
Air Navigation Order review

The Department for Transport (Civil Aviation Authority)

RPC rating: **validated**

Description of proposal

The IA presents twelve proposed changes to the Air Navigation Order. The largest of these with an impact on business include:

- aligning UK regulation and definitions with the requirements set by the European Aviation Safety Authority (EASA), thereby simplifying regulatory requirements.
- changes to the requirements for maintaining a private pilot licence (non-commercial, cannot operate for valuable consideration); and
- allowing the use of permit aircraft (i.e. those aircraft given a 'permit to fly' under specific conditions without requiring a 'Certificate of Airworthiness') for flight training by flight schools.

Impacts of proposal

Costs

The Department explains that the main impacts arise from the alignment of UK regulation and definitions with the requirements set by the European Aviation Safety Authority (EASA). Some aircraft registered in the UK are subject to domestic regulation, whereas others are subject to EASA regulation. Differences between the two sets of regulation, such as in the definitions and terms used, have caused confusion in the industry. The Department will implement the changes through the introduction of non-statutory guidance in the form of a 'skyway code', which will outline how to comply with both CAA and EASA regulations. This is intended to be easier to understand than referring to the two individual sets of legislation and is expected to be less onerous to follow than the current domestic regulatory requirements. The total one-off cost of producing the skyway code is estimated to be around £57,000. Familiarisation with any changes in regulation is expected to cost £1.2 million, of which £0.25 million is expected to fall on 250-300 businesses and the rest on non-commercial pilots. The cost estimates are based on responses to the consultation regarding time spent checking regulatory requirements.

Benefits

Businesses that are required to regularly refer to the regulation on aircraft (i.e. aircraft maintenance businesses), are expected to benefit from the ability to spend less time checking regulation; due to the ease of use of the skyway code. The time saved is expected to be greater than the time spent initially familiarising with changes in regulation, therefore, this proposal is expected to be net beneficial. Respondents to the consultation indicated that they expect the simplification of regulatory requirements will reduce the time spent checking regulatory requirements by up to 60%. The Department estimates that this will benefit business by £2.2 million over 10 years.

The Department expects that the proposal will also bring indirect benefits to business through a higher level of foreign investment in the aviation industry, resulting from allowing UK registered aircraft to be owned by those who are not citizens of the European Economic Area. These effects have not been monetised.

The Department expects the proposal to have a net beneficial effect of £15.5 million on non-commercial pilots. The majority of these benefits arise from the time saving associated with having simpler regulatory requirements and the adjustments to the requirements for maintaining a private licence.

The RPC validates the estimated equivalent annual net cost to business (EANCB) of -£0.2 million. The RPC understands that non-regulatory guidance produced by a regulator is expected to be considered in scope of the Business Impact Target and, on that basis, confirms that this will be a qualifying regulatory provision that will score under the business impact target.

Quality of submission

The Department has used consultation responses to estimate the most significant elements included within the IA. Where the Department has been unable to monetise the benefits, it has provided a qualitative explanation of why it has not been possible to do so. While the RPC accepts the Department's arguments about why monetisation has not been possible, the IA would have benefited from including a range of estimates for the impact of some of the proposals. In particular, the proposed reinstatement of a special category of airworthiness (between 'permit to fly' and 'certificate of airworthiness') and the proposed change in regulation concerning

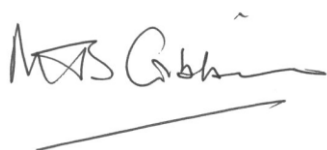
aircraft registration are expected to have significant effects on the general aviation industry.

Departmental assessment

Classification	Qualifying regulatory provision (OUT)
Equivalent annual net cost to business (EANCB)	-£0.22 million (final estimate)
Business net present value	£1.97 million
Societal net present value	£15.03 million

RPC assessment

Classification	Qualifying regulatory provision (OUT)
EANCB – RPC validated ¹	-£0.2 million



Michael Gibbons CBE, Chairman

¹ For reporting purposes, the RPC validates EANCB figures to the nearest £100,000.