

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

By email: DFT.Ministers@dft.gov.uk

Copy: Robert Courts MP, Minister for Aviation

13 December 2021

Dear Secretary of State

Update on priorities for the CAA

I wanted to provide a year-end update on the CAA's progress with the priorities you set in December 2020. Whilst this update focuses on those specific priorities, they clearly do not capture the totality of the CAA's responsibilities or outputs: as you are well aware, we have concurrently been highly active in performing our statutory duties across the broad spectrum of our responsibilities, whilst defining and building the CAA we need for the future.

In June, we published a new CAA Strategy, setting out our mission to improve aviation and aerospace for consumers and the public - a mission we continue to deliver in an ever-changing environment. Your priorities were integrated into that Strategy, to ensure that there was a single coherent source for our objectives. A detailed assessment of achievement against your priorities are included in the Annex to this letter.

Looking across the totality of the CAA's remit, I believe that we have played our part to the full throughout 2021 in supporting industry towards a safe recovery from Covid; in enabling consumers to travel with greater confidence in a constantly evolving situation; in keeping vital air cargo flowing into the UK; and in supporting through rapid certification the introduction of new technology, such as drones to provide PPE and urgent medical supplies. Continuing to work closely with industry to support a safe and secure ramp-up, or adaptation of activities in response to changing travel restrictions, will remain our top priority as we move into 2022.

Concurrently, we have continued to be highly active in managing our transition out of the European aviation safety system, and introducing the Aviation Legislation Policy & Strategy process, to coordinate with your team how we can best grasp opportunities afforded by leaving the EU. Next year will be especially busy and important in this respect: we estimate that upwards of 500 organisations and between 5000-10,000 individuals will require new UK certificates to be approved and issued by the CAA before the end of December 2022, when the statutory provisions on our recognition of EASA documents expires. We are already adjusting our

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operational capacity to prepare for this increase in volume but are acutely aware of the size of this challenge for the sector and the CAA, especially against the backdrop of many applicants requiring (and needing to pay for) two licences in future. Simultaneously, we remain focussed on our crucial work to continue to improve our professional services delivery, enhance our users' experience, and deliver to our published service levels. This year we have enhanced our Shared Service Centre introducing surge capability to meet urgent operational requirements and support industry's recovery 2022 will see a further focus on digitisation of services for users.

We continue to work with your Department to identify and take opportunities from leaving the European aviation system, noting that some will require primary legislation to effect. This is equally the case for fundamental reform in key policy areas, particularly in the area of consumer enforcement tools, where we are grateful for Ministers' continuing support in bringing our powers into line with other sector regulators, who are able to act more swiftly. More broadly, we are also building further upon our already strong international reputation and, following the successful ICAO security audit this year, are now preparing for the expected ICAO safety audit in 2022, as well as the ICAO Assembly. Whilst this will require a lot of our capacity in dealing with the significant preparatory activity, it should provide a timely and important validation of our capabilities.

Sustainable aviation and Net Zero, innovation, new technologies and Space have, rightly, taken ever greater prominence in our work, and will increasingly require us to respond at pace, whilst continuing to assure the highest safety standards. Added to this is our continuing investment in grass roots aviation to make the UK the best place for general aviation. The CAA Board is acutely conscious that we will need to rigorously prioritise and avoid being distracted or knocked off course in the pursuit of delivering all these important outcomes.

It will also require a sharp focus on ensuring that we have the people resources to deliver our ambitions. Whilst our workforce was more stable than normal from March 2020 until mid-2021, we are now seeing growing movement, as opportunities have opened in the wider economy and greater competition emerges for the valuable skills and experience of our people. This is especially relevant in relation to the two-year pay freeze in the CAA, the temporary, voluntary pay cuts taken at the start of the pandemic, and the application of public pay policies to our organisation, that recruits mainly from the private sector.

That the CAA has continued to deliver its outputs, and more, throughout the pandemic has in large measure been down to the Government's financial support. Predicting the rate at which we will be able to reduce that dependency is uncertain, but confirmation in the Comprehensive Spending Review that financial support will continue in some form over the settlement period gives us welcome stability. We are, however, conscious that our 'ambition' bids in the CSR did not receive funding. These included bids related to investing in net zero technologies and modernising our licensing services with more digital platforms. Whilst this constraint will not reduce our ambitions, it may affect the pace at which they can be progressed and delivered. I welcome the productive discussions we are having with the Department in addressing this issue.

Finally, I would like to place on record how proud I and the CAA Board are of the exemplary manner in which colleagues in the CAA have responded to the extraordinary challenges of the last year. We are never complacent though, and we remain steadfastly committed not only to meeting our core responsibility to maintain the highest standards of safety, security and consumer protection, but also to being relentless in seeking improvements in our performance. We have not done this alone, so I would also like to offer my sincere thanks and appreciation for the way in which the Department has supported us throughout 2021, and as we prepare for a very busy 2022.

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Yours sincerely

A handwritten signature in black ink, appearing to read 'S Hillier', with a horizontal line underneath.

Sir Stephen Hillier, GCB CBE DFC
CHAIR

Annex – Further detail on priority areas

Priority Area	Achievements
Enabling safe recovery and growth from Covid-19	<ul style="list-style-type: none"> • Supporting consumers, the aviation and aerospace sectors, and the Government through the pandemic has been a key focus of 2021. At the heart of this has been our ongoing role to oversee the maintenance of high standards of safety, security, and consumer protection across the changing shape and profile of industry. This includes supporting the work of the Global Travel Task Force, through launching the ICAO CART guidance on public health measures. The support and advice we have provided to passengers and consumers on our social media channels and our website has regularly been seen by more than one million people each month. In aggregate, this area represents the biggest single area of our activity, reflecting its fundamental importance to the public. • With the support of the DfT, we were able to swiftly stand up a Covid Enforcement Team focused on encouraging operators to comply with UK Covid entry requirements to protect the health of consumers and the public. We now see high levels of compliance with industry and expect this to continue into 2022 as the post-pandemic environment takes shape. • We moved to a remote oversight model where appropriate and provided guidance and risk assessments that allowed essential aeromedical activity to continue during the various lockdowns. This included providing guidance on fitness assessment from pilots and ATCOs suffering conditions as a result of Covid-19 and other illness, and we are also focusing on the potential mental health consequences of the pandemic. • We have been proactive in our efforts to work with industry in maintaining high levels of security during the pandemic period, whilst being open to opportunities and proposals for new approaches. This includes alleviations and variations of normal regulatory requirements where flexibility exists and can be justified based on thorough risk assessment, as well as conducting a targeted review of a number of long-standing measures in the UK security programme, based on a prioritised list agreed with industry. • As detailed further below, alongside our core regulatory functions, we supported the industry in their recovery and growth, from leading an extensive programme of work to promote STEM at a range of levels, to providing advice on aviation issues to airfields and where relevant to planning authorities through the Airfield Advisory Team.
Airline Insolvency and Consumer Protection	<ul style="list-style-type: none"> • The initial proposals for the next price control at Heathrow Airport Limited were published in October and are designed to further the interests of consumers while recognising the challenges the industry has faced throughout the Covid-19 pandemic. The initial proposals seek to protect consumers against unfair charges and will allow Heathrow to continue to appropriately invest in keeping the airport resilient, efficient and one that provides a good experience for passengers. We expect to issue our final proposals by April 2022. • An ATOL reform consultation was concluded over the summer with the aim of informing changes to make the scheme more flexible for operators, while ensuring high standards of consumer protection and sufficiently sustainable financial backing to continue to operate effective repatriation and refund

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	<p>operations. A further consultation on detailed proposals will be launched in 2022.</p> <ul style="list-style-type: none"> • We remain committed to building the case for administrative powers to allow us to respond with greater agility and flexibility where we see airlines not providing consumers with refunds quickly enough. We have been assisting DfT with the development of a consumer consultation which restates the importance of CAA powers reform, which we consider vital to deliver continuing high standards of consumer protection. • In the early stages of the pandemic there were significant delays in the payment of refunds to consumers. The CAA worked closely with airlines to achieve significant improvements, and we understand that refunds are now generally being paid consistent with the timescales required by legislation. The CAA will continue to monitor this position, particularly in the context of recent developments with the pandemic. • We stand ready to continue to support the DfT on its Airline Insolvency work endeavouring to improve our capabilities in key areas. We continue to monitor the financial position of airlines as part of our licensing role. We would also welcome continued strategic discussions with the DfT on the Air Travel Trust to ensure it continues to fulfil its important role protecting consumers.
<p>An internationally influential regulator</p>	<ul style="list-style-type: none"> • A key plank of our ambition to continually lead as an internationally influential regulator is bringing like-minded aviation partners together through leading the establishment of a network of other NAAs. The initial focus of this work is the safe recovery from Covid-19 and innovation, and in 2022 will focus on strategic challenges to aviation. • We have deepened our close and strategic relationship with the FAA in areas such as space, innovation, rulemaking, and dangerous goods with a view to learning from each other and ultimately improving regulation. Work is underway to intensify collaboration with the US on aviation security matters, including developing mutual assurance and recognition which will enable significant benefits for the aviation industry and passengers over the coming year. • We have also developed MOUs focussing on closer collaboration with Singapore and Spain, enhancing our opportunity to influence, share best practice and learn from the experiences of others. Working arrangements with a number of other authorities aim to streamline recognition of safety of aviation products following EU exit. • We continue to be key contributors to all ICAO's technical panels, which form the basis of global safety and air navigation rules. The guidance we developed for UK industry on managing the risks associated with restarting aviation security activity following the pandemic has been adopted and is being published by ICAO as global guidance. • Whilst we await the final audit report from the ICAO Universal Security Audit, ICAO's overall assessment is that the UK has an effective, mature, and well-functioning aviation security regime. This is an excellent result given the size and complexity of the UK aviation system and challenges arising from Covid-19. The focus now is on developing and implementing an action plan to drive improvements following the audit, including small adjustments to existing regulation or processes, or local actions by industry.

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	<ul style="list-style-type: none"> • In 2022 we will continue to work on maintaining close operational cooperation with European States, EASA, Eurocontrol and ECAC. We are also preparing for the ICAO Universal Safety Oversight Audit in 2022. We also look forward to working closely with DfT in the approach to the 41st Session of the ICAO Assembly which will focus heavily on net zero aviation. These fora will be key to our ambition to be an influential leader in regulatory stewardship.
Post EU aviation framework	<ul style="list-style-type: none"> • During 2021, we implemented an agreed programme of changes to UK regulation and started a project to simplify GA personnel licensing. We worked to identify where our existing regulatory frameworks and regulation need to change to support new challenges and more novel areas of activity, including achieving net zero aviation by 2050, the infrastructure and airspace management to enable urban air mobility and certification of new hybrid vehicles. This will help inform the Government's work on potential future new legislation and is designed to capitalise on the freedoms associated with leaving the European system. • We are extending our work to identify where existing regulation is insufficient towards new areas, such as alternative propulsion systems and fuels and will start reviewing different policy areas with a view to more fundamental structural reform where needed. This includes progressing a significant piece of work to define the CAA's regulatory approach and delivery so we can continue to adapt to the increased scale, pace and nature of challenges to the aviation and aerospace sectors. This will inform decisions about the Government's own legislative agenda where primary or second legislation changes are needed to secure policy outcomes. • Critical to our credibility as a regulator is the trust and confidence stakeholders have in us. Throughout 2021 we have been working closely with the DfT to develop the Independent Review Panel (IRP) to allow individuals who may wish to challenge the outcome of a licensing decision on process grounds, with an independent avenue to do so. This brings us into line with other regulators and is expected to be operational from March 2022, subject to the DfT's progress on the Public Appointments Process. We always strive to make decisions properly and with safety interests to the fore, but this additional layer of review will add more transparency and should build further trust between the CAA and those that we license.
Innovation and Aviation decarbonisation	<ul style="list-style-type: none"> • Our 2021 Strategy included an undertaking to develop a specific Environmental Sustainability Strategy to define the challenge of delivering environmental improvements as a system-wide issue, set out our roles in tackling this challenge and how we can prioritise our people, influence and powers to have the greatest impact. It is currently in development and we will identify opportunities to strengthen it ahead of implementation early in 2022. This will set out where we can play a distinct and leading role in supporting the achievement of the Government's targets for decarbonisation. • Key to the success of our environmental sustainability ambitions will be the establishment of the Environmental Sustainability Panel which will be designed to supplement CAA's technical understanding of environmental impacts as we develop regulatory frameworks as well as provide advice to strengthen our environmental roles. Recruitment for this technical panel will commence shortly and we aim to have the Chair in place by April 2022.

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	<ul style="list-style-type: none"> • Following the Government's decision to close the Independent Commission on Civil Aviation Noise (ICCAN), we agreed to take on some specific additional technical functions related to aviation noise, specifically advice, information about performance and best practice guidance. Taking on these new roles offers us a way to enhance and grow our role in enabling industry to decarbonise and take account of other environmental factors. We are making good progress with the DfT to formally agree and appropriately resource these functions. Work is necessary to manage expectations on this, so we are not seen as the replacement for ICCAN, but rather, incorporating new functions into a holistic view of sustainability. • In Spring 2021 we partnered with Britain Thinks to undertake research exploring consumer behaviour on sustainable travel decisions. We welcomed support from DfT in the Jet Zero Aviation Consultation for work from CAA to make environmental information more readily available for consumers. Focus shifts now to policy design and implementation, including designing a metric that can offer consumers reliable and accurate information on the efficiency of their flight at the point of booking. • Our Innovation Hub activity continues at pace to identify and respond to technological change. We have helped a significant number of innovators through the provision of information about the regulatory framework and allowed a number of innovators to participate in challenge-led sandbox trials. The third phase of the Future Flight Challenge has recently been launched and the CAA will provide advisory support to help facilitate the consortia's testing and demonstrations. • Alongside this, we are currently running a 12-month pilot of a paid-for advisory service model to explore the feasibility of moving away from the provision of innovation advisory services through the Scheme of Charges to a directly paid-for model to maximise the scale and amount of support that the CAA can provide to industry.
Modernising Airspace	<ul style="list-style-type: none"> • Work on Airspace Modernisation has been accelerated alongside industry recovery, with a comprehensive progress update provided within the 2021 Airspace Modernisation Strategy (AMS) Progress Report, due for publication in December 2021. • The AMS refresh is well underway, including engagement with a broad range of interested groups. A 12-week consultation will be launched in January 2022 to further strengthen the work, with the aim to publish the refresh mid-2022.
General Aviation	<ul style="list-style-type: none"> • The General Aviation Change Programme 21/22 is a significant undertaking with far reaching impact across the industry. This programme has been developed following a major engagement exercise with the sector to understand its priorities and consider a credible sequencing of activities. The programme has put in place a series of key initiatives already this year including launching a new 600kg microlight classification, launching the e-exam platform and reviewing and enhancing stakeholder interactions. • These efforts are designed to safely grow the General Aviation sector and directly contribute to embedding Just Culture as well as stakeholder input into policy making to foster an inclusive sector. • The GA Unit are working on identifying focus areas for 22/23 which are expected to include continued modernisation, initiatives to support a greener

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	<p>sector and a review of delegation activities. We will also be supporting Government in implementing a further programme of regulatory changes in these areas and continue our work to simplify GA licensing.</p>
<p>Skills and STEM</p>	<ul style="list-style-type: none"> • Following a dedicated package of funding in 21/22, we have been able to advance the aim to inspire young people to explore careers in STEM aviation and aerospace. We partnered with Cranfield University on International Women in Engineering Day, took part in the Big Bang digital event providing content on space and innovation to over 100,000 registered users. A dedicated website has also been launched to provide students and teachers with resources to encourage learning in STEM. We are currently developing a Virtual Work Experience Programme which will be available in June 2022 and have made our colleagues available as ambassadors for aviation and aerospace. The breadth and reach of these activities are designed to promote diversity, inclusion and equity of opportunity as we contribute to growing the aviation and aerospace sectors from a grass roots level • Work is also underway to consider how best to recognise those already in aerospace and aviation careers, with research and engagement due to be completed by the end of 2021 on available options for recognising sector specific training and skills in aviation security. • In agreement with the DfT, we made places available in our CAAi training courses to support both the retention and growth of aviation skills. CAAi also launched an online Master of Science degree in Aviation Safety Management, Risk and Regulation, in partnership with Cranfield University, and has attracted students from around the world. • We look forward to growing the skills and STEM platform further in 2022 upon securing agreement from DfT to a further round of funding.
<p>Space</p>	<ul style="list-style-type: none"> • The CAA was established as the regulator overseeing the safety and security of the space sector in the UK in July 2021. Since then, we have started issuing orbital licences to operators and have been working closely with the industry and the Government to enable the conditions for a successful launch from the UK. Achieving launch will require high quality and timely applications from the industry for the CAA to assess; integration of rocket activity into airspace; and, in some cases, approval from regulators in other jurisdictions.
<p>Global Navigation Satellite System Approaches</p>	<ul style="list-style-type: none"> • Our commitment to delivering GNSS changes and bringing the UK into line with other leading nations continues. This includes the current considerations of GNSS airspace change proposals from Phase 1 as well as the launch of Phase 2 which has attracted two applications at this point in the programme.

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Improving the
CAA's
organisational
sustainability and
resilience

- Our initial corporate response to the pandemic was to commence the '**Horizon**' programme to review our strategy, regulatory approach, people programme and financial models to ensure we can be effective in delivering our core duties, maintain service standards across key areas of activity and meet future opportunities. Horizon has driven internal improvements to make our process more agile and adaptive and help us enhance prioritisation and performance as we deal with multiple, concurrent strategic challenges.
- Alongside internal changes to support our most important asset, our people, to maximise their potential, 2021 has also seen a strong focus on **updating our external facing systems to enhance our users' experience**. This includes shifting to online exam platforms where appropriate across general aviation and aviation security, as well as introducing improvements to licensing application processes. Improving service delivery is an important focus, to enhance our own efficiencies and reduce undue paperwork or handing for users. This will remain a key priority going into 2022.

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