

## Chief Executive's Office

The Prime Minister  
10 Downing Street  
London  
SW1A 2AA



Via email: [RBowman2@no10.gov.uk](mailto:RBowman2@no10.gov.uk);

Date: 15 January 2025

Dear Prime Minister,

Thank you for your letter of 24 December 2024 asking the Civil Aviation Authority to set out what it can do to further improve UK economic growth and investment.

The UK's aerospace sector is economically important to the UK, directly contributing £11bn to the UK economy, and acting as a key enabler of economic performance across other sectors, with some sources suggesting every 10% increase in connectivity leads to a 0.5% increase in GDP.

We have set out below five areas of action that would support investment and confidence in the sector, with further detail in the annex. In summary, novel technology and unlocking innovation will enhance growth in the medium term, with the most significant shorter term growth opportunities existing in enabling growth in today's commercial aviation industry, and in particular, planning decisions around new aviation infrastructure capacity. The CAA stands ready to play its full role in implementing any such decisions.

The CAA has a close and constructive relationship with the sector we regulate. This letter takes account of what we understand its priorities to be and discussions we had with some representatives in preparing our response. We understand the sector intend to engage you on their wider considerations relating to the conditions necessary to encourage further investment.

- Airspace Modernisation**: this programme is key to enabling growth and sustainability improvements for the existing aerospace sector as well as safely allowing new innovative sectors to use this key piece of infrastructure. Working closely with DfT, in 2025 we commit to:
  - **Establishing UK Airspace Design Service (UKADS)** to accelerate and enhance the airspace changes that are vital to achieving modernisation
  - Enabling two trials using **remotely piloted drones beyond visual line of sight** to demonstrate scalable operations
  - Consulting on **improvements to the effectiveness and proportionality of our process** for changing airspace.
- Improving capacity and resilience**: improving the performance and capacity of the UK's globally significant aerospace sector can contribute to growth and the confidence of passengers and investors. Timely planning decisions on airport expansion offer the largest potential short term opportunities to deliver new, multi-year investment. Specific commitments for 2025 include:
  - Progressing our regulatory reviews of two of the largest aviation entities, **Heathrow and NATS**, prioritising regulatory certainty, confidence and growth
  - Play our full role in the implementation of any **airport capacity expansion planning decisions**
  - Implement the **recommendations from the independent review of NATS air traffic failure** to improve aviation resilience and passenger confidence.

### Civil Aviation Authority

Head Office, Aviation House, Beehive Ring Road, Crawley, West Sussex, RH6 0YR  
London Office: CAA, 5<sup>th</sup> Floor, Westferry House, 11 Westferry Circus, Canary Wharf, London, E14 4HD

3. **Enabling aerospace innovation:** drones, air taxis, space flight and hydrogen propulsion technologies offer a wide range of potential societal and economic benefits. To support the longer-term development of these technologies, we commit in 2025 to:
  - Delivering a **digital drone licencing platform** to make it more efficient for commercial operators to scale up their plans and investment in the UK
  - Creating **more accessible drone regulatory pathways** for the emergency services, healthcare, and infrastructure surveillance, with an end goal of making the UK a centre for excellence for these types of operation
  - Making **timely regulatory licencing decisions space applications**, including on the UK's first vertical launch rocket operators
  - **Expanding significantly our sandbox safe trial activity** for the nascent hydrogen propulsion technology to help inform the regulatory framework for this technology and encourage investment.
4. **Digitising regulatory services:** improving the ease and speed of regulatory decision-making processes including through digitisation can help the sector improve its performance and ability to expand. As part of our multi-year service digitisation programme, we commit in 2025 to:
  - Delivering a **new digital service for air traffic controller licencing**
  - Concluding the initial phases of a digital transformation of **professional pilot licencing** services.
5. **International aviation:** aviation is a global sector which relies on the effectiveness of international aerospace institutions and other states confidence in each other. We will continue to support this important activity and specifically in 2025 commit to:
  - Working with our peers in the five states of the National Aviation Authorities Network to develop a **joint certification process for air taxis** (Advanced Air Mobility Aircraft).

There are two specific areas where Government could further support the CAA and the sector:

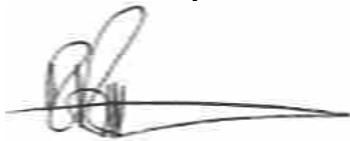
- A more agile legislative framework across CAA's safety and markets functions would enable the regulatory framework to more quickly anticipate and adapt to changes, and therefore support both safety and growth
- One of the issues we've heard regularly from the aerospace sector about is its relationship with Europe, and that further developing the Trade and Cooperation Agreement by extending mutual recognition of licences and approvals in the sector would reduce barriers to trade and therefore support growth.

We are already taking many of these issues forward with Government departments, with whom we have a strong working relationship, including our sponsor the Department for Transport, DSIT with its cross-Government space and future flight roles, the new Regulatory Innovation Office, as well as MOD, the Home Office and DBT. Globally, we also work closely with our peer regulators and international aerospace organisations to reduce barriers and promote investment to the UK.

We look forward to working with Government on these important issues.

I am copying this letter to the Chancellor of the Exchequer, and Secretaries of State for Business and Transport.

Yours sincerely



Rob Bishton  
**Chief Executive**  
UK Civil Aviation Authority

**Civil Aviation Authority**

Head Office, Aviation House, Beehive Ring Road, Crawley, West Sussex, RH6 0YR

London Office: CAA, 5<sup>th</sup> Floor, Westferry House, 11 Westferry Circus, Canary Wharf, London, E14 4HD

## **Annex: CAA 2025 commitments to support Government's growth ambitions**

### **1. Airspace Modernisation**

Airspace modernisation is a key foundation to enabling the existing sector to grow, deliver environmental improvements and give new types of airspace user such as drone, air taxi and space users access to the UK's airspace infrastructure. It is a challenging complex programme which to date has struggled to gain traction and is planned to take at least 20 years to implement.

To improve delivery confidence, we can commit during 2025 to:

- Establishing UK Airspace Design Service (UKADS): subject to ministerial approval following consultation, by the end of 2025 UKADS will be agreed and in the process of being established. This will centralise airspace design expertise and improve confidence in the delivery of airspace changes.
- In collaboration with the US Federal Aviation Agency (FAA), enabling two airspace trials using Remotely Piloted Aircraft beyond visual line of sight to demonstrate scalable operations.
- By September 2025, consult on improvements to the effectiveness and proportionality of our process for changing airspace to simplify and speed it up.

In airspace decisions, the CAA and industry sponsors must balance a number of benefits, including creating additional capacity for growth and also sustainability benefits. The underpinning legislation points towards access to airspace as being the key factor in designing airspace change (ie growth to be the priority after safety), with other factors such as the environment being other considerations. A clear Government policy steer on the hierarchy between growth and sustainability, which is the priority and whether there are any essential sustainability deliverables, would help give the modernisation programme a clearer decision-making framework and therefore move more quickly.

### **2. Capacity, markets and resilience**

While airspace modernisation will enhance capacity in the sky, the single most fundamental lever government and the regulator have to drive growth in the largely unregulated aviation sector relates to airport capacity. Timely planning decisions on airport expansion offer the largest potential short term opportunities to deliver new, multi-year investment. The CAA stands ready to play its full role in implementing any such decisions.

As a largely economically unregulated sector, it is vital that where regulation does occur, it underpins both consumer and investor confidence in the sectors. This will support not only growth within aviation, but also inward investment and importantly enhance aviation's critical role in supporting connectivity, access to new markets and wider economic growth. Both mitigating the potential for disruption to occur, and ensuring industry is well prepared to protect their consumers if it does, will bolster confidence, and increase passenger demand.

During 2025, to support this, we commit to:

- Implementing the recommendations addressed to the CAA from the independent review of NATS 2023 failure and reporting progress to Parliament, in particular in relation to consumers and our oversight of NATS.
- Convening key industry groups to review the resilience performance of the sector as increased passengers and aircraft volumes are pushed through an increasingly capacity constrained ground and airspace infrastructure.
- 2025 will see the regulatory processes for both Heathrow and NATS' enroute business progressing. Our initial proposals for Heathrow, due to be published by the end of the year, will be informed by the airport's engagement with its users, our legal duties, and by policy steers from government such as your letter. As the world's fourth-largest airport, enabling investment and growth at Heathrow and in doing so maintaining the confidence of consumers and its international competitiveness will be one important driver of the sector's longer-term prospects.

#### **Civil Aviation Authority**

Head Office, Aviation House, Beehive Ring Road, Crawley, West Sussex, RH6 0YR

London Office: CAA, 5<sup>th</sup> Floor, Westferry House, 11 Westferry Circus, Canary Wharf, London, E14 4HD

### 3. Enabling aerospace innovation

#### *Drones*

Drone operations have the potential to scale and generate economic benefits for the UK whilst driving efficiencies in key services. Our work on trials like the ongoing NHS [London Health Bridge](#) and the [National Grid survey](#) have clearly demonstrated the opportunities to save taxpayer money, improve patient outcomes and create significant employment and growth for the UK drone industry. In 2025, to further unlock the sector's potential, we commit to:

- Deliver a digital licencing platform, providing more robust risk assessment of drone operations and making it more straightforward for commercial operators such as Google and Amazon to scale up their plans and investment in the UK.
- Launch an initial implementation of the UK's drone Market Surveillance Authority, streamlining the process for companies to manufacture and identify drones that are able to pass required safety criteria, which in turn will simplify commercial operations for many UK businesses.
- Commit, as part of our on-going Future Flight programme, over the next year to creating more accessible regulatory pathways for the emergency services, healthcare, and infrastructure surveillance, with an end goal of making the UK a centre for excellence for these types of drone operation.
- Actively work with DfT and the Regulatory Innovation Office (RIO) to explore ways to accelerate the regulatory process and scale existing operations, and in doing to ensure that the requirements are proportionate to risk.

There are two specific policy areas where Government policy support for CAA proposed positions would help. First, the CAA wishes to implement a mandate requiring all aircraft in UK airspace to be electronically visible to each other; and second, to extend the duration of airspace trials to enable more operations in the busiest and most economically valuable airspace.

#### *Hydrogen*

We strongly support the Government's commitment to sustainable economic growth. The Aerospace Technology Institute's analysis shows the UK can grow its market share to nearly 18% of a potential global market for more energy efficient commercial aircraft, worth £4.3 trillion in 2050. Early development of a forward-looking regulatory regime and an open, engaged regulator will be key enablers of investment confidence and growth in this area. Delivering this will require significant financial, legislative, and strategic support from government. We are working closely with the DfT on this, but we will need cross government support and engagement in this nascent sector. With this support, during 2025 we would commit to:

- significantly expanding our hydrogen sandbox from 3 participants to 13, covering a wider variety of technologies and opportunities than initially planned.

#### *Space*

The UK's space sector has a long and successful satellite history and continues to grow under the new space flight regime, under which the CAA has issued 588 satellite licences to 20 company operators. During 2025, with ongoing Government support, we commit to:

- Make timely regulatory licencing decisions space applications, including on the UK's first vertical launch rocket operators

The space regulations are relatively new and we take a very agile approach to continually improving our approach to keep people and environments safe while supporting the sector. In doing, we welcome the creation of RIO and are committed to working closely with it on this and other areas of our work. We have raised with RIO the potential to increase growth through improving licensing efficiency through licensing orbital operators rather than individual satellites. This is one example where we need several Government departments to support the work and adapt policy to release growth potential for satellite manufacturers and hence downstream data users as well.

#### **Civil Aviation Authority**

Head Office, Aviation House, Beehive Ring Road, Crawley, West Sussex, RH6 0YR

London Office: CAA, 5<sup>th</sup> Floor, Westferry House, 11 Westferry Circus, Canary Wharf, London, E14 4HD

## 4. Digitising regulatory services

As a regulator we are committed to continuously improving our services to those we regulate. Each year, we issue more than 250,000 licences to individuals (pilots, engineers, air traffic personnel and drone operators), 35,000 medicals, and over 3,000 certificates to organisations (including airlines, air operators, maintenance organisations and training organisations). Digital transformation has cut approval times for our most widely used risk assessment from weeks to an average 32-minute application time, while maintaining necessary safety standards. Delivering more of our services more swiftly will boost confidence and improve investment.

In 2025, we commit to:

- Delivering a new digital service air traffic controller licensing
- Conclude the initial phases of a digital transformation of professional pilot licensing services

## 5. International working

By nature, the UK regulator only has direct oversight of half of the regulation of any international flight operating in the UK. To unlock growth most effectively, we must be sufficiently aligned with our international partners and have a regulatory approach that has their confidence. One of the issues we've heard regularly from the aerospace sector on is its relationship with Europe, and whether further developing the Trade and Cooperation Agreement by extending mutual recognition of licences and approvals in the sector would reduce trading costs and cross border friction. In the main, these are political decisions around mutual recognition of licences for instance, which must also take full account of the benefit to UK plc of access to our substantial aerospace. We are committed to working with Government on considering this issue. This is one of many international agreements that we already have in place and look to derive practical benefits from.

To progress this work, this year we can commit to:

- Working with the National Aviation Authorities Network on starting to develop a joint certification process for Advanced Air Mobility Aircraft.

## An agile regulatory framework

There is one important step Government could take to enable the CAA to be more agile and effective across all our regulatory functions: legislative reform. This is in two specific areas:

1. As a result of importing the underpinning legislative framework for aviation directly from Europe on exiting the EU, the current regulatory framework within which we operate is hard and slow to change, especially for a sector that is more rapidly evolving. Aviation regulation is covered by around 150 different pieces of legislation in UK law, some running to 1,000s of pages, and it often takes years to make small technical changes. As well as limiting the ability to develop our regulatory environment in readiness for new innovations and operations and making the UK less attractive to investors, this also risks divergence from more flexible international regulation, which will harm connectivity and growth. We are working with DfT and DBT to develop a new and more flexible regulatory system aligned with that used by some other UK regulators, where the principles, outcomes and priorities are set by Parliament and Government, with the CAA tasked with defining more detailed requirements to meet them. Cross government support and Parliamentary prioritisation of this reform will significantly enhance our ability to support growth over the medium to longer term.
2. Further, the CAA's market remit in relation to aviation is relatively narrowly drawn, and compared to other regulators, we have relatively limited market powers. Legislative reform – to provide new consumer protection powers and competition concurrent powers, as recently recommended by the CMA, would strengthen our ability to make sure the sector is working effectively in the interests of consumers.

### Civil Aviation Authority

Head Office, Aviation House, Beehive Ring Road, Crawley, West Sussex, RH6 0YR

London Office: CAA, 5<sup>th</sup> Floor, Westferry House, 11 Westferry Circus, Canary Wharf, London, E14 4HD