

Office of the Chair



Rt Hon Grant Shapps MP
Secretary of State for Transport
Department of Transport
5/13, Great Minister House
33 Horseferry Road
London SW1P 4DR

25 January 2021

Dear Secretary of State

Priorities for the CAA

In my letter dated 8 December 2020, I undertook to provide a more detailed response to the Government's priorities for the Civil Aviation Authority, set out in your letter of 1 December 2020.

The Government's priorities for the CAA are an essential part of shaping our strategic objectives, supporting our role as an independent regulator committed to the dual functions of protecting the safety, security and consumer interests of the public, whilst also playing our full part in shaping the future direction of the aviation and aerospace sectors.

Even before Covid-19, the aviation and aerospace sectors were at an inflection point in terms of addressing the environmental impacts of aviation, the pace of innovation, and the changes to the UK's relationship with the EU. The effects of the pandemic have compounded and accelerated the need for the aviation and aerospace industries to adapt to the changing world, with both the regulator and the Government playing their full roles. This letter sets out in more detail our current plans against your priorities; where we have ambitions to go further; and where the support of others, including Government, will be required to meet those ambitions.

Enabling safe recovery and growth from Covid-19

Covid-19 has self-evidently brought unparalleled disruption to the UK aviation and aerospace sectors over the last 12 months. The CAA has worked tirelessly to support consumers, Government, and industry throughout the crisis, retaining our primary focus on maintaining safety, security and consumer protection standards whilst being as proportionate and flexible in their application as possible.

Given the strategically important role that aviation and aerospace will play in the UK's recovery from Covid and the Government's levelling-up agenda, Covid will remain our key area of focus during 2021, and undoubtedly for some time beyond. The risk profile during the recovery phase will be different from previous normal operations, and potentially will challenge us, requiring both the sector and the regulator to remain diligent and focused on maintaining

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standards. In doing so, we will also take account of economic growth, and remain committed to continued close engagement with Government and the sector.

An internationally influential regulator

We are committed to sustaining and growing our position as an internationally respected and influential regulator, so that we can better secure improved outcomes for the public and industry and play our role in supporting the Government's wider Global Britain agenda.

We have already started deepening our relationships with strategically important and like-minded aviation partners, such as our equivalent authorities in the US, Canada, Brazil, Australia, Japan, New Zealand and Singapore: in many cases we have already put in place formal arrangements for improved mutual recognition. In parallel, we continue to build our international presence, including furthering UK policy objectives, through being a prominent participant in ICAO, which remains of fundamental importance. We have, for example, recently led as a regulatory contributor to the creation of ICAO's guidance on Covid-security, and we have helped arrange that to be tested in the UK, as a critical element of building consumer confidence in travelling again.

We will also be working hard to retain close and effective working relationships with our European partners, with whom the UK aviation and aerospace sectors remain geographically and industrially closely connected. In all our international relationships, we will be building the confidence of our partners in the UK's aviation regulation capabilities, an important step to delivering agreed and then more ambitious levels of mutual recognition. And we need to prepare fully and successfully for the ICAO audit of the UK's aviation sector framework for security and safety in 2021 and 2022 respectively. We will work closely with the UK Government and seek your support in all these international endeavours.

Post EU aviation framework

Prior to the end of the transition period on 31 December 2020, much of the CAA's work had been to support the Government in agreeing the EU-UK Trade Agreement for aviation, and to inform the sector about the preparations needed for the new arrangements. In parallel, we made extensive changes to CAA internal processes and teams, to prepare for successful operation outside the EU aviation regulation system.

Now looking forward, we need to work closely with Government to help establish our ambitions for the future UK aviation regulation framework, and to identify where our collective energies for reform should be focussed to deliver maximum benefit, consistent with safety, security and consumer interests. In some areas, there will be benefits in remaining broadly aligned with the existing international framework, for example for UK commercial aviation and aerospace businesses that are often part of larger international groups. In other areas there will be opportunities for reform which will deliver greater benefits. We have already concluded a consultation on potential areas of reform for General Aviation and will be sharing our proposals with Government at the end of March 2021. In other areas, such as the integration of new technology into the UK airspace system and more sustainable aviation, the regulatory framework is currently immature, which therefore gives us an opportunity to lead and help shape the future approach. We are aiming to agree these strategic areas of focus with the Government by summer 2021.

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Aviation decarbonisation

Managing and mitigating the environmental impacts associated with the sector is the single biggest challenge to aerospace. As set out below, we are already working to accelerate work on airspace modernisation and innovation. As the Government considers its wider strategy for decarbonising aviation and the UK economy, and reducing emissions other than carbon, we are developing proposals and a strategy for the CAA's role in delivering these goals: we

will ensure close dialogue with the Department as we progress our work, including of course understanding what authorities the Government wishes the CAA to assume in this critical area for reform.

We continue to make progress on airspace modernisation, despite the significant impacts of Covid-19 on industry resources. Following the publication of the progress report in December 2020, we will refresh and seek your support for our revised airspace modernisation strategy by the end of 2021. In doing so, we will be listening to all stakeholders and give them an opportunity to offer views on future policy and strategy. Through this process, we want to safely accelerate reform in lower airspace, to improve access for the increasing range of operators in UK airspace, particularly remotely piloted or fully automated aircraft.

Progress on the redesign of controlled airspace, which has the potential to deliver significant carbon savings, will depend on the willingness of the sector to invest in airspace change. We would welcome support from Government in maintaining the pace of the programme through enacting the ATMUA bill currently progressing through Parliament. We will also seek clarity on potential trade-offs between differing policy priorities for airspace, and on providing financial assistance to airports to support the costs of airspace change during the Covid recovery period. Longer term, we should review the best future model for delivering reform of our airspace.

We have made good initial progress on the regulatory framework that will be required to support the introduction of innovative changes across the aerospace sector. For example, we are engaged with Rolls-Royce on the trial of a development engine running on 100% sustainable aviation fuels; we are supporting the Government's Future Flight Programme; and through the UK's Aerospace Technology Institute, we will be taking a greater role in supporting Jet Zero. We are also engaging significantly with industry on innovation projects such as Hybrid Air Vehicles, as well as providing the regulatory approvals to pursue the first phase of test flights for the UK's first ever hydrogen fuel cell electric-powered commercial scale aircraft. Alongside this, we are developing new design and certification capabilities as part of the EU-UK transition programme, to support existing aerospace technology and to build our capability to approve new remotely piloted and new propulsion technologies. All this activity and these novel technologies will require a significant up-scaling and up-skilling from our current regulatory capabilities.

To build on recent progress, we are also looking to extend the scope of our now well-established Innovation Hub activities. We are developing a programme to safely enable the dynamic and innovative drone sector to undertake routine Beyond Visual Line of Sight operations by 2024, opening a GA sandbox challenge programme by summer 2021 (with financial support from Government), and also by summer 2021 have in place a framework for arrangements with individual companies to advise on regulatory matters on a 'paid-for' basis. To give us increased confidence that we will have the capabilities to support rapidly evolving innovation, which in many cases is with companies that do not hold existing aviation approvals, we will need to agree with Government an appropriate funding model for pre-application activity.

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We have research underway to understand more about consumers' appetite for environmental information about aviation, and whether there is scope to use our Civil Aviation Act 2012 powers to deliver accessible, useful information which helps inform consumer decision-making. We will deliver a set of recommendations, including potential reform, in the third quarter of the next financial year.

The activities and ambitions I have described above are currently undertaken as an element of our existing regulatory remit (airspace regulation, certification, consumer information provision) rather than being part of a holistic environmental strategy, set in the context of the Government's wider approach to decarbonising aviation and the UK economy. I look forward to discussing the CAA's role in delivering the Government's ambition and securing a wider remit where we can add value, such as the work of the Jet Zero Council.

Skills and General Aviation

We are closely aligned with your Department on a General Aviation roadmap to expedite progress in this area over the next 3 and 12 months. This includes encouraging progress with GNSS applications and electronic conspicuity devices, as well as playing our role in the sustainability of the UK's airfield network through our Airfield Advisory Team. We are also working with your officials on options for improving the ability of the GA sector to engage in the established airspace change processes. We have recently launched our Airspace Classification process, and from the start of 2021 will be reviewing evidence for proposed changes at eight UK locations. The Post-Brexit GA Challenge was launched in November 2020, to strengthen our understanding of how we can further help the GA community (and its associated businesses and industries) to flourish safely, to identify specific priorities for reform, and to understand better how we can best engage with the GA communities. We will be bringing forward specific proposals for change in the Spring.

We continue to implement a number of other reforms at a range of levels, including broadening the scope of aircraft permitted for Paid for Ab-Initio Training. This has the potential to reduce the cost of flying training, assist emerging technologies into the market, and open a wider range of platforms to potential training pilots and, importantly, have a positive impact on STEM.

To support a diverse, capable and sustainable aviation and aerospace workforce, the CAA is already playing an active and prominent role in promoting STEM in aviation. This includes efforts to promote Girls in Aviation, extensive outreach through the STEM Affinity Group, and a new dedicated STEM section on our website. We will be delivering a CAA STEM Strategy and considering which organisations we could partner with to have the greatest impact. Over the next year we will seek financial support to accelerate our work on skills and STEM development, including a new qualification we have proposed for Professionals in Aviation Security. If approved, this programme would reward high performance in the sector at a national level and incentivise the industry to strive for excellence: we would welcome the Department's support for these initiatives.

Improving the CAA's organisational sustainability and resilience

The CAA is clearly not immune to the impacts of Covid-19 and, as you highlighted, we need to be delivering our regulatory oversight role, achieve these high-level priorities, and sustain the confidence of the global aviation community. We fully recognise the financial support the Department has provided this year, and has committed to providing for next year, to address the shortfall in our revenue as a result of Covid-19. This has enabled us to retain our core capabilities and capacity, and to prepare for the future, but delivering against new priorities

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and objectives will be governed by the further enabling resources available to us. The absence of additional funding will generally not stop us from doing additional tasks – most of them are simply not optional – but it will affect the pace with which we can achieve betterment, and potentially therefore prolong our risk exposure.

We have identified the opportunity for new ways of working within the CAA. Our Horizon programme is reviewing and reassessing our Strategy, Regulatory Approach, People

Programme and Financial Models, to ensure we are able to be relentlessly effective in delivering our core duties, as well as able to seize new opportunities and continue to be seen as a world-leading regulator. Horizon is already running in earnest, with the first series of changes to our Operating Model and People Strategy planned for 2021/22, and proposals for our longer-term financial model due by the end of 2021.

I am clear that, as an organisation, the CAA must be as innovative, agile and modern as the industry we regulate. We are taking steps to improve how we engage with the sector. At present, our processes and systems do not fully meet those ambitions: we have therefore scoped programmes to automate and digitise far more of our processes, benefiting our users, improving efficiency, protecting information better and enhancing regulatory outcomes. A multi-year digitisation and automation programme, alongside our plans to continually improve our levels of cyber security, will inevitably require significant investment. Given our long-standing policy of limiting increases in user charges, the major financial challenges for the aviation sector at present, and our own financial position, we cannot yet commit fully to the full programme. I look forward to discussing these programmes with you in more detail, and I have welcomed your officials' engagement with us on potential mechanisms to finance our ambitious blueprint including how they are considered in future spending reviews.

Consumers

We will continue to administer the ATOL scheme in the travel sector, providing another layer of confidence to consumers in these challenging times. We will shortly be consulting and working with industry and stakeholders to strengthen the financial licensing arrangements for ATOL and aim to implement any conclusions by the end of this year. We will remain focussed on working with the industry to make aviation as accessible as possible to all those who wish to fly, regardless of whether they have reduced mobility or hidden disabilities. And we will work hard to make sure consumers' interests are furthered in our decisions relating to those organisations we economically regulate.

I fully appreciate the critical link between consumer confidence and recovery, and the key role that the regulator plays in enabling that confidence. The CAA remains of the view that airline insolvency legislation is required to improve the regime and we would welcome the Department's commitment to progress the policy and legislative work on this issue at the earliest opportunity. Further, we continue to advocate that greater flexibility and enhanced consumer outcomes would be afforded by the introduction of Civil Sanctions for consumer protection related enforcement. The limitations of our current powers have clearly been highlighted during the Covid-19 crisis, and over many years by consumer organisations. A more proportionate set of enforcement powers would allow us to be more timely and effective in our interventions and, importantly, bring our powers into line with those of other regulators.

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Space

We have already made considerable progress in building capability to assume the UK space regulator role, including working well in partnership with DfT and UKSA to manage the critical secondary legislation under the Space Industry Act through consultation. The legislation and associated guidance will be world-leading, achieved through an outcome-focussed approach.

On the assumption that the planned legislation will be enacted by Parliament before the summer 2021 recess, we will be ready to receive well-developed operator applications to enable a first UK pathfinder launch into space from the UK in 2022, supporting the space sector through applications under the Air Navigation Order for test rockets below the stratosphere. Identifying key engineering expertise is a challenge across Government, but CAA and UKSA have just launched a campaign to recruit up to 14 new orbital and rocket scientists and engineers.

Reviewing progress with priorities

I am keen that we have the means regularly to review progress with these priorities. As part of the wider senior level engagement mechanisms between DfT and the CAA, the quarterly strategic meetings which I now have with the Aviation Minister would seem to be an appropriate means to achieve that, helping to ensure strategic direction and coherence across the range of activities needed to secure delivery against many of the priorities, noting that the achievement of many do not lie solely within the CAA's gift.

Finally, I should underline that whilst focusing on delivery of these priorities, we will constantly remain focused across the totality of our business, in particular the vital requirement for the CAA to continue being relentlessly effective in the day-in, day-out task of playing fully our role in securing the delivery of the highest standards of aviation safety, security and consumer protection.

Yours sincerely



Sir Stephen Hillier, GCB CBE DFC

CHAIR

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