

## **Development and operation of experimental aircraft**

### **Department for Transport - Civil Aviation Authority**

**RPC rating: validated**

#### **Description of proposal**

During the Red Tape Challenge, the Royal Aeronautical Society and the Civil Aviation Authority (CAA) suggested that the regulatory framework for development and experimental operation of new light aircraft in the UK is overly burdensome and stifles innovation. The Department proposes to amend the Air Navigation Order (ANO) to reduce the regulatory burdens by introducing operation under experimental conditions (E Conditions). This will require a Competent Person to take sole responsibility for the safe conduct of the entire experimental test programme and remove CAA oversight from the process.

#### **Impacts of proposal**

##### Costs

The Department explains that the Competent Person can be either a person associated with the test programme, or a person employed specifically to undertake the role. The Competent Person must sign a declaration that a risk assessment has been undertaken and that all the risks have been mitigated in accordance with CAA guidance. The declaration must also include summary information such as start and finish dates and a brief description of the project. The Department expects this role to be performed by someone already on the project team, and anticipates no additional on-going costs as all the activities proposed would also take place under the counterfactual.

The Department expects that any costs of familiarisation with E Conditions would be small, given that the number of firms and people involved is low.

##### Benefits

The Department explains that operation under E Conditions will reduce time and regulatory compliance costs to business for bringing new light aircraft to market. In particular, the Department expects existing businesses to benefit from time savings of getting a 'proof of concept' aircraft airborne. Using estimates from one consultation respondent, the Department expects the proposal to deliver a 60% reduction in development time. The Department estimates that this will lead to a cost saving of £1.1 million over the life of each aircraft development project. The

Department expects that there will be one application in the first year, rising gradually to six applications by the end of the ten-year appraisal period. On this basis the Department estimates a total cost saving of £19 million over the ten-year appraisal period.

Operation under E Conditions is also expected to reduce the cost to business of making aircraft modifications in the course of a project. The Department explains that one organisation has estimated a typical saving of approximately two months and in the region of £2,500 per modification, including CAA charges. Based on data from 2015 CAA records, the Department expects ten applications per year would benefit from this saving under E Conditions. The Department, therefore, estimates a total saving of £25,000 per year as a result of reductions in the cost of making modifications.

The Department expects the proposal to reduce the barriers to entry into the aircraft development market. However, these benefits have not been monetised.

#### Wider impacts

The Department expects that the proposal will not have a material impact on safety. It considers that the requirement for a Competent Person to take sole responsibility for the safe conduct of the entire experimental test programme and to undertake a risk assessment, together with the Department's ability to have access to the dossier of information, provides sufficient assurance that third party safety risks will be adequately assessed and reasonably mitigated.

This will be a qualifying regulatory provision that will score under the business impact target.

### **Quality of submission**

Following the RPC's opinion of 7 June 2016, the Department has revised the IA and has addressed the issues raised in that Opinion. In relation to the calculation of benefits, the Department has reduced the time saved by the proposal focusing on the cost of compliance and associated time savings and not the total costs of running a company.

The Department estimates a saving to business of £1.1 million per project from reduced time and regulatory compliance costs to business of bringing new light aircraft to market

The Department expects that there will be negligible one-off familiarisation costs associated with the proposal and no additional on-going familiarisation costs. It now argues that "*additional time taken in familiarisation with E Conditions is expected to*

*be small for each business involved (perhaps in the order of 1 hour per person). This is because each business would (re)familiarise themselves with the requirements... [whether] they apply for the proposed E Conditions, or in the counterfactual, B Conditions”.*

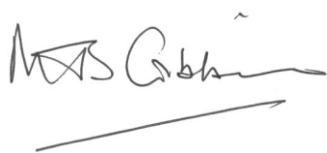
As a result of the RPC’s previous opinion we note that the Department has amended the estimated EANDCB, reducing the initial estimate of benefit from £3.6 million to £1.8 million per annum.

### Departmental assessment

Classification	Qualifying regulatory provision (OUT)
Equivalent annual net cost to business (EANCB)	-£3.6 million (initial estimate) -£1.8 million (final estimate)
Business net present value	£15.9 million
Societal net present value	£15.9 million

### RPC assessment

Classification	Qualifying regulatory provision (OUT)
EANCB – RPC validated <sup>1</sup>	-£1.8 million
Business Impact Target (BIT) Score <sup>1</sup>	-£9.0 million
Small and micro business assessment	Not required (deregulatory)



**Michael Gibbons CBE**, Chairman

<sup>1</sup> For reporting purposes, the RPC validates EANCB and BIT score figures to the nearest £100,000.