

**FOR PUBLICATION**

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**CIVIL AVIATION AUTHORITY  
MINUTES OF 382ND BOARD MEETING HELD ON WEDNESDAY  
7 DECEMBER 2005 AT 10.30 AM**

**Present:**

**Sir Roy McNulty Chairman**

**Mr J R Arscott**

**Mr M J Bell**

**Dr H Bush**

**Mr R T R Jackson**

**Miss C Jesnick**

**Mr J Keohane**

**AVM Moran**

**Mr R P Mountford**

**Mr R Swainson**

**Capt R O Whitefield**

**Mr R J Britton**

**Secretary & Legal Adviser**

**In Attendance:**

**I Presentation.**

1. The meeting opened with a presentation by Mr Mountford, Chairman of CAAPS, Mr Emly, Investment Director CAAPS and Mr Perry, Secretary of CAAPS.

**II Minutes of the Previous Meeting and Matters Arising.**

2. The Minutes of the Meeting held on 16 November 2005 were approved and signed. On the action points arising:

- ASSI Presentation – Mr Swainson confirmed that the company's presentation will be made to the CAA Board in February 2006.

**Action: Mr Swainson**

### III Chairman's Opening Remarks.

3. The Chairman reported on the following matters:

- Edinburgh Conference – the Conference had been successful and the CAA's profile had been enhanced. The Commission have agreed to put on a follow-on Conference in the first half of 2006.
- Transport Select Committee Inquiry – the CAA's written evidence to the Inquiry was submitted on 1 December. The Committee will be visiting Aviation House Gatwick on 12 December.
- Non-Executive Member Appointment – the Secretary of State has appointed Dr Catherine Bell, currently acting head of DTI, to succeed Roy Swainson on 1 April 2006.
- DfT Management Changes – following a review by the Office of Government Commerce, DfT are making a number of senior management changes.

### IV Directors' Reports:

#### **ERG – Doc 2005/105 by Dr Bush.**

4. Dr Bush reported on the following highlights:

- EU/US Talks – Alex Plant has attended negotiations in both Brussels and Washington. Progress is being made but the key issue of ownership and control remains outstanding. The Secretary of State has taken the line that nothing can be agreed until everything is agreed. No decision is likely to be forthcoming before mid-2006.
- Single European Sky – the latest draft of the Commission Regulation laying down a common charging scheme preserves the UK system of economic regulation for ANSPs and indicates exemptions based on a size threshold.
- Airports Regulation – on 9 December BAA will be publishing their costed plans for Stansted development. CAA will be publishing its first major policy paper on the price control review on 20 December.
- NATS Price Control – the Board Panel confirmed the decision on NATS price controls for 2006-2010 at its meeting on 24 November. NATS have formally consented to the modifications of the relevant conditions in its licence. CAA's decision was published on 1 December. The Chairman congratulated ERG on the successful completion of this task.

5. The Board noted the Report.

#### **CPG – Doc 2005/106 by Mr Jackson.**

6. Mr Jackson reported on the following highlights:

- Reform of ATOL Bonding – consultations have started with key industry representatives on options for replacing bonds with the ATT levy.
- Cruise Promotions – payment of customer claims is now under way. Leading Counsel's Advice has been taken on the extent of credit card issuers' liability under Section 75 of the Consumer Credit Act 1975. Recent case law suggests that whereas credit card issuers had previously been liable only where payment had been made to the tour operator which failed, their liability now extended to cases where customers paid a retail travel agent for their holiday. This change in the law will need to be reviewed with the industry.

**Action: Mr Jackson**

- Air Wales Limited – the principal shareholder has confirmed that a thorough review of the airline's operations and business plan was being undertaken.
- Helios Airways – this Cypriot airline is closely linked with Libra Holidays, a UK ATOL holder. Miss Jesnick reported that a Helios aircraft had been detained by CAA at Luton on 6 December for unpaid navigation service charges due to NATS. The charges had been paid and the aircraft had been released.

7. The Board noted the Report.

**SRG – Doc 2005/107 by Mr Bell.**

8. Mr Bell reported on the following highlights:

- EASA:

*Extension of Remit* – on 16 November the Commission published a proposal to extend EASA's remit to air operations, flight crew licensing and oversight of foreign airlines operating within the EU. The Secretary of State said publicly at the Edinburgh Conference that he would prefer EASA to put discharge of its current functions in order before its remit was further extended. Nevertheless, the Commission has announced plans to extend EASA's remit to air traffic management and airports by 2010. Rulemaking activity on these functions by EASA officials has already commenced.

*Management Board* – the Board is meeting on 13 December to consider a crisis budget proposal. The proposal envisages delaying certification work which will have the consequence of delaying key European projects such as the A350. The UK is endeavouring to enlist support to reject the proposal.

*Industry Conferences* – EASA had held an industry Conference contemporaneously with CAA's Edinburgh Conference. Industry was unanimous in complaining about EASA's delays, lack of

response from its officials and its cost. Similar complaints had been made by industry at a DfT/industry meeting. British Airways, Rolls Royce and even Airbus were complaining about the EASA delay problem which was now imposing significant costs.

- European Blacklist – the European Parliament had issued a press notice publicising the introduction of an EU-wide blacklist of airlines which did not meet mandatory safety requirements.
- DGTREN – the current Director General, M Lamoureaux, will be leaving. He is being replaced by Mr Ruete who was formerly in charge of the Trans European Networks Programme.

9. The Chairman reported that he is due to meet Mr Thilo Schmidt, Chairman of the EASA Management Board, to impress upon him the need for drastic action to secure improvement in EASA's performance.

10. The Board noted the Report.

**DAP – Doc 2005/108 by Mr Arscott.**

11. Mr Arscott reported on the following highlights:

- Single European Sky – the Single Sky Committee working group on charges is due to meet on 14 December. The UK will keep up the pressure to secure the proposed increase in exemption thresholds.
- UK-Ireland FAB – CAA and IAA regulators have met to discuss progress. However the two Governments will need to engage on a number of difficult issues including sovereignty and liability, charging and military use of airspace.
- Mixed Mode – the NATS study has been delivered to BAA. The Government intend to consult extensively. AVM Moran commented that the MoD were investing significantly in Northolt facilities. The airfield had a high political profile and the Government wish to retain the facility. MoD would need to make its position clear at an early stage. Mr Bell raised the issue of greater wake vortex separation distances for the A380 than for the B747. This could counteract any capacity benefits arising from mixed mode.
- Airspace Change Proposals – revisions to Edinburgh Airport airspace took effect on 24 November. Airspace changes for West End should be implemented on 16 March. Consultations are taking place on changes to Luton airspace.
- Cave Review – the report on public sector spectrum holdings was published with the Chancellor's pre-Budget report on 5 December. The Chancellor's statement was agreed

with DfT, MoD and HMT. Assurances for protection of the aviation spectrum have been given.

12. The Board noted the Report.

**November Audit Committee – Oral Report by Mr Mountford.**

13. Mr Mountford reported that the Committee had decided to instruct PricewaterhouseCoopers to carry out a review of the effectiveness of internal audit as required by best practice. With regard to the Annual Report & Accounts for 2005/2006, there was a need to converge with International Accounting Standards but this should have no impact on the Accounts. However, FRS17 pension reporting requirements now had to appear in the Accounts. Previously a note to the Accounts had been sufficient. A Working Group had been set up to work on the financial and operating review statement previously stipulated by DTI but which was abolished by the Chancellor in his pre-Budget speech. However, it is likely to be replaced by a business review statement, the form of which is not yet certain.

14. The Board noted the Report.

**V Legal Report – Doc 2005/109 by the Secretary.**

*HIAL and CAAPS*

15. Mr Britton reported that the Deed of Settlement between the Trustees of CAAPS, the CAA, Hewitt Bacon & Woodrow Limited, Rodney Benjamin (Scheme Actuary), Highlands & Islands Airports Limited and the Trustees of the Highlands & Islands Airports Pension Scheme had been completed and exchanged between the parties. The dispute was therefore concluded.

*Charges for Air Services*

16. The Board approved the making of the CAA (Denmark and Iceland Charges) Specification 2006 which introduces revised charges for air navigation services provided by the Governments of Denmark and Iceland and ICAO from 1 January 2006.

17. The Board approved the making of the CAA (Eurocontrol Charges) Specification 2006 which introduces revised Eurocontrol rates from 1 January 2006.

18. Both Specifications will be published in the London, Belfast and Edinburgh Gazettes as required by the Transport Act 2000.

**Action: Mr Britton**

19. The Board noted the Report.

**VI Human Resources Report – Doc 2005/110 by Mr Townsend.**

20. Mr Townsend reported on the following highlights:

- Investors in People – the one CAA IIP assessment should be achieved shortly.
- HR Steering Group – pay options for 2006 for staff covered by collective bargaining arrangements have been discussed. The main aim is to move all CAA staff onto one grading structure by 1 April 2006.
- Personal Contract Staff – overall performance indicators have been developed as part of the reward strategy and the overall performance of each PCS member will be discussed and agreed at meetings in January and February.

21. The Board noted the Report.

#### **VII Environmental Report – Doc 2005/111 by Mr Arscott.**

22. Mr Arscott presented the paper outlining recent developments relating to environmental issues and aviation. On emissions trading, the CAA supported the UK Government's view that this was the most efficient means of aviation addressing its environmental impact but the scheme had not really moved forward. ERCD had played a leading role in creating noise modelling methodology to ensure compliance with new requirements for computing noise contours around civil airports. The Government had completed its second stage of consultation on night restrictions at London airports. BAA would shortly be publishing their consultation document on four options for the location of a second runway at Stansted.

23. To improve reporting efficiency to the Board, it was agreed that the annual update on environmental issues should be combined with the reports from the Aviation Environmental Working Group produced by Gp Capt Wragg. The Board Paper would be sponsored by Miss Jesnick.

24. The Board noted the report.

#### **VIII Business Plans:**

**ERG – Doc 2005/112 by Dr Bush.**

**CPG – Doc 2005/113 by Mr Jackson.**

**SRG – Doc 2005/114 by Mr Bell.**

**DAP – Doc 2005/115 by Mr Arscott.**

25. The Business Plans were presented by the Group Directors. For ERG, Dr Bush said that the principal issues were the intensive work on airport quinquennial reviews, Air Transport White Paper issues and the increasing time spent on European matters. There were now good contacts with the Commission which enables ERG to be more effective in Europe than in the past. Changes had been made to the ERG charging structure which had attracted some

opposition from airport operators. Dr Bush agreed to explain IT spend in a note to the financial resources table.

**Action: Dr Bush**

26. For CPG, Mr Jackson said that the main issues were modernisation of the ATOL system and reform of ATOL bonding so that it is less burdensome on tour operators, the forthcoming levy powers in the Civil Aviation Bill and new consumer policies proposed by the European Commission. CPG was developing a new IT system to maximise efficiency throughout the Group.

27. For SRG, Mr Bell drew attention to the new SRG Goal which “in partnership with industry is to develop our UK world class aviation safety environment by driving continuous improvement in aviation safety”. The most significant management issue would be to manage the reducing manpower requirement as EASA’s role became clearer.

28. For DAP, Mr Arscott said that the main challenge was Single European Sky where the UK model was different to other Member States. This made negotiations difficult. Environmental issues were generating a huge amount of work. There will be a DAP review which will change the shape of DAP and bring in more efficiencies. Mr Arscott agreed to add a footnote on IT expenditure.

**Action: Mr Arscott**

29. The Board endorsed the Business Plans.

**ASSI Business Plan and Budget 2006/2007 – Doc 2005/116 by Mr Swainson.**

30. Mr Swainson said that following discussions with Mike Smethers, DfT’s Director on the ASSI Board, it had been agreed that the ASSI Business Plan would again look forward three years rather than the usual five. The reason for this was the important debate about ASSI’s future role and funding. The issue of ASSI’s duration and financing would be discussed at the company’s Board meeting in January. Miss Jesnick said that it was important that DfT should not see CAA as the source for future funding of the company’s activities.

31. The Board approved the submission of the ASSI Business Plan and Budget to the Secretary of State for approval by 31 December as required by the CAA (Overseas Territories) Directions 2003.

**Action: Mr Britton**

**IX Any Other Business.**

**(i) Agenda Plan Update.**

32. January 2006 – add presentation by AVM Moran.

June 2006 – add airports review and Air Transport White Paper review by Dr Bush.

**(ii) Rendition Flights by US Authorities.**

33. In response to Capt Whitefield's question, Mr Britton confirmed that these were not an issue for CAA. An amendment to the Civil Aviation Bill obliging the Secretary of State to require the aircraft involved to land at a designated suitable airport had been proposed in the House of Lords which the Government were opposing.