



Strategic Plan

2011–16

Updated March 2014

© Civil Aviation Authority 2014

All rights reserved. Copies of this publication may be reproduced for personal use, or for use within a company or organisation, but may not otherwise be reproduced for publication.

To use or reference CAA publications for any other purpose, for example within training material for students, please contact the CAA for formal agreement.

CAA House, 45-59 Kingsway, London WC2B 6TE
www.caa.co.uk

Foreword

The CAA exists to protect the interests of the public. This is central to all our work: in safety, in market regulation and consumer protection, and in terms of the impact of aviation on the environment.

We have five strategic objectives to achieve this:

- To enhance aviation safety performance
- To improve choice and value for aviation consumers
- To improve environmental performance
- To ensure civil aviation authorities operating in the UK maintain security arrangements which address the risk to their operations and the public
- To ensure the CAA is an efficient and effective organisation which meets better regulation principles and give value for money

Aviation affects all our lives in many important ways. It provides opportunities for people to visit friends and family in other parts of the world and to holiday in an increasingly wide range of destinations. Businesses benefit from the ease with which people and cargo can move around the world. Aviation is a popular recreational and small-to-medium sized business activity. And it is a key enabler of economic growth.

The public expects aviation to be safe. They want an aviation industry that offers choice and value, and treats them fairly. And they want to know that the environmental impacts of aviation – in terms of climate change, emissions, noise and air quality - are minimised as far as possible.

We are committed to regulating in a way that is transparent, proportionate, targeted, accountable and consistent.

Since we published this five-year strategic plan in 2011, we have made considerable progress against our objectives, and seen significant changes and developments in the industry and activities we regulate. This updated version of the strategy describes what we have achieved, what is left to do in the remaining 2 years of the plan, and some of the new challenges and issues to which we will be responding.

One major development has been the passage of the Civil Aviation Act 2012. This has given us a new, updated legislative framework within which to operate. It includes a new duty to put consumers' interests at the heart of our economic regulation of major airports; a new duty to make information available to consumers so they can make informed buying decisions; and strengthened protection for holidaymakers through changes to the ATOL financial protection scheme. The Act also gives us new responsibilities for the regulation of aviation security from April 2014. This updated version of our strategy therefore includes a new strategic objective reflecting that change.



In line with commitments we made in 2011 our approach to regulation is becoming increasingly risk-based. Our Enhancing Safety Performance programme is about making sure we and the aviation industry are focussed on the most important risks, and that we have assurance that they are being tackled. Encouragingly, there good alignment with our European partners on this approach, with the European Aviation Safety Agency making clear its commitment to proportionate, risk-based regulation. While the UK aviation industry remains one of the safest in the world, a number of incidents and accidents in the last three years have highlighted why we cannot be complacent.

In our consumer protection role, we have published our decisions on the future of regulation at Heathrow and Gatwick, to ensure that consumers are protected where there is not fully effective market competition. And we have removed Stansted airport from economic regulation. Meanwhile, the debate about the future of aviation capacity in the South East of England continues. We are playing our part by providing support to the independent Airports Commission as it considers the options. We agree with the Commission's conclusions, in its interim report, on the need for additional capacity and welcome its support for our Future Airspace Strategy as a key enabler for increasing capacity.

The public expects aviation to be safe. They want an aviation industry that offers choice and value, and treats them fairly.

During 2012 we published a work programme describing how we intended to achieve our objective of helping the aviation industry minimise its environmental impact. The strategic plan now includes more detail about our environmental priorities and how we will deliver them. One of the biggest environmental challenges the sector faces is maintaining a credible approach to tackling the global warming effects of aviation in the face of the November 2012 decision to suspend application of ETS to flights outside of the EU. We remain keen supporters of an agreement at the international level, to ensure the long-term sustainability of the sector.

Underpinning all of this is our commitment to the principles of better regulation. We are committed to regulating in a way that is transparent, proportionate, targeted, accountable and consistent. We have engaged with the government's Red Tape Challenge to identify areas in which we can reduce the burden of regulation – with a particular recent focus on how we regulate General Aviation. Our Performance and Process Improvement (PPI) programme is a major business transformation programme that involves streamlining many of our business processes, carrying out more of our transactions and payments on line, and putting in place more capable and reliable systems internally. It has already begun to deliver improvements. These changes will support and improve our regulatory decision-making, stakeholders' experience, information flows, and organisational efficiency.

We are publishing alongside this strategic plan, our more detailed plans for how we will deliver our safety, consumer and environmental objectives. Those documents are available at www.caa.co.uk

The CAA has a proud track record – and one on which we have built steadily in the last three years. But the remaining period of this plan will require us to rise to new challenges, further strengthen our regulatory approach, respond to new and emerging risks, and adapt to changes in the complex and dynamic sector we regulate. We are clear that we have further to go in ensuring that we are as effective and efficient a regulator as we can be. And we are determined also that the interests of consumers and the public will remain at the heart of all that we do.



Dame Deirdre Hutton
Chair



Andrew Haines
Chief Executive

Contents

Foreword		1
Section 1	The UK aviation sector	7
	The changing face of aviation	7
	The aviation sector today	9
	Future challenges and opportunities	10
	Safety	10
	Economic outlook	11
	Capacity	11
	Sustainability	13
Section 2	The regulatory challenge	14
	The regulatory framework	14
	The international context	15
	Improving safety outcomes	16
	Improving the consumer experience	18
	Improving environmental performance	20
	Aviation security	21
	Better regulation	21
Section 2	Enhancing aviation safety	23
	Strategic objective	23
	Challenges	28
	Target outcomes	29
Section 4	Improving choice and value for consumers	35
	Strategic objective	35
	Challenges	40
	Target outcomes	43

Section 5	Improving environmental performance	48
	Strategic objective	48
	Challenges	50
	Target outcomes	51
Section 6	Aviation security	53
	Strategic objective	53
	Challenges	53
	Target outcomes for the period of this strategic plan	54
Section 7	Being a better regulator	57
	Strategic objective	57
	Challenges	60
	Target outcomes	60
Section 8	Being a more efficient organisation	63
	Strategic objective	63
	Challenges	65
	Target outcomes and strategies	66

SECTION 1

The UK aviation sector

Consumers in the UK benefit from an aviation industry that offers a wide range of services and destinations to leisure and business travellers, importers and exporters and users of many other aviation-based services. There is also a vibrant recreational sector.

The industry includes not just airlines, airports and tour operators, but air traffic service providers, communications and navigation infrastructure, aircraft maintenance companies, meteorological and information service providers, and a substantial manufacturing sector.

It contributes around £18 billion of output to the UK economy annually and directly employs around 220,000 people, supporting many more.

The changing face of aviation

The aviation industry is continually evolving. There has rarely been a time when it has not been in a state of rapid, usually positive flux. But the last two decades in particular have seen significant changes. Liberalisation, privatisation, and commercialisation have driven benefits for consumers and helped create a UK aviation market that is one of the most developed in the world.





The creation of the single European Union (EU) aviation market changed the face of European short haul aviation. It swept away heavy regulation and opened the market to innovation and competition. In the five years following the introduction of changes in 1993, the number of European carriers increased by 25 per cent, and more than 200 new routes opened up across Europe. Internationally, "open skies" agreements between many states have had a similar effect, although some markets are still subject to more restrictive regulation. Full-service carriers were forced to respond, and consumers now enjoy lower fares and much greater choice.

The industry operates within a complex framework of international standards. Regulations concerning consumer safety and security issues are set at both the global and regional levels. The European Aviation Safety Agency (EASA) has assumed many responsibilities for safety regulation and the Single European Sky (SES) project aims to harmonise and unify Europe's airspace and air traffic management. EU regulations provide protection for passengers who buy package holidays, those whose flights are delayed or cancelled, and the rights of people with reduced mobility. Since the attacks in the USA of 11 September 2001, baseline aviation security measures have been mandated for application across the European Union.

The growth of the internet, allowing consumers unprecedented access to information about competing offers and services, created the conditions in which the "no-frills" airline revolution could flourish. And it allowed consumers to put together their own holidays - effectively becoming their own tour operator.

UK airports have also become increasingly commercialised, encouraging the expansion of airports outside London. There is now a more diverse range of offers available, with an extensive network of domestic, short-haul and long-haul routes from airports across the UK. Connections to overseas hubs enable travel to more widespread destinations.

The aviation sector today

Today, the aviation industry remains dynamic and vigorously competitive in most sectors. The UK is home to the busiest international airport in the world in Heathrow, the busiest single-runway airport in Gatwick, and airports that offer hundreds of flight destinations. UK consumers enjoy a wide choice of destinations, airlines and airports, as well as of price and service quality.

This choice has been supported by innovations in business models and sales techniques. However, these trends also present a challenge to ensure consumers can engage effectively with the market, make informed decisions, and provide a spur to further innovation and improvement. For instance, the practice of unbundling services has become commonplace when buying flights, and is gaining momentum across the sector: from travel agents selling individual holiday components to airports offering fast track security queues. This can make it difficult for consumers to easily understand and compare services and prices. Of course, as in any sector, aviation consumers also sometimes simply suffer from poor service. And when things go wrong, they are not always treated fairly.

In response to tougher economic times, airlines have pursued a variety of strategies. Global alliances continue to strengthen, delivering significant cost-savings and providing consumers with relatively seamless journeys across networks. They have also allowed efficient access to high-growth destinations in fast-developing economies. Mergers, too, have been an attractive strategy. The “no-frills” sector has seen its strong players flourish but others have struggled.

The General Aviation (GA) sector has faced its own challenges in the last few years. GA is a particularly diverse sector – ranging from hang gliders and balloons to large executive jets. In 2006 a CAA review estimated its value to the UK economy as £1.4bn. But the increasing cost and decreasing availability of Avgas, the move of flying training activities out of the UK to locations with more favourable weather and taxation regimes, the constraints on GA access to certain airports, plus the additional costs of complying with new European regulations have all had an impact.

Future challenges and opportunities

The UK aviation industry faces significant challenges going into the next decade, many of which present opportunities as well. Economic pressures, global competition, environmental issues, and the regulatory environment, all provoke a wide range of responses which have to be managed within an interdependent, international network.

Safety

Inevitably, as airspace and airport capacity come under strain, and the total aviation system becomes more complex, new safety challenges emerge.

Technological advances have been responsible for many safety improvements, for example in reducing the number of accidents caused by technical failures. Inevitably, this means that accidents associated with human factors now represent an increasing proportion of all accidents and therefore require more attention.



As companies' operations evolve in response to new markets and destinations, mergers and the globalisation of supply chains, they need to ensure that the best elements of safety cultures and processes are maintained and that key skills are not lost.

But the UK continues to enjoy one of the best aviation safety records in the world. Globalisation makes it increasingly important that internationally agreed safety standards are consistently and effectively implemented. It also offers opportunities to share experiences and expertise, and to improve standards in those parts of the world that do not currently have such a strong record.

Economic outlook

The UK has only recently emerged from an extremely difficult recession, and the impacts are still being felt in the aviation industry. Economic uncertainty poses clear challenges for consumers making travel choices, for industry reacting to unpredictable demand, and for Government setting policy to support economic growth.

Capacity

UK consumers currently enjoy very high levels of connectivity. The range of destinations from London's airports make it the most globally connected city in the world. Over 70% of the UK population live within less than an hour's journey from an airport that offers connections to international destinations. But the distribution of current airport capacity in the UK is poorly suited to meet the demands of the future. The latest forecasts published by the DfT in 2011 show demand growth becoming restricted by capacity constraints at all airports in London and the South East before 2030. Some airports outside the South East are also forecast to be capacity constrained by 2030. At the same time, there is significant spare capacity in many parts of the country, and some smaller regional airports face challenges to remain commercially viable.

Capacity constraints are likely to limit consumer choice, and by extension the wider economy. They are also likely to drive increases in fares. Predicted increases in demand suggest that fare premiums resulting from capacity constraints at UK airports will total £1.7 billion in 2030 – the equivalent of £5 per airport terminal passenger or £10 per return journey.

Lack of capacity also has a significant impact on resilience, particularly at Heathrow – a weakness that is exposed during bouts of severe weather, for instance.



UK airspace, too, is a scarce resource. Its basic structure was developed over forty years ago. Since then there has been a massive increase in the demand for aviation. And while the Single European Market may have eliminated frontiers on the ground, in the air they very much remain. The Single European Sky (SES) project, to harmonise and unify Europe's airspace and air traffic management, has potential benefits that are enormous in terms of efficiency, safety and the environment. But this is a major project, with far-reaching implications for organisations, people and equipment, and progress to date has been limited. It will require significant co-ordination and co-operation if it is to succeed.

Aligned with these European developments, the CAA, with the MOD, the DfT and NATS, has developed a Future Airspace Strategy (FAS). This sets out the vision and strategies for delivering safer, more efficient airspace, reducing delays and mitigating environmental impacts in the period 2011-2030. Success will depend on close collaboration between Government, the CAA and industry.

Sustainability

The significance of the environment to the aviation sector continues to grow, and there is every indication that this is likely to continue over time. Aviation's relative impact on climate change is going to increase as other sectors work to reduce their impacts and more people want to travel. In addition, aviation produces local impacts, primarily noise and air quality effects. For these reasons, environmental concerns are central to the policy debate and discussions regarding the sustainability of the sector. Government recognises the importance of the environment for aviation. While it is clear that economic growth is pivotal to the Government's policy ambitions, aviation will only be allowed to grow if it tackles its environmental impacts – particularly noise. Indeed, the Government's emerging sustainable aviation policy framework is built on this premise.

All these issues present complex challenges not just to the industry, but to the CAA as the regulator as well.



SECTION 2

The regulatory challenge

The CAA's remit covers four broad areas: safety and airspace regulation, economic regulation of airports and en route air traffic services, consumer protection and, from April 2014, regulation of aviation security.

The regulatory framework

Our principal functions and duties are set out in primary legislation (the Civil Aviation Act 1982, the Airports Act 1986, the Transport Act 2000 and the Civil Aviation Act 2012) and in secondary legislation (principally the Air Navigation Order 2009). Our main statutory functions are:

- regulating civil aviation safety;
- advising and assisting the Secretary of State on all civil aviation matters, including policy for the use of UK airspace so as to meet the needs of all users, having regard for national security, economic and environmental factors, while maintaining a high standard of safety;
- economic regulation of certain airports and of the provision of air traffic services;
- licensing and financial fitness of airlines;
- licensing of air travel organisers;
- enforcing general consumer protection law through part 8 of the Enterprise Act and EU legislation such as that on denied boarding compensation and persons with reduced mobility.
- regulation of aviation security functions (from April 2014);

The Secretary of State for Transport is answerable to Parliament for the performance of the CAA's functions. The CAA relies on the Government to keep its legislative powers, and in particular the Directions from the Secretary of State and the Air Navigation Order, up to date. A framework document describes the respective responsibilities of the Secretary of State and the CAA, the legal framework within which the CAA operates, how the CAA is funded and any financial conditions that apply to the administration of the CAA. The Secretary of State also agrees overall priorities and objectives with the CAA Chair.

The international context

As the UK's specialist regulator for aviation safety the CAA increasingly works within an international framework, based round the International Civil Aviation Organisation (ICAO) at the global level and EASA at the European Union level.

ICAO sets safety standards for civil aviation worldwide, with CAA staff playing an active role in their development. Like all countries the UK is obliged to comply with these standards unless it formally notifies other States that it has good reason for not doing so. Compliance with ICAO standards entitles UK-based operators to fly over or into other countries – conversely, we require the States of foreign aircraft flying over or into the UK to ensure ICAO compliance. ICAO regularly audits its nearly 200 Contracting States to assess and report on levels of compliance.

ICAO standards, which may be regarded as minimum acceptable levels, tend to be expressed in relatively general terms. States worldwide adopt their own more detailed aviation safety legislation, often going beyond ICAO requirements. In Europe this was previously done at national level, but in 2002 EASA was created to establish a set of common, binding rules for all EU Member States. The initial set of rules, covering airworthiness, operations, personnel licensing, air traffic management and aerodromes, is now almost complete.

For most areas of safety regulation EASA prepares the rules, National Aviation Authorities such as the CAA apply the rules, and EASA monitors implementation through inspections – where necessary advising the European Commission on enforcement. However in some cases, to avoid wasteful duplication and ensure consistency EASA applies the rules itself, for example in approving design organisations and issuing type certificates for aircraft and parts, and approving production and maintenance organisations located outside the EU.

ICAO has recently adopted consolidated and revised standards on safety management, and EASA is increasingly moving towards more performance-based regulation. Resources need to be targeted towards those areas and those activities where the risk is highest, and the potential safety benefits the greatest. This will manifest itself in rule-making, where a key focus will be on simplification and proportionality; in the Agency's monitoring activities, now based on more risk-based, better targeted processes; and in strengthening the collation and analysis of data which underpins the formulation of safety policy.



The SES initiative has seen the development of Europe-wide measures designed to address key areas of concern to airlines and passengers in the field of airspace: performance, safety, technology, airport capacity and the effect of human factors. The legislative foundations provided by the original package of four overarching regulations have been modernised by the so-called “SES II package”.

Improving safety outcomes

The UK has exceptionally high levels of safety. This is built on years of experience, learning lessons, analysing data, and applying the best scientific and engineering insights to the challenges the sector faces. But those challenges have become more complex. Busier skies and rapid advances in technology add to the safety challenge. One consequence of the increasing sophistication of aircraft is that an increasing proportion of those accidents that do still occur result not from mechanical failures but from human factors. The study and practical application of human factors requires different expertise and is central to the CAA's safety regulation approach.

And new technologies such as the increased use of Unmanned Aerial Systems (UAS) and the development of space planes require us to adapt our regulation accordingly.

In response to new challenges and added complexity the CAA is adopting a more performance based approach to safety regulation. Through our internal change programme, Enhancing Safety Performance, we are working closely with industry to develop the capability to collect large amounts of risk information, analyse it effectively and target our resources to areas where there is the greatest potential to demonstrably improve safety.

Increasing globalisation of the industry also has an impact on regulation. Operators now have much more globally dispersed operations that bring new complexity and risk to oversight of their safety regimes. Partly in response, international institutions are developing their competencies and reach to provide consistent standards around the world. EASA is continuing to take on new responsibilities from the national regulators across Europe and is developing its own approach to ensure it is performance-based.

To ensure the industry's safety performance is maintained and enhanced, the CAA must deal with these new complexities and risks while demonstrating the need for, and benefits of, our regulation in terms of value to the public and the regulated community. As we continue to develop and apply our performance based approach to achieve the right safety outcomes, we must engage our international partners to share what we have learned and influence safety improvements globally.





Improving the consumer experience

Effective competition among airports, airlines and other service providers, with consumers suitably empowered to engage the market, is the best way to promote consumer interests and create the right conditions for innovation, investment and improvement. However, at times, markets fail. When this happens we will intervene, making sure our interventions are appropriate. And where industry action rather than formal regulatory intervention can achieve benefits for consumers we will encourage these approaches.

Economic regulation needs to adapt in the face of changes such as developing competition. That has been a key consideration in the way we use our new regulatory framework provided for by the Civil Aviation Act 2012 – which includes a primary duty to consumers in the way that we carry out our economic regulation of airports with significant market power, and a license-based system that enables us to tailor regulation to the particular conditions at any given airport.

The Act also gives us new duties to publish – or require the industry to publish – information that will assist consumers in making informed buying decisions, and information about aviation’s environmental impacts. The challenge is to decide what information is most useful, and that the benefits of making it available outweigh the costs to industry of providing it. Good information is essential to allow consumers to engage effectively with the market. Our work to date, for example focusing on price transparency, is already helping consumers to navigate an increasingly complex array of fares, additional fees and optional extras.

Since our strategic plan was first published in 2011, there have been significant changes to the ATOL holiday financial protection scheme. A new ATOL certificate gives holidaymakers greater clarity about their protection. And the scheme has been extended to include more holidays. This has been an appropriate regulatory response to the changing holiday market. But the government is also considering longer term changes to the way in which holiday financial protection is provided, and we are committed to playing our part to support that work.

Of course, the industry does not always get things right, and the CAA has an important role in making sure consumers are protected and treated fairly when that happens. One of the ways in which we do this is in handling complaints when passengers are dissatisfied with their airlines response to a claim for compensation when flights are significantly delayed or cancelled. Recent court rulings have led to a six-fold increase in the number of complaints we receive. But new guidelines on what constitute “extraordinary circumstances” – when airlines are not liable to pay compensation – have helped to clarify when compensation is due and should enable airlines to get more decisions right first time. Meanwhile, the European Union is reviewing the rules on compensation and delay, although it is unlikely to come to a rapid decision.

Central to choice, value and the passenger experience are the capacity and resilience of the aviation network. The airport and airspace system in the South East of England is among the most complex in the world and a vital part of our economic infrastructure. But, while UK consumers enjoy high levels of connectivity, current capacity will be insufficient to meet future demand. This will have a significant impact on future choice and prices, and on the wider economy. The Airports Commission is examining the need for additional UK airport capacity. Its interim report concluded that more capacity will be needed in future, a conclusion with which we agree, and the Commission is taking forward three specific proposals – one for an additional runway at Gatwick, and two for an additional runway at Heathrow - for more detailed study. We set out the principles that we believe should guide policy-making in this area, namely that any solutions should be safe, affordable, led by consumer demand, and sustainable. Ultimately, these are issues for the Commission to consider, and on which government will ultimately decide. We will continue to provide assistance to support assessment of the various options, using our expertise in the fields of airspace, noise, safety and economic regulation.

Improving environmental performance

The significance of the environment to the aviation sector continues to grow. Aviation's relative impact on climate change will increase as other sectors reduce their impacts and more people want to travel. In addition, aviation produces local impacts, primarily noise and air quality effects. The CAA, as aviation's regulator, has a role to play in helping the sector improve



its environmental performance. The CAA already undertakes a wide range of activities that have a direct impact on the environment: in areas such as safety, airspace, noise and economic regulation. In early 2012 we consulted on and published our environment programme. The focus to date has been on acting where we are well placed to add value, and have capability, so we aren't duplicating the work of others and can have the most cost-effective impact. We continue to develop our work in this area, and this plan sets out how we propose to take it forward to 2016.

Aviation security

In April 2014, regulation of aviation security will transfer from the DfT to the CAA. While setting security policy will remain the responsibility of DfT, oversight and regulation will, in future, be managed by the CAA. This will also involve the transfer of around 93 posts currently working on regulatory oversight of aviation security and will mean that, rather than the activity being funded through general taxation, there will be a charge on the aviation industry to meet the cost. The longer term aspiration is to move towards a more outcome-focused, risk-based approach, but this will require co-ordination at European level, where a significant amount of security requirements originate.

Better regulation

The CAA's regulatory role includes rule-making, advice and monitoring, enforcement and influencing. The government has set a number of challenges for regulatory bodies – for instance removing existing regulations when new ones are introduced, and through a comprehensive review of regulation: the Red Tape Challenge. It also wants to see better information for consumers, and a greater focus on consumer outcomes.

Ensuring regulation is proportionate requires us to understand risks to consumers across the sector, and the impact of possible responses on the industry that has to implement them. We recognise that we have further to go to ensure all our activities reflect better regulation principles. In particular, we are committed to reducing burden by streamlining our processes and becoming more efficient, ensuring that we tailor our safety regulation according to risk (for example adopting a more proportionate approach to the regulation of General Aviation), and reducing or removing regulations where they are not contributing to improved safety outcomes.



Transparency, another vital principle, is important not just so we are accountable for the way we regulate, but in how we make information available to consumers to help them make more informed choices. In considering how we carry out our new legal duties to make more information available to consumers, we will be rigorous in ensuring the benefits outweigh any costs.

Overall, our approach to regulation is to empower consumers wherever we can, and – where necessary – intervene to protect them. So we work with the grain of the market to deliver choice and value, enabling consumers to navigate it with better information and using our regulatory powers to ensure markets function as well as possible. Where consumers have broadly the same preferences, or where choice is not possible, namely in the areas of safety and security, we regulate to protect.

Of course, aviation must co-exist with other parts of society. So some of our work is geared towards the public in general, rather than aviation consumers specifically - for instance, our activities to help the industry improve its environmental performance and our work supporting the Airports Commission as it addresses longer term capacity challenges which have implications for the UK more broadly than just in terms of consumer choice and value.

The following chapters set out in more details our progress, challenges and priorities for each of our strategic objectives in the remaining period of this plan and beyond. We are separately consulting on our more detailed plans for safety, consumer choice and value, and the environment.

SECTION 3

Enhancing aviation safety

Strategic objective

To enhance aviation safety performance by pursuing targeted and continuous improvements in systems, culture, processes and people.

The CAA places the UK public at the heart of everything we do. Safety standards are very high across the UK aviation sector. Passengers benefit from an enviable safety record overall, but some underlying trends are less positive and, as recent fatal incidents have emphasised, further work is needed to improve on current levels of safety performance.

Since we published the strategic plan in 2011 we have made specific progress in the following areas:

Performance based regulation

Under the Enhancing Safety Programme (ESP), we are developing a risk and performance based approach to regulation – known as Performance Based Regulation (PBR). It goes beyond simply ensuring compliance with rules, aiming to identify the highest aviation risks to the UK passenger and general public across the total aviation system, and to ensure that the management of these risks is effective. By assessing and prioritising the risks, we are able to target our resources in the most important areas and determine the safety outcomes that are most important to pursue.

To maximise the benefits of this approach, we are working closely with industry to develop more effective regulatory oversight mechanisms.

A key element of PBR is the formation of multi-disciplinary teams with tools and processes to form a coherent CAA view of the total aviation risk picture and assess the safety performance relating to that picture. Internally, training has been rolled out to over 170 CAA personnel in the past year and we have established 20 oversight teams for regulated entities and safety programmes and projects. We have also completed approximately 150 Phase 1 Safety Management System (SMS) assessments on UK Air Operator Certificate holders that have provided assurance that the key elements of SMS are in place.

In order to align improvement actions in proportion to the most significant risks, safety efforts in recent years have focused on reducing the risk of the main lethal outcomes in aviation, known as the 'Significant 7' catastrophic accident types. This work has included in-depth analysis of the root causes behind such events, such as factors affecting pilot performance, errors during aircraft maintenance, or promoting the effective use of modern safety technology such as alerting systems and precision approaches.

We have carried out some significant work with operators and industry on helicopter operations. This has included: research into the development and improvement of Health and Usage Monitoring Systems (HUMS); instrument guidance for offshore approaches to improve safety in conditions of low visibility and at night; and research into improvements in helideck lighting. Following the fatal helicopter accident in the North Sea on 23 August 2013, we conducted a review of offshore helicopter operations in conjunction with EASA and the Norwegian Civil Aviation Authority (N-CAA). This identified measures to improve the safety of offshore operations in a number of areas, including design and certification, airworthiness, operational procedures and organisational matters, pilot training, and passenger safety and survivability. We are already implementing those under our control, and have set out our expectations of helicopter operators, the oil and gas industry and EASA. We are committed to monitoring reporting publicly on progress.

To make it easier to identify emerging risks that can then be managed proactively, we are compiling a high level risk picture, by identifying the sources of potential safety risk to UK consumers and assessing how much each source contributes to that risk picture. Figure 1 below shows the current assessment, considering both the total exposure and the risk controls already in place. Risks shown include those arising in activity regulated by CAA and also those that occur outside of our formal remit, but where we can exert influence (for example non CAA regulated services, overseas destinations and foreign operators).

Given the scope and size of the impact of the residual risk beyond our traditional regulatory remit and across national boundaries, we have placed significant focus in influencing organisations where there is the potential to mitigate significant risks to UK businesses and consumers.

Figure 1: Residual risk wheel with regulated areas (with blue outline)**1. Ground handling /non CAA regulated**

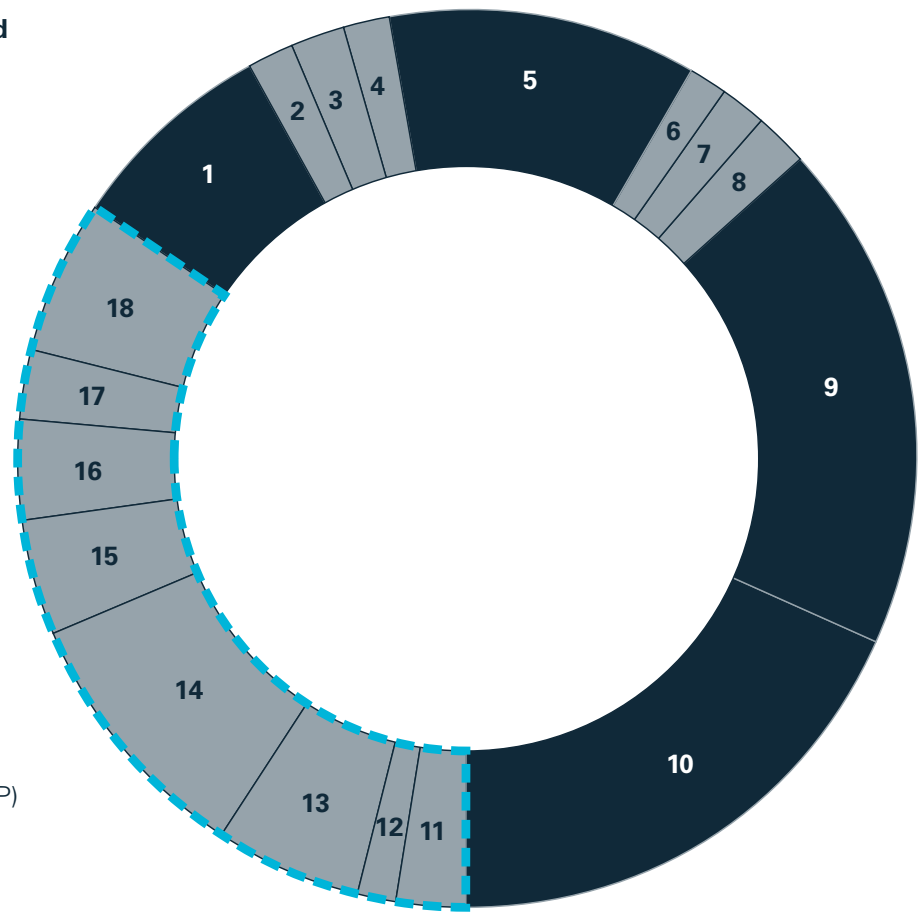
2. Military
3. Crown dependencies
4. Overseas territories

5. Regulatory change management

6. International civil aviation organisation
7. Neighbouring states and FABs
8. Foreign accident investigations

9. Foreign airlines in the UK**10. UK airlines overseas**

11. UK CAA risk capability
12. General aviation
13. Training organisations
14. Airlines
15. Airports
16. Air Navigation Service Providers (ANSP)
17. Design and production
18. Aircraft maintenance

**International**

We chaired the delivery of the ICAO work on Safety Management and State Safety Plans (known as Annex 19) and have further strengthened our relationships with EASA (we are the most active state in the EASA rulemaking process) and other international bodies to ensure the UK is effectively influencing policy at the appropriate level. Many CAA colleagues work in the main international institutions and organisations as Seconded National Experts and this has proved to be a highly effective means of influencing internationally.

Using our experience in developing our PBR approach, we are working with EASA as it moves towards a similar regime. By aligning with the EASA Safety Plan, Standardisation Review, approach to General Aviation and by influencing new rules, we aim to ensure that UK aviation key priorities, strategy and outcomes are coherent with those of EASA.

Work has continued with the European Commission to ensure that we are aligned to Single European Sky requirements and we have continued to collaborate with our European colleagues to achieve the continued harmonisation of European aviation standards such as Standardised European Rules of the Air.

We have been extensively involved in the development and implementation of the new EASA Flight Time Limitation (FTL) regulations as they progressed through the European legislative process and we believe that they will provide an equivalent level of safety to the UK's current system. We are working closely with the industry to ensure the regulations are effectively implemented.

CAA International, a wholly owned subsidiary of the UK CAA, provides training and consultancy services around the world, making a major contribution to our ability to influence safety and reduce risks to UK citizens wherever in the world they may fly.

Establishing a CAA Safety Management System (SMS):

Internally, we have reflected the best practice from SMS by introducing a Safety Review Board and Safety Action Group to ensure effective safety governance. The key task of these bodies is to maintain and continually review the total aviation system risk picture, commission programmes and projects to deliver safety outcomes and allocate resources against the highest priorities. External challenge is provided by an Industry Safety Improvement Advisory Group.



Future Airspace Strategy (FAS)

The Future Airspace Strategy (FAS) Industry Implementation Group has delivered a realistic and achievable Industry Implementation Master Plan. The Deployment Plan was published in December 2012. The Strategy is backed by major airports, airlines, NATS, the CAA, Irish Aviation Authority and the MoD, who each have contributory outputs to deliver and are committed to supporting implementation. We are continuing to work with industry to ensure support from all key stakeholders for the proposal for a harmonised higher Transition Altitude of 18,000ft across the UK/Ireland Functional Airspace Block (FAB). We are also continuing to focus efforts on influencing the developing EASA work on the EU-wide harmonisation proposals.

A cross-industry programme of operational trials has commenced under the governance of the FAS to maximise the benefits that Performance Based Navigation (PBN) can deliver at airports, concentrating on runway throughput and noise abatement, which will assist in developing regulatory guidance and future policy.

Much of the FAS focus to date has been on high-density and high-complexity airspace associated with the south-east of England. The Strategy must have regard for all airspace if real benefits are to be delivered to all airspace users and we are now turning our attention to the detailed requirements of general aviation in uncontrolled airspace. We have also initiated a study to consider the needs of Low-Density/Low-Complexity Airspace environments and to identify appropriate means of delivering an efficient navigation and surveillance capability for the future.

Airspace Safety Initiative

We produced a revised Danger Area Policy to ensure the best possible arrangements for all users of airspace within the UK. We are continuing to work with service providers and aircraft operators to review air traffic arrangements in the Lower Airspace Radar Service scheme, to ensure that the coverage is optimal across the UK.

Olympics 2012

A major event for both our safety and airspace teams was the London 2012 Olympics and Paralympics. We succeeded in ensuring that the extra demand and unusual operations taking place as a result of the Games occurred safely and that the Government's airspace security restrictions were implemented smoothly whilst minimising the impact on normal activity as far as practicable.

Safety & Airspace Regulation Group (SARG)

We have merged our Safety and Airspace departments to form our new Safety and Airspace Regulation Group so we have the right organisational structure to deliver our strategic objectives in a way that is more streamlined, consistent and efficient.

Challenges

We believe the UK's strong safety record can be further enhanced by a focus on risk and performance across each organisation, the sector it operates in and its impact on the total aviation system risk picture. The CAA Safety Plan sets out in more detail how we will achieve this. We will seek support and agreement of our UK stakeholders on the desired safety outcomes and how they should be achieved.

The aviation industry is continually changing. Traffic volumes are increasing, as is the complexity and sophistication of the system as a whole as new tools and technologies are employed. The introduction of new technologies and increasing automation of aviation systems require corresponding changes in training. There are also new types of aviation traffic emerging, such as unmanned aircraft systems and commercial space operations. Whilst many innovations in the industry seek to enhance safety, it is essential that any change is assessed against the potential of new risks being introduced so that the right mitigations can be developed.

The ongoing globalisation of the industry presents fresh challenges for safety too. Manufacturing, maintenance, crew rostering and operational management are all global practices for many organisations. The process of "wet leasing" aircraft and crews from other operators can create flexibility which is good for consumers, but creates a challenge in ensuring appropriate regulatory oversight. The shared international basis for safety, through ICAO, EASA and other bodies, only provides a framework for dealing with these. The CAA must engage every day with regulatory and operational challenges as they arise and continue to explore opportunities to work with international partners and colleagues to enhance safety for UK consumers worldwide.

The European Commission, through EASA, is taking on increasing responsibilities for legislation and regulation. This is essential for achieving minimum safety standards in a global industry, but presents challenges both in the shaping of new regulatory regimes and approaches, and the transition for staff, skills, organisation and processes as the CAA's role changes in response. The SES agenda remains ambitious, through



the implementation of the “SES II Package”. The introduction of economic regulation of monopoly en route service providers through the Performance Scheme has been a significant shift from the past for most EU States and moves into its second reference period in 2015 with a broader scope. Combined with a greater focus on improving the network, delivery of functional airspace blocks and recent proposals for regulation to support the deployment of SESAR technologies, stakeholders expectations to move towards a truly Single European Sky are high. Nevertheless, the Commission is committed to faster delivery of results and has published proposals to speed progress up and simplify the regulatory regime with a “SES II+ Package” which must now be considered by the EU Council of Ministers and European Parliament.

We will further develop our capability to drive a more performance-based approach toward safety by addressing the human factors aspects.

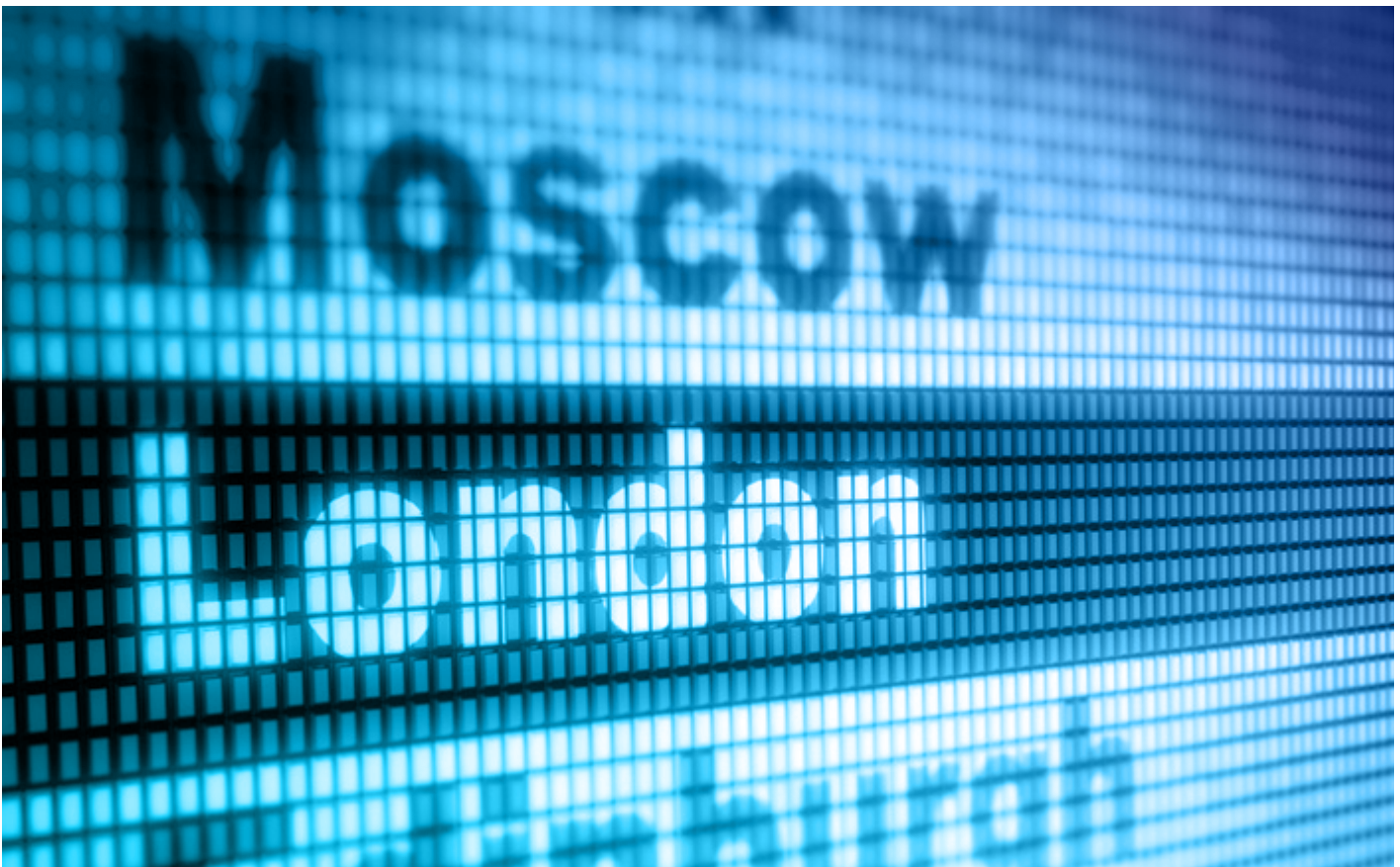
We will need technology and associated infrastructure that supports a modernised airspace and air traffic control system that is able to capitalise on the benefits available from improved communications, surveillance, meteorological and information dissemination capabilities. Access to appropriately safeguarded aviation communication and data spectrum will be an essential element of this future capability.

Across all of these challenges is the need for the regulatory regime to be more focused on the major risks, to get better at identifying emerging risks, and to be proportionate in the effort deployed to address each risk. Maintaining a just culture whilst increasing transparency in our monitoring and enforcement work continues to be a key feature of our enforcement approach.

Target outcomes

For the remaining period of this strategic plan, the target outcomes and strategies to support delivery of the outcomes are as follows:

Target outcomes	Strategies
<p>Worldwide safety outcomes</p> <p>The CAA will have influenced safety outcomes worldwide to reduce risks of harm to UK consumers, establishing international partnerships, delivering work through CAAi, supporting EASA and involvement in ICAO.</p>	<p>We will continue to collaborate with others to help improve safety standards and to protect the UK citizen globally. We will significantly enhance our partnership with, and support to, key stakeholders in the European Union, including EASA, Eurocontrol, the European Commission and in ICAO groupings affecting our airspace and operations (i.e. the NAT and EUR Regions). We will continue to establish international partnerships to directly address not only strategically significant safety risks but also to identify and deal with identified significant tactical risks worldwide. Our current planning is setting up partnerships with Spain, Ireland and USA. Building on our successful collaboration with Turkey, we will continue working with colleagues there to improve performance and to address the root causes of events involving UK airlines in Turkish airspace.</p> <p>We will transition to the EASA regulatory framework and ensure operators and organisations are able to comply with new European regulations. We will be working to provide the UK with the appropriate mechanisms to ensure that aerodromes are able to comply with European law when it comes into effect in December 2017. We will ensure that we have implemented the necessary regulatory changes to meet the Standardised European Rules of the Air (SERA) requirements by December 2014. As the EASA rules are amended, we will work with EASA and the Commission to influence outcomes so that the best possible set of rules and smoothest transition are secured.</p>



Target outcomes	Strategies
<p>Performance based approach</p> <p>Our performance based approach to regulation will have enabled UK aviation industry's risk management activity to reduce aviation safety risk from current levels, aligned with priorities for the total aviation system and the State Safety Programme and the National Performance Plan.</p>	<p>We will continue to partner UK Industry to improve safety standards and to target our regulatory activity appropriately. Better Regulation principles require us to be proportionate and transparent. The Enhancing Safety Performance (ESP) programme will reshape front line regulatory attention to better reflect safety priorities and minimise burden where risks are low.</p> <p>Task force work to address the Significant 7 lethal outcomes is ongoing and will continue to provide actions to address those specific risks. In the new CAA Safety Plan, activities to address these root causes have been prioritised. For clarity they have been grouped into three main categories: those supporting the performance of PEOPLE, those improving TECHNOLOGY and, for internationally based projects, WORLD.</p> <p>One example of our work in support of people performance is associated with pilot fatigue. The flight time limitations regulations plan to put more responsibility on operators to actively manage the fatigue of their crew in relation to their operation. This will be achieved through the extensive specific Operator Responsibilities, the mandatory requirement for fatigue management training for all crew members and ground personnel involved with the rosters and the assessment of fatigue as a risk within an operator's SMS. This will mean a shift in oversight from compliance to performance oversight and will require extensive changes for industry in how they manage fatigue. EASA will be actively collecting performance data on the effectiveness of the provisions with the assistance of National Authorities. The CAA remains committed to continuing its active involvement with EASA and will be working with them throughout the transition to the new regulations and with the review of the operational data that is gathered. We will also be working with a major airline on maintenance technician fatigue using self-reporting pre/post shift in order to identify priorities for future initiatives and undertaking similar activities for air traffic control personnel.</p> <p>We will support industry in making best use of direct data sources such as Flight Data Monitoring (FDM). This will include development of relevant measures of key aspects of the operation, provision of guidance and improved oversight capability to promote best practice in industry self management of safety through available data.</p>

Target outcomes	Strategies
<p>Capability and performance</p> <p>The UK aviation industry and the CAA will have measurably increased capability and performance in safety management, human factors and just culture, and demonstrated the benefits in terms of risk reduction.</p>	<p>We will work with stakeholders to embed effective Safety Management capability and the appropriate safety culture required to underpin it. A common approach to SMS oversight will be in place and industry will have developed their SMS and HF capabilities sufficiently to form a foundation for further enhancement. Within the CAA, ESP will effectively implement SMS at State level, reflecting the importance of Safety Management promoted by the new ICAO Annex 19. The CAA Safety priorities are identified by the Safety Action Group (SAG) under the governance of the Safety Review Board (SRB) and with industry input and validation from the Safety Improvement Advisory Group (SIAG). This structure deliberately reflects the SMS structure that we would expect of industry.</p> <p>We will continue to foster and encourage an increasing openness about safety performance and to promote maturity of Just Culture practices and approach across industry. The CAA approach to enforcement will be complementary to our commitment to a Just Culture, but it will also ensure that we proactively take action where necessary to address non-compliance with the regulations. Internally, we are continuing to work towards having an Authority Requirement (AR) compliant management system and will have agreed the best common model for safety performance.</p>
<p>FAS</p> <p>Through delivery of FAS, the CAA will have reduced current and future safety risks associated with air traffic management, increased capacity and efficiency of the system and delivered modernisation through the use of new technologies.</p>	<p>We will ensure that the Future Airspace Strategy (FAS) delivers tangible safety benefits as well as capacity and efficiency improvements. FAS will provide a framework for us to determine how to plan and manage airspace up to 2030 as demand increases, technology advances and cross-border collaboration accelerates. The first phase of the airspace and route structure over the south-east of England will be fundamentally more efficient. The regulatory mechanisms will be in place to facilitate a shift to navigation and airspace design predicated on Performance Based Navigation (PBN) requirements in airspace where it is necessary and appropriate. New airspace designs will start to replace the routine usage of orbital holding over London and replace it with linear spacing out over the sea. This approach will continue to be reflected in future designs beyond the period of this plan. Instrument approach procedures will be available to a wider range of aerodromes utilising satellite-based navigation capability. Existing UK controlled airspace structures will have been reviewed and the changes necessary as part of the Single European Rules of the Air (SERA) requirements will have been implemented. We will continue to work with the aviation community to focus on enhancements to the safety of commercial, military and general aviation usage of uncontrolled airspace. This will include improving service provision, aircraft conspicuity and reducing the risk of infringements of adjacent controlled airspace.</p>

Target outcomes	Strategies
<p>Aviation spectrum</p> <p>The CAA will have facilitated the release of aviation spectrum to contribute to Government's stated targets for spectrum release by 2020, delivering economic growth benefits and benefits for UK aviation.</p>	<p>The Spectrum Release Programme will establish a mature assessment of emerging technologies that will underpin the delivery of a future surveillance infrastructure, which is aligned to the Future Airspace Strategy and that will enable the release of spectrum required to meet Government targets. Following on from the successful rollout of the 2.6GHz radar remediation programme, the CAA has been considering how aviation can contribute to the future release of 500MHz of spectrum for 4G usage. Following a review of the opportunities presented by developing surveillance technologies that could benefit aviation as well as delivering spectrum release, a feasibility study concluded that there was potential for a viable programme of work. The DfT, endorsed by the Government Public Expenditure Committee (Assets) (PEX(A)), tasked the CAA with taking the work forward and has provided the resources necessary to initiate a phased programme over several years. We will assess future technologies in line with FAS and operational requirements with the aim of establishing a viable surveillance infrastructure which is appropriate to the future, reducing costs, enabling spectrum release and ideally providing a strategic mitigation for the impact of wind turbines on aviation. This work will be a challenging role for CAA extending well beyond the period of this plan but it provides a real opportunity for us to help shape the future for aviation whilst benefiting broader national interests and the consumer.</p>



Target outcomes	Strategies
<p>Proportionate and targeted approach</p> <p>The CAA will be proportionate and targeted in its approach to safety and airspace regulation; we focus our resources and efforts and regulatory interventions where they will have the greatest effect.</p>	<p>We will progress with our transformation to become a Performance Based Regulator, becoming the first authority in Europe to have a mature risk based safety approach accepted internationally. The ESP Programme will establish an organisation centred on PBR, working with the industry to demonstrably reduce safety risk across the total aviation system and deploy the capabilities required for future generations of regulator.</p> <p>Our joint and integrated approach to airspace management will be based on performance principles and State aircraft will be required to demonstrate equivalence with civil performance requirements certified by the military's own aviation authority.</p> <p>Data is key to informing regulation and safety risk. The CAA collects considerable amounts of information but we will improve our analysis tools, seeking additional sources of data and the broadening the types of data we use. We will establish strong links with industry and European partners to share information and to maximise analysis advantages.</p> <p>Implementation of the European Co-ordination Centre for Accident & Incident Reporting Systems (ECCAIRS) system has enabled us to participate in European wide data sharing (now extending beyond Europe through ICAO), and we will continue to take a leading role in improving this system through improved taxonomies and a new method for risk classification of occurrence reports. Through CAA International we will continue to offer training to other States in Safety Performance and promoting the use of ECCAIRS.</p> <p>To address the regulatory challenges faced by the UK General Aviation sector the CAA will establish a new unit dedicated to regulation of General Aviation by April 2014. We need to be better partners with the GA community and the establishment of the new GA Unit in the CAA is key to enhancing this relationship. The Unit's focus will be entirely on the GA sector, it will ensure that the regulatory regime will take a different path and be less onerous to that applied to the commercial aviation sector.</p> <p>The GA Unit will draw in the work we started following the review we carried out in mid-2012 of the UK's regulatory approach to Recreational Aviation - the RA-2 review. It will also press the EASA Management Board to make progress on the report prepared in August 2012 by a Working Group on how the regulatory approach to GA safety at the European level could be improved. For our future work there will be two guiding ambitions and principles: deregulation and delegation to remove the bulk of GA from the current regulatory oversight of the CAA. Naturally, we would prefer to deregulate wherever possible. But in some areas, delegation may be more appropriate to ensure the UK complies with its international and European obligations. Crucial to the success of both options will be the risk appetite of the CAA, other parts of Government and the sector itself.</p> <p>To help make a difference we need to concentrate our resources and efforts where they are going to have the greatest effect. Within the newly re-structured Safety and Airspace Regulation Group, we will have a workforce that will be re-skilled to modern technology skills and multi-skilled in regulatory techniques. We will also be ensuring we are spending our time on matters that deliver better safety outcomes, whilst ensuring we fulfil our other statutory duties.</p>

SECTION 4

Strategic objective

To improve choice and value for aviation consumers now and in the future by promoting competitive markets, contributing to consumers' ability to make informed decisions and protecting them where appropriate.

The consumer landscape has moved on from when we published the strategic plan.

As economic fundamentals are beginning to improve, demand for aviation services is growing once more – albeit confidence remains fragile. Passenger numbers as a whole are growing, most strongly at London airports. Volumes are up even at congested airports, as load factors increase and larger planes are introduced into the fleet. A number of regional airports still see volumes much lower than before the recession, but overall the position of smaller, regional airports no longer appears to be worsening.

The airline sector continues to evolve, with the market leaders offering an increasingly rich mix of products over a broader spectrum of routes. In the travel sector, the ten-year decline in packages came to an end. As a percentage of air holidays, inclusive tours increased to 42% in 2012/13. There have been noticeably fewer ATOL failures in the last couple of years. Although some major travel businesses required refinancing to reinforce financially weak positions, in general terms the financial situation of airlines and travel businesses, whose business models were not fundamentally weakened by the financial downturn, is now improved. And the Air Travel Trust (ATT) has returned to surplus for the first time since 1996, improving the financial robustness of the ATOL scheme.

The legal and regulatory context is also evolving. The ATOL scheme has been strengthened, with "Flight Plus" arrangements brought within the scope of the scheme, so more holidays are now covered. ATOL certificates are now issued, which means that buyers of ATOL-protected travel have better information on their financial protection. This message was reinforced by a successful internet advertising campaign and new guidance material for all ATOL holders.

ATOL certificates illustrate the principle of informing and empowering consumers. The Civil Aviation Act 2012 gave the CAA new duties in the areas of provision of information to help consumers compare air transport services and facilities. This allows us to supply more information

to consumers. The new Act also allows us to change the way we economically regulate airports, focusing much more on the consumer and enabling us to be more flexible in our approach. In January 2014 we made the first set of decisions, using the new legislation, on the regulation of airports we consider to have market power from April 2014.

The European framework of aviation and consumer protection law has seen significant activity, with reviews on slots, noise, ground-handling, denied boarding and package travel. These reviews are at different stages of development. Overall, progress has been mixed, and discussion has not always focused on what is in consumers' best interests.

The scope of circumstances in which passengers can be compensated was widened markedly by the final TUI-Nelson ruling on the Sturgeon case in October 2012. This confirmed that compensation is payable for delays over 3 hours, as for cancellations. The exception is where a delay or cancellation is caused by extraordinary circumstances and the airline has taken reasonable measures to prevent disruption to passengers. This development has been accompanied by an increase in consumer awareness of their passenger rights, and higher levels of claim for compensation, including the emergence of claims management services. The industry is still adjusting to this new environment.

Since we published the strategic plan in 2011 we have made specific progress in the following areas:

ATOL scope

The first round of ATOL reform has extended protection. The CAA has worked with the DfT to implement protection for "Flight-Plus" products, closing a major loophole that had confused consumers. The reform also improved the robustness of the financial regime behind ATOL by introducing Accredited Bodies, providing firms with an alternative approach to operating within the scheme, with an Accredited Body being responsible in the first instance for providing protection in the event of the failure of one of its members. The requirement for ATOL holders to have written agreements with their agents has been strengthened, meaning that in the event of failures there will be fewer legal disputes as to liability and claims will not be unduly delayed. The Civil Aviation Act 2012 also enables the creation of regulations to bring airline holidays and "agent for the consumer" transactions within the ATOL scheme, further broadening protection. Further reforms are being considered. The European Commission has published proposals for a new package travel and assisted travel arrangements directive, which has the potential

to change how insolvency protection is implemented in the UK. And the DFT has started a fundamental review of ATOL.

Consumer information

The introduction of ATOL certificates has helped passengers better understand what they are buying. Over 10 million passengers have now received a certificate, which provides proof that the holiday you have bought is protected and explains what is covered.

The CAA has tackled non-compliance with price transparency requirements, so passengers can be confident that the headline price displayed by airlines includes all mandatory elements (including payment surcharges). Airlines now systematically comply with these rules, and we are close to successfully concluding a similar enforcement campaign among major travel agents.

The CAA has improved the range of information it provides on its website, for example offering a comparison table of airlines' and airports' various optional fees and charges. The CAA has worked with media partners like consumer websites to ensure good information reaches passengers.

Claim handling

The ATOL certificate has improved the quality of the information on the basis of which the CAA assesses claims under that scheme. We are developing a new online claims system, which will make the claims assessment exercise considerably easier and quicker. The introduction of agency agreements and new ATOL standard terms will help us address delays in processing claims arising from legal uncertainties.

On airline complaints, the CAA has re-organised the basis of its complaints and advice service in response to higher volumes. The Passenger Advice and Complaints Team (PACT) has new IT systems and has streamlined its processes, although response times are still too long and further improvements are being sought.

Risk management

More ATOL holders are now assessed using an improved risk assessment method. This places more stringent requirements on businesses but enables us to detect risks more effectively. We have also completed the planning of a major project to improve monitoring of these risks and drive improved compliance amongst ATOL holders.

The CAA's consumer enforcement work beyond ATOL has also been aligned to risks of passenger detriment, with enforcement priorities based on published prioritisation principles.

Developing UK aviation policy

We actively contributed to the development of the UK's Aviation Policy Framework, published in March 2013. Related to this, we have been feeding into the work of the independent Airports Commission set up by Government to advise on the need for further UK airport capacity. Throughout, we have sought to ensure that the consumer is central to policy making, since an approach targeted at meeting the needs of passengers and users of air freight is most likely to lead to satisfied consumers and an agile, competitive aviation sector capable of servicing the wider economy. This work continues into 2014-15 as the Commission moves into the second stage of its work.

Price control review

The price control review (known as Q6) for the regulated airports has begun from a fundamental assessment of the need for regulation at all. This has suggested that Stansted does not need economic regulation, given the long-term contracts it has struck with its major airlines and other market features. Where we have found market power needing to be controlled through regulation, we have proposed regulatory arrangements designed to meet the needs of passengers for services that are of high quality and also affordable. More than ever before, the Q6 proposals are based on detailed research on the passenger interest, and the CAA used this research-base to validate and challenge industry positions as well as target service improvements. The CAA's approach is intended to maximise scope for collaboration between airports and airlines, so as to improve the customer experience, including placing airport commitments and bilateral contracts centre-stage at Gatwick, alongside a licence. At Heathrow, the CAA's price control decision will see prices fall in real terms by 1.5% per year between 2014 and 2019 (RPI-1.5%). This decision places affordability centre-stage, while ensuring

there is still a supportive environment for capital expenditure (with provision for nearly £3bn of investment).

Disruption management

The CAA has worked to improve industry resilience and management of disruption. To a large extent this has involved voluntary approaches, for instance the CAA supervised voluntary implementation of the industry's South East Airports Task Force commitments. This work has been successful in establishing the importance of disruption management and delivered some gains at individual airports. The next chapter in this work will include implementation of the resilience condition in the new airport licences. This will continue to leave space for voluntary agreement, without allowing developments that matter to consumers to be vetoed.

After substantial engagement with stakeholders over passenger difficulties during winter 2010/2011, we published a report in summer 2011 on aviation's response to major disruption. This was followed up by a substantial amount of assurance work with airports and airlines in the run-up to winter 2011/12 to influence them to be better prepared for that coming winter. We established a team from among CAA staff to conduct on-the-spot monitoring of compliance during major disruption. We have deployed this team to Heathrow airport on a number of occasions in response to major disruption. The coverage of this team has now been extended to a number of regional airports. Overall, we have seen improvement in airport and community readiness for major disruption, although we continue to see poor practice in some cases and not all airlines are effectively prepared.

In the run-up to the Olympic and Paralympic games in 2012, we undertook substantial work with the major airports in the South East of England, and with the relevant major airlines operating from those airports, to ensure that the additional flights and passengers coming to the UK over the period did not lead to mass disruption.

Consumer Panel

Our Consumer Panel has been operational since October 2012, providing oversight and advice to our consumer work. The Panel's mission is to act as a "critical friend", so that the CAA more effectively incorporates the interests of consumers in our decisions. The Panel is made up of nine members drawn from a range of sectors with vast experience of the role of public policy in promoting the consumer interest.

Access Group: We have set up the Access to Air Travel Group, which is made up of disabled travellers and representatives from disability charities, in order to assist us in better incorporating the interests of Persons of Reduced Mobility (PRM) into our work. This year we have undertaken a number of inspections of airports in order to verify compliance with the PRM regulation and build better relations with regional airports for the benefit of disabled passengers. Our confidence in airline and airport compliance with the Regulation has increased. To maintain and improve standards we are seeking expanded enforcement (civil) powers under the PRM regulation through the DfT.

Challenges

The CAA has developed a Consumer Programme, encompassing a policy framework and work programme, published alongside this strategic plan. The policy framework makes clear that the CAA regards “consumer” in this context as meaning “anyone who uses but does not provide an aviation service”. This includes cargo owners as well as passengers, although given the current balance of risks the majority of our effort is focused on passenger markets.

The policy framework also discusses the nature of consumer detriment. Consumer detriment may be financial or non-financial in nature. Furthermore, detriment may be relatively objective (e.g. measured in terms of prices above the competitive level) or largely subjective (i.e. relative to what an individual consumer would reasonably expect to achieve from a transaction). Passengers’ reasonable expectations are an important yardstick. Detriment might affect all passengers, or it might disproportionately impact certain groups or classes of consumers, such as disabled consumers. It may be the case that detriment experienced by individual consumers does not affect the overall functioning of the market but intervention to address it may be justified on the grounds of fairness rather than economic efficiency.

While the UK aviation sector mostly functions well for passengers, a range of issues are liable to create consumer detriment in today’s market.

Unbundling of the traditional service allows consumers to assemble only the elements of the product that they want to purchase, providing greater choice and better value. However, unbundling can also lead to greater complexity and the CAA will need to continue to ensure that consumers can easily compare products and prices. Effective competition demands that consumers can easily compare the products they are being offered. This includes being able to identify the airline operating the plane they are

flying on – something that can be confusing where airlines ‘wet lease’ aircraft from other airlines.

The growth of aviation has always been linked to economic growth in general, although the multiplier between GDP and passenger volumes has declined over time. Expansion of capacity has not kept pace with continuing growth and congestion now threatens resilience and increases passenger costs and inconvenience. These threats appear at least in the airspace and airport parts of the value-chain.

In the UK’s airspace system, it is likely that the pressure of increasing demand will continue to grow. However, this growth may be at lower rates than hitherto and display a changing profile of demand from different user groups. Growth will lead to a tightening in the supply and demand balance for airspace at certain times and in certain places, in contrast to historical growth in the capacity available. Even if growth is extremely limited in the long term, there are already ‘hot spots’ in the airspace today that could be improved to reduce delays, stacking and safety risks caused by overcrowded skies.

Airport congestion in South East England is a main cause of continuing market power of some airports, despite ownership diversification. It has also led to crowded schedules which are not resilient to disruption.

Air passengers and users of air cargo services continue to pay a high price, both financially and in inconvenience, to maintain the security of their services in the face of the ongoing terrorist threat. They remain a significant factor in delivering aviation services to the satisfaction of consumers. See the chapter on the CAA’s new aviation security objective.

Airlines continue to operate with a significant level of cancellations and long delays. Intelligence gathered through our work on disruption following the winter of 2010/11 suggested that compliance with the care and assistance obligations in Regulation EC261 was poor. These obligations are not in general disputed by airlines– the challenge is simply to ensure that all airlines are organised in practice to deliver their legal responsibilities in situations which can occur at short notice.

A recent ruling of the European Court (TUI and Nelson, Cases C-581/10 and C-629/10) extended passengers’ financial compensation rights to include long delays as well as cancellations. This has significantly expanded the scope of Regulation EC261. While the value of passengers’ time implied by the compensation regime is not out of line with research findings, the ruling means a significant increase in the (actual and potential) costs faced by airlines, and these could be passed on to passengers. The ruling has

led to a significant increase in passenger complaints, both to airlines and to the CAA. Jointly with a number of other EC countries we developed guidance for airlines on applying the extraordinary circumstances test in the Regulation to ensure passengers are not incorrectly denied compensation for delayed or cancelled flights. We now assess how well airlines are applying this test in practice. To date, we have assessed around 2000 flights for extraordinary circumstances. In just over half of cases we have agreed with the airline's own assessment. In the approximately 40% of flights where we have disagreed with the airline, the airline has usually paid compensation to the passengers affected. Since October 2012 we have secured over £1.2m in compensation. However, the CAA has seen a five-fold increase in complaints, and this has led to unacceptable delays in dealing with complaints by both airlines and the CAA.

Within the travel industry, the balance continues to shift between traditional tour operators and newer business models, more akin to agencies. Reviews following ATOL failures have identified risks of fraud and over-trading in a small minority of operators.

The internet has also driven the trend of travel companies selling separate components of holidays, rather than integrated packages, with the consequence that consumers may not be as well protected against operator failure as they think they are.



Target outcomes

The CAA Consumer Programme sets out clearly an approach to regulation based on a set of consumer objectives. The CAA will assess risks to its consumer objectives; focus our resources on areas where risks to consumer outcomes are greatest; choose the right ways to go about our work to reduce these risks; and regularly review and evaluate our work to make sure it is meeting its overall strategic objectives. The consumer objectives are:

1. Consumers have access to the widest possible choice of providers and services and are appropriately protected, especially where offering choice is not possible or practical.
2. Consumers are not unfairly discriminated against in terms of their ability to participate in the air transport market.
3. Consumers are provided with clear information about the price and other aspects of air transport services that are important to them, and are kept appropriately informed before, during and after the point of sale.
4. Consumers are provided with air transport services that perform as they have been led to expect and are looked after appropriately when they don't.
5. Consumers have access to quick, fair and cost-effective complaints-handling when things go wrong.

The Consumer Programme explains that, wherever possible, we aim to empower consumers to make the market work for them. We do this by supporting competition and enforcing competition law, ensuring equal access to air travel or ensuring passengers have information, advice or guidance when they need it. Where effective markets can be brought to bear, they are generally better than public intervention at meeting consumers' diverse preferences. However, where this is not possible (for structural reasons, or because consumer preferences are in fact not diverse, such as in the safety arena), we act to protect consumers: by regulating price, service or safety standards, by enforcing statutory protections or by ensuring compensation for consumers if travel businesses fail.

For the remaining period of this strategic plan, the target outcomes and strategies to support delivery of the outcomes are as follows:

Target outcomes	Strategies
<p>Capital planning</p> <p>Airport capital plans focus on meeting consumer needs. So over the 5-year timescale of regulation, airports develop their assets efficiently and to meet consumer needs. In the longer term, the Commission on Airport Capacity is supported to deliver recommendations that are focused on the needs of consumers and are deliverable, sustainable and safe.</p>	<p>We will support the Airports Commission to help it identify the best route for passengers to new airport capacity in SE England. We will also collaborate on implementation of its shorter-term recommendations, consistent with our roles in airspace management, safety regulation and noise analysis. We will publish regulatory guidance during 2014-15 on how, as an economic and competition regulator, we expect to treat the costs of runway expansion.</p> <p>Within the Q6 period, we will monitor closely implementation of the capital programme laid out by Heathrow airport as part of the Q6 settlement. If necessary, we will introduce licence conditions to tackle non-delivery of capital projects that matter to passenger outcomes. At Gatwick, we will monitor capital delivery as part of its overall monitoring of outcomes from the commitments/contracts framework.</p>
<p>Integrated service</p> <p>The governance framework for regulated airports is focused on providing an integrated service that meets consumer needs. That means effective collaboration between airport, airlines, ground-handlers and other players on the campus.</p>	<p>At Gatwick airport, the integration between airport and airlines can take a further step in that bilateral contracts will be a key part of the overall governance framework. The CAA expects these in some cases to set out service or capital objectives over and above the “one size fits all;” which should ensure a tailoring of the airport experience to the needs of each airline’s customers. The CAA will ensure non-discrimination and competition rules are obeyed, as well as monitoring to ensure the framework operates in the consumer interest overall.</p>
<p>Service resilience</p> <p>In particular, the civil aviation industry will deal with significant disruption in a forward-looking and co-ordinated manner. Consumers should expect to be properly served, within reason, despite disruptions, whatever the original cause of the disruption.</p>	<p>The economic licences to Heathrow and Gatwick airports include provisions around resilience designed to promote a tighter integration of operations at airports, in the passenger interest. Given that this interest is a shared objective of airports and airlines, we expect that agreement can be reached on these measures. We will also continue to monitor airline and airport actual operations during service disruption, and will continue to work with airlines on speedy re-booking and provision of Regulation 261 rights around information and welfare. Airlines’ ability to communicate with their passengers as disruption is unrolling continues to be a key area of focus.</p>
<p>Competition assurance and regulation</p> <p>Economic regulation of airports will incorporate elements of best practice from other economic regulatory regimes. Fair competition in airports and air navigation services will be ensured, using whatever legal tools are most appropriate to address competition issues as they emerge.</p>	<p>As a member of the UK Regulators Network, we will collaborate closely to ensure the coherence and credibility of the economic regulatory system as a whole. As a member of the UK Competition Network, we will similarly collaborate closely with the Competition and Markets Authority and other concurrent competition enforcers. We will develop robust processes and capabilities to deploy its new concurrent powers, so as to ensure it can choose the most appropriate tool to address competition problems as they emerge.</p>

Target outcomes	Strategies
<p>ATOL information & resilience</p> <p>Consumers will have increased certainty with respect to the protection they are receiving under ATOL, through reform of the Regulations and their successful implementation, and they will understand their rights.</p> <p>We will increase the resilience of the arrangements by which ATOL financial protection is provided, to ensure consumers continue to receive full protection.</p>	<p>We will continue to contribute to the review of the Package Travel Directive to achieve an appropriate level of consumer protection and the best outcome for the UK.</p>
<p>Airspace management</p> <p>There will be marked progress towards an optimum balance of capacity utilisation within the known constraints, to benefit consumers. The UK's air traffic control provision will be pace-setting in terms of cost-reduction and modernisation.</p>	<p>In managing the efficient use of airspace, we will focus on those aspects where collaborative initiatives and policy support can significantly augment and accelerate local efforts and investment, and achieve results within a timescale of a few years. There is an inherent relationship between the utilisation of runways and airspace and the level of delay and performance risk that leads to aircraft queues as an outcome of the drive to maximise available capacity. We will continue to facilitate the development of solutions based on long-term major technology and airspace developments whose benefits will be realised in the longer term.</p> <p>The UK's ANS performance plan for the second reference period (RP2) will show leadership in driving cost efficiency and service modernisation. This will include tracing a pathway into further UK-Ireland integration (dynamic sectors operational trial) and towards achieving effective market conditions in the terminal ANS sector.</p>
<p>Consumer information</p> <p>Consumers will have access to more and better relevant information to inform their buying decisions. They will have accurate, comparable information when they need it.</p>	<p>Under the Civil Aviation Act 2012, the CAA has a duty to publish information that consumers can use to compare service offerings, and information about the environmental impacts of civil aviation, and also has powers to enable this duty to be fulfilled. Before exercising these powers, we must publish a statement of policy, which we did in January 2014. We will roll out programmes to provide consumers with reliable information about PRM service offerings and about airline service resilience. We will also continue to enforce price transparency legislation. (See the chapter on our environment objective for more information about the environmental information duty.)</p>

Target outcomes	Strategies
<p>Alternative dispute resolution</p> <p>By July 2015, the UK will need to have in place one or more bodies for dealing with disputes between consumers and traders in the aviation sector, which meet the principles set out in the European Directive on Alternative Dispute Resolution.</p>	<p>We will seek to promote good complaint handling by air transport companies and the establishment of an ADR framework, compliant with the Directive, to ensure fair and speedy resolution for consumers without the need for court litigation. We will continue to improve operational delivery of CAA's own complaint handling, so as to ensure that any transition to external ADR schemes is a good experience for passengers.</p>
<p>Consumer rights</p> <p>Industry processes for prompt and correct handling of DBC claims will become a matter of routine compliance, avoiding the need for CAA enforcement except in rare circumstances.</p>	<p>We will continue to identify and prioritise the right issues in a structured way, using published principles, and resolve them with a strengthened toolkit which includes appropriate use of informal approaches to enforcement, as well as vigorous use of formal sanctions when appropriate. We will use publicity about breaches of consumer law when this is important to warn consumers, as set out in our enforcement policy.</p>
<p>Passengers with Restricted Mobility (PRMs)</p> <p>Passengers with restricted mobility will be able to travel confidently, knowing that industry routinely meet its PRM obligations.</p>	<p>We have worked with our Access to Air Travel panel to continue to build our understanding of barriers to air travel for people with restricted mobility. For instance, undertaking a survey of such passengers. We will also make use of complaints coming to us under the PRMs Regulation, not only to address individual service failings but more widely to learn how the industry as a whole can improve the robustness of its service delivery. To the extent that the industry generally provides a sound service to passengers with restricted mobility, we will work to inform passengers of this fact so as to reassure them that they can travel with confidence.</p>



SECTION 5

Improving environmental performance

Strategic objective

To improve environmental performance through more efficient use of airspace and to make an efficient contribution to reducing the aviation industry's environmental impacts.

The operating environment has moved on from 2010/11 when we finalised the current strategic plan. Government policy in the area of aviation and the environment has been updated with the publication of the Aviation Policy Framework document in March 2013. The framework confirmed the Government's emphasis on tackling noise as a key priority.

The EU Aviation Emissions Trading Scheme (ETS) has faced sustained opposition from a number of international partners concerned about its legality under international law. In support of international negotiations to reach a global agreement on a framework for such market based measures, the EU agreed to 'stop the clock' on the EU ETS in November 2012 for one year. For that period, the EU ETS scheme has not applied to flights whose destination or origin is outside of the EU.

Since we published the strategic plan in 2011 we have made specific progress in the following areas:

Implement environmental policy

We published CAA and the Environment in July 2012 setting out our environment programme that includes 26 different activities across the organisation targeted at improving the aviation sector's environmental performance. We also established an environment panel to continually monitor our programme to ensure that our planned activities remain dynamically responsive to changes and developments and to be ready to adapt to emerging policy in this fast-moving field. The CAA has recently refreshed this strategy – see below.

Evaluate and prepare for noise responsibility options in line with the Aviation Policy Framework

We have completed noise maps as required under the Environmental Noise Directive for nine of the UK's airports and acted as consultant to government on the plan for new night flying restrictions. We provided input to the Airports Commission paper on noise impacts of airports and engaged industry to take forward work on two stage flight approaches. In addition to this we oversaw an Operational Freedoms trial at Heathrow, incorporating noise impacts into advice to Government.

Support the government in emissions trading scheme discussions

We have continued to provide strategic policy advice to the DfT on development of policy around emissions trading and market-based mechanisms, and provided sector-expertise to the Environment Agency to assist with its enforcement activity.

Developing Future Airspace

We continued to provide environmental input to the developments of the FAS Deployment Plan which was launched in December 2012 and have continued to provide environmental input to SESAR in delivering future airspace modernisation.

Greening the CAA

In positioning sustainability as one of its key strategic objectives, the CAA is taking measures to limit its own environmental impact. The 'Greening the CAA' initiative is underway to deliver environmental improvements across the CAA's estate, colleague activities and supply chain. We have set five environmental themes (water, waste, energy, procurement, transport) with the overall objectives to make the CAA an environmentally efficient organisation (within the limits of our existing estate), develop a culture of environmental awareness and responsibility across the CAA, and ensure that the CAA's internal commitment to environmental efficiency and sustainable growth reflects the level of ambition within the wider industry.

Challenges

There are still challenges facing us and industry as we continue to work to improve UK aviation's environmental performance, as well as new opportunities. Aviation generates highly-localised impacts, on noise, air quality, tranquillity, and on protected species and habitats. These will continue to pose real challenges if long-term growth trends persist.

Noise and CO₂ challenges remain significant and are the focus of our activity. However, there is scope to work with expert stakeholder partners to improve performance in other areas such as air quality, water use, energy and impacts on habitats.

There continues to be significant environmental challenges associated with airport capacity expansion proposals and resilience challenges from continued congestion at Heathrow and elsewhere in the South East.

The Airports Commission interim report in December 2013 proposed creation of an Independent Aviation Noise Authority. The role of and skill-sets likely to be needed by this authority seem to overlap significantly with the CAA. The CAA will work with Government as it clarifies its response to the Commission's report, and this is one driver that could lead the CAA to modify its approach considerably. However, in the meantime the CAA will continue to take forward important work, until an alternative approach is clarified.

There is uncertainty over the future shape of the EU ETS scheme and this could reduce the effectiveness of the UK's approach to tackling aviation carbon emissions. While international negotiations on market-based mechanisms to tackle carbon emissions have seen some measure of agreement, it remains far from clear that likely outcomes from these will be sufficient to face up to the global challenge of climate change. This presents a significant risk to improving environmental performance, as well as the future growth of the sector.

Consumer awareness of the environmental damage caused by aviation is yet to translate into informed buying decisions. Successes achieved in other industries, in changing buyer behaviour with education and information, suggest that there may be scope for the empowered consumer to play a significant role to drive forward industry improvements.

We are making progress in our work to publish information to help consumers with their buying decisions and inform the public as to the environmental impacts of the sector, supported by an information duty introduced in the Civil Aviation Act 2012. There is still more work to do.

The CAA will play its part in the debate on technical development of biofuels and renewables development as part of airport developments. There has been activity in this area but our industry can struggle to achieve co-ordinated progress on such issues.

We remain committed to working closely with industry and other key organisations (such as EASA, Eurocontrol and ICAO) that have specific environmental remits to support environmental improvements where we know we can add value.

Target outcomes

The refreshed CAA environment strategy is published alongside this strategic plan. One goal of this work has been to clarify the CAA's priorities. The CAA has capabilities that relate to most areas of environmental impact, and has some involvement across a broad front. However, we do not have statutory functions or much distinctive role in some areas, whereas in others we play a lead role. In line with this, we expect the largest share of the resources devoted to the CAA's environment programme will relate to airspace and noise impacts, in line with the priority given to this theme by Government. The CAA will also give priority to our environmental information duties and to advising government on carbon measures.

The CAA will continue to develop its organisational capabilities within its existing role to deliver more effectively the key programme priorities and enhance our communication of the environmental programme. The CAA will seek to make better use of its expertise and position to enable and promote best practice with industry and facilitate environmentally beneficial initiatives across the sector.

For the remaining period of this strategic plan, the target outcomes and strategies to support delivery of the outcomes are as follows:

Target outcomes	Strategies
<p>UK policy:</p> <ul style="list-style-type: none"> ▪ Co₂ ▪ Noise ▪ Air quality <p>Ensure that the high level outcomes of the CAA Environment Programme are aligned with UK Government policy in the areas of global warming (CO₂), noise, air quality and other local environmental impacts. With noise this will also be in line with ICAO's approach.</p>	<p>The CAA will engage with Government, providing expert advice to help develop environmental policy, to help implement the EU ETS and to establish the CAA's environmental remit going forward.</p>
<p>CAA environment programme</p> <p>Give greater clarity and prioritisation on aspects of our environmental programme, including quantifying impacts and setting out success criteria where possible.</p>	<p>The CAA will, through the provision of information, enable consumers to make decisions that take account of the environmental impact of their air travel arrangements and we will inform the wider public on aviation's environmental performance. We will continue to develop and implement policies and procedures which will result in the publication of consistent and meaningful data to inform on the environmental impact of consumers' decisions and the performance of the industry.</p>
<p>Airspace</p> <p>Secure UK alignment on SESAR/FAB interface and deployment.</p>	<p>The CAA will increase its engagement with European agencies and counterparts in preparation for future SES targets and to influence wider environmental policy, and with ICAO and other international bodies to influence and implement future environmental regulation as appropriate.</p> <p>We will promote environmental targets as a key driver of the SES Performance Scheme, including supporting the inclusion of a flight-efficiency metric into NATS's licence.</p>
<p>Emissions</p> <p>Support the Government in Emissions Trading System discussions, in particular assisting the UK Government and international partners to respond to the outcome of the ICAO assembly on a global framework for market based measures.</p>	<p>The CAA will continue to support a reduction in aviation emissions through more efficient use of UK airspace. The FAS aims to provide a regulatory framework which facilitates the implementation of air traffic management improvements that reduce greenhouse gas emissions from aircraft and contributes to minimising aviation's environmental impact, and also provides an opportunity to explore the treatment of aircraft noise and tranquillity in the context of new air traffic management technologies and operational concepts.</p> <p>The CAA will make environmental impacts a central consideration as we determine how the UK airspace system should develop. We will continue to consider proposed changes from industry.</p>

SECTION 6

Aviation security

Strategic objective

To ensure that civil aviation entities operating in the UK maintain security arrangements which fully address the risk to their operations and to the public, in ways which comply with European and UK aviation security requirements.



Challenges

The transfer to the CAA of aviation security regulation and compliance monitoring must cause no interruption to “business as usual”, and no reduction in industry’s security performance. While the transfer itself will take place in April 2014, further work will be required to complete the full integration of the function into the CAA’s systems, working methods and culture.

Robust governance arrangements are required, to enable the CAA to be the specialist regulator for security, as it is for its other responsibilities,

while leaving the DfT to discharge its policy role, with Ministers remaining accountable to Parliament for delivering effective and efficient risk-based aviation security, as well as the appropriate authority for meeting international obligations. Without compromising the DfT's role and authority, the arrangements must enable the CAA to use its security expertise to develop options and advice independently, for consideration by government.

Security responsibility is spread across four sectors of industry: airports, airlines, cargo and in-flight supplies. Of these, airports and UK airlines are already subject to CAA safety regulation and charging, but the other two sectors and non-UK airlines will be a new constituency for the CAA, and equally they have no experience of being regulated and charged by the CAA.

Alongside this transition will be an incremental move to a new approach to how industry ensures its compliance with security regulations. In the first place this will focus on co-ordinating existing Security Management Systems (SeMS) initiatives in industry, and promoting best practice in SeMS, which will reinforce security by establishing more clearly industry's ownership of risks and their mitigation, and make possible a form of compliance monitoring that is more audit and oversight-based.

The CAA will also provide expert advice to the Government on the formulation and implementation of new aviation security policies and on the continuing development and improvement of the existing regulatory framework, in accordance with better regulation principles, at both national and international levels. In doing so we will work closely with industry to ensure that its views and concerns are properly reflected. This will be a continuing process throughout the life of the strategic plan and beyond.

As a result of the transfer industry will be charged for the CAA's aviation security regulatory activity from April 2014. It is recognised that this will have implications for operators' budgeting at a time of continuing economic pressure on the industry. The challenge will be, with industry's help, to ensure that changes in industry's security assurance maximise its opportunities to identify and exploit synergies with its safety and other systems, and thus contain costs as far as possible.

Target outcomes for the period of this strategic plan

For the remaining period of this strategic plan, the target outcomes and strategies to support delivery of the outcomes are as follows:

Target outcomes	Strategies
<p>Aviation security governance</p> <p>Robust aviation security governance and DfT/CAA joint working arrangements will mean that the CAA is operating successfully as the specialist regulator for aviation security, whilst maintaining a strong co-operative relationship that keeps DfT policy and CAA regulation aligned and working towards common goals to maintain coherence between the making of policy and its implementation through regulation.</p>	<p>The CAA will develop robust governance arrangements modelled on those for safety. The CAA will work with the DfT to agree governance arrangements reflecting both its specialist regulator role and the DfT's policy and wider responsibilities. This will enable the two organisations to co-operate closely and consistently to drive improvements to industry's security methods, performance and assurance.</p>
<p>Transfer of functions</p> <p>The transferred functions will have been embedded in the CAA systems, working methods and culture; and will be benefiting from, and contributing to, CAA-wide investment in systems and organisational development.</p>	<p>The Aviation Security function will be fully integrated into CAA business life. This will include adopting CAA business policies, processes and tools and exploit opportunities to support staff in embracing CAA values and culture.</p> <p>By October 2014 Aviation Security will be contributing to and benefiting from cross-CAA initiatives. In the longer term the Aviation Security team will seek synergies with other CAA functions, activities and investment in development projects.</p>
<p>Aviation security regulatory framework</p> <p>The CAA will have developed a proportionate and transparent UK aviation security regulatory framework based on SeMS, consistent with the requirements of UK, EU and wider international law and supported by targeted compliance activity that offers industry flexibility to generate operational efficiencies. Industry will have understood and taken ownership of risk-based security management and will be progressively adopting SeMS.</p>	<p>The CAA will work with industry to reshape the approach to security management within the current regulations, with industry taking full responsibility for security outcomes and quality assurance of their security activities. Expertise will be drawn from across the CAA to support this. The CAA will seek to demonstrate and promote sound security principles and best practice in all engagements with stakeholders including those unregulated entities that have a role in security.</p>
<p>Delivering value for money</p> <p>We will have fulfilled our regulatory responsibilities to the maximum effect with the necessary and sufficient levels of resource.</p>	<p>We will have contained our charges to the lowest level commensurate with the security protection of the public. The charging structure for security regulation will be transparent to industry, and will be aligned with the CAA's charging principles, to demonstrate a continued commitment to delivering good value.</p>

Target outcomes	Strategies
<p data-bbox="105 315 376 342">Total aviation system</p> <p data-bbox="105 374 576 508">The CAA's Aviation Security team will provide support to international programmes to improve the security of the total aviation system.</p>	<p data-bbox="620 315 1469 495">The CAA will provide support and expert advice to DfT to promote improvements in international security policies and regulations; and we will work through CAAi to help improve security performance overseas by taking up commercial opportunities as they are presented and through proactive promotion.</p>



SECTION 7

Being a better regulator

Strategic objective

To ensure that the CAA is an efficient and effective organisation which meets better regulation principles and gives value for money.

The CAA is committed to regulating in line with the better regulation principles:

- **Proportionality** - Regulators should intervene only when necessary. Remedies should be appropriate to the risk posed, and costs identified and minimised.
- **Accountability**- Regulators should be able to justify decisions and be subject to public scrutiny.
- **Consistency**- Regulators' rules and standards should be joined up and implemented fairly.
- **Transparency** -Regulators should be open, and keep regulations simple and user-friendly.
- **Targeting** - Regulation should be focused on the problem and minimise side effects.

The role of the CAA is to protect the public from risks in aviation: safety risks; financial and non-financial consumer detriment; and environmental risks. In each area, we need to do more to identify, understand and focus on the most important risks, and target our efforts and resources accordingly. The compliance effort required, and the sanctions in the event of non-compliance, should similarly be proportionate to the risk posed.

Under the Civil Aviation Act 2012, the CAA gained the ability to seek the use of the civil sanctions in certain areas, as governed by the Regulatory Sanctions and Enforcement Act 2008. This will expand the enforcement tools that we have at our disposal as currently, in many cases, our options for enforcement action against a breach of legislation can be limited to prosecution or licence removal, which can be a disproportionate response.

We recently joined together with the other main economic regulators (in energy, water, communications, financial services, and rail) have recently joined together to form the UK Regulators Network. The Network is

led by the Chief Executives of the participating regulators, and exists to ensure effective collaboration, improving the coherence of our work and challenging each other to run as efficiently as possible.

Since we published the strategic plan in 2011 we have made specific progress in the following areas:

We will be noticeably more transparent

We now publish more information about aviation safety and make available information on safety comparators globally to help UK passengers understand the aviation safety picture, wherever they wish to travel.

Our website pages have been restructured to organise information by subject and audience rather than internal CAA departmental area.

Much more information on our prosecution work is now available, highlighting where we have taken action.

We put in place a CAA-wide corporate complaints process, to ensure that we are providing a high standard of service to everyone we deal with. The new process is already helping us resolve complaints as quickly as possible and learn from them so we can improve our service.

Regulatory approaches will be much more geared towards the identification of risks

We have developed more proportionate and effective solutions, whether through performance-based regulation, enforcement or joint action. In particular, we are starting to make significant progress in adopting a more proportionate approach to our regulation of GA.

The UK GA sector finds itself under increasing strain as costs of operation rise due to fiscal pressures, a greater focus on environmental issues, the application of a European regulatory framework, and perceived over regulation by the CAA. Too much prescription in the rules and a lack of proportionality have both impacted adversely on the sector. These messages came through loud and clear to the CAA from the Government's GA Red Tape Challenge. We published our response to the Red Tape Challenge on 6 November 2013¹.

¹ <http://www.caa.co.uk/application.aspx?catid=14&pagetype=65&appid=7&newstype=n&mode=detail&nid=2308>

Central to the CAA's response is setting up a GA Unit focussed entirely on the GA sector, delivering a new deal for the sector and encouraging the growth of vibrant and dynamic GA sector in the UK. The Unit will be up and running and publish its first full work programme by April 2014. The CAA has already started to deliver change for the GA sector:

- Publicly committed to identify and eliminate regulatory 'gold-plating';
- Consulted on deregulating for airworthiness purposes all UK-registered single-seat microlights; Launched a central, corporate CAA Complaints procedure – www.caa.co.uk/complaints;
- Secured EU agreement to allow the UK to continue to issue Instrument Meteorological Conditions (IMC) rating for pilots until April 2019;
- Published new, simpler guidance for private pilot licensing; and
- Put all our licensing forms online after reviewing, shortening and removing duplication of information requested wherever possible

At the same time, the CAA will work with other EU Member States and in particular the EASA so that regulation of GA at the European level is proportionate and risk-based.

Our published enforcement policy will focus industry's attention on addressing risks to the consumer

We have published our first CAA-wide Regulatory Enforcement Policy on our enforcement web page (www.caa.co.uk/enforcement). We have developed the Policy so that those we regulate are clear about when, why and how we will take action so that they know what we expect from them and what will happen in response to a breach of rules or regulations. The primary purpose of the Policy is to protect consumers and the public by encouraging industry compliance with the rules and deterring non-compliance. The Policy reflects the CAA's principles for enforcement, which are to use a proportionate and risk-based approach, take independent, evidence-based decisions, and publicise our enforcement action where publication is in the interests of the consumer or the public. We have published guidance documents relating to our consumer enforcement role and our ATOL and airline licensing enforcement functions.

The public, the Government and stakeholders will be better positioned to hold us to account for our performance, actions and outcomes:

The CAA has responded to two Red Tape Challenges: Aviation in 2012, and a further General Aviation specific challenge in 2013. An independent Challenge Panel, comprising GA industry experts and professionals, was

established, reporting directly to Ministers to provide a 'critical friend' function to the CAA and identify opportunities to deregulate and promote the growth within the sector. The Challenge Panel will report to Ministers in April 2014.

We established our Consumer Panel to provide oversight and advice on our consumer work, to assist the CAA in more effectively incorporating the interests of consumers in our decisions.

We also set up an Environment Panel to assist us in meeting our strategic environmental objective. It consists of seven experts representing a range of stakeholder organisations, and provides external review, advice and challenge.

And our strategic review of the safety of offshore helicopter operations was advised by an independent challenge team.

Challenges

Despite good progress made in assessing costs and benefits of our interventions, and consulting those we regulate and on whose behalf we regulate, there is still more we can do to explain our regulatory approach, our priorities, our methods, our actions and our decisions.

We want to make sure that industry is targeting its efforts where there is the most benefit to consumers, without being distracted by an unnecessary level of burden.

A significant amount of our regulatory framework is determined by international institutions. At the European level, EASA has become more active in regulating the aviation industry – this has had a knock-on effect in GA where the interventions have not been as proportionate and targeted as they could be.

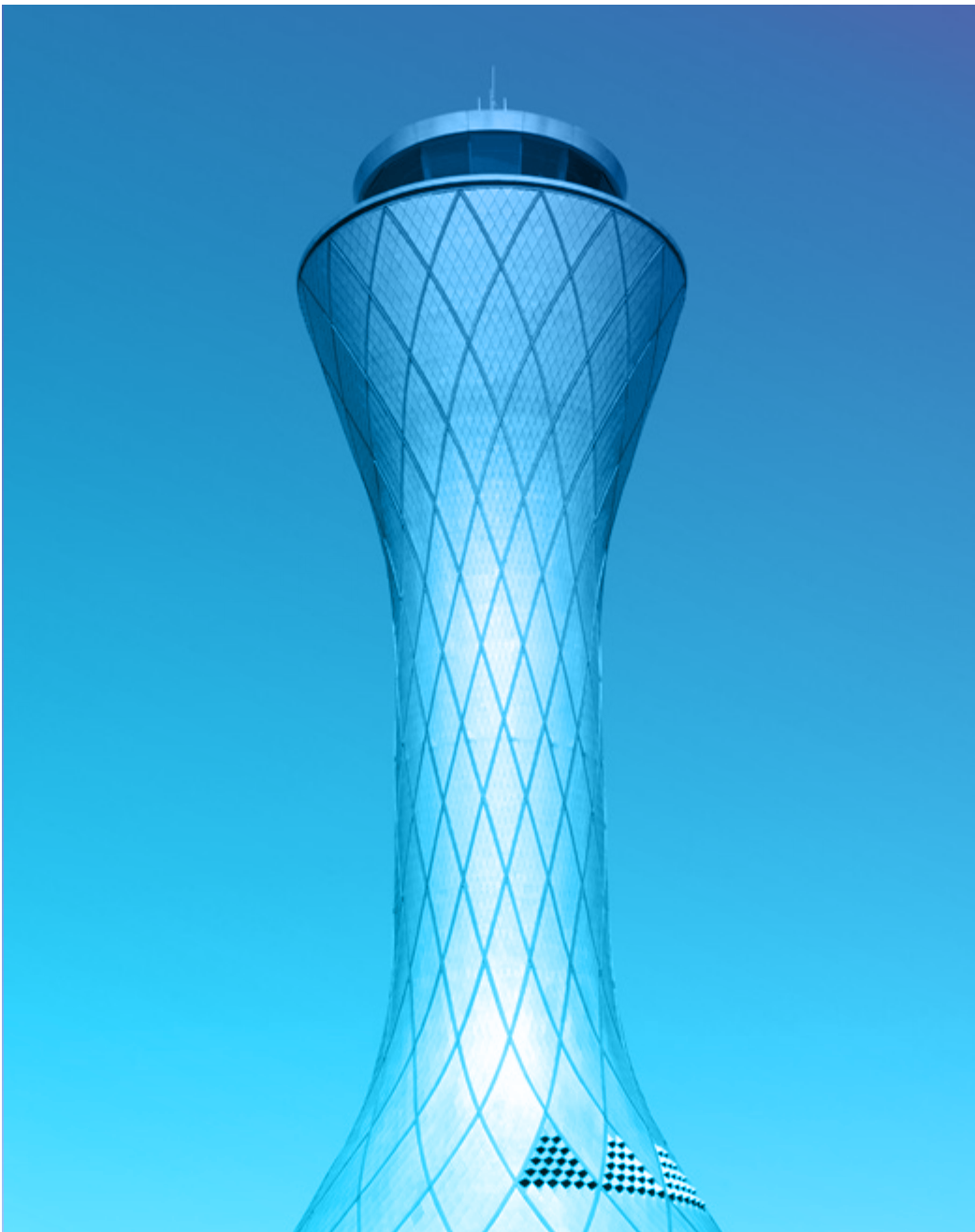
There will be a new duty on all regulators to "have regard to the desirability of promoting economic growth" when the anticipated Deregulation Bill, due to be introduced to Parliament in early 2014, becomes binding on all non-economic regulators, including the CAA. We will need to consider how we apply this to our non-economic work and we will discuss this with our stakeholders.

Target outcomes

For the remaining period of this strategic plan, the target outcomes and strategies to support delivery of the outcomes are as follows:

Target outcomes	Strategies
<p>Better regulation strategy</p> <p>Regulatory approaches will be much more geared towards the identification of risks and the development of proportionate and effective solutions, whether through regulation, enforcement or joint action.</p>	<p>The CAA will put in place an over-arching better regulation strategy. This will be based on the independent Better Regulation health check carried out on the CAA and will deliver improved compliance with the principles of better regulation and the Regulators' Code.</p>
<p>Targeted resources</p> <p>Our resources, and those of industry, will be targeted on the most important problems, and on maintaining our vigilance for emerging risks.</p>	<p>Across all regulatory regimes the CAA will develop a more detailed understanding of the risks against which it seeks to protect consumers. We will redesign how we allocate our resources against risks, with the introduction of regulatory processes and through our economic regulation duties. We will consider the burdens imposed on the industry in relation to the risks they address. The sanctions we seek to impose will be proportionate to the risk and the offence.</p>
<p>Regulatory enforcement policy</p> <p>Application of our Regulatory Enforcement Policy will be transparent, proportionate and consistent.</p>	<p>The CAA will deliver against its commitments in the Regulatory Enforcement Policy. We will create the right internal mechanisms to deliver improvements in transparency and consistency. In particular, we will develop our own enforcement culture to ensure that we have the right level of regulatory resolve where needed and visibly take appropriate action against significant breaches. We will ensure our inspectors and auditors become accountable for enforcement decisions, that they have the appropriate skills and resources at their disposal, and that they are assisted by a team of legal and investigative specialists. To ensure that we can take proportionate measures in response to breaches of aviation related rules, we will ask the Secretary of State for Transport to give us the ability to use the civil sanctions contained within the Regulatory Sanctions and Enforcement Act 2008.</p>
<p>Engagement</p> <p>We will have established new and improved methods to engage stakeholders, the media and consumers to ensure they understand our work, including a greater use of social media and engaging with a wider variety of consumer-facing publications.</p>	<p>The CAA will make greater efforts to explain and clearly document plans, activities, decisions and policies. While looking to rationalise and focus our consultation activities, which if not managed can impose a significant burden, we will set out how what we propose to do and why, and then show how we have done so and why.</p> <p>Consistent communications and easy access to our experts will make it easier for industry and other stakeholders to understand our activities. We will continually review how we publish information on our website and elsewhere, to make it easier to use for different constituencies.</p>
<p>New statutory duties</p> <p>Incorporate the new statutory duties.</p>	<p>The CAA will incorporate the new statutory duties that will apply to regulators from mid-2014: growth duty and Accountability for Regulator Impact into all our regulatory work.</p>

Target outcomes	Strategies
<p>Burden reduction</p> <p>Ineffective regulations will have been identified and prioritised for amendment or removal, and administrative burdens will be further reduced.</p>	<p>The CAA will redesign many of its core operational processes to make them easier to interact with, understand and monitor. We will also eliminate gold-plating. We also expect to reduce the time taken to handle routine matters, to make electronic payment ubiquitous and secure and to make dealing with the CAA more user-friendly. These changes will also result in processes that give consistent, equitable outcomes whilst still making best use of the expertise and judgement of the people on the ground. Sharing expertise and developing common procedures will also improve consistency of outcomes and advice.</p>



SECTION 8

Being a more efficient organisation

Strategic objective

To ensure that the CAA is an efficient and effective organisation that meets better regulation principles and gives value for money.

Being efficient and effective is an essential element of delivering our objectives. It is also central to the principles of better regulation: to be proportionate we must understand the impact of our regulation, minimise costs where possible, and ensure that we have resources available to focus on the things that matter most. Efficiency is not just about how well we spend money, but about how easy we are to deal with. And effectiveness demands that we have the right capabilities, organised in the right way, with good processes to support our regulatory decision making.

The CAA faces significant cost pressures: pay and non-pay increases in our cost base, rising pension contributions and a need to invest in our performance and process improvement programme to modernise our systems and ways of doing business. Our assumption is that regulatory income will increase by 4% year on year to 2015-16. We have also made assumption of 7% increase in income through CAA International. But we will also need to make significant efficiency savings in order to deliver our financial strategy.

Since 2011 we have made good progress

We have controlled pay to below inflation (RPI) over the last five years and successfully absorbed increasing pension costs by reducing our other costs.

The CAA budget for 2014/15 allows for a 2% increase in the total pay bill, as per our three-year agreement on pay and reward. It also allows for the necessary investment to improve our systems and processes, an increase in our employer Pension contributions, and still shows a net reduction in costs after those investments, of about 4%. This has allowed us to hold down all our charges – cutting some AOC variable charges.

So we're reducing our costs and holding our charges to industry, meeting the Government's efficiency targets, investing in new systems, and rewarding high performance. This has partly been achieved by making progress against our target of removing the equivalent of 120 full-time posts over four years to fund our Performance and Process Improvement (PPI) programme, as well as and delivering savings in other areas.

We have introduced a new shared services "Hub" – providing better customer service and in a way that is more efficient, by centralising high volume transactions in one place and reducing processing times for a large number of our transactions. So far, this has brought together our applications and approvals, licensing and exams functions in one place and we are reviewing what other functions could be improved by also being managed in this way. We have already seen dramatic improvements in the time it takes for us to respond to applications and emails.

Many of our licences and approvals are now available via online applications, with better quality information to help customers get their applications right first time. This is also reducing costs. This has been a positive first step towards more efficient, user-friendly systems, but we are conscious there is much more to do.

We have standardised our approach to airworthiness audits by introducing improved business processes and a common IT tool. We will continue this approach to standardisation to other areas of our safety regulation.

We have reviewed and updated our employment package – benchmarking what we pay against the markets from which we recruit and moving to a performance-based approach to pay. We have also closed our defined benefits pension scheme to new joiners, offering a new, defined contribution scheme in its place.

We rationalised our regional offices and closed flight test centres to reduce our property costs.

And we have established robust internal business assurance to monitor delivery of our business plan.

We completed the development of our Target Operation Model, with the supporting enterprise architecture to guide improvements to the way we undertake our work and deliver the best regulatory outcomes.

Challenges

To continue to modernise the way we carry out our activities we must invest in new processes, systems and skills. We need to carry out more transactions and payments online, and with better IT systems, information sharing, and stakeholder engagement. Our PPI programme will enable this, but requires we make efficiencies to invest. The business case relies on a minimum of 120 FTE savings over four years. Our approach in delivering the programme is to focus on those things that will generate efficiencies first, in order to make possible later investment in new processes, skills and technologies.

While economic recovery is under way, it is likely to be fragile. Industry continues to face financial pressures, which in turn impacts on our income. At the same time, like all public bodies, we are subject to government efficiency targets, and pressure to reduce the costs of our regulation.

We will therefore need to continue to identify ways in which we can improve how we work, and deliver better value for money. Since employment costs represent 60% of our total costs, these will continue to be a focus for efficiency gains.

Central to our effectiveness will be the skills and experience of our people. We will continue to invest in developing the skills we need to regulate a fast changing sector, while also making sure we deploy those in the most efficient and appropriate way, through better resource scheduling and management. As the economy recovers, recruitment and retention will be an issue, and we are already seeing signs of this.



Target outcomes and strategies

For the remaining period of this strategic plan, the target outcomes and strategies to support delivery of the outcomes are as follows:

	Target outcomes	Strategies
Delivering core activities	Reduced costs of delivering core activities, with streamlined processes, shared resources and technology and more flexible resource management.	<p>The CAA will deliver its PPI programme to reduce burdens we impose and reduce our internal costs, while improving performance quality.</p> <p>We will improve how we manage our regulatory teams to work more efficiently. We will consolidate licensing processes to make better use of common elements and processes and to allow flexible deployment of staff. Other processes will be streamlined and we will focus the points of entry for organisations who need to engage with our range of specialists.</p> <p>We will improve our processes to support performance based regulation.</p>
Target operating model	Target operating model in place.	<p>We will ensure that the costs of the PPI programme are funded by up-front efficiencies – we will seek savings in order to invest. We will drive further efficiencies from our support functions, where our staffing in proportion to operational staff is too high.</p> <p>We propose to achieve cost savings each year that are sufficient to offset increases arising from external and internal drivers. This will include work to minimise increases in non-payroll costs, through both reduced consumption and negotiating lower prices.</p>
Our stakeholders	Improved understanding of stakeholder issues and concerns.	<p>The CAA will strengthen its policy and influencing work by bringing together policy expertise into a central policy programmes team, and deploying it across a series of priority projects including better regulation agenda, support for the Airports Commission, environment programme and international engagement (EASA, ICAO, Single European Sky programme).</p> <p>We will improve the capture, management and sharing of information to inform our regulatory decisions.</p>
Our staff	Right mix of front-line and support staff, with revised pay and reward package that is competitive for market conditions.	We will invest in our people with targeted learning and development initiatives to support delivery of this strategic plan.