (including the UK) had adopted additional requirements, including the mandatory use of new technologies, to mitigate such risks and maintain safety levels. However, in order to create a level playing field and ensure that the safety objectives of Regulation (EC) No 216/2008 are achieved, common safety measures have now been established at European level.

SPA-HOFO addresses these issues and entered into force in the UK (and across Europe) on 1 July 2018. The CAA introduced charges via the introduction of the SRG1841 application form. This proposal is to formalise the introduction of these charges to the Scheme the details of which are contained in the Scheme Enclosure.

Part-NCC / Part-SPO annual continuation charge

For 2018/19 the CAA introduced charges for initial and variation declarations in respect of the Part-NCC and Part-SPO operations. It is now proposed to commence to charge for oversight of the declared operators under Regulation (EU) no. 379/2014 ARO.GEN.305. The details of the proposed charges are contained in the Scheme Enclosure. Income generated from these charges is expected to be approximately £75k.

Part-SPO High Risk Authorisations (HRA)

Although the overall number of Part-SPO (HRA) operators is not large, the level of resources incurred in processing these authorisation applications has been significant. Therefore, it is proposed to introduce a charge of £3,801. Income generated from this charge is expected to be approximately £20k.

Pricing Proposals

The prices under this Scheme are proposed to increase by 2.4%. Unless otherwise indicated all prices shown in this document are exclusive of the proposed 2.4% general price increase.

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

Airspace Scheme

Structural Changes

There are no proposed structural changes to this Scheme.

Pricing Proposals

The prices under this Scheme are proposed to increase by 2.4%.

There are additional costs of 9 FTEs at a cost of £416k concerning the Airspace Change Process recoverable 50:50 between airports and NATS (En Route) plc (NERL).

A further 9 FTEs, at a total cost of £416k, are required for the Airspace Modernisation Programme for which recovery is proposed 50% from DfT and 50% from the Scheme. The Scheme cost of £208k is proposed to be recovered 50:50 between airports and NATS (En Route) plc (NERL).

Therefore, in addition to the general price increase of 2.4%, the variable charge unit rate for airports, to incorporate the above additional costs for the ACP and AMS (£312k) and reduction of fourth quarter costs of £118k to reflect the change in cost recovery to the UK Eurocontrol En Route unit rate as from 01/01/2020 plus a 5.4% increase in respect of costs of a Brexit no deal scenario and CAAi's reduced profit contribution – see chapter two above, is proposed to increase by a further 44.1% to:

- 0.25 pence (2018/19: 0.17 pence) per Work Load Unit.

and the charge to NERL is proposed to also increase by the general price increase of 2.4% plus the above ACP and AMS costs of £312k less £118k for the fourth quarter change in cost recovery to the UK Eurocontrol En Route unit rate, to a charge of £675k.

Unless otherwise indicated all prices shown in this document are exclusive of the proposed 2.4% general price increase.

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

Consumers and Markets Schemes of Charges and Economic Regulation of NATS

Air Transport Licensing Scheme

Structural Changes

Urgent / Short Notice Foreign Registered Aircraft Operating Permits

Foreign Carrier Permits are managed by the CAA (in collaboration with a number of other UK Government Departments and agencies) and is the process by which the UK evaluates the safety, traffic rights, insurance and security of non-UK aircraft undertaking commercial third country operations. Given the collaborative nature that such assessment requires, the CAA's policy is that at least 2 working days should be given to allow a permit to be processed. The CAA will prioritise requests for commercial relief and emergency flights and provides an out of hours service to support such activities and grant permits at short notice. That service is currently provided at no additional cost to the applicant. Given the particular issues that evaluating an application submitted out of hours, for example in the early morning or at weekends, places on the system the CAA has a reasonable expectation of cooperation from the applicant; in particular giving as much pre-notice of the need to allow the CAA to plan.

Whilst standard applications would normally be declined in such circumstances, the nature of these applications means that the CAA has no option to but to process them. Meeting the demand for these requirements have proved challenging and subsequent analysis has indicated that many of the operators of such flights have had significant prenotice of the activity to allow them to seek a permit in good time but had not done so. It is proposed to introduce an additional charge of £1,500 in addition to the £78 normal charge where an application received by the CAA does not allow at least 12 hours to process and issue the permit before the first flight takes place.

This charge is not designed to penalise those operators who have good reason to make a short notice application, but to deter applicants from persistently continuing to use the system incorrectly, with the cost of that additional work having to be met by other users of the system.

In advance of applying an additional charge the CAA will seek to engage with an operator to fully understand why an application was submitted at such short notice. Where the CAA considers that an operator had good reason to submit a short notice application, or it is satisfied that measures have been put in place to ensure similar situations should not recur, then the additional charge will not be applied.

Third Country Operator Safety Certificates - Brexit

Under a Brexit no deal scenario, third country operators wishing to operate to the UK would have to be issued with an Operator Safety Certificate by the UK CAA. Air carriers under the other 27 EU Member States and those additional countries under the European Economic Area (EEA) would be included. Currently, the EU undertakes issuance of Third Country Operator Safety Certificates (TCO authorisations under Part-TCO) on behalf of all EU Member States.

It is proposed to charge £78 for the issue of an Operator Safety Certificate. However, where it is deemed necessary by the CAA for a site visit / audit of an operator to be carried out by the CAA then an additional charge of £3,540 is proposed. In addition, where the cost of the investigation exceeds the application charge, excess hour charges at £177 per hour is proposed up to a maximum of £45,750.

Pricing Proposals

The prices under this Scheme are proposed to increase by 2.4%. In addition, a 5.4% increase in respect of funding for a Brexit no deal scenario and the reduced profit contribution from CAAi is proposed to be added to the Scheme variable charge unit rates – see chapter two above. The 2019/20 ATL variable charge unit rates are proposed as follows:

- 0.59 pence (2018/19: 0.55 pence) per 1,000 passenger-kilometres flown by that aircraft; and
- 2.98 pence (2018/19: 2.76 pence) per 1,000 cargo tonne-kilometres flown by that aircraft.

Unless otherwise indicated all prices shown in this document are exclusive of the proposed 2.4% general price increase.

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

Regulation of Airports Scheme

Structural Changes

Development Consent Order (DCO)

Under the Planning Act 2008 (as amended), in order to develop a Nationally Significant Infrastructure Project (NSIP), an applicant is required to make an application to the Planning Inspectorate (PINS) to obtain a Development Consent Order (DCO). The CAA is a prescribed consultee to any DCO application which relates to airport development. In particular, any DCO application made in accordance with the Airports National Policy Statement (ANPS) will require the CAA to consider, on the information available to it at the time the DCO application is

made, whether there are any impediments to the applicant's development proposals that relate to the areas where the CAA is the regulator. If there are any impediments in those areas the CAA must be assured that they are capable of being properly managed by the DCO applicant. The CAA is also required to be consulted on the likely significant environmental impacts of an applicant's proposals.

The CAA's consideration of any such DCO application(s) will require significant input from across the CAA. The CAA will consider issues which relate to its existing regulatory functions (in areas such as economic regulation, airspace change, airspace modernisation and safety), but will need to do so in the round, in the context of the applicable planning process and in circumstances where Government policy is that Heathrow should expand. These requirements place additional and distinct resource demands on the CAA.

The DCO application process is front-loaded and, generally, requires significant engagement by the applicant with prescribed consultees well in advance of any formal application for development consent. This engagement is necessary whether or not the potential applicant ultimately proceeds to apply for a DCO. We consider this engagement work, and appropriate consideration of how the CAA would exercise its regulatory powers and duties in response to the circumstances that a successful DCO application could create, to be part of the CAA's function as a prescribed consultee. As a result, charges will be payable for any work carried out by the CAA both during the pre-application stage and once any DCO application has been made.

On the CAA receiving confirmation from a party of their intention to submit a DCO application, the CAA will invoice the proposed DCO applicant to pay to the CAA a charge of £50,000 before any work is undertaken. Thereafter, the CAA will invoice quarterly in arrears up to a maximum of £350,000 for any year, or part of the year, during which the CAA's work associated with a DCO application is carried out.

The additional income generated from this work is uncertain but could be £350k during 2019/20.

Gatwick Airport Ltd (G7 Review)

In seeking advice from external advisers on the future regulation of Gatwick Airport from 1 April 2021 (referred to as the 'G7' Review), the following charges are proposed to be applied to Gatwick Airport Ltd. For the year 2019/20, the CAA will invoice quarterly in arrears up to a maximum of £420,000.

Pricing Proposals

All the other prices under this Scheme are proposed to increase by 2.4% excepting those charges under chapter three – other CAA costs, which are proposed to change as follows.

London Heathrow – Price Control Conditions and Additional Runway Capacity

During 2018/19, the CAA has been managing the work associated with both the additional Runway Capacity (R3) and Developing Price Control Condition (H7 Review) for Heathrow Airport as a single integrated programme. To distinguish the costs between these two pieces of work from a charging perspective may no longer be sensible.

The cost of the internal resources is proposed at £803k and will be invoiced by the CAA on a quarterly basis. The professional fees associated with these activities will be invoiced quarterly in arrears up to a value of £4,246k.

Economic Regulation of Airports charges

In addition to the general 2.4% proposed price increase, a further 5.4% increase in respect of costs for a Brexit no deal scenario and CAAi's reduced profit contribution – see chapter two above, is proposed to be added to the Scheme variable unit charge rates in respect of airports.

The 2019/20 Regulation of Airports variable charge unit rates are proposed as follows:

- 5.34 pence (2018/19: 4.95 pence) per 1,000 passenger-kilometres flown by that aircraft; and
- 1.58 pence (2018/19: 1.47 pence) per 1,000 cargo tonne-kilometres flown by that aircraft.

Unless otherwise indicated all prices shown in this document are exclusive of the proposed 2.4% general price increase.

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

Economic Regulation of NATS

It is noted that although not a CAA Scheme of Charges, the proposal for the CAA Licence Fee payable by NERL for the economic regulation of NATS will be directly consulted on with NERL and therefore will be outside of this Charges Consultation, as the Licence Fee is required to commence as from 1 April 2019.

Air Travel Organiser's Licensing (ATOL) Scheme

Structural Changes

Franchise ATOL renewal with a Licence Limit of <1,000 passengers/seats

The fees for Franchise licences with a Licence Limit of 1,000 passengers/seats or under do not reflect the level of work involved which is more akin to the work of assessing an SBA. Therefore, in line with fairness to all ATOL applications, we propose to increase both these charges by £50, bringing them nearer towards the SBA fee levels. This will increase income generation by an estimated £11k.

The variation charge for change of trading name or website address to also apply to SBAs and Franchise Member ATOL holders

Currently, it is only the Standard ATOL which has a charge for an application to change a trading name or website address. This charge is also relevant to the SBA ATOL and to the Franchise Member ATOL. This will increase income generation by an estimated £4k.

Deletion of the ABTA-ATOL Joint Administration Scheme charges

The charges relating to the ABTA-ATOL Joint Administration Scheme have been deleted as the ATOL Scheme no longer has an agreement with Association of British Travel Agents (ABTA).

Change of ownership and control concerning Franchise Member ATOLs

Concerning Franchise Member ATOL holders we propose to introduce a charge for a change to ownership or control. This proposed charge will bring those ATOL holders in line with all the other ATOL licence types. The level of work is approximately 50% of that relating to a Standard or SBA organisation and therefore we propose to charge £261. This will increase income generation by an estimated £10k.

Application to continue to hold an ATOL after a major change to its financial structure or requests to the CAA to review licensing conditions or means by which those conditions are met

Where an application to CAA to review ATOL holder licensing conditions, or to agree changes to the means by which existing conditions are met, examples include requirements that ATOL holders or companies within the ATOL holder's group enter into Trust accounts, provide bonds or guarantees, or request amendments to existing arrangements, it is proposed that the ATOL holder must pay the charges calculated in accordance with subparagraph (a) below.

- a) The charges payable are:
- the sum of the number of hours spent by CAA staff in assessing the information multiplied by £177 up to a maximum of £83,300; and
 - the application charge of £521.

The CAA shall invoice the ATOL holder in arrears for the charges arising under subparagraph a). The invoice is payable on demand.

The CAA charges will still apply even if the change proposals are aborted by the ATOL holder or its group.

Income generation is purely on demand but is not expected to be significant.

Standard variation charge and late variation charge

Where an ATOL holder applies in advance to vary their licence limits then we propose no change, to the charges, i.e. there is a fixed application fee and Standard ATOL holders are charged the current passenger fee for the increase in seats. The current passengers/seats charge is 12.34 pence.

Where an ATOL holder applies late or does not apply until the CAA contacts them and are thus illegally overtrading their licence, then there is an increase to the level of staff resource on compliance work and perhaps legal action. Our proposal is to make the charging system fair and equitable and to base a charge on proportional charging activities.

When an ATOL holder applies to vary their licence limits after they have exceeded those limits our proposal is to charge the same application fee as the Standard Variation charge, plus a higher passenger charge, i.e. 12.34 pence plus 2.00 pence totalling 14.34 pence. For example, an increase of pax of 10,000 would result in a passenger fee of £1,434 rather than £1,234.

Income generation is purely on whether an ATOL holder overtrades and is a charge to reflect the urgent work that the CAA would have to undertake once becoming aware.

Charge to reflect CAA expenditure on Professional Advisor fees

When the circumstances of the ATOL holder change (for example the CAA holds the opinion that the ATOL holder or its group has experienced a decline in its financial performance, resilience or stability affecting, for example but not limited to, its profitability or liquidity) and the CAA considers that it needs to instruct professional advisors (legal, accountancy, financial and other professional services) in order to assess the ATOL holder or its group in order to consider whether the ATOL holder can continue to hold an ATOL, the CAA propose to charge the ATOL holder the amount of those professional service fees. The charge will be payable on demand.

Income generation is purely on demand but if these cost types do manifest themselves we assure that costs incurred are recoverable.

Ownership and control charges

The CAA charges will still apply even if the change proposals are aborted by the ATOL holder or its group.

Pricing Proposals

The existing prices under this Scheme are proposed to increase by 2.4%. Unless otherwise indicated all prices shown in this document are exclusive of the proposed 2.4% general price increase.

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

Aviation Security Scheme of Charges

Structural Changes

Cyber Cost Recovery

The Cyber programme relates to the discharge of existing statutory responsibilities and new ones that are in force under the Network & Information Systems Regulations 2018 (NIS). During the 2018/19 consultation process it was agreed that only £0.5m of Cyber costs would be funded from the Schemes of Charges and a further £0.5m would be included in the Schemes at a later date.

The current estimates for the new resource requirements are now an additional 3 FTEs at a cost of £274k to be recovered directly from the 12 UK entities that are subject to the NIS Directive. Each entity is proposed to be charged £22,833.

Registered Training Providers

In 2017 we started the professionalisation initiative which aimed to recognise, develop and codify the professionalism of those individuals teaching aviation security in the UK. One of the first and most important areas to be addressed under this initiative is the introduction of a new quality assurance framework that will ensure that the all-important training of aviation security personnel is delivered to a consistently high standard, building on recognised best practices from the education sector where these are appropriate to our learning and development activities. Linked to this, is a review of our portfolio of mandatory training syllabi, being currently 10 in number.

In November 2017, we consulted industry on an impact assessment on the introduction of a quality assurance framework and then again in May 2018 on a more detailed proposal to implement a quality assurance framework for aviation security training. Taking the comments received on board, the DfT has now provided the power for the CAA to establish and maintain a register for Aviation Security Registered Training Providers (RTPs), of individuals or organisations, to be registered as from 1 April 2019. As well as the registration procedure, there will also be a requirement for the independent External Quality Assurers (EQAs) to visit each RTP to ensure that the various training syllabi are being appropriately conducted and to a common standard under the quality assured framework. These EQAs will have

been accredited by the Department for Education and be employed by the CAA on a casual contract basis.

This additional activity will require 0.5 FTE administrative resource and, based upon an expected 200 RTPs being established across the United Kingdom, will be required to re-register annually. The registration/re-registration charge is proposed to be £85.

The RTP will be charged by the CAA for the EQA site visit being £474 inclusive of any travel and related costs and the CAA will pay the EQA accordingly under the terms of the casual contract observing the HMRC requirements under IR35 – Off-payroll working through an intermediary. The use of EQAs will be cost neutral to the CAA. It is expected that approximately 100 site visits will take place in 2019/20.

The income generated from the RTP registration/re-registration charge is expected to be approximately £17k per annum.

Cargo Capability - Brexit

AvSec currently undertakes assessment/evaluation of ACC3 (air carrier designations for third country EU-bound cargo and mail) reports submitted by commercially independent validators. Validators number around 90, they are EU-registered and accountable, albeit that the accreditation process is delegated by the EC to Member States. The UK is responsible for accrediting and thereby overseeing/monitoring the activities of approximately 20 commercially independent validators.

Third country on-site validations are conducted by validators as a self-financing activity, e.g. the cost of the validation is paid for by the carriers in order to obtain approval/designation to fly cargo into the EU. This commercial model will not change under a bespoke UK scheme. There is unlikely to be any direct validation activity undertaken by CAA or DfT, so the activity will continue to sit within the private sector as a self-funded commercial transaction.

With the advent of a Brexit no deal position, there will be more third country site validations carried out by virtue of the EU air carriers being classed as third country operators to the UK. This will result in more reports from the air carriers to be assessed by the CAA before passing a recommendation onto the DfT. It is estimated that an additional 2 FTEs will be required to assist in this extra workload at a cost of £136k.

Cost recovery is proposed to be through the aerodrome variable charge unit rate which is proposed to increase by 1.8%.

Pricing Proposals

The prices under this Scheme are proposed to increase by 2.4%. In addition, a 5.4% increase in respect of funding of general costs under a Brexit no deal scenario

and reduced profit contribution from CAAi is proposed to be added to the Scheme variable charge unit rate in respect of airports– see chapter two above.

Furthermore, there are additional costs of £136k concerning the specific cargo capability resource increase of 2 FTEs relating to the extra work under a Brexit no deal scenario. This relates to additional assessment of reports relating to air carriers bringing air cargo into the UK from Third Countries. – see chapter four above. This cost is proposed to be recovered from airports under the variable charge unit rate.

The 2019/20 Aerodrome variable charge unit rate is proposed to increase by 9.6% as follows:

- 5.9 pence (2018/19: 5.4 pence) per departing passenger.

Unless otherwise indicated all prices shown in this document are exclusive of the proposed 2.4% general price increase.

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

Chapter 5

Conclusion

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

Safety and Airspace Regulation Schemes of Charges

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

Consumers and Markets Schemes of Charges

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

Aviation Security Scheme of Charges

- [Aviation Security Scheme](#)

Appendix A

Regulatory sector income statement

The table below incorporates the proposals set out in this document and highlights the financial impact of the two Brexit scenarios:

- Base Case: the first is that the UK remains a member of the EASA system of safety regulation for the whole of 2019/20;
- No Deal: the second is that the UK departs the EASA system of safety regulation on 29 March 2019, and at that point, and for the duration of 2019/20, the arrangements set out in the Technical Notices published by the UK Government on 24 September 2018 prevail.

In the event of a 'No Deal' scenario, the CAA is currently looking at ways in which to mitigate the loss shown below.

	<i>2018/19 Budget £000</i>	<i>2019/20 Base Case £000</i>	<i>2019/20 No Deal £000</i>
Safety Regulation	63,149	64,899	66,929
Economic & Consumer Regulation	18,608	19,242	20,069
Aviation Security Regulation	9,396	10,070	10,572
Other Regulation	406	350	350
TOTAL STATUTORY REVENUE	91,560	94,562	97,920
Other Non-Statutory	3,402	3,611	3,611
TOTAL NON-STATUTORY REVENUE	3,402	3,611	3,611
TOTAL REVENUE	94,962	98,173	101,531
Employment Costs	50,913	53,671	56,811
Professional Fees	7,776	7,971	8,170
Other	10,101	9,932	10,191
Corporate Overheads	26,671	27,116	27,116
TOTAL OPERATING COSTS	95,461	98,689	102,288
CAAi Profit	2,500	2,254	(1,207)
Operating Profit/(Loss)	2,000	1,737	(1,964)

It should be noted that the following appendices are based on the 'Base Case' scenario.

Appendix B

Summary of Safety & Airspace Regulation Group Operating Results by Charges Scheme

Summary of Safety Regulation Operating Results by Charges Scheme						
	12 months to 31 March 2019			12 months to 31 March 2020		
	Budget			Target Budget		
	Income	Costs	Profit / (Loss)	Income	Costs	Profit / (Loss)
	£000	£000	£000	£000	£000	£000
Safety Regulation Activities						
Air Operator Certification	24,379	23,167	1,212	24,154	23,464	690
Airworthiness	11,125	11,681	(557)	11,873	12,050	(177)
Personnel Licensing	10,137	11,521	(1,384)	10,079	11,618	(1,539)
Aerodrome Licensing	10,481	8,855	1,626	10,800	9,172	1,629
En Route ATS Regulation	4,040	3,903	137	4,133	3,985	149
General Aviation & AAC	1,432	1,364	68	1,841	1,732	109
Aircraft Registration	583	472	111	612	482	130
Airspace Regulation Income	973	973	(0)	1,408	1,408	(0)
Total Safety Regulation	63,149	61,937	1,212	64,899	63,909	990
Other Activities						
Other	488	487	1	697	693	3
Total Other Activities	488	487	1	697	693	3
Total	63,637	62,423	1,213	65,596	64,602	993

Appendix C

Detailed Summary of Operating Results for the following Schemes

Summary of Safety Regulation Operating Results by Charges Scheme						
	12 months to 31 March 2019			12 months to 31 March 2020		
	Budget			Target Budget		
	Income	Costs	Profit / (Loss)	Income	Costs	Profit / (Loss)
	£000	£000	£000	£000	£000	£000
Airworthiness Scheme						
Series / Exports, Modifications & Prototype	4,405	3,880	525	4,094	3,590	504
Renewals - C of A's	1,569	1,577	(8)	1,748	1,627	120
Permits to Fly	196	993	(797)	249	1,024	(775)
Total Certification	6,171	6,451	(280)	6,091	6,241	(151)
Total Approval	4,954	5,231	(277)	5,782	5,808	(27)
Total Airworthiness Scheme	11,125	11,681	(557)	11,873	12,050	(177)
Personnel Licensing Scheme						
Professional	6,853	7,727	(874)	6,582	7,722	(1,140)
Private	791	832	(41)	752	839	(87)
Air Traffic Controller	549	749	(200)	596	755	(159)
Simulator Approvals	508	471	37	533	475	58
Engineer Licensing	1,436	1,742	(306)	1,616	1,826	(210)
Total Personnel Licensing Scheme	10,137	11,521	(1,384)	10,079	11,618	(1,539)
General Aviation & Aerial Applications						
Aerial Applications	4	12	(8)	3	20	(17)
Flying Displays	186	525	(339)	154	526	(372)
Parachuting Regulation	31	20	10	11	33	(22)
UAS	1,063	604	459	1,503	981	522
Other Permissions & Exemptions	148	202	(54)	171	173	(2)
Total General Aviation Scheme	1,432	1,364	68	1,841	1,732	109

Appendix D

Summary of the Consumers & Markets Group Operating Results by Charges Scheme

Summary of Consumers and Markets Group Operating Results by Charges Scheme						
	12 months to 31 March 2019			12 months to 31 March 2020		
	Budget			Target Budget		
	Income	Costs	Profit / (Loss)	Income	Costs	Profit / (Loss)
	£000	£000	£000	£000	£000	£000
Regulatory Policy Activities						
Air Transport Licensing	2,362	2,291	71	2,529	2,363	166
Passenger Complaints	406	279	127	350	279	71
Regulation of Airports	4,362	4,213	150	4,466	4,353	114
Airports Charges Review	4,659	4,659	-	5,049	5,049	-
Total Regulatory Policy	11,790	11,442	347	12,395	12,044	351
Consumer Protection Activities						
Air Travel Organisers' Licensing	5,489	5,264	225	5,642	5,446	196
Air Travel Trust and ATOL Miscellaneous	528	528	-	528	528	-
Total Consumer Protection	6,018	5,793	225	6,171	5,975	196
Other Activities						
Economic Regulation of NATS	1,035	1,035	0	1,060	1,060	-
NATS Consultancy	700	700	-	495	495	-
Other	1,340	1,340	-	1,340	1,340	-
Total Other Activities	3,075	3,075	0	2,895	2,895	-
Total	20,882	20,310	573	21,460	20,914	547

Appendix E

Summary of Aviation Security Operating Results by Sector

Summary of Aviation Security Operating Results						
	12 months to 31 March 2019			12 months to 31 March 2020		
	Budget			Target Budget		
	Income	Costs	Profit / (Loss)	Income	Costs	Profit / (Loss)
	£000	£000	£000	£000	£000	£000
Aviation Security Sectors						
Airports Charges	7,786	7,641	145	8,122	8,019	102
Cargo Operator Charges	1,404	1,382	22	1,462	1,423	38
In-Flight Service Providers Charges	207	202	5	213	202	11
Cyber	-	-	-	274	274	-
Vetting Services & Other Activities	1,046	1,002	44	1,046	1,001	45
Total Aviation Security	10,442	10,227	215	11,116	10,920	197