



Civil Aviation Authority

CAA Charges 2013/14 Consultation Document

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CAA Charges 2013/14 Consultation Document

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1 Foreword

Unlike many public sector bodies, the CAA is funded directly by charges to those it regulates.

During 2012/13, the aviation industry continued to be faced with a difficult trading environment, with traffic volumes still below those experienced before the recession. Although the industry is showing some signs of recovery, the CAA is well aware of the difficulties the sector is still facing, and of the need to undertake our work as efficiently as possible. Our charging proposals for 2013/14 have been set with this in mind and our main charges have been held at 2012/13 levels.

Over the last 10 years (2002/03 to 2011/12), despite significant growth and changes to the aviation industry, the CAA has reduced its operating costs in real terms by more than 26%. However, we recognise that further efficiencies are required and although we continue to look for short term gains, it remains necessary to invest in processes, IT, skills and people in order to meet our objectives of providing an improved consumer focus and a significantly better customer interface by modernising the way we work and interact with those we regulate.

Two work streams remain central to this: Enhancing Safety Performance, which is developing a more performance-based approach to safety regulation, and our Performance and Process Improvement (PPI) programme which will deliver significant efficiencies, improving the experience of those who deal with us, and helping us to be a better regulator. These work streams have been progressing well and have been welcomed by industry.

The proposed Schemes of Charges set out in the consultation document are consistent with our Strategic Plan, published in March 2011, updated for known changes.

The cost base for 2013/14 has remained at 2012/13 levels despite increased cost pressures particularly around pension costs. The employer funding into the Pension Scheme will be 15% for 2013/14. The initiatives due to be implemented through the PPI programme have been a major factor in achieving this financial position. As a consequence the CAA has chosen to hold the major charges, which generate most of the CAA's income, at 2012/13 levels, significantly below inflation. This is so we do not create distortions by increasing charges now in those areas that might be affected by further efficiency gains in the future.

However, some charges are proposed to increase, primarily to reduce structural cross subsidies. This particularly affects the Air Operator and Police Air Operator Certification (AOC) Scheme and charges relating to the RPG Schemes. As part of this, we are reducing our variable AOC and variable Air Transport Licence charge unit rates.

The CAA aims to be an efficient and effective organisation that meets better regulation principles and gives value for money. We are committed to controlling costs while investing to deliver savings and improvements in the medium to long-term. We believe that these charging proposals represent a balanced approach to achieving these aims for the benefit of all those we regulate and, ultimately, for consumers and the wider public.

2 Introduction

The purpose of this consultation document is to advise the aviation industry of the Civil Aviation Authority (CAA) proposals for revisions to the CAA Charges Schemes, due to take effect on 1 April 2013.

We welcome comments on all aspects of the proposals, including the charges structure and the level or amount of the charges.

3 Development Activities

Enhancing Safety Performance (ESP)

Following the Review of Safety Regulation, which was concluded in February 2011, the CAA created its 'Enhancing Safety Performance' programme to develop new ways of working that will add value to regulatory behaviour by applying the principles of Better Regulation and ensuring risks are proactively managed within an individual organisation and across the UK aviation system as a whole.

New processes to capture, manage and share major risk information have been developed and the CAA has two new groups (the Safety Review Board and the Safety Action Group) that are able to consolidate the total risk picture, ensure alignment with European legislation and monitor emerging issues across the worldwide aviation industry.

The five 'Pathfinder' projects (with two major operators, three airport and airspace combinations) that were used to inform the new approach have all delivered. Their lessons learnt have been assessed and are now informing the new ESP approach that is being rolled out. The principles of ESP are being communicated widely and a series of Roadshows have been used to promote the new ways of working, with attendees encouraged to talk openly with stakeholders about key risks, leading indicators and what can be done about them.

The ESP programme is fully engaged with the PPI programme to ensure that any new systems and processes being developed are completely aligned with ESP thinking and requirements. To date the Regional Office consolidated work has delivered savings from the mergers of the Manchester and East Midlands offices, and the Luton and Stansted offices.

Performance and Process Improvement Programme (PPI)

The Performance and Process Improvement programme consists of 2 major work streams: Business Process Reengineering across the organisation and the Full Enterprise Implementation Project.

Earlier this year the CAA Board endorsed the recommendation to move ahead with a Full Enterprise Solution – an organisation wide approach which will see the CAA using the same principles and standards, and integrated IT applications, across the CAA. This solution will be implemented in two phases:

- Phase 1 will involve the delivery of a new Enterprise Architecture, which will define the systems and processes the CAA will need to support the strategic objectives.

This contract has now been put in place and the Enterprise Architecture is being delivered by PA Consulting Ltd with support from key staff from across the business. This work is well underway and the Target Operating Model (TOM) has already been completed; the final Enterprise Architecture deliverables will be completed in January 2013.

- Following on from this, Phase 2 will implement the Enterprise Architecture; ensuring that the new solutions and processes are delivered in a co-ordinated and efficient manner.

Running alongside this activity we are reviewing the CAA's existing processes and making improvements to these in preparation for the transition to new working methods through the integrated systems due to be delivered as part of the Full Enterprise Solution. This work is known as Business Process Re-engineering (BPR).

The initial work is designed to test the introduction of the principles of PPI – including moving towards on-line transactions, ensuring our finance and people systems are integrated and improving how we capture data and information to better protect consumers.

The projects outlined above have been discussed at some length with the Finance Advisory Committee with positive feedback being received to date.

4 Financial Position

The current forecast for the financial year 2012/13 shows an operating profit of £818k for the Regulatory Sector¹, a £514k improvement on the budgeted result. This improvement is principally because operating costs are forecast to be £75,483k, £528k below the original target. With CPI currently at a rate of 2.7%², this is a reflection of the stringent cost control and saving initiatives being exercised by the CAA.

The charging proposals for 2013/14 have been formulated by preparing a target budget. It is assumed that the Regulatory Sector will achieve an operating profit of £1,651k. Consequently, the CAA will continue to bear the cost of the Department for Transport's requirement to achieve the rate of return directly from the CAA's accumulated reserves.

The target budget is based upon the CAA's Strategic Plan, updated for known changes primarily resulting from the formation of the 2012/13 budget. It also encompasses the savings assumption resulting from the PPI programme, which shows resources reducing by 36 FTEs / 5% when compared to the 2012/13 budget. This has resulted in the 2013/14 costs remaining at 2012/13 forecast levels.

¹ Regulatory Sector includes Safety Regulation Group, Regulatory Policy Group and Consumer Protection Group.

² Office of National Statistics – October 2012.

The 2013/14 proposals assume the following traffic growth:

- 1.0% increase in available seat kilometres, the statistic by which the AOC variable charge is calculated.
- 1.5% increase for work load units, the statistic by which the Aerodrome Licensing and ATS Regulation variable charges are calculated.
- 2.3% increase in revenue passenger kilometres, the statistic by which the Air Transport Licences variable charges are calculated.
- 1.6% / 1.3% increase in arriving passengers, the statistic by which the Economic Regulation of Airports designated and non-designated variable charges are calculated.
- 2.9% increase in the number of seats carried, the statistic by which the Air Travel Organisers' Licences variable charges are calculated.

5 **Proposals for individual Schemes**

Having set out the background to these proposals and the CAA's overall financial position, the remainder of this document focuses on proposals for each of the Charges Schemes that are maintained by the Regulatory Groups. For the purposes of financial analysis within this document, the Aerodrome Licensing and Aerodrome ATS Regulation Scheme, the En Route ATC Services Regulation Scheme and the Air Traffic Controllers (ATCO) Licensing element of the Personnel Licensing Scheme relating to SRG, have been taken together, as proposals for these three areas of regulation have been developed as a single package.

5.1 **Safety Regulation Group Schemes of Charges**

The charging proposals for SRG have been derived after consideration of the CAA's target budget which again represents a significant challenge to the Group for 2013/14. It has been set against the general policy that prices for 2013/14 would not increase over those set for 2012/13 excepting those charges in relation to proposed structural changes.

The main influence on setting the proposed charges last year for 2012/13 was caused by the introduction of the EASA Aircrew Regulation on 8 April 2012. However, the UK CAA elected to implement the Regulation within the UK on 17 September 2012. Therefore, whilst further amendments have been proposed for 2013/14 to better reflect the now known requirements from the EASA Aircrew Regulation, further amendments may still be required in 2014/15 as a consequence of the practical use of this new Regulation during 2013/14.

The other main EASA regulation related to Air Operations. This Regulation was expected to be introduced on 8 April 2012 but has been delayed and is expected to be published in October/November 2012 with Annex IV Part-CAT. However, the UK CAA has elected to apply the full two-year derogation period before implementing this Regulation in the UK. Therefore, no material amendments are proposed for 2013/14 in respect of the EASA Air Operations Regulation as the full impact will be included in the proposals for the 2014/15 Schemes.

EASA Aerodromes Regulation is due to be implemented in January 2014 but its impact on the Schemes of Charges for 2013/14 is not expected to be significant and no proposed amendments are deemed necessary.

The normal annual review of the Charges Schemes has been undertaken, which has resulted in further proposed structural changes affecting the Air Operator Certification Scheme, the Airworthiness Scheme, the Personnel Licensing Scheme, the General Aviation Scheme and the Aircraft Registration Scheme.

The structural changes and pricing proposals of the SRG Schemes are detailed further below.

5.1.1 **Air Operator & Police Air Operator Certification Scheme**

The structural changes relating to the Air Operator & Police Operator Certification Scheme 2013/14 are detailed below:

5.1.1.1 **Structural Changes**

i) *Fire and Rescue Service Operations*

Flight Operations has recently determined that AOC or PAOC operators may wish to undertake Fire and Rescue Service (FRS) operations. To accommodate this, and in line with a similar level of work carried out for the addition of Search and Rescue (SAR) operations, paragraph 3.2.6 of the current AOC Scheme is proposed to be amended to include the addition of FRS.

Where an AOC/PAOC operator wishes to add both SAR and FRS operations under the same application then just one charge of £3,448 would be payable, as the Scheme already makes provision for any excess hours to be chargeable.

As there is only one operator identified to date for the addition of FRS, the impact on income will not be material.

ii) *Dangerous Goods carried by the UK Universal Service Operator*

With the introduction of the 2013/14 new edition of the ICAO Technical Instructions, there will be provisions applicable to Designated Postal Operators, known as the State Universal Service Operator, (for the UK being the Royal Mail) which will be included within the Air Navigation (Dangerous Goods) Regulations 2002. These provisions will require the CAA to approve the procedures of the Royal Mail Group, to minimise the possibility of non-permitted dangerous goods entering the mail stream. The Royal Mail Group will also be required to set up and have approved by the CAA a Dangerous Goods company training programme. Should the Royal Mail Group intend to accept lithium batteries into air mail, a separate specific approval will also be required.

The proposed charges are as follows:

Nature of approval or exemption	Application charge	Annual Continuation charge on 1 April
Column 1	Column 2	Column 3
Non-expiring approval of procedures for controlling the introduction of dangerous goods in mail into air transport	£3,612	£3,612
Non-expiring approval of procedures for the acceptance of lithium batteries in mail into air transport	£602	N/A
Exemption for dangerous goods in other than normal circumstances	£172 per hour of CAA investigation (minimum 1 hour)	N/A

Company training programme 2-year approval	Application charge	Renewal charge
Column 1	Column 2	Column 3
Training programme for the Designated Postal Operator	£2,408	£1,204

The effect upon income is estimated to be minimal.

5.1.1.2 Pricing Proposals

i) [Annual Charges for AOCs and non-Public Body PAOCs](#)

It is proposed that the annual target charge remains unchanged with all AOC or non-Public Body PAOC operators that are not currently paying the full target charge moving to 100% of the target charge from 1 April 2013 as set out in the transitional arrangements.

For those AOC non-Public Body PAOC operators in the annual charge category reference bands C2, E1 and F1, a further final concession is proposed resulting in charges being capped to increase by no more than £1,000 per aircraft when compared to the 2012/13 annual charges.

It should be noted that where an operator changes its fleet size or moves bands the charges are adjusted accordingly.

ii) [Variable Charges](#)

The variable charge based on available seat-kilometres (ASK) and cargo tonne kilometres (CTK) flown will continue for operators utilising aeroplanes above 40 tonnes. It is proposed to reduce prices by 3.0% in 2013/14.

The proposed variable charge from 1 April 2013 is:

- 2.56p (2012/13 - 2.64p) for every 1000 available seat-kilometres
- 12.59p (2012/13 - 12.98p) for every 1000 cargo tonne-kilometres

Additionally, it has been assumed that ASK volumes will increase by 1.0% relative to the forecast for the financial year 2012/13.

iii) Other AOC Scheme Charges

It is proposed that all other charges within the Air Operator and Police Air Operator Certification Scheme will remain at 2012/13 prices.

Full details of the proposals for this Scheme are contained in the [Enclosure](#).

5.1.2 Airworthiness Scheme

5.1.2.1 Structural Changes

The structural changes relating to the Airworthiness Scheme for 2013/14 are detailed below:

i) *Canadian and USA Bilateral Agreements – Approved Maintenance Organisations*

Both the Canadian and the USA Bilateral Agreements with the European Commission require the transfer of oversight of CAR 571 and 573 Approvals and FAR 145 Repair Station Approvals from the Transport Canada Civil Aviation (TCCA) and the Federal Aviation Administration (FAA) respectively to the National Aviation Authority in the State where the organisation is located. This transfer must take place within two years of the entry into force of the agreement. The USA Bilateral came into force on 1 May 2011 and the Canadian Bilateral came into force on 1 October 2012. Those organisations that hold UK issued Part-145 approvals will be affected should they hold CAR 571 and 573 Approvals and/or FAR-145 Repair Stations Approvals. There are 140 FAR-145 UK organisations and 65 CAR 571 and 573 UK organisations.

As from 1 April 2012, the CAA introduced charges in respect of the FAR 145 holders within a new CAA application form which, in effect, was a self-contained contract with each applicant. Recently, the CAA issued a similar CAA application form in respect of the TCCA CAR 571 and 573 approval holders to cover the period up to 31 March 2013. It is expected that the same resources would be applied in both cases but that the work involved in the transfer of the TCCA CAR 571 and 573 approvals is estimated to be 50% of that charged for the FAR-145 transfers. Therefore, this proposal is to bring these charges formally into the Airworthiness Scheme as from 1 April 2013 together with the associated annual charges. The initial and variation application charges are subject to excess hour charges at £199 per hour.

Service	FAR 145				TCCA CAR 571 and 573			
	Aircraft weighing 5,700 kg or more		Aircraft weighing less than 5,700 kg		Aircraft weighing 5,700 kg or more		Aircraft weighing less than 5,700 kg	
	£	Hrs	£	Hrs	£	Hrs	£	Hrs
Initial Transfer	3,184	N/A	2,388	N/A	1,592	N/A	1,194	N/A
Initial	3,184	16	2,388	12	1,592	8	1,194	6
Variation to vary the FAR 145 and the Part-145 approvals concurrently	2,786	14	2,189	11	2,189	11	2,189	11
Annual	1,592	N/A	1,194	N/A	796	N/A	597	N/A
Annual Addtl Site	796	N/A	597	N/A	398	N/A	298	N/A

The income generated for 2013/14 would be offset by increased resource costs primarily due to the oversight work required.

ii) *Changes to BCAR Approvals*

The following two BCAR work streams are currently being considered by Airworthiness:

- A BCAR Review to bring the BCAR system more in line with EASA Organisation Approvals.
- Creation of a new BCAR Chapter A8-26 Approval – Sporting Organisations.

Separate industry consultations are being sent out by the CAA during October/November 2012 that discuss the above two issues. The approvals concerning BCAR Chapters A8-20, A8-23, A8-24, and A8-25 are considered as well as a separate consultation on the introduction of a new BCAR Chapter A8-26. These consultations will be available on the CAA website.

In addition the CAA has already issued a number of Information Notices (INs) which describe the CAA's intention to rationalise the structure of the BCAR approvals to fall more in to line with the EASA structure. The reader is recommended to read the following Information Notices:

IN Ref	IN Title
IN-2012/025	Notification of the Transition Period for BCAR Section A (CAP 553) Chapter A8-21, Approval of Organisations for Design or Production
IN-2012/118	CAP 553, British Civil Airworthiness Requirements, Transition Arrangements following implementation of BCAR Section A, Issue 7
IN-2012/127	Organisation Transition Arrangements following implementation of BCAR Section A, Issue 7

As a result of these changes, the associated charges are detailed below, with the Scheme Enclosures providing a detailed view of the new proposed charges.

Transitional charges are as follows:

For those existing approval holders wishing to transfer to the revised BCAR structure, a proposed charge of £46 will be levied, with the exception of the following where a CAA Charges 2013/14 Consultation Document – 22 November 2012

charge of £585 is proposed due to the complexity of the transfer and in some cases resulting in extra privileges being received.

From BCAR Chapter	To BCAR Chapter	EASA equivalent approval held
A8-3 (B1)	A8-23 (M1)	Part-145
A8-3 (B1)	A8-24 (M2)	Part-M Subpart F
A8-8 (E3)	A8-25 (C5)	Part-M Subpart G
A8-15 (M3)	A8-25 (C5)	Part-M Subpart G

Where the organisation also holds a valid EASA equivalent approval (see above) then the transition charge will be reduced to £46.

After the respective transition periods have ended then any subsequent application to change an approval will attract the full new application charges.

It should be noted that the initial charges for the A8-15 (M3), A8-23 (M1), A8-24 (M2) and A8-25 (C5 CAMO) approvals were introduced in the 2012/13 Scheme of Charges. The lower transition charge shown in this consultation will be available by concession from when they become active in 2012/13.

Proposed changes to the initial approval charges are as follows:

Approval	Charge £
A8-1 (A1)	3,410
A8-2 (A2)	3,410
A8-2 (A2) (where the applicant already holds a BCAR A8-20 or BCAR A8-23/24 approval or a Part-145 or Part-M Subpart F approval)	585
A8-21 (A6) (Production Organisation Approval)	3,410
A8-21 (A6) (where the applicant already holds a Part-21G approval)	1,341
A8-21 (E6) (Design Organisation Approval)	3,410
A8-26 (S1)	3,410

Proposed changes to the variation approval charges are as follows:

Approval	Charge £
A8-25 (C5)	877
A8-24 (M2)	877

Proposed changes to the annual approval charges are as follows:

Approval Group	Primary site charge according to the value of activities pursuant to the approval			Additional site charge £
	>£2.25M £	£1.125M to £2.25M £	< £1.125M £	
BCAR A8-1 (A1), A8-2 (A2)	3,410	3,410	3,410	3,410
BCAR A8-21 (A6) & (E6) combined	6,820	6,820	3,410	3,410
BCAR A8-21 (A6) or (E6)	3,410	3,410	3,410	3,410
BCAR A8-25 (C5)	3,410	3,410	3,410	3,410
BCAR A8-26 (S1)	3,410	3,410	3,410	3,410

Airworthiness is currently developing a new BCAR Chapter (A8-26) that will incorporate sporting organisations (a new S1 Group). This BCAR Chapter is currently being developed and will be consulted upon through a CAA 6-week consultation issued later this year with the intention of becoming available as from 1 April 2013.

It is proposed that there will be no annual charge for the following BCAR approvals under the specified circumstances:

- i) BCAR M1 (A8-23) or BCAR M2 (A8-24) if the holder also has a valid Part-145, Part-M Subpart G or a Part-M Subpart F approval.
- ii) BCAR A6 (A8-21 POA) if the holder also has a valid Part-21G approval.
- iii) BCAR C5 (A8-25) if the holder also has a valid Part-M Subpart G approval.

It is proposed that the standalone annual charge be levied for a BCAR M3 (A8-15) approval as per the Scheme where the holder also retains a valid Part-145, Part-M Subpart G or Part-M Subpart F approval. It is recommended that the holder should transfer the M3 approval to a BCAR C5 (A8-25) approval.

Although the required changes will involve most of the current BCAR approval groups, the effect overall upon income is not expected to be significant.

iii) *National Certificates of Airworthiness and National Permits to Fly – Unlimited Validity*

The Air Navigation Order has been updated to allow National Certificates of Airworthiness (CofAs) and National Permits to Fly to become non-expiring, and National Airworthiness Review Certificates (NARCs) and Certificates of Validity (CofVs) respectively to be annually issued and extended. This will bring National rules into line with EASA rules.

Since many National CofAs have a validity of three years, there will be a transition period of up to three years by which time all aircraft will be issued with an unexpiring CofA and an annual NARC. As a consequence, the current 15% reduction in charges for taking out a three-year National CofA will be withdrawn.

The National CofAs for Balloons, currently already non-expiring, will be subject to NARCs being issued and extended annually as from 1 April 2013. It is proposed to bring the charges in line with those currently applied for EASA type Balloons with Series CofAs being charged at £109 for the non-expiring CofA and a further £109 for the issue/extension of the NARC.

Although the first NARCs will be issued by the CAA, it is the intention that subsequent extensions will be carried out by BCAR CAMOs. With regard to Permits to Fly and CofVs see section ix) below.

iv) *Change of Legal Entity*

Currently when an organisation changes its legal entity it is required to re-apply for all of its approvals to be under the new legal entity name. The applicant pays the full application charge for each approval.

It is proposed to amend the Scheme so that where the business applies to be transferred to a new legal entity but all procedures, postholders, etc. remain the same, the application charge shall be two thirds of the full application charge for each approval that is required to be maintained under the new legal entity. This charge will still be subject to any excess hourly charges at a rate of £199 per hour.

The effect on income is expected to be minimal due to low volumes involved.

v) *Approval of aircraft maintenance schedules or programmes*

It is proposed to amend paragraph 3.7 of the Airworthiness Scheme. A new charge is proposed for applications received from UK CAMOs, foreign CAMOs and private aircraft owners where schedules or programmes are sent to the CAA for approval based on the aircraft manufacturers' recommended schedule or programme. Currently we do not charge for this activity. There is also a proposed new charge of £67 relating to the addition or deletion of an aircraft registration mark from the maintenance schedule or programme. It is also proposed to charge for excess hours, at a rate of £134 or £199 per hour according to the weight of the aircraft as per paragraph 4.5 of the Scheme, once the cost of processing the application exceeds the application fee paid under paragraph a) or b) of para 3.7.

It is proposed to amend paragraph 3.7 as follows:

Activity	£
(Amended wording as highlighted) a) Subject to sub-paragraph 3.7 c), on making an application directly to the CAA for approval of an aircraft maintenance schedule or programme that is based on , or different to, the aircraft manufacturers' recommended schedule or programme.	725
(No amendments made) b) Subject to sub-paragraph 3.7 c), on making an application directly to the CAA for the approval of an amendment to the technical content of a maintenance schedule or programme.	580
(Amended wording and with deletion of sub-paragraph c) i)) c) No charge shall be payable if either of the above two activities is supported by an organisation holding a BCAR A8-25 approval or Part-M Subpart G approval concerning amendments made in accordance with A6-21 paragraph 5.3 or Part-M M.A.302 (c).	N/A
(New charge) d) Where an amendment is made to a maintenance schedule or programme to only add or remove an aircraft registration mark, and no change to the technical content of the schedule or programme is made.	67
(New charge) If the total cost of the investigations exceeds the charge specified in a) or in b) respectfully above, a charge of such amount as may be decided and invoiced by the CAA having regard to the expense incurred by it in making the investigations, see paragraph 4.5, but not exceeding £41,600 for any year, or part of the year, during which the investigations are carried out.	Excess charges @ £134 / £199 per hour

The income generated by these amendments is forecast to be approximately £80k.

vi) *Non-EASA temporary permits to fly*

Currently, charges are made for EASA temporary permits to fly but not for National temporary permits. This policy is inconsistent and therefore where an application is made for the CAA to issue a National temporary permit to fly where the certificate of airworthiness is temporarily invalid, it is proposed to charge the applicant £199.

The income generated is forecast to be approximately £12k per annum.

vii) *Organisation Approvals - Change of address only*

In respect of an organisation (that holds multiple organisation approvals) that applies to vary its approvals to incorporate a change of its address where no other changes in respect of the approvals are made, the organisation is currently required to pay the associated variation charge for each approval held.

It is proposed to amend the Scheme so that a single charge is levied that relates to the approval type held attracting the highest variation application charge. This charge will still be subject to excess hourly charges. The effect on income is expected to be minimal.

viii) *Organisation Approval applications for initial and for variation – limitations*

Variation applications received relating to Part-M SpF, SpG and to Part-145 approvals, have sometimes resulted in many variation elements being lodged onto one application for one charge to apply. Furthermore, some of these variations require the application to be left open for many months, sometimes more than 2 years, due to the applicant not being ready to provide the CAA with the required information.

It is proposed that should there be no progress made by the customer in providing the CAA with the required information to complete the variation(s) within 12 months from application date, then the CAA will cancel that variation application and request a new variation application and fee to be provided when the applicant is ready to proceed. Furthermore, it will be a requirement that once an application and payment has been received and progress has commenced on that application, the applicant may not be permitted to add further changes to the same variation or initial approval application.

The proposed change is not expected to impact materially on the generation of annual income but would increase the effectiveness and efficiency on processing outstanding applications.

ix) *National Online Permits to Fly*

At present, BCAR Chapter A8-20 organisations are permitted to recommend to the CAA the issue of Permits to Fly / Certificates of Validity (CofV). The CAA is undertaking the development and intends to introduce a new system for organisations to use, in line with our popular ARC online system.

It is intended to allow A8-20 and A8-15 approval organisations and BCAR A8-25 CAMO organisations to obtain a privilege on their approval and to then use a permit online system to notify the CAA that a CofV has been renewed. As part of this process, organisations will be invited to be involved to develop the system. Our target delivery date for the online system is by 31 March 2013.

The CAA will be reviewing the charging mechanism for CofV renewals during 2013/14 and intends to involve industry with its evolution. Therefore, the proposed charges for 2013/14 will reflect a transitory year in which the development of the new charging structure will be identified and tested. As a result, the National permit charges will remain as currently structured within the 2012/13 Scheme with a proposal to reduce by 20% the initial application charges made by an approved organisation for the renewal of a CofV when using the online system.

The Scheme of Charges has always included the facility to charge for recovery of costs incurred by the CAA in excess of the initial application charge in respect of both CofV initial grant and renewal applications. Therefore, excess charges will be invoiced by the CAA in accordance with paragraph 4.5 of the Scheme in respect of those applications where excess hours have been incurred. Those charges incurred by approved organisations using the permit online system will not be subject to excess hours where no CAA Surveyor involvement is undertaken.

It is not expected that the total net effect of these proposals will have a significant impact on income generated.

x) *ANO Exemptions*

Last year the CAA introduced a charge of £791 where an aircraft owner or operator made a direct application to the CAA for an exemption in accordance with the provisions of Article 14(4) of (EC) Regulation 216/2008. It is proposed to introduce the same charge for an application in respect of an exemption on airworthiness issues under the ANO relating to non-EASA aircraft. The income generated is forecast to be approximately £5k.

5.1.2.2 **Pricing Proposals**

It is proposed that all other charges will remain at 2012/13 prices.

Full details of the proposals for this Scheme are contained in the [Enclosure](#).

5.1.3 **Personnel Licensing Scheme**

5.1.3.1 **Structural Changes**

i) *Transfer to non-expiring UK Professional and Private Pilot Licences*

When an expiring UK Professional or Private licence concerning non-EASA (Annex II) aircraft is applied for renewal, the licence will be re-issued as a non-expiring licence. The proposed charges will be £139 (Professional licence) and £73 (Private licence). There is no additional income consequent upon these charges that would not normally have been already received.

ii) *Updating an Examiner Certificate*

Where application is made to update details on an Examiner Certificate which is not consequent upon any other licensing action it is proposed to charge £46. The expected additional income is not expected to be significant.

iii) *FSTD User Approvals*

The simulator user approval charges introduced for the 2012/13 Scheme reflected the latest information received from EASA prior to setting the charge proposals in September 2011. The charges related to Full Flight Simulators that were third party owned.

Following further information received from EASA, user approvals must now be issued for all simulator types i.e. all FSTDs, operated by the ATO in respect of its approved flight training courses regardless of FSTD ownership.

The impact on income generated by virtue of the annual charges is not expected to be significant and could be in the order an additional £15k.

iv) *Examiner, Instructor and other courses within Paragraph 4.6 to be incorporated within Section 6 of the Scheme*

The effect of amalgamating paragraph 4.6 into Section 6 of the Scheme is to place all flight training courses together in one area of the Scheme. This proposed change will expose the paragraph 4.6 courses to excess hourly charges excepting the annual continuation charges which will remain fixed.

The effect on income is not expected to be significant.

v) *Aircraft Maintenance Engineer Training Courses – Practical Training and Assessment*

The Commission (EU) Regulation No. 1149/2011 provides a one-year transitional period, as from 1 August 2012, for all aircraft maintenance engineer training courses to incorporate a practical training and assessment element within its courses. In addition, where an aircraft maintenance engineer applies for his/her first type rating on a B1 or B2 category Part-66 licence then on the job training (OJT) will be required in order to obtain qualification.

Not all Part-147 organisations currently have approval to conduct practical training and assessment. Where Part-147 organisations already conduct practical training courses then there will not be a requirement for those organisations to be re-approved. It is not expected that adding the practical training course to the theory course will incur significant extra resources and the extra costs incurred would be subsumed within the existing Part-147 annual charge.

For those Part-147 organisations that do not have access to aircraft it will be required to sub-contract a Part-145 organisation to enable the practical training element and OJT to be carried out.

Additional work will be required to certify Part-145 organisations wishing to conduct practical training courses. The number of possible applications is difficult to determine but is estimated to be in the order of 30 per annum. It is proposed to apply a standard charge of £650 to add the practical training and assessment to a Part-145 organisation and, therefore, the income from this new charge is estimated to be approximately £20k.

Part-145 organisations will need to re-apply for the approval each year as EASA have stated that the approval should not be granted for a long term period.

vi) *Abridged Courses with Zero Flight Time Training (ZFTT)*

Where an organisation has approval to carry out a full type rating training course with ZFTT and also has approval to run an abridged course relating to that full type rating course, then the ZFTT element for both courses will be the same i.e. the simulator would only be checked once. Therefore, it is proposed to reduce the initial approval and continuation charge in this scenario to a charge of £2,130, being the charge relevant to a course excluding ZFTT.

The effect on income will not be material as there are currently only four courses meeting this criteria.

vii) *Charge for the Integrated Multi Pilot Licence course*

It is proposed to amend the wording of the PL Scheme under Table 32 a) iii) to reflect that each MPL course applied for will be subject to the charge, rather than multiple MPL course subject to one charge. This is primarily due to there being subtle differences according to the client's requests. The effect on income is not expected to be material.

viii) *Examiner online briefings*

Within the 2012/13 Scheme, a charge of £630 was introduced to cover the costs associated with the requirement under Commission Regulation (EU) No. 1178/2011, FCL.1015, for non-UK authorised examiners to be briefed by the CAA in order to be permitted to conduct tests, checks or assessments of competence on a UK applicant or licence holder. However, the CAA has received notices from approximately 500 non-UK authorised examiners who will require the briefing and clearly this level of resource is not available within Licensing & Training Standards department in order to carry out this face to face briefing.

Whilst a face to face briefing may still be desired by some non-UK authorised examiners, a web-based system is currently being finalised which would provide all the information required for non-UK examiners to be briefed on the UK rules. This briefing will be required to be undertaken once every three years.

This web-based system will be an automatic system for registration, payment, delivery and certification which will minimise the need for human resources to be employed.

An online charge of £60 is proposed for non-UK authorised examiners to have access to the online briefing material for a three-year period. Once the three-year period has expired then a further payment will be required to secure access for further three-year period. Income of £32k is forecast for 2013/14.

ix) *Initial application charge of £500 for specific ATO course approvals*

Following publication of the 2012/13 Scheme it was deemed appropriate to reduce the initial charge for specific smaller courses from the general initial £1,000 charge to an initial £500 application charge subject to excess hourly charging at £172 per hour. This approach has been adopted from 17 September 2012 and the 2013/14 Scheme will be updated accordingly. The £500 charge will be per application form which could contain more than one of the smaller courses shown in the table below. However, the applicant must be in a position to process all the courses requested on the form on making application to the CAA.

The CAA is currently developing its requirements concerning the oversight function of these course approvals so that annual charges can be fixed. Therefore, no annual charge in respect of these course approvals will be chargeable for 2013/14 but proposed annual charges will be consulted upon for implementation for the 2014/15 Scheme.

The training courses affected by this £500 initial application charge are as follows:

Training Course Type
LAPL extension course
LAPL to PPL upgrade
LAPL including TMG to PPL upgrade
LAPL extension to TMG
LAPL tethered flight extension
LAPL extension (Balloon) (to another Balloon class)
Aerobatic Rating
Sailplane Towing Rating
Banner Towing Rating
Night Rating
Mountain Rating
Balloon Pilot Licence tethered flight extension
Balloon Pilot Licence extension course (to another Balloon class or group)

x) *Change of name*

It is proposed that where the following licence holders apply to the CAA to update and re-issue a licence / certificate with no other licensing or certification action required, then the applicant shall pay a charge of £46:

- A flight crew member
- An aircraft maintenance engineer
- An air traffic controller
- A flight information service officer
- A holder of a certificate of competence to act as a radio operator
- A person holding an aeromedical certificate for personnel licences.

The volume of notifications received to only update the licence / certificate in respect of change of name and/or address with no other licensing action required is approximately 1,000 per annum, approximating to £46k of income.

xi) *Registration of Private Pilot Licence training facilities*

As all registered training facilities will have been identified and registered by 17 September 2012, there will no longer be a need for the initial registration charge of £102 – paragraph 6.4 Table 33 a) refers. This charge will be deleted for the 2013/14 Scheme.

xii) *Radio Operators Certificate of Competence (ROCC)*

It is proposed to charge £27 for a request for the CAA to issue a copy or replacement ROCC document. The income for this charge is estimated to be £10k per annum.

xiii) *Aircraft Maintenance Engineer Licence – Category C issue*

The Scheme currently states that where a Category C basic rating (piston engines) is applied for concurrently with a Category B1, B2 or B3 rating then no charge shall be payable for the grant of a the C rating. However, there is no charge where an applicant applies just for the Category C rating. Therefore, it is proposed to charge £131 to grant the Category C rating in isolation. The income from this new charge is estimated to be £13k per annum.

xiv) *Examiner Refresher Seminar Courses*

Under Part FCL 1025 (b) (2) the revalidation and renewal criteria for examiner certificates includes the requirement for the holder to attend an examiner refresher seminar provided by the competent authority or by an ATO and approved by the competent authority, during the last year of the validity period.

For a number of years the CAA has been providing seminars for senior examiners. With the implementation of Part-FCL, examiner refresher seminars will be required for all categories of examiners. CAA will organise and provide examiner refresher seminars for certain categories of examiners. Approved Training Organisations (ATOs) may also be approved to conduct examiner refresher seminars in accordance with Part-FCL.

An initial application charge of £1,000 is proposed for the CAA to approve these seminar types with an annual charge proposed of £500 to cover CAA oversight of these seminars. The initial application charge will be subject to excess hour charges at a rate of £172 per hour. The annual charge shall be payable on 1 April each year. The additional income generated is expected to be approximately £25k.

xv) *Type rating instructor / synthetic flight instructor courses*

Prior to the introduction of the EASA Aircrew Regulations, a core course could be approved in its own right. However, under the EASA Aircrew Regulations each core course must be related to an aircraft type specific course. Therefore, where the core course requires the CAA to carry out a separate observation at a third party site then the proposed charge is £1,297 applicable in respect of each of the categories of “aircraft (excluding helicopters)” and “helicopters”. Income from this proposed amendment is not expected to be significant.

xvi) *Approval of a person to furnish reports for a National UK Pilot Licence*

The Scheme provides a charge for any organisation to furnish reports and make recommendations to the CAA for applications for the grant of a National Private Pilot Licence. However, there may be a wish for an organisation to carry out this function in respect of other National UK Pilot Licence types. Therefore, it is proposed to amend the wording accordingly to allow applications from organisations to be received in this regard.

xvii) *Examiner Standardisation Course approvals*

The Scheme is proposed to be updated to better reflect the requirements of the EASA Aircrew Regulation Annex 1 Subpart K FCL.1015 (a) in respect of examiner standardisation courses. The proposed charges are as follows:

Description	Initial application £	Annual continuation charge payable on 1 April £
TRE (A) and/or SFE (A) including MPA or SPHPCA TRE (PL) and/or SFE (PL) TRE (H) and/or SFE (H) multi-pilot VFR and IFR	6,302	561
TRE (H) and/or SFE (H) single pilot VFR and IFR IRE (A), or (H) or (As) FE CPL CRE IRR (A)	3,318	455
FIE	2,114	455
TRE (H) and/or SFE (H) single pilot VFR to IFR TRE (H) and/or SFE (H) single pilot VFR CRE (A) to CRE (A) IRR CRE (A) VFR FE PPL, FE LAPL, FE BPL, FE SPL	1,659	455
CRE Additional Privileges (i.e. Sea, SET, TMG, etc.) FE Mountain Rating	520	455

The additional examiner standardisation courses brought about by the EASA Aircrew Regulation relate to flight examiners and to class rating examiners. The additional income generated is estimated to be approximately £20k.

xviii) *Approved Training Organisations with more than 10 additional sites*

In order to accommodate those larger organisations that have more than 10 additional sites, it is proposed that the initial application charge for the ATO to be approved by the CAA should be composed of the fee for each training course requiring approval, including the basic charge if the ATO wishes to conduct type rating training courses, plus the existing additional per site charge under paragraph 6.8 Table 37 of £1,297 up to a maximum of 10 sites. Where the costs incurred in processing the application exceeds the initial application charge then invoices for the excess hourly charges thereafter will be payable by the applicant.

The corresponding annual charge for continuing oversight will similarly be restricted to the total of the annual charge for each training course plus a per site charge as per paragraph 6.8 of the Scheme up to a maximum of 10 additional sites.

It is not expected that the total income derived from this proposed charging mechanism amendment will significantly change the total income generated. However, the proposed amendment will better reflect the resource allocation of the CAA in its treatment of initial applications and oversight relating to ATOs with a large number of additional sites.

xix) *Additional Instructor courses*

Following further information received from EASA after the 2012/13 Scheme of Charges was published, it is proposed to include two new instructor courses within the Scheme under paragraph 6.3.1 Table 32 c) ii) being:

- Flight Test Instructor, and
- Mountain Rating Instructor.

The effect on income is not expected to be material.

xx) *Additional Modular training course*

It is proposed to include the Commercial Pilot Licence (Airships) modular training course under paragraph 6.3.1 Table 32 b) i).

The effect on income is not expected to be material.

xxi) *Wording correction*

Paragraph 6.1 of the Scheme incorrectly shows relevance to private pilot initial training. This paragraph is relevant to all pilot initial training or subsequent ratings and therefore the word “private” will be deleted.

5.1.3.2 **Pricing Proposals**

It is proposed that all other charges within the Personnel Licensing Scheme will remain at 2012/13 prices.

Full details of the proposals for this Scheme are contained in the [Enclosure](#).

5.1.4 **General Aviation Scheme**

5.1.4.1 **Structural and Pricing Changes**

i) *Various small wording changes and deletion of defunct charges*

Various small wording changes and deletion of defunct charges have been made to the General Aviation Scheme. It is proposed that all charges within the General Aviation Scheme will remain at 2012/13 prices.

Details of the changes made are contained in the [Enclosure](#).

5.1.5 **Aircraft Registration, Registration of Aircraft Mortgages and Aircraft Dealer Certification Scheme**

5.1.5.1 **Structural Changes**

i) *Registration of an aircraft – out of sequence registration mark*

This Scheme has been under-recovering its associated costs for a number of years. It is proposed that the out of sequence registration mark reservation and grant charges be increased to eradicate this under-recovery and the associated cross subsidy from the Air Operator and Police Air Operator Certification Scheme. The following charges are proposed:

- Out of Sequence reservation charge to increase from £92 to £150.
- Out of sequence grant charge to increase from £185 to £300.

Additional income of £100k is forecast.

In sequence registration marks will remain at 2012/13 prices.

5.1.5.2 **Pricing Proposals**

It is proposed that all other charges within the Aircraft Registration, Registration of Aircraft Mortgages and Aircraft Dealer Certification Scheme will remain at 2012/13 prices.

Full details of the proposals for this Scheme are contained in the [Enclosure](#).

5.1.6 **Other Schemes of Charges**

No structural amendments are proposed in the following Schemes:

- Aerodrome Licensing and Aerodrome Air Traffic Services Regulation Scheme
- Aerial Application Certificates and Declarations for non-Commercial Operations with Complex Motor-Powered Aircraft Scheme
- En Route ATC Services Regulation Scheme

It is proposed that all charges within the above three Schemes will remain at 2012/13 prices.

5.2 **Regulatory Policy Group Schemes of Charges**

The new Regulatory Policy Group (RPG) was formed in March 2011 and incorporated the CAA's economic regulation, elements of consumer protection and wider policy functions. From the outset RPG was larger and more diverse than the previously named Economic Regulation Group, incorporating new activities which lead to an increased cost base and subsequently increased charges from 1 April 2012.

RPG is committed to controlling and reducing costs where possible, both through a continued drive for efficiency and effectiveness and through the derived benefits of the Performance and Process Improvement Programme (PPI). Applying these
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efficiency measures has enabled us to set a 2013/14 cost base of £10,216k, a reduction of £20k on the 2012/13 budget. This is a real-terms reduction of 3.3 %. This reduction has been achieved primarily by reducing overall staffing levels by 2.4% by anticipating a lower level of professional fees as the Q6 programme moves towards completion; and by applying further savings in the general costs of training and travel expenses. Savings have been partially offset by the creation of a new post, to allow RPG to second at least one person from industry – our aim here is to complement our widely recognised analytical strengths with more “real world” experience. Further detail of RPG’s costs per charging scheme are shown in appendix 5.

2013/14 will be a transitional year as the economic regulation of airports moves from the regime of the Airports Act 1986 to the new Civil Aviation Act which we expect to receive Royal Assent early in 2013. This will change the legal basis for charging, in the same sense that some charging schemes have in the past been on the concept of “permission to levy charges”. This concept will disappear from the legal framework. However, this change has little effect on the overall balance of CAA charges. The bulk of RPG’s regulatory effort will continue to be directed towards the currently designated airports of Heathrow, Gatwick and Stansted, but a minority of our work (and costs) will continue to relate to smaller (but not the smallest) airports.

Costs in respect of what have historically been the non-designated airports arise from the roles played by the CAA for the UK airports sector as a whole. For instance, it will be given some new functions under the Civil Aviation Act including concurrent competition powers with the Office of Fair Trading in respect of airports and a duty to publish information and advice that assists passengers. The CAA will have a continuing role under the Airport Charges Regulations 2011, the 1997 Groundhandling Regulations and the 2006 Regulation covering the rights of disabled persons and those with reduced mobility. All of these functions have been taken into account in setting charges for 2013/14.

The principles of cost allocation, as described in detail within the 2012/13 consultation document will remain the basis of the charging schemes. During 2013/14 the airport price review will complete (saving appeals), and indeed the bulk of consultancy work should be completed within the first half of the year. We therefore anticipate a reduction in costs allocated to Designated Airports in 2013/14.

At the same time, we will move into the more intensive part of the process for setting the NATS regulatory framework for Reference Period 2 (2015-2019), leading to an increase in the NERL licence fee of 47% (That fee is governed by a condition in NATS’ licence rather than by a charging scheme under section 11 of the Civil Aviation Act. However, for completeness and for the information of stakeholders the CAA is including its proposal for the licence fee in this document).

We have reviewed the allocation of costs relating to RPG’s competition analysis work. This team is currently wholly engaged on analysis of airport market power, and the Civil Aviation Bill will give us powers to enforce general competition law in the airport sector. We therefore expect most of this team’s work to relate to airports, and not airlines, for the foreseeable future, and so are now recovering its costs on that basis. (We have also aligned the management of this work with management of airport regulation.) Costs allocated to the Operating Licences, Air Transport Licences and Scarce Capacity Allocation Certification Scheme have consequently reduced, by £354k.

The cost base in the passenger complaints area has reduced, resulting from efficiencies derived from new IT and a reduced level of funding to the Consumer CAA Charges 2013/14 Consultation Document – 22 November 2012

Council of Northern Ireland, in line with the actual number of complaints processed in Northern Ireland.

RPG maintains its commitment, in line with the CAA's charging principles, to eradicate the cross subsidy between the non-designated airports charge and other charges. RPG set out last year that this subsidy would be eradicated over a period up to five years. However, as volume forecasts for 2013/14 are reasonably healthy, we are proposing to accelerate the re-balancing and so remove half of the remaining subsidy (around £75k, out of a total subsidy of £150k) this year. This could put us on track to a full eradication of the cross subsidy by 2014/15.

The following growth rates have been assumed within the charging proposals:

- Arriving passengers, the denominator for airport charges, are forecast to increase by 1.6% at designated airports and 1.3% at airports that have not been designated for 2013/14.
- Passenger and cargo tonne kilometres, the denominator for Operating, Route and Air Transport Licences charges, are forecast to increase by 2.3% for 2013/14.

5.2.1 Economic Regulation of Airports Scheme

5.2.1.1 Structural Changes

There are no structural changes relating to the Economic Regulation of Airports Scheme for 2013/14. Charges will continue to be levied on a per arriving passenger basis. However, charges will no longer be associated with the holding of a permission to levy airport charges under Part IV of the Airports Act as we expect Part IV to be progressively repealed from 1 April 2013.

5.2.1.2 Pricing Proposals

i) *Designated airports*

A decrease of 12% is proposed for the designated airports charge, reducing the charge from 5.40 pence to 4.75 pence per arriving passenger.

The proposed charge from 1 April 2013 is:

- 4.75 pence (2012/13 – 5.40 pence) per arriving passenger

ii) *Airports that have not been designated*

An increase of 18% is proposed in the charge for airports that have not been designated, increasing the charge from 1.26 pence to 1.49 pence per arriving passenger.

The proposed charge from 1 April 2013 is:

- 1.49 pence (2012/13 – 1.26 pence) per arriving passenger.

Airports with less than 500,000 annual arriving passengers will continue to be exempt from charging.

iii) *Airports Review Charges*

Consultancy costs relating to the airports review are anticipated to reduce in 2013/14 as the work to finalise the economic regulatory framework for Heathrow, Gatwick and Stansted for Q6 falls mostly earlier in the year.

These proposals include an increase in the consultancy costs allocated to Stansted airport under the Airports Review charge, compared to its allocation of consultancy costs in 2012/13. This is because we are proposing to charge entirely to Stansted the consultancy costs relating to a Market Power Assessment of Luton airport (£150k +VAT). Stansted Airport has asked the CAA to undertake this examination of Luton market power, as they are entitled to do under the Airports Act 1986 (as amended by the Airport Charges Regulations). We are highlighting this issue in this consultation so as to capture stakeholder views on how this work should be funded, since this is the first time we have received such a request, and it is not wholly clear to us what approach to allocation is fairest. Several considerations seem relevant:

- Responding to CAA information requests will cost Luton significant amounts of money, and it does not seem obviously fair that Luton should also have to pay a share of the CAA's costs (which would be the effect if the costs of the investigation were loaded onto the non-designated airport charge);
- On the other hand, in principle a party should not have to pay substantial costs to be protected from abuse of a dominant position;
- That said, Stansted airport's request is not buttressed by any complaints of particular abuses by Luton so much as a desire to compare; and
- We also cannot see why we should ask the other regulated airports to carry a share of the costs, since we have no strong reason to believe that this assessment would benefit other airports around London.

We would welcome comments on how these costs should be allocated. As noted, we are proposing on this occasion to allocate the costs of the investigation to the requestor. However, in other circumstances (e.g. where a request was accompanied by prime facie evidence of abuses from which the requestor was suffering or where the goal was to identify where regulation might be disproportionate and damage other airports), we might not take the same approach.

Three airport specific charges are proposed:

- Heathrow 1.50 pence per arriving passenger
- Gatwick 3.12 pence per arriving passenger
- Stansted 4.99 pence per arriving passenger

The charges reflect the predicted spend in respect of each airport and the ability to recover those costs through arriving passenger numbers. However, given the uncertainty relating to the resource requirement for the review, any under-recovery of cost within year will be charged in subsequent years to the airport to which they relate. If an over-recovery is expected to occur within the year the charges will be waived to mitigate this.

Full details of the proposals for this Scheme are contained in the [Enclosure](#).

5.2.2 Economic Regulation of NATS

The proposal is to increase the licence fee payable by the regulated entity NERL to £1.47m in 2013/14 (£1m in 2012/13).

5.2.3 Operating Licences, Air Transport Licences and Scarce Capacity Allocation Certificates (ATL) Scheme

5.2.3.1 Structural Changes

There are no structural changes relating to the Operating Licences, Air Transport Licences and Scarce Capacity Allocation Certificate Scheme for 2013/14.

5.2.3.2 Pricing Proposals

i) Fixed Charges

The following price increases are proposed:

ATL Fixed Charges	2011/12 Charges	Proposed Charge
Application or re-submitted application for a Type A Operating Licence or an Air Transport Licence	£10,350	£15,000
Application or a re-submitted application for a Type B Operating Licence ³	£1,550	£1,800
ATL Exemption fee	£105	£108
Specific ATOL exemption	£105	£105

The charge of £15,000 payable on making an application for the grant or variation of a Scarce Capacity Allocation Certificate, pursuant to Regulation 10 of The Civil Aviation (Allocation of Scarce Capacity) Regulations 2007, is proposed to remain unchanged for 2013/14.

ii) Variable Charges

The variable charges are based on revenue passenger kilometres flown and cargo tonne-kilometres flown. It is proposed to reduce the variable charge by 11.2% in 2013/14.

The proposed charges are:

- 0.79p (2012/13 - 0.89p) for every 1000 revenue passenger-kilometres.
- 3.95p (2012/13 – 4.44p) for every 1000 cargo tonne-kilometres.

Full details of the proposals for this Scheme are contained in the [Enclosure](#).

³ In the case of Type B applicants, or licence holders, where complex ownership and control analysis is required the CAA reserves the right to charge an additional assessment fee of up to £10,350. The CAA will consult with the applicant or licence holder before an additional fee is charged.
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5.3 **Consumer Protection Group Scheme of Charges**

We have introduced several new licensing arrangements over the last few years including the Franchise Arrangements and Accredited Body options. As there is now an increased number of ATOL holders choosing these options we have been able to expand our available ATOL types to include ABTA Members applying via the ABTA – ATOL Joint Administration Scheme. We have also refined our fee structure to better reflect the recovery of costs incurred in administering these arrangements.

5.3.1 **Air Travel Organisers' Licensing (ATOL) Scheme**

5.3.1.1 **Structural Changes**

i) **Franchise Member ATOL Arrangements and Standard ATOL's applied for under the ABTA-ATOL Joint Administration Scheme**

There are now increased options available to those who wish to make available flight accommodation (for example, apply for a Franchise Member ATOL, apply for an ATOL via the ABTA-ATOL Joint Administration Scheme or become a Member of an Accredited Body). We have introduced new and revised charges to reflect the cost to the CAA in overseeing these options. See Scheme Enclosure Tables 3, 4 and X.

ii) **Franchisee**

A Franchisee approved by the CAA oversees Franchise Member ATOL holders. Franchise arrangements with Franchisees have existed since 2004. However, the time and cost in setting up these arrangements and amending them due to regulatory or other changes are considerable. It is therefore proposed to introduce a £20,000 application charge and a £5,000 annual charge for the Franchise Bodies. The application charge is to cover the cost of an in-depth initial assessment of the Franchisee, the CAA's in-house legal costs in setting up the franchise arrangement as well as the oversight costs associated with the first year of the Franchise arrangement. The annual fee is to cover the cost of an audit and on-going administration costs to enable the Franchise arrangements to continue. See Scheme Enclosure Table Y.

iii) **Additional charge where third party professional adviser expenses are incurred by the CAA**

Where the CAA incurs, Legal, Accountancy, Financial and other professional advisers' expenses in order for it to review any application or assessment, carry out any consideration or permit a Franchisee to continue to hold a Franchise, the CAA proposes to charge for this expense in full subject to an annual cap. Therefore, the CAA proposes to recover the full cost incurred up to 31 March 2014 but will not recover more than £80,000. For the avoidance of doubt, any expenses incurred after that date will be recovered under the following year's charges scheme. See Scheme Enclosure Table Z.

iv) **ATOL renewal charges**

Some charges are discounted if the applicant applies early rather than shortly before the ATOL expires to encourage applicants to apply in good time. The date when a completed application must be received to qualify for the discounted charge has changed to 'on or before 15 August' (for those renewing in September 2013) or 'on or before 15 February' (for those renewing in March 2014).

5.3.1.2 **Pricing Proposals**

i) [Charges which apply to Standard ATOLs, SBAs and Trade ATOLs](#)

There has been no increase in either the fixed or per passenger/seat charges. The per passenger/seat charge is based on the number of seats on flights an ATOL holder is licensed to sell. We have continued the freeze on this fee, which has been in place now for six years, therefore, the fee will remain at 11.85 pence per passenger/seat. The passenger growth assumed for the September 2013 renewal is 3.8% and for the March 2014 renewal is 2.8%.

ii) [Accredited Bodies](#)

The renewal charge for Accredited Bodies has been decreased from £10,000 to £5,000, again given our experience, as a more accurate reflection of the costs that we incur in dealing with them. See Scheme Enclosure Table 4.

All other charges are to remain unchanged at 2012/13 levels.

Full details of the proposals for this Scheme are contained in the [Enclosure](#).

5.4 **Directorate of Airspace Policy Scheme of Charges**

5.4.1 **Instrument Flight Procedures Scheme**

5.4.1.1 **Structural Changes**

There are no structural changes relating to the Instrument Flight Procedure Scheme for 2013/14.

5.4.1.2 **Pricing Proposals**

It is proposed that all charges within the Instrument Flight Procedures Scheme will remain at 2012/13 prices, and the current 2012/13 Schemes will remain in force during 2013/14 or until such time that they are formally amended.

6 Conclusion

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

a) Safety Regulation Group Schemes of Charges

- i. [Air Operator & Air Police Operator Certification Scheme](#)
- ii. [Airworthiness Scheme](#)
- iii. [Personnel Licensing Scheme](#)
- iv. [General Aviation Scheme](#)
- v. [Aircraft Registration & Mortgages Scheme](#)

b) Regulatory Policy Group Schemes of Charges

- i. [Economic Regulation of Airports Scheme](#)
- ii. [Operating Licences, Air Transport Licences and Scarce Capacity Allocation Scheme](#)

c) Consumer Protection Group Scheme of Charges

- i. [Air Travel Organisers' Licensing Scheme](#)

Appendix 1 - Regulatory Operating Results

Regulatory Sector	Year 2012/13		Year 2013/14
	Budget £'000	Forecast £'000	Target Budget £'000
Income Statement			
Revenue			
Safety Regulation Group	59,563	59,611	60,609
Regulatory Policy Group	10,410	10,314	10,664
Consumer Protection Group	6,342	6,376	6,469
TOTAL REVENUE	76,315	76,301	77,742
Operating Costs			
Employment costs	47,495	47,170	47,414
Services and materials	2,908	2,816	2,887
Repairs and maintenance	444	512	573
Research and development	352	352	355
Depreciation and disposals	1,361	1,295	1,495
Irrecoverable VAT	2,619	2,514	2,610
Other operating and general	8,399	8,454	8,202
EASA cross charges	(600)	(600)	(600)
Intra group charges	13,033	12,970	13,155
TOTAL OPERATING COSTS	76,011	75,483	76,091
OPERATING PROFIT	304	818	1,651

Summary of SRG's Operating Results by Charges Scheme

	12 Months to 31 March 2013						12 months to 31 March 2014		
	Budget			Forecast			Target Budget		
	Income	Costs	Profit / (Loss)	Income	Costs	Profit / (Loss)	Income	Costs	Profit / (Loss)
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Safety Regulation Activities									
Air Operator Certification	22,858	21,367	1,491	22,578	21,279	1,299	22,911	21,286	1,625
Airworthiness	10,777	11,284	(507)	11,493	11,489	4	11,716	11,585	131
Personnel Licensing	12,940	13,108	(168)	12,454	12,864	(410)	12,703	12,754	(51)
Aerodrome Licensing	7,983	8,456	(473)	8,078	8,314	(236)	8,157	8,407	(250)
En Route ATS Regulation	3,931	4,019	(88)	3,931	3,955	(24)	3,931	4,007	(76)
Aerial Applications	13	8	5	14	8	6	14	7	7
General Aviation	298	569	(271)	208	569	(361)	212	560	(348)
Aircraft Registration	498	611	(113)	525	566	(41)	635	614	21
Other Activities	265	164	101	330	162	168	330	170	160
Total	59,563	59,586	(23)	59,611	59,206	405	60,609	59,390	1,219

Summary of SRG's Group Operating Results by Charges Scheme

	12 Months to 31 March 2013						12 months to 31 March 2014		
	Budget			Forecast			Target Budget		
	Income	Costs	Profit / (Loss)	Income	Costs	Profit / (Loss)	Income	Costs	Profit / (Loss)
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Airworthiness Scheme									
Series / Exports, Modifications & Prototype	3,214	3,260	(46)	3,654	3,332	322	3,722	3,321	401
Renewals - C of A's	1,491	1,719	(228)	1,448	1,752	(304)	1,476	1,800	(324)
Permits to Fly	402	971	(569)	380	1,001	(621)	388	896	(508)
Total Certification	5,107	5,950	(843)	5,482	6,085	(603)	5,586	6,017	(431)
Total Approval	5,670	5,334	336	6,011	5,404	607	6,130	5,568	562
Total Airworthiness Scheme	10,777	11,284	(507)	11,493	11,489	4	11,716	11,585	131
Personnel Licensing Scheme									
Professional	8,353	8,817	(464)	8,379	8,671	(292)	8,547	8,700	(153)
Private	1,194	949	245	1,170	945	225	1,193	913	280
Air Traffic Controller	552	821	(269)	530	810	(280)	540	817	(277)
Simulator Approvals	1,112	963	149	700	952	(252)	715	857	(142)
Engineer Licensing	1,729	1,558	171	1,675	1,486	189	1,708	1,467	241
Total Personnel Licensing Scheme	12,940	13,108	(168)	12,454	12,864	(410)	12,703	12,754	(51)
General Aviation Scheme									
Flying Displays	114	254	(140)	84	254	(170)	86	250	(164)
Parachuting Regulation (Inc. Ad Hoc Charges)	32	9	23	32	9	23	32	8	24
Other Permissions & Exemptions	152	306	(154)	92	306	(214)	94	302	(208)
Total General Aviation Scheme	298	569	(271)	208	569	(361)	212	560	(348)

Appendix 4

- a) The costs associated with the tables below are based upon the target budget for the year ending 31 March 2014 and are subject to change when the final budget is approved.

Analysis of AOC Cost Categories and Associated Income				
	Over 40T	Under 40T	Fixed Charges	Total
	£'000	£'000	£'000	£'000
Income	18,180	3,768	963	22,911
Costs Associated With Fixed Charges				
Grants & Variations			722	722
AOC Balloons			94	94
Leasing			76	76
Dangerous Goods			451	451
Total Costs Associated With Fixed Charges	0	0	1,343	1,343
Costs Associated With Annual Charges				
Oversight	2,553	2,850		5,403
Medical	2,035	465		2,500
Flying Training	1,210	947		2,157
Continued Airworthiness	1,927	0		1,927
Total Costs Associated With Annual Charges	7,725	4,262	0	11,987
Costs Associated With Variable Charges				
Research & Other Activities	815	0		815
Aviation Health Unit	147	0		147
Policy Matters & Requirements	1,513	0		1,513
Occurrences & MORs	603	0		603
General Aviation	64	0		64
ATS Investigation	392	0		392
Other / Reg Office's / Travel	982	0		982
Attributable Overheads	1,819	0		1,819
Specific Overheads	1,621	0		1,621
Total Costs Associated With Variable Charges	7,956	0	0	7,956
Total AOC costs	15,681	4,262	1,343	21,286
Profit / (Loss)	2,499	(494)	(380)	1,625

Analysis of the AOC Profit and Cross Subsidies				
	Over 40T	Under 40T	Fixed Charges	Total
	£'000	£'000	£'000	£'000
Rate of Return	594	161	51	806
Cross Subsidy within the AOC Scheme	1,086	(655)	(431)	0
Cross Subsidy between the AOC and other Schemes	819	0	0	819
Total Profit / (Loss)	2,499	(494)	(380)	1,625

Appendix 4

- b) The table below shows the analysis of the income categories and associated costs relating to the AOC Scheme for the year ending 31 March 2014.

Analysis of AOC Income Categories and Associated Costs				
	Over 40T £'000	Under 40T £'000	Fixed Charges £'000	Total £'000
Income & Costs Associated with Fixed Charges				
Income	0	0	963	963
Costs	0	0	1,343	1,343
Profit / (Loss)	0	0	(380)	(380)
Income & Costs Associated with Annual Charges				
Income	7,558	3,768	0	11,326
Costs	7,725	4,262	0	11,987
Profit / (Loss)	(167)	(494)	0	(661)
Income & Costs Associated with Variable Charges				
Income	10,622	0	0	10,622
Costs	7,956	0	0	7,956
	2,666	0	0	2,666
Total Profit / (Loss)	2,499	(494)	(380)	1,625

Summary of Regulatory Policy and Consumer Protection Groups Operating Results by Charges Scheme

	Year ended 31 March 2013			Year ended 31 March 2013			Year ended 31 March 2014		
	Budget			Forecast			Target Budget		
	Income	Costs	Profit / (Loss)	Income	Costs	Profit / (Loss)	Income	Costs	Profit/ (Loss)
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Regulatory Policy Activities									
Air Transport Licensing	3,110	3,049	61	3,095	2,776	319	2,783	2,700	83
Economic Regulation of Airports	3,962	3,879	83	3,901	4,031	(130)	3,669	3,585	84
Airports Charges Review *	2,006	2,006	0	1,998	1,998	0	1,532	1,532	0
Total Regulatory Policy	9,078	8,934	144	8,994	8,805	189	7,984	7,817	167
Consumer Protection Activities									
Air Travel Organisers' Licensing	5,222	5,044	178	5,243	5,019	224	5,321	5,321	0
Air Travel Trust	212	212	0	212	212	0	212	212	0
Total Consumer Protection	5,434	5,256	178	5,455	5,231	224	5,533	5,533	0
Other Activities									
Surveys	1,078	1,078	0	1,031	1,031	0	1,429	1,429	0
Economic Regulation of NATS	1,075	1,070	5	1,000	1,000	0	2,099	1,834	265
Other	87	87	0	210	210	0	88	88	0
Total Other Activities	2,240	2,235	5	2,241	2,241	0	3,616	3,351	265
Total	16,752	16,425	327	16,690	16,277	413	17,133	16,701	432