



Department
for Transport

From the Secretary of State
The Rt. Hon. Grant Shapps

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Sir Stephen Hillier
Chair, Civil Aviation Authority
Aviation House
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Dear Stephen,

SECRETARY OF STATE PRIORITIES FOR THE CIVIL AVIATION AUTHORITY

Having a safe, secure aviation system that protects passengers' rights is vital to a well-functioning civil aviation sector – and it is imperative that you have the right capabilities to deliver these functions effectively. This is particularly important to provide confidence and support to the sector as it responds to the challenges of COVID-19. In addition to this, I want to set out what I see as the Government's key priorities for the CAA in carrying out its work in line with its statutory objectives.

Supporting the recovery and growth of the aviation industry: Our most important immediate task is the restart and recovery of the transport sector and the CAA will play a vital role in ensuring that the UK's aviation sector builds back better whilst remaining one of the safest networks in the world. As part of this, it will be vital for you to ensure the CAA has the necessary capability to deliver your core functions effectively at all times, including safety, security and consumer protection.

However, I want the CAA to go beyond recovery and be at the forefront of enabling the UK aviation industry to flourish, at home and abroad, and provide critical connectivity. The Deregulation Act 2015 requires the CAA to exercise its statutory functions with regard to "promoting economic growth", and I am pleased to note that the CAA's Annual Reports will from now contain a specific statement of how the regulator has applied the Growth Duty. I consider that the CAA should prioritise supporting the success of the aviation industry by sustaining and improving its infrastructure and the connectivity it provides domestically and internationally. This infrastructure includes airspace and the network of General Aviation airfields where so much innovation begins and where STEM jobs and skills are developed by the next

generation. Your Airfield Advisory Team will be crucial to helping ensure the sector promotes jobs and growth through the network prospering, and therefore to the future of the entire sector.

Becoming a credible, trusted and globally influential future regulator

after Brexit: The CAA is a core regulator with safety and security at the centre of everything that it does. In adapting to its new role outside the European Union, the CAA must ensure it has the capacity and capability to build on that foundation, to deliver its new regulatory responsibilities and to be globally influential – by developing international partnerships, strengthening relationships with the International Civil Aviation Organisation and proactively engaging with such bodies as the Federal Aviation Administration. It must use the new flexibilities to regulate better. Regulating proportionately is particularly important – it benefits both fliers and freight owners, protecting their rights as aviation consumers and in insolvency situations. The Regulators’ Code requires the CAA to ensure that all regulation is proportionate and risk based, and this is especially important for sporting and recreational fliers who cannot pass the costs they bear onto customers. We have discussed the CAA working with us on a further regulatory review programme to ensure that we can take advantage of the new opportunities as we leave EASA. The CAA should also pursue a leadership role in establishing an international grouping of like-minded national aviation authorities to learn lessons from one another and develop joint initiatives to improve regulation.

Skills: The aviation sector directly employed 130,000 people in 2019. It has been grievously wounded by COVID-19, with the industry having experienced significant job losses, and it will be critical that we work together on measures and initiatives to retain and grow its highly-skilled workforce. It is equally important that we continue our work to ensure that new pilots and other aviation professionals represent the diverse populations of the UK where there needs to be a levelling up of opportunity. I have welcomed the CAA’s support for my department’s Reach for the Sky programme over the last year, including engagement with our Aviation Ambassadors, and look forward to your continued support of this priority area, including via the CAA’s STEM programme.

Supporting innovation and aviation decarbonisation: The CAA should support new business models and other innovations that have the potential to drive significant economic growth in UK aviation while achieving our net zero by 2050 ambitions. The CAA’s Innovation Hub has showcased the opportunities from regulators working closer and earlier with industry on new technologies. The CAA should build on this work to contribute to ensuring that the UK is the best place in the world for innovative companies developing zero emission aircraft and sustainable aviation fuels to base their business, in line with the Prime Minister’s ambition that the UK should lead the development of zero emission flight. The CAA should ensure it has the right

skills, knowledge and experience to support innovations that have the potential to drive significant economic growth in this sector, helping to level up our nations and regions, whilst protecting public safety and supporting decarbonisation.

Commercial spaceflight: An important example of innovation is the establishment of the CAA as the new spaceflight regulator. This is essential to the success of the Government's spaceflight programme and achieving the first commercial spaceflight launch from UK soil in the next five years. Space is an important and growing part of the UK economy.

Airline insolvency and consumer protection: The CAA has been playing a vital role working with my officials to push forward reform of the way that airline insolvencies are managed following the Airline Insolvency Review and the unfortunate failures of Monarch, Thomas Cook and Flybe. Progress on this has slowed while our focus has, rightly, been on helping the industry through the current pandemic, but in the coming months it is vital that we reflect on what the COVID-19 crisis means for the way we predict and plan for future insolvencies. In particular, we must consider how to ensure that the Air Travel Trust Fund is put on a sustainable footing going forward. In the wider sphere of consumer protection, we want the CAA to work with us as we actively consider whether a more nuanced set of enforcement options, potentially including civil sanctions, is needed to enhance the protection of consumers.

Modernising airspace: As co-sponsor of modernisation, the CAA has a vital role in ensuring the successful delivery of the Airspace Modernisation Strategy. The need to modernise the UK's airspace remains clear despite the impact of COVID-19 on the programme. Airspace modernisation will create sufficient airspace capacity to deliver safe and efficient growth, whilst reducing the noise and carbon emissions of individual flights. Modernised airspace is also essential to opening up airspace for all users, and an important initiative being led by the CAA is an airspace classification review and reform project to look at the release of controlled airspace. It is vital that all airspace users can access airspace where it is safe to do so. As part of this, I consider the timely and effective deployment of Electronic Conspicuity to be a priority for delivering safety. Modernised airspace is an essential component of the UK's commitment to reach net zero by 2050.

Global Navigation Satellite System (GNSS) approaches: The UK has fallen behind our competitors such as the USA, France and Germany in the provision of safety enhancing GNSS approaches. I expect the work to accelerate the delivery of GNSS approaches to be prioritised, supported by the funding we have already provided.

Make the UK the best place in the world for aviation at all levels to flourish: I want to see the CAA build on the work of its General Aviation Unit.

The airspace classification review I mentioned above is central to this vision which has been government policy since the 2015 General Aviation Strategy. Physical infrastructure, airspace, and human resources are the seed bed for the future success of the aviation sector, and I want to see that reflected across the work of the organisation. This is in order that the UK can regain its position as the world's most innovative aviation nation, encouraging more young people from diverse BAME backgrounds, as well as more women and girls, into a sector traditionally biased towards men. We need to make entry and access into aviation more affordable and achievable for young people, wherever they are, and this can only be accomplished by ensuring we have vibrant aviation grass roots.

Identify ways of improving the CAA's sustainability and resilience, including a new funding model and bringing in talent: The CAA has been significantly impacted by the COVID-19 pandemic in both its human and its financial resources. Like many bodies, the CAA needs to learn lessons in two areas. Firstly, to use its people in increasingly agile and adaptable ways, identifying and overcoming barriers to recruitment, retention, succession, diversity and excellence, while prioritising digitalisation and automation. Secondly, the CAA's financial position has suffered from a significant fall in its variable income from regulatory charges. The CAA must ensure it takes a sustainable approach to funding for the future, and it will be important to review more fundamentally your current user-pays funding model, considering how best to resource activities that benefit the whole sector rather than specific organisations, or where the benefits accrue to tomorrow's rather than today's airspace users. I know that you have this work in hand and will be most interested in how this thinking helps you develop a more resilient funding model in the longer term.

I recognise that some of this work requires resourcing and my department is assisting the CAA both for specific workstreams, and with regard to the temporary decline in its variable income that I referred to above. I can assure you that I see the CAA's role as crucial to deliver our ambitions and that we will continue to support the work of the CAA.

I look forward to developing and enriching the close working relationship the department has with the CAA and would appreciate a note back with your opening thoughts on how you intend to deliver the Government's priorities set out above.

Yours ever,

A handwritten signature in black ink, appearing to read 'Grant Shapps', written in a cursive style.

Rt Hon Grant Shapps MP

SECRETARY OF STATE FOR TRANSPORT