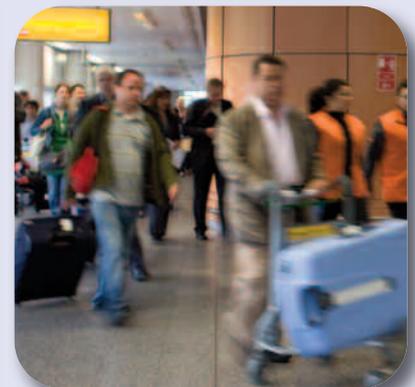


# Strategic Review of the CAA

## - key findings and the CAA's response

**The Department for Transport (DfT) has published the report of the independent strategic review of the CAA carried out by Sir Joseph Pilling. The CAA Board welcomed the report and the CAA will now work with the DfT in planning the implementation of the report's recommendations. The Report of the Strategic Review of the CAA by Sir Joseph Pilling, including recommendations, is available on the DfT website [here](#).**



### background to the report:

In his report, Sir Joseph says that his starting point is that "the CAA is a world class regulator", that "the evidence showed quickly that the CAA had been and continued to be a highly successful organisation", and that his recommendations "are intended to help a good organisation become even better".

He found that under the CAA's regulation, UK aviation had achieved one of the highest levels of aviation safety in Europe; that the CAA has managed safety and economic regulation without conflict and that there are significant advantages to having both functions in the same organisation; and that the CAA has improved its service delivery performance.

Sir Roy McNulty, CAA Chairman, commented: " We welcomed this review as an opportunity to improve the way the CAA works and to ensure that it is well placed to fulfil its remit, both now and in the future. We are pleased that Sir Joseph found the CAA to be a 'world class regulator' and we support his recommendations, which should help prepare the CAA for the future."

This is the first time that there has been a review of the CAA's legal and governance framework, which has evolved over 35 years, since the organisation was set up by statute. This review emerged out of a recommendation from the Transport Select Committee's scrutiny in 2006 of the CAA.

## history of the review:

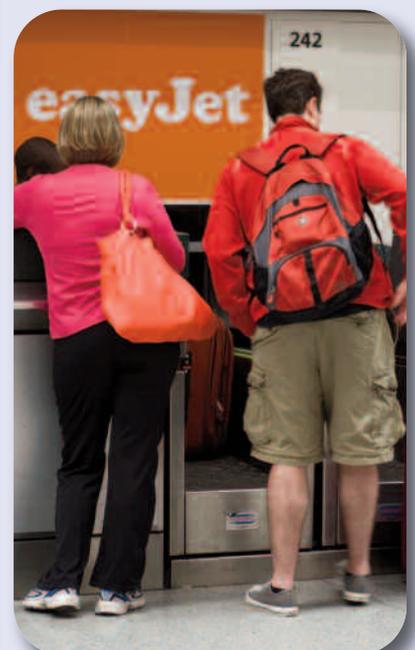
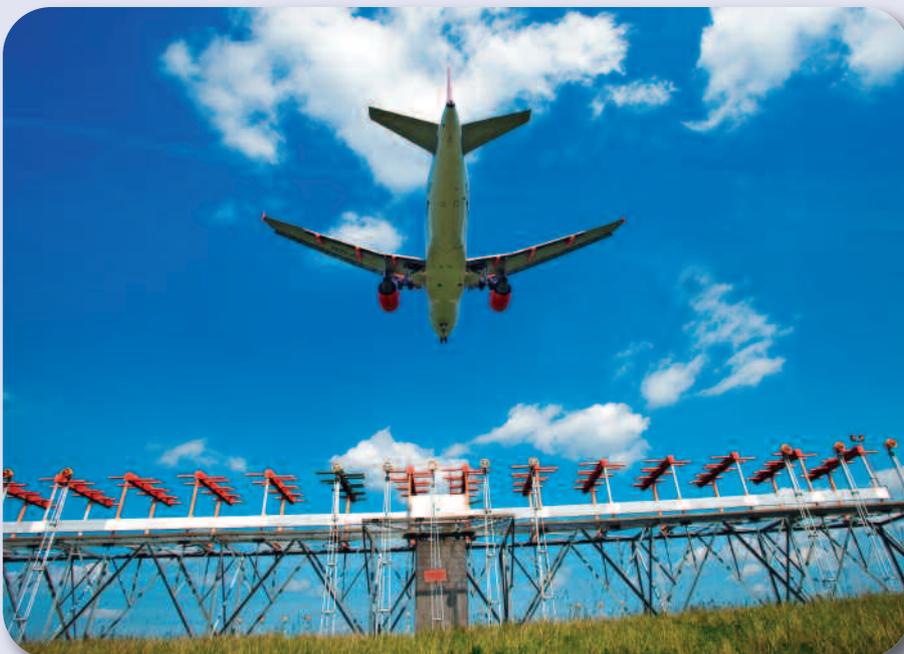
The review was commissioned by the DfT in September 2007 following a recommendation of the House of Commons Transport Select Committee in March 2006 in its report on the CAA's work. The review was set up to consider the structure and scope and organisation of the CAA with a view to ensuring that the UK's arrangements for aviation regulation and policy making are fit for purpose and able to meet current and future challenges. The DfT announced in October 2007 that Sir Joseph Pilling would lead the review. The review team took written material from 60 organisations and individuals, and held 38 oral evidence hearings with the aviation community and other stakeholders and four other dialogue events (see Appendix B of the report for more details).

## key recommendations in the report include:

- the CAA's legal framework should be modernised and updated;
- the CAA should have a general statutory duty in relation to the environment with a clear policy framework from Government;
- the DfT should propose amending the existing legislation to remove the automatic statutory reference to the Competition Commission in setting airport price caps and establish the organisation as the appellate body;
- the CAA's governance structure should be brought into line with the practice in most other regulatory bodies, by appointing both a non-executive Chair and a Chief Executive;
- the CAA should continue its work on developing consumer policy, and the DfT should propose legislation to put the status and functions of the Air Transport Users Council (AUC) as a specific aviation consumer body on a firm statutory basis ; and
- the DfT review of the economic regulation of airports should consider whether the CAA's current duty towards users should be amended to give greater weight to passengers or consumers.

## what happens now?

The CAA will now work with the DfT in planning the implementation of the report's recommendations.



## what the report found:

(extracts from the report with the location paragraph number in brackets)

- The starting point for my report is that the CAA is a world-class regulator. It follows that the recommendations are not concerned with rescuing a failing organisation. They are intended to help a good organisation to become even better. (para 18)
- It is clear that under the CAA's regulation UK aviation has achieved one of the highest levels of aviation safety in Europe. (para 22)
- It is also apparent that the CAA has improved its service delivery performance. For example, the time taken to issue pilot licences and approve ATOL applications has gone down significantly over the last five years (para 23). The CAA has significantly reduced its total operating costs in both actual and constant prices of the years 2001/2 to 2006/7. When combined with the continued growth in aviation activity, the CAA's unit costs have fallen even more rapidly during this period. (para 24)
- It is clear...that the CAA has to date managed safety and economic regulation without conflict. There are significant advantages to having both functions in the same organisation. (para 42)
- I believe that giving the CAA a general role to promote aviation would be incompatible with its duties as a regulator. The CAA is responsible for safeguarding the general public interest, which is broader than the aviation community. (para 46)
- The key reason for the CAA to retain its independence is so that it can continue to make individual, high-profile regulatory decisions which the public can be reassured are made free from short-term political considerations, bringing objectivity and consistency to the outcomes. (para 62) The CAA's independence from Government also enables it to retain a specific focus on aviation matters. It can give Government objective, specialist advice, and, where appropriate, challenge Government positions. (para 63)
- The CAA seems to have made good progress to date in respect of cost-effectiveness. It appears to have the mindset, backed up by a range of initiatives, to continue these improvements. (para 320)
- I believe that the evidence I received criticising the CAA's pension arrangements is based on a series of misunderstandings. It has made sense for many organisations to close a defined pensions scheme to new members and there may be others whose circumstances make the change inevitable in years to come. In the case of the CAA's scheme, there are good reasons for keeping the status quo
  - the costs are below average
  - the average alternative scheme would cost more, and
  - the scheme helps the CAA to recruit good quality staff at salary levels below those prevailing in the sector generally. (para 315)

**The full recommendations are detailed on pages 63-67 of the report.**



## the CAA's remit:

The CAA is the UK's specialist aviation regulator. Its activities include: making sure that the aviation industry meets the highest technical and operational safety standards; preventing holidaymakers from being stranded abroad or losing money because of tour operator insolvency; planning and regulating all UK airspace; and regulating airports, air traffic services and airlines and providing advice on aviation policy from an economic standpoint.

## The CAA regulates approximately:

**50,000** Active professional and private pilots

**12,400** Licensed engineers

**2,350** Air traffic controllers

**206** Air Operator Certificate holders

**141** Licensed aerodromes

**950** Organisations involved in the design, production and maintenance of aircraft

**2,400** ATOL holders

**150** Operating licences (airlines)

**19,000** Registered aircraft

## The CAA employs:

over **900** full time equivalent staff including about:

**70** Professional pilots

**3** Test pilots

**31** Air traffic controllers

**180** Qualified engineers

**10** Doctors

**5** Nurses

**7** Economists

**11** Qualified accountants

**7** Lawyers

**10** Technical researchers