

## SRG Charges Consultation Document

### 1 Introduction

The purpose of this consultation is to advise you of the revised proposals to the Official Record Series 5 No. 229 – Airworthiness, Noise Certification and Aircraft and Aircraft Engine Emissions Scheme of Charges effective from 23 October 2008. This extraordinary charges consultation has been caused by the EASA publication of its Comment Response Document (CRD) to the Notice of Proposed Amendment (NPA) 2007-08 on Part-M requirements.

We welcome comments on all aspects of the proposals.

### 2 Background

Following the issue in March 2008 of the EASA CRD to NPA 2007-08 on Part-M requirements, it has been proposed by EASA that, as from 28 September 2008, there is a provision that requires the Competent Authority (CA), at the request of an aircraft owner, to carry out Airworthiness Reviews (ARs) itself in respect of non-commercial EASA aircraft of 2,730 kg Maximum Take-Off Mass (MTOM) and below and all EASA non-commercial balloons irrespective of weight.

When compiling the current 2008/09 Airworthiness Scheme of Charges in September 2007 it was viewed that the CAA would be able to retain the National system of using approved maintenance organisations to carry out ARs and thereby issue Certificate of Airworthiness Renewals or reissue/extend Airworthiness Review Certificates (ARCs) on recommendation. This was based on the premise that the EASA process was very similar to the existing UK Light Aircraft Maintenance Scheme renewal process under the British Civil Aviation Requirements Chapter A8-15. The Safety Regulation Group (SRG) was, and still is, not resourced to perform ARs itself and in order to meet the possible demand from aircraft owners a significant increase in the number of Airworthiness Surveyors employed by the CAA would be required to meet this EASA requirement. Additionally, the current Scheme quotes charges that recover the cost of continued airworthiness activities only and do not recover the cost of an AR being carried out by CAA staff.

The CAA has lobbied EASA to amend the CRD wording under M.A. 901 (h) so that it would allow the competent authority to have discretion as to whether it performs the Airworthiness Review itself or reissues/extends an ARC on recommendation from an approved maintenance organisation. Should the CAA's request be granted by EASA then the amended Airworthiness Scheme would still be valid to cover those aircraft owners who still wish the CAA to carry out the airworthiness review or where, as outlined in the CRD, for safety reasons the CAA decides to carry out the AR. However,

should EASA refuse the CAA request, then the CAA will need to be able to ensure cost recovery is achieved from those it regulates, thereby abiding by Charging Principle No. 3 (see Appendix 1).

### **3 Proposals for the Airworthiness Scheme**

The Airworthiness Scheme of Charges has not made any provision for the inclusion of an investigatory charge within its ARC charges post 27 September 2008, i.e. to have provision for surveyor involvement in the process: it has been purely a validity charge as has been the case for many years. Due to the implications of the CRD, an investigatory charge is now required to be included in order to ensure full cost recovery is obtained from those applicants who may insist that their AR should to be carried out by CAA staff.

The proposed amendments to the charges for the ARCs are as set out in the attached Enclosure and relate to paragraphs within section 4.1.3 and Tables 11, 12 and 13. The proposal is for the inclusion of an investigatory charge at £122 per hour where CAA staff carry out the airworthiness review on aircraft for the purposes of reissue or extension of the existing ARC. Where an airworthiness review is performed by CAA staff, the associated investigatory charge is proposed to be charged in addition to the existing continuing airworthiness validity charge already shown in the Scheme. The rate of £122 per hour is that already applicable to the cost of investigations as referred to under Scheme paragraph 6.4. There are corresponding referencing adjustments to table numbers as a result of these proposals.

These proposals have been reviewed by the Safety Regulation Finance Advisory Committee (SRFAC), which is composed of representative aviation trade organisations. The Members of this Committee are generally in agreement with the proposals and support the proposed way forward.

The Official Record Series 5 No. 229 – Airworthiness Scheme of Charges makes reference to the Basic Regulation - Regulation (EC) 1592/2002, which has now been repealed. The Scheme has therefore been updated to reflect the new Basic Regulation being Regulation (EC) 216/2008, which came into force on 8 April 2008.

### **4 Conclusion**

Full details of the proposed revisions to the Airworthiness Scheme are contained in the attached Enclosure. The purpose of the proposal is to ensure that where CAA staff are required to carry out an Airworthiness Review in order to reissue or extend an existing ARC for a further period, the CAA is able to recover its associated costs from those it regulates.

## **Principles which underpin the charging proposals**

The Costs and Charges Review developed a set of charging principles, which were endorsed by the CAA Board and continue to support the proposals contained in this consultation document and any subsequent changes to SRG's Charges Schemes. The principles are based on the need for the Charges Schemes to be cost related, fair and reasonable, and reflect the CAA's intent to remove cross-subsidies wherever possible. These principles are set out below:

### **Charging Principle 1**

The CAA is required by the Civil Aviation Act to fully recover its costs associated with discharging its regulatory functions. The CAA is also required to achieve a rate of return as defined by the Treasury.

### **Charging Principle 2**

The CAA shall continuously seek to minimise the cost of regulation by improving its efficiency and effectiveness and by limiting its regulation to that which is necessary, proportionate to risk and within the scope of the legislative framework.

### **Charging Principle 3**

SRG shall recover its costs from those it regulates. Charges for a particular scheme shall recover the costs properly attributed to that scheme. For activities within a scheme, charges shall be cost related, fair and reasonable.

Where costs cannot be related to a particular organisation or individual, charges shall be fairly and equitably distributed between those who benefit from safety regulation.

At the charges proposals stage, any under-recovery expected to occur on a specific charges scheme should, in general, be recovered from the scheme or schemes most closely related to the scheme in question.

### **Charging Principle 4**

The CAA shall recover fully the costs of non-statutory activities from those on whose behalf the activities are carried out. These shall include all directly attributable costs (direct costs, support costs, allocated and apportioned overheads, and cost of capital rate of return). For any non-statutory activity, an appropriate rate of return should be achieved. For example, training courses provided by the CAA.

### **Charging Principle 5**

Industry and the CAA shall use their best endeavours to remove material cross subsidies between and within schemes.

### **Charging Principle 6**

The direct costs and direct support costs of a scheme/activity shall be allocated to that scheme/activity. Where indirect and overhead costs can be attributed specifically to a scheme/activity, they shall be allocated accordingly. In all other cases they shall be allocated on an appropriate basis (e.g. in proportion to the direct costs of each

scheme/activity). The basis of allocation/apportionment should be discussed with the users and applied consistently.

#### **Charging Principle 7**

The CAA shall provide adequate transparency in order to provide clear cost information in relation to the allocation and apportionment of costs between, and within schemes. Any material cross subsidies remaining must be clearly identified.

#### **Charging Principle 8**

The CAA shall seek to keep annual increases in charges for any scheme within inflation, having regard to Principles 2 and 7. Where step changes are required, they shall be phased over a maximum of five years.

Some changes cannot be phased and the CAA may need to mitigate the effects of such changes on individual charge payers. Such mitigation shall be eliminated within three years.

#### **Charging Principle 9**

Costs associated with advising and providing assistance required by the Secretary of State in connection with his civil aviation functions shall be recovered from the Secretary of State.

#### **Charging Principle 10**

Subject to Principle 11, for work performed under contract to EASA, the CAA shall seek to fully recover its costs under that contract.

#### **Charging Principle 11**

The cost of transition to new European institutional arrangements will need to be supported. Such support will be proportionate and subject to discussions between industry, the DfT and the CAA.