

**Regulating Air Transport:
Consultation on Proposals to Update
the Regulatory Framework for
Aviation**

**Briefing Meeting for General Aviation
Strategic Forum and General Aviation
Alliance Working Group**

Friday 29th January 2010

Agenda

- Overview
- Modernising CAA's statutory remit
- CAA governance, funding and enforcement
- Other reform proposals
- Discussion

Overview

Modernising the civil aviation regulatory framework

Regulating Air Transport Consultation

Review of Economic Regulation of Airports

- Implement **new economic regulatory regime for airports**
- Create a **statutory air passenger representation body** (by expanding the role of Passenger Focus)

Pilling Strategic Review

- Update CAA legislative framework - proposing
- Repeal section 4 of 1982 Act and replace with **new general objectives**
 - New **information powers** for CAA
 - Other updates to CAA's **governance, funding and enforcement** framework
 - **Medical data** proposals

Reform of financial protection for travellers

- Extend and clarify the **financial protection for air travellers** in the event of travel company bankruptcy under the **ATOL scheme**

Why we need to modernise the CAA's legal framework

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- Significant changes to air passengers' needs over the last 20 years e.g.
 - Increased choice
 - Technological advances
 - Greater complexity
- Growing understanding and awareness of Aviation's impact on the environment

For example - CAA's current statutory remit....

Civil Aviation Act 1982, section 4(1)

- *“To secure that **British airlines** provide air transport services which satisfy all substantial categories of public demand...at the lowest charges consistent with a high standard of safety...and an economic return to efficient operators on the sums invested ...and with securing the sound **development of the civil air transport industry of the United Kingdom**; and*
- *To further the reasonable interests of users of air transport services.”*

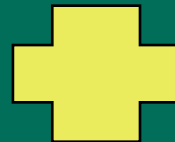
Our proposals for modernising the CAA's statutory remit

Repeal Section 4 and replace with new general objectives reflecting CAA's responsibility to safeguard public interest:

Safety

Consumers

Environment



- Extending CAA better regulation duties
- New powers for CAA to obtain and make available information to support delivery of objectives e.g. on airport and airline performance
- Extending range of enforcement options

How objectives would be applied

- As now, CAA would identify relevant considerations and their priority depending on specific regulatory circumstance
- BUT
 - Must ensure high standard of safety is maintained
 - Can only pursue objectives where it has legal power to act
 - Must act reasonably and proportionately
 - Must be transparent and accountable for decisions it takes

CAA consumer objective

- Focusing on end user rather than balancing the interests of all users of air transport
 - Primarily air passengers, but also includes end users of air freight and GA services
 - CAA should be able to consider needs of minority, provided not creating any significant detriment for consumers collectively
 - Generally interests of end users and intermediaries aligned, but where different CAA would have to focus on end user
- Use minimum regulation necessary – proportionality is key
- Maintain current approach to consumers for Transport Act 2000 duties

CAA's current environmental role

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CAA currently has a number of *specific* environmental responsibilities, such as:

- The requirement to take account of any environmental guidance provided by the Secretary of State (currently only for air navigation functions).
- Providing advice to Government (and others) on aircraft noise issues
- Advisor to the Environment Agency in its role as regulator of the EU ETS.
- Providing advice on economic instruments to tackle climate change



Proposals for a *General Environmental Objective*

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- Objective underpinned by guidance from Government would:
 - Require the CAA “*where possible and appropriate to have regard for environmental factors alongside the proposed safety and consumer objectives and seek environment improvements.*”
- Government would continue to set environmental policy; the CAA, as an independent regulator, would determine how best to pursue this new objective.



Impact of our proposals

- This will depend on how the CAA takes forward its new objective, but we expect this new framework would:
 - Ensure CAA has regard to the Government's environmental priorities alongside other priorities, where it is possible and appropriate to do so, when taking forward their activities.
 - 'Mainstreaming' the environment into the CAA's thinking.
 - Seek environmental improvements, again where possible and appropriate to do so.
 - Increase scope for CAA to bring its international role and expertise to bear on environmental issues.
 - Create a clearer basis for CAA to potentially expand its environmental role in future.

CAA governance, funding and enforcement proposals

- Duty on CAA to consult on its annual charges (removing the 60 day notice period)
- Access to civil sanctions (e.g. monetary penalties & formal compliance notices). Most likely to be suitable for consumer protection or economic regulation rather than safety regulation
- Proposing that CAA's charge payers should bear the cost of CAA's criminal enforcement work (instead of tax payers)
- Allowing CAA Board to appoint Executive directors without ministerial involvement (ministers would retain appointment of Chair and non-execs and approve appointment of Chief Exec)
- Removing HM Treasury approval of CAA Board members' pay

Other reform proposals

- Provision of air crew medical data only for approved research purposes and with publication in an anonymised form
- Modernising airport byelaw-making process
- Reforming scope of Air Travel Organisers' Licensing (ATOL) scheme

Discussion