

FAS Deployment Facilitation Fund

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Chapter 1

FAS Deployment Facilitation Fund

Background

- 1.1 In June 2014, the Department for Transport (DfT), jointly with the Irish Department for Transport, Tourism and Sport, adopted and submitted to the European Commission a joint UK-Ireland FAB Performance Plan for the second reference period (RP2; 2015-2019)¹.
- 1.2 In the adopted Performance Plan the CAA introduced provisions for a small Future Airspace Strategy (FAS) Deployment Facilitation Fund in order to mitigate some of the risks to the delivery of the FAS programme².
- 1.3 Following a 2008 Transport Select Committee inquiry into airspace, the CAA, in conjunction with the Ministry of Defence (MoD), NATS, and the DfT, developed FAS to modernise the UK's airspace system. The FAS Industry Implementation Group (FASIIG) was established in 2011 to produce a plan to deliver the first phase of the strategy from 2013 to 2020. The FAS Deployment Plan was published in December 2012. It describes the major initiatives required to modernise our airspace system and the dependencies on the different stakeholders groups required to make investments. The plan is backed by major UK airports and airlines, DfT, MoD and the CAA.
- 1.4 The provisions for the Fund recognise the significant benefit to airspace users of large elements of the FAS programme, the high levels of dependency and uncertainty associated with deploying FAS related projects and the potential for misalignments between the costs and benefits of small but important aspects of the FAS programme that might deter some third parties from investing where and when required.

General

- 1.5 The Fund of £22.5m in nominal prices over the 5-year course of RP2 comprises of two components:

1 The adopted Plan is available from: <https://www.gov.uk/government/publications/single-european-sky-performance-scheme-2015-to-2019>. A subsequent Corrigendum is available from: http://www.caa.co.uk/docs/33/CAP1245_RP2_Corrignedum.pdf.

2 More information available from: <http://www.caa.co.uk/default.aspx?catid=2408&pagetype=90>.

- a **Small Gaps Fund** of £1.5m per year in nominal prices (£7.5m over RP2) to address key areas of misalignment between costs and benefits that might deter some third parties from making investments critical to realise the network benefits of FAS; and
 - a **NERL Fund** of £3m per year in nominal prices (£15m over RP2) for NATS En route plc (NERL) to address unforeseen activities required to deploy FAS related projects and/or realise the benefits.
- 1.6 The Fund is financed through the UK en route unit rate for RP2. It is specifically a part of the NERL component of the RP2 determined costs. Any funds not invested in the FAS programme will be returned to users in the next reference period (RP3), including interest on unused sums.
- 1.7 NERL may be the project sponsor for proposals under both components of the fund, in respect either of NERL's FAS related projects or external projects where NERL has engaged with the relevant third party(s) to address small gaps.
- 1.8 The application under the NERL Fund will provide justification either for the additional expenditure required for NERL's FAS related projects, or, in case of the Small Gaps Fund, the need to address a perceived misalignment between the costs and benefits of a key FAS related investment.

Governance

- 1.9 The fund is allocated to projects by the FAS Deployment Steering Group (FAS DSG), subject to specific criteria set out in this document.
- 1.10 The FAS DSG includes representatives from the airlines, airports, General Aviation, MoD, DfT and the CAA. It is co-chaired by the CAA Group Director Safety and Airspace Regulation and the NATS Managing Director Operations. The group is currently tasked with managing the dependencies across FAS initiatives and alignment with SESAR Common Projects³.
- 1.11 In the development of these criteria the CAA engaged with the FAS DSG. The criteria set out in this document were discussed at its November 2014 meeting. The FAS DSG will consider disbursements over RP2 as a whole and will not be constrained by the sums recovered through the determined costs in any one particular year.

3 Commission Implementing Regulation (EU) No 716/2014 of 27 June 2014 on the establishment of the Pilot Common Project supporting the implementation of the European Air Traffic Management Master Plan, available from:

<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0716&from=EN>

More information on the Single European Sky ATM Research (SESAR) is available from:

http://ec.europa.eu/transport/modes/air/sesar/deployment_en.htm.

- 1.12 In making decisions to allocate funds to NERL or third party projects, the FAS DSG will give due consideration to the views of all airspace users and other relevant stakeholders.
- 1.13 Where at any time there are competing applications for the remaining sums, the FAS DSG will allocate funds on the basis of which expenditure will have the greatest effect in securing timely value to users paying charges. In its assessment, the FAS DSG will also consider any prioritisation of projects under the FAS.
- 1.14 Where consensus on allocation of funds cannot be reached by the FAS DSG, the CAA shall act as the final arbiter.

Administration

- 1.15 As the Fund forms part of the NERL element of the UK en route unit rate, NERL will be allowed to apply for funding of costs related to administering the FAS fund. Any expenditure will be subject to FAS DSG approval and will be made available from the NERL Fund, as FAS related operating expenditure.
- 1.16 The carrying costs of early deployment of funds in the reference period should be included in the project/funding proposal under both elements of the fund.

Reporting

- 1.17 The allocation of funds to FAS deployment projects will be tracked and reviewed by the FAS DSG, in conjunction with the FAS reporting process.
- 1.18 The FAS reporting process will include:
- the new FAS Reporting Condition 10a of the NERL Licence;
 - reporting on allocation of funds under the Small Gaps Fund to FASIIG and the FAS VFR⁴ Implementation Group (FASVIG); and
 - reporting on allocation of funds under the NERL Fund through the Service and Investment Plan (SIP) process.
- 1.19 The CAA will also monitor the funds as part of its general responsibilities to monitor performance under the Single European Sky Performance Scheme⁵.

4 VFR - Visual Flight Rules

5 In accordance with Article 18 of the Commission Regulation No 390/2013 *laying down a performance scheme for air navigation services and network functions*, the CAA will annually report to the Commission on the monitoring of the Performance Plan (which introduced the FAS Deployment Facilitation Fund).

Chapter 2

Process and assessment criteria

Small Gaps Fund

- 2.1 The focus of this element of the fund is on small but important projects to facilitate FAS deployment, which are essential for the timely delivery of FAS but where the costs and benefits of change fall on different stakeholders, and hence there is not a sufficiently strong business case from the point of view of the relevant stakeholder(s) to take them forward in a timely manner.
- 2.2 This component of the fund is available to non-NERL third parties.
- 2.3 Contracts for the funded projects may be sponsored by NERL, the CAA, third parties or a combination thereof.

Process

- 2.4 The process for applying for funds will be as follows:
- The project sponsor(s) prepares a project proposal.
 - The project sponsor(s) then coordinate the consultation of the project proposal with stakeholders through the FASIIG and the FASVIG.
 - After the above consultation, a consulted project proposal is presented by the project sponsor(s) to the FAS DSG.
- 2.5 The FAS DSG then reaches consensus on which project proposals should receive funding.

Assessment criteria

- 2.6 The FAS DSG judgements are based on the assessment criteria identified below:
- The project enables performance and timely delivery of FAS benefits and meets the criteria below.
 - Proposed expenditure may include both operating and capital costs. However, licensed airports need to provide evidence that requested funds are outside of the Q6 settlement.
 - The expenditure will need to be demonstrably:
 - a necessary requirement to deliver the substantive and timely benefits of FAS;

- an enabler for the realisation of a positive net present value from the point of view of users paying the charges;
 - of insufficient value to key third parties to justify their investment (i.e. assurance that third parties would not have invested if the FAS Facilitation Funding was not available); and
 - supported by users paying the charges.
- A sufficient level of information has been presented to demonstrate meeting the above criteria.
 - The proposal justifies why the FAS Fund is the appropriate source of funding and adequately demonstrates that any other potential sources are not available.
 - If applicable, the project proposal should include the reasonable procurement costs of the project sponsor.
 - If applicable, the project proposal should include finance costs of early allocation of funds. The estimate of these costs will be clearly specified in the application.

NERL Fund

2.7 The focus of this element of the fund is on disbursements in respect of additional operating expenditure in support of delivery of FAS projects covered by the FAS Deployment Plan⁶.

2.8 This component of the fund is available to NERL.

Process:

2.9 The process for applying for funds will be as follows:

- NERL consults on a project proposal with its customers. This can be done through the use of available means such as consultation on the Service and Investment Plan (SIP).
- After the above consultation, a consulted project proposal is presented by NERL to the FAS DSG.

2.10 The FAS DSG reaches consensus on which proposals should receive funding.

6 The FAS Deployment Plan is a compilation of confirmed and proposed investments drawn from the FAS programme plans and strategic ambitions of the key organisations involved. It is available from: <http://www.caa.co.uk/docs/2408/FAS%20Deployment%20Plan.pdf>.

Assessment criteria:

- 2.11 FAS DSG judgements are based on the assessment criteria identified below:
- The proposals are in line with the FAS Deployment Plan.
 - The additional expenditure is based on unforeseen additional scope rather than cost overruns and is a necessary requirement to deliver the substantive benefits on time and a sufficient level of information has been presented to demonstrate this.
 - The funding relates only to operating expenditure (expenditure cannot be capitalised so that it is recovered through the Regulatory Asset Base).
 - The project is supported by NERL's customers.
 - NERL has provided a sufficient level of information to demonstrate meeting the above criteria.
 - The funds applied for do not exceed the amount available under the NERL Fund for the five years as a whole.

End of RP2

- 2.12 Any funds not invested or allocated to specific projects by 31 December 2019 will be returned to users as part of the settlement for RP3, including interest on unused sums.

Applications

- 2.13 Applications for funding shall be sent to FAS@caa.co.uk.