



Australian Government
Civil Aviation Safety Authority

ADDENDUM
COST RECOVERY IMPLEMENTATION STATEMENT
BEYOND VISUAL LINE OF SIGHT
CIVIL AVIATION SAFETY AUTHORITY
March 2023

Cost recovery involves government entities charging individuals or non-government organisations some or all of the efficient costs of a specific government activity. This may include goods, services or regulation, or a combination. The Australian Government Charging Framework, which incorporates the Cost Recovery Guidelines (the CRGs)¹, sets out the framework under which government entities design, implement and review regulatory charging activities, consistent with the Public Governance, Performance and Accountability Act 2013.

¹ The CRGs are available on the [Department of Finance](#) website.

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1. INTRODUCTION

1.1 Purpose of the Cost Recovery Implementation Statement

The Australian Government’s overarching cost recovery policy is that, where appropriate, non-government recipients of specific government activities should be charged some or all the costs of those activities. A Cost

Recovery Implementation Statement (CRIS) is a mandatory requirement for all cost recovered activities under the Australian Government Cost Recovery Guidelines (CRGs).

The current published CRIS provides information on how the Civil Aviation Safety Authority (CASA) implements cost recovery for provision of aviation regulatory services. This CRIS provides information on a new fee which allows for an alternative pathway for operators of Remotely Piloted Aircraft (RPA) or drones to fly Beyond Visual Line of Sight (BVLOS) outside of controlled airspace (OCTA).

This document provides key information on the application of cost recovery activities, including financial and non-financial performance. It assists stakeholders to understand CASA's costs, which strengthens accountability, provides transparency, and demonstrates compliance with the CRGs and the Charging for Regulatory Activities General Policy Order (*Public Governance, Performance and Accountability (Charging for Regulatory Activities) Order 2017*).

The CASA CRIS will be maintained and updated until the activity or cost recovery for the activity has been discontinued.

1.2 Description of the regulatory charging activity

1.2.1 Background

CASA is a Corporate Commonwealth entity and was established as an independent statutory authority in 1995. CASA is responsible for the safety regulation of civil air operations in Australian territory and Australian aircraft operating outside Australian territory. For more information refer to the current published [Cost Recovery Implementation Statement](#).

The introduction of the BVLOS exam is part of a larger body of work to future proof the Australian remotely piloted aviation industry, as outlined in the [Remotely Piloted Aircraft Systems \(RPAS\) and Advanced Air Mobility \(AAM\) Strategic Regulatory Roadmap](#).

Under the *Commonwealth Performance Framework* (required by the *Public Governance, Performance and Accountability Act 2013* (PGPA Act)), CASA needs to recover its costs for providing these services. To enable CASA to charge for regulatory services, CASA uses the CRGs, *Civil Aviation Act 1988* (CA Act) and *Civil Aviation (Fees) Regulations 1995*.

1.2.2 Activity being cost recovered

CASA's activity outputs that are subject to cost recovery for BVLOS exams are outlined in Table 3.1.1.

This activity is one of the following type of cost recovery charge:

- **cost recovery fees** – fees charged when a good, service or regulation is provided directly to a specific individual or organisation.

1.2.3 Appropriateness of cost recovery

Consistent with the CRGs, applicants are charged a regulatory fee as they create the need for the service.

CASA's aviation regulatory services are provided to the regulated aviation community, which enables them to perform or provide aviation services to the public or engage in recreational activities. Organisations or individuals are charged for services for which they apply to CASA to enable aviation activities with the necessary registrations, approvals, permissions, and licences. These regulatory activities are charged a cost recovery fee as the services are provided directly to specific users or user groups.

1.2.4 Stakeholders

The principal Stakeholders for CASA's regulatory charging outputs for this CRIS addendum are remotely piloted aircraft systems (RPAS) users.

2. POLICY AND STATUTORY AUTHORITY TO COST RECOVER

2.1 Government policy order (GPO) approval to cost recover regulatory activity

The Statement of expectations provided to the board on January 2022 makes clear the government's expectation that CASA will maintain and enhance a fair, effective, and efficient aviation safety regulation system. CASA will

undertake public consultation with the aviation industry and the broader community with any pending changes, including all new measures.

2.2 Statutory authority to charge

Refer to section 1.3.1, relevant legislation set out in the [CRIS](#).

3. COST RECOVERY MODEL

3.1 Outputs and business processes of current regulatory charging activity

3.1.1 Activity outputs

Activity Output	Primary activities	Regulatory Charging
Personnel Licensing	Processing and consideration of an application for a licence for: <ul style="list-style-type: none"> • maintenance personnel • flight crew • air traffic controllers • exams 	Yes
Unmanned or Remotely Piloted Aerial Systems	Approvals, certificates, and permissions in connection with remotely piloted aircraft, rockets, fireworks, and balloons	Yes

3.1.2 Business processes

The proposed new regulatory fee item for a BVLOS examination is \$70 per exam, inclusive of GST. This calculation has an attribution of CASA staff effort, merchant fees and the required transaction cost for the use of the relevant Enterprise Aviation Processing (EAP) system which is the central repository that holds details of all civil aviation authorisations and the LPLUS system booking tool for exams, and direct supplier expense.

3.2 Costs of the regulatory charging activity

CASA applies an activity-based costing (ABC) methodology to determine costs for activity outputs and regulatory charging activities. This holistic methodology allocates all costs to an activity output based on time and effort of a proficient officer with a bottom-up costing exercise. Included are the associated cost drivers, volumes or time metrics based on cyclical activities as some permissions are issued for multiple outyears.

CASA is continuously analysing costs through benchmarking direct and overhead activities to determine efficiency.

3.2.1 Cost categories

- **Direct costs** - comprise of the cost of the operational business, together with any support costs allocated directly to outputs that includes employee expenses, supplier expenses and consultancies and contracts.
- **Indirect costs** - comprise of the organisational support costs, other than those directly allocated to outputs, are allocated to operational divisions including IT, corporate and maintenance costs, asset related costs, and property operating costs.
- **Capital costs** - is an upfront investment in a capital asset for the activity and looks to recover that investment over an appropriate period, which may be close to the useful life of the capital asset.

Breakdown of cost estimates for 2023-24

	Direct costs	Indirect costs	Capital costs	Total
Regulatory Fees				
RPAS Regulatory Fees	3,713,175	472,062	826,088	5,011,325
CASA Regulatory Fees	31,586,189	4,304,597	6,045,985	41,936,770
Total	35,299,364	4,776,659	6,872,072	46,948,095

CASA Cost Drivers

CASA cost drivers for operational areas related to direct costs are surveillance, safety promotions, education, policy standards development, enforcement and stakeholder engagement with staff effort being the key cost driver.

Indirect costs are made up of Legal, International and Regulatory Affairs, Executive and Corporate Services functions.

Changes to Cost Driver

CASA looks to identify the activities where it is anticipated there has been a material change in effort or an economic downturn. This includes a potential increase with economic growth either through process change, service delivery or complexity or volume (impact of COVID-19 or otherwise). The volume estimates are based on actuals over a cyclical period for existing activity based on pre-covid volumes with an assumption for economic growth as industry normalise. For any new activities the volume estimates are derived from subject matter experts.

Capital

Amortisation and depreciation charges for CASA's systems are included in this CRIS for capital consideration. The amortisation forecasts cater for future investment and enhancements in systems utilised. Any licencing fees including support and maintenance have also been considered. The expected useful life of assets (including intangibles), as well as new assets utilised in future years, form part of the calculations presented in this CRIS. CASA has also identified fixed and variable costs that directly impact the regulatory services provided.

3.2.2 CASA regulatory activities

Identification of all current CASA activities, drawing from the existing activity based costing model and introducing any new activities not previously identified.

Activity Type

CASA activities have been categorised as being:

- Delivery Focused: core business activities which are undertaken as part of CASA's remit (Regulatory Fee, Surveillance, Standards Development and Stakeholder Engagement)
- Delivery Aligned: activities which have a direct alignment to/ impact upon the delivery of Delivery activities (including selected ICT activities with direct line of sight)
- Supporting: other activities which support the entirety of CASA's operations but where there is no direct alignment to/impact on the provision of Delivery Focused activities (Legal, International and Regulatory Affairs, Human Resources and Finance).

Proposed new Regulatory Fee for Beyond Visual Line of Sight (BVLOS)

The following fee will be introduced giving a new pathway for flying drones BVLOS outside of controlled airspace (OCTA). The \$70 fee including GST per exam is perpetual with a pass result. If a candidate is required to re-sit the exam the fee is payable again.

The BVLOS OCTA exam would:

- act as an alternative pathway to the Instrument Rating Exam (IREX), an exam originally designed for crewed aviation, for BVLOS operations outside of controlled airspace
- be the first step in a broader BVLOS licensing framework.

Regulatory Legislation and Activity output	Type	Fixed Fee	2023-24 Estimated Volumes	2023-24 Estimated Revenue
<i>Civil Aviation (Fees) Regulations 1995 - Part 101 of the Civil Aviation Safety Regulations 1998 Remotely Piloted Aircraft Systems</i>				
Fee Item 24.6 084 - Aeronautical knowledge examination set by CASA for Beyond Visual Line of Sight (BVLOS) operations outside of controlled airspace (OCTA) - per exam	*Fee	\$ 70	1,604	\$ 112,280

**CASA proposed BVLOS exam fees include GST*

Regulatory charging rates are published on CASA's [website](#).

4. RISK ASSESSMENT

CASA has reviewed the risk associated as part of the policy proposal, operational and system change. The regulatory fee may under or over recover costs associated with the forecast volumes. A contributing factor maybe that the

costs, time and volumes of the services have not been accurately forecast. To reduce this risk, CASA will annually review the methodology of determining the costs, time and volume drivers.

CASA has assessed the charging risk assessment (CRA) as a medium-risk rating for the regulatory implementation of the BVLOS exam. The expected revenue for BVLOS exams is \$112,280 in 2023-24, volume of 1,604 applicants and a charge of \$70 including GST per exam.

5. STAKEHOLDER ENGAGEMENT

Communication with stakeholders is an essential part of developing the CRIS, with adherence to CASA's *Statement of Expectation*. Consultation and communication with the aviation community are an important part of CASA's activities. CASA's effectiveness relies on engagement with the aviation community and other stakeholders. CASA participates in consultative forums and supports specialist expert panels to facilitate industry engagement.

Industry Engagement

The RPAS industry was consulted on the future exam and standards for BVLOS operations with formal consultation opening on 7 December 2022 and closing on 17 January 2023. The outcome of this consultation was that 66.41% agreed to the pricing decision, 16.41% were neutral to any charge, and 17.18% disagreed. The overall consultation was positive.

6. FINANCIAL ESTIMATES

	Budget	Forward Years		
	2022-23	2023-24	2024-25	2025-26
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Expenses	210,497	221,867	228,581	228,909
Revenue	192,376	199,810	173,974	174,500
Balance	(18,121)	(22,057)	(54,607)	(54,409)
Cumulative balance	(18,121)	(40,178)	(94,785)	(149,194)
Explain material variance	CASA is budgeting for operating deficits across the forward estimates due to the appropriation funding provided through the Australian Airline Financial Relief package ceasing at the end of 2023-24 and forecast revenue from fuel excise remaining well below 2018-19 levels.			
Explain balance management strategy	CASA's future funding will be determined by Government in due course.			

In addition, the volatility of aviation fuel excise revenue receipts results in revenue fluctuations which impact CASA's financial position. CASA is anticipating an \$18.1 million operating deficit in 2022-23 based on conservative estimates of aviation fuel excise receipts following the COVID-19 pandemic. During the current financial year, CASA has seen an uplift in excise collection and anticipates future forecast updates provided from Government will reflect the improved position.

7. PERFORMANCE

7.1 FINANCIAL PERFORMANCE

Historical Financial Performance

	2016-17 (\$'000)	2017-18 (\$'000)	2018-19 (\$'000)	2019-20 (\$'000)	2020-21 (\$'000)	2021-22 (\$'000)
Expenses	173,449	179,860	187,020	200,705	193,047	201,648
Revenue	180,346	180,370	183,546	188,306	209,253	218,758
Balance	6,897	510	(3,474)	(12,399)	16,206	17,110
Cumulative balance	6,897	7,407	3,933	(8,466)	7,740	24,850

7.2 NON– FINANCIAL PERFORMANCE

Refer to section 5.3, set out in the current *CRIS*.

8. KEY FORWARD DATES AND EVENTS

Next Scheduled Event	Description	Date
Endorsement of the addendum CRIS	CEODAS/Board endorsement of the addendum CRIS	10 March 2023
Minister approval of addendum CRIS	Approval of addendum CRIS by the DITRDCA	24 March 2023
New fee come into effect	Commencement of new fee	17 April 2023

9. CRIS APPROVAL AND CHANGE REGISTER

Date of CRIS change	CRIS change	Approver	Basis for change
March 2023	Certification of the CRIS	Board, CASA	Addendum CRIS for BVLOS exams
March 2023	Agreement to the CRIS	The Hon Catherine King MP	Addendum CRIS for BVLOS exams