

Civil Aviation Authority (CAA)

AW02 – Revised Guidance for Oversight of Subcontractors

RPC rating: Validated

Description of proposal

The CAA undertakes regular surveillance audits of all organisations holding CAA approval for the manufacture and release of aircraft parts. The results are reviewed for trends and common themes to identify areas for improvement. ‘Supplier control’ has remained consistently one of the most common areas of non-compliance. As a result, expanded guidance has been published to assist organisations in demonstrating this requirement. The guidance includes two changes intended to support the CAA’s Risk-Based approach to regulation:

1. A provision of a statement to the CAA where risk levels to the supply chain has changed to enable the CAA to determine the level of surveillance audits to be carried out.
2. Adjustments to the number of audits of suppliers which must be witnessed by the CAA, so that they reflect the risk inherent in a given supply chain more effectively.

Impacts of proposal

The proposal applies to 170 businesses and to activities ranging from the manufacture of complete aircraft and engines to release of individual components.

Under the new approach, the requirement for oversight and in particular for on-site audits of an activity will be proportionate to the risk associated with that activity. All 170 organisations will therefore need to undertake a risk assessment and provide the CAA with a statement of the level of risk associated with the supply chain for its activities. The assessment will be repeated whenever there are changes to the supply chain. Based on ASHE data and the CAA’s own experience of such assessments, it estimates a total one-off cost of £20,400 and an ongoing cost of £2,550 every two years.

With regard to the level of on-site witnessed audits:

- 100 organisations are currently rated as green (that is, in compliance). The proposal will reduce the number of CAA witnessed oversight visits for these organisations, which will take place within the UK. The CAA estimates that

this will save one day of staff time per business over the two-year inspection cycle, creating a total saving of £12,000 per annum.

- 15 organisations are currently rated as RED (where there are compliance concerns). Under the proposal, the CAA will carry out up to two additional witnessed audits per organisation over the two year cycle. These will cover overseas suppliers and will therefore create travel costs for CAA (estimated at £5000 per visit) which it will pass to the businesses concerned. There will also be resource costs for the organisations as a result of the need to prepare for additional visits. The CAA estimates the total costs of the additional visits at £76,800 per annum.
- For the remaining 55 organisations (which are rated AMBER) there is no change to the planned schedule of visits.

Familiarisation costs

The assessment states that the industry has been involved in developing the new process. However it is assumed that the Quality Manager in each organisation will read and update the guidance which is 7.5 pages containing 3,600 words. Using standard assumptions about reading speeds and ASHE data, the CAA estimates total one-off familiarisation costs of £2,550.

The RPC verifies the estimated equivalent annual net direct cost to business (EANDCB) of £0.1 million. This is a qualifying regulatory provision that will score under the business impact target.

Quality of submission

As initially submitted, the assessment was not fit for purpose, as it did not provide a clear and complete statement of the changes and any associated costs and benefits.

The revised assessment clarifies some contradictory points and presents a clear and logical statement of the planned changes. The CAA also notes that these proposals were introduced following external consultation and support from the industry.

It also includes some costs which were previously omitted – in particular familiarisation costs and the costs of ongoing updates to the risk assessments provided by affected organisations.

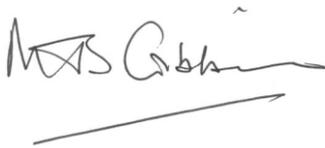
Departmental assessment

| | |
|----------------|---------------------------------|
| Classification | Qualifying regulatory provision |
|----------------|---------------------------------|

| | |
|--|-------|
| Equivalent annual net direct cost to business (EANDCB) | 0.1 |
| Business net present value | -0.59 |

RPC assessment¹

| Classification | Qualifying regulatory provision |
|------------------------------|---------------------------------|
| EANDCB – RPC validated | 0.1 |
| Business impact target score | 0.5 |



Michael Gibbons CBE, Chairman

¹ For reporting purposes, the RPC validates EANDCB and BIT figures to the nearest £100,000