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**CIVIL AVIATION AUTHORITY
MINUTES OF 373RD BOARD MEETING HELD ON WEDNESDAY
2 FEBRUARY 2005 AT 10.30 AM**

Present:

Sir Roy McNulty	Chairman
Mr J Arscott	
Mr M Bell	
Dr H Bush	
Mr R T R Jackson	
Miss C Jesnick	
Mr J Keohane	
Capt D Lusher	
Mr R P Mountford	
Mr R Swainson	
AVM Walker	
Mr R J Britton	Secretary & Legal Adviser

In Attendance:

Mr R Townsend
HR Director

Miss C Brown
Director Corporate Communications

I Minutes of the Previous Meeting and Matters Arising.

1. The Minutes of the Meeting held on 16 December 2004 were approved and signed.
 - DfT Sponsorship of CAA – Agenda item.
 - Industry Data – Dr Bush confirmed that industry data was available for cross-CAA

purposes.

- ASSI Business Plan and Budget 2005/2006 – the Secretary confirmed that the Secretary of State's approval had been received.

II **Chairman's Opening Remarks.**

2. The Chairman reported on the following matters:

- Second Term Priorities – Miss Jesnick will oversee the productivity and cost control initiatives, and the HR initiatives in conjunction with Mr Townsend and the Group Directors.
- Indian Ocean Tsunami – on behalf of the Prime Minister, the Secretary of State had written to the Chairman to thank the CAA for its assistance in dealing with the necessary exemptions to enable relief operations to be carried out. The Board conveyed its thanks to Alex Plant and his team in ERG who put in a lot of effort over the Christmas period.
- Reorganisation of CAD – Ann Godfrey is to head DfT's new Air Traffic Division which will have a Domestic and a European branch. Sandra Webber will head the new Aviation, CAA and Consumers Division on a three day a week basis.
- EASA – the Chairman had visited the Commission for a briefing prior to the visit with Mr Kelleher and David McMillan to EASA. The Chairman made the point to M Goudou that EASA needed to work closer with NAAs on a number of issues. The meeting seemed to go well but the minutes of the meeting have yet to be cleared. They will be circulated to the Board when ready.

The Chairman suggested the possibility of a secondment to DfT to deal with EASA matters.

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III **Directors' Reports:**

ERG – Doc 2005/1 by Dr Bush.

3. Dr Bush reported on the following highlights:

- EU/US – the Commission has formed a small group, including Alex Plant, to consider text to present to the US on some key clauses on market access, ownership and regulatory convergence. The talks may resume in the Spring.
- Regional Air Services – ERG's study on regional air services was completed in December

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with a visit to the North East. The draft report has been considered by ERPC and sent to DfT. The paper will be published to coincide with a KPMG conference on regional airports which is due to take place on 23 February.

- Slots – ERG had a meeting with Sir John Vickers, Chairman of OFT, to share views on how best to take this forward and influence the debate. The meeting confirmed that there is common ground between OFT and CAA. ERG will continue to work with OFT on a joint paper on possible additional competition measures which will be presented to the next plenary meeting of the European Competition Authorities in April.
- Airports Regulation – the review of responses document was published on 20 December. This dealt with the proposal that airports and airlines can take more responsibility for discussing key elements of the price control review. Discussions are being held with the main stakeholders. A document containing worked up proposals will be published in March.
- NATS Price Control – the initial proposals for the revised price controls on NATS' Eurocontrol and Oceanic businesses were published on 13 December. The proposals have been generally well received. The consultation period ends on 28 February.

4. In discussion of regional air services, Members noted the problems of congestion caused by airline start-up operations and the impact on the aviation infrastructure. Mr Arscott is due to present a paper on North East airspace to the March meeting of the Board when this topic will be debated again.

5. Board noted the Report.

CPG – Doc 2005/2 by Mr Jackson.

6. Mr Jackson reported on the following highlights:

- Future of Holiday Protection – Ernst & Young gave a presentation to a group of airlines and tour operator representatives on 17 January showing the methodology being used. Ernst & Young are now in a position to calibrate the model and the outcomes will be presented as a range of costs and benefits of various options for repatriation and refund. It is planned to hold another meeting with industry on 9 February. DfT are engaged in the process.
- Definition of a Package – further discussions have been held with ABTA on the draft

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Guidance Note.

- Reynard C T/A Skiing Europe – Mr Reynard is challenging CAA's decision to refuse his application for an ATOL in the Yeovil County Court.

7. The Board noted the Report.

SRG – Doc 2005/3 by Mr Bell.

8. Mr Bell reported on the following highlights:

- EASA:

Fees and Charges Regulation – this is now expected to come into force on 1 April 2005. Cross subsidy principles are espoused in the draft Regulation.

Mandatory Requirements – EASA have now accepted virtually all the remaining UK Additional Requirements for Import and Additional Airworthiness Directives. Agreement to resolve all items is due by the end of February.

Staff Levels – 100 staff were employed by EASA at the end of December. An additional 100 staff are to be recruited by the end of 2005. In parallel JAA staff have reduced from 58 at the beginning of 2004 to 32.

- EU-OPS – CAA is now able to support the EU proposal on the basis that it permits Member States to add more restrictive limitations where appropriate. The limitations set out in CAP 371, the Avoidance of Fatigue in Aircrews, will therefore remain.

- Microlight Regulation – AAIB have raised a number of queries relating to the structure and organisation of the British Microlight Aircraft Association following a fatal microlight accident. The focus was on the role and qualifications of microlight inspectors. However the current accident rate and corresponding level of risk does not at present warrant further tightening of the existing regulatory arrangements.

- SRG Safety Plan 2005 – for the first time, this will be published as an external document and will be available on the website.

9. The Board noted the Report.

DAP – Doc 2005/4 by Mr Arscott.

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10. Mr Arscott reported on the following highlights:

- Single European Sky – the next meeting of the Single Sky Committee is in March at which the Charging Rules will be discussed. The December SSC meeting considered the Common Requirements in detail and a number of improvements were obtained, in particular the removal of target levels of safety. However, 10,000 commercial ATMs remains the threshold. A co-ordinated UK response has been submitted to the formal consultation on the three draft Interoperability Implementing Rules. The drafts are not acceptable in their current form. The Chairman will discuss this matter further with Mr Arscott.

Action: Chairman

- Clacton Judicial Review – the CAA's evidence is being prepared for filing with the High Court by mid-February. The hearing date is likely to be towards the end of July.
- SADIS – the satellite distribution system for Met information forms part of the Met Office contract. Data is now progressively moving to the Internet. A one year extension to the current contract has been agreed during which time future distribution arrangements will be examined.

11. The Board noted the Report.

IV Legal Report – Doc 2005/5 by the Secretary.

Bond Administration Bank Account

12. The Board unanimously adopted Resolution No 121 to continue the interest bearing account at the National Westminster Bank Bloomsbury Branch for CPG bond administration purposes only, to authorise any two persons on Grade ML5 and above in CPG to draw cheques on the account and to authorise Mr Jackson and Mr Moesli to act as representatives of the CAA for the purposes of giving and receiving any notices. The Board further resolved to revoke Resolution No 87 made on 15 November 2000. A copy of the Resolution is attached to these Minutes.

BACS Payment Clearing Services

13. The Board unanimously adopted Resolution No 122 to authorise Miss Jesnick and Mr Simon Baker, Head of Finance, to sign on behalf of the CAA the BACS/BACSTEL-IP services application form and to permit Mr Baker and Mr Paul Hyland, Financial Controller, to operate on the

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CAA's account kept at the Bank to access and to use the BACS/BACSTEL-IP services. A copy of the Resolution is attached to these Minutes.

CAAPS

14. The Board noted the consolidation of the provisions of the Scheme as at 31 December 2004 and authorised the Secretary to seal the new Trust Deed on behalf of the CAA.

V Financial Report – 9 Months Ended 31 December 2004 – Doc 2005/6 by

Miss Jesnick.

15. Miss Jesnick reported on the following highlights:

- Financial Commentary – income remains buoyant with all the Charges Schemes above budget except for CPG's. Costs remain under control and are below the budgeted level. CAA's net profit at 31 December 2004 was £8,270k as compared to a budget of £1,990k. A revised forecast for the year end will be included in the March report.
- One Kemble Street – NATS have paid in full their contribution towards dilapidations costs. The refurbishment works are going well and are currently ahead of schedule.
- Kingsway Block – Miss Jesnick presented proposals for refurbishing the now vacant 1st and 2nd floors in Kingsway Block to the same standard as the Tower Block to enable the space to be let. The Board approved the refurbishment of these floors.

16. The Board noted the Report.

VI Human Resources Report – Doc 2005/7 by Mr Townsend.

17. Mr Townsend reported on the following highlights:

- Employment Relations – 12 employees have been appointed as formal employee representatives. Eight were directly appointed and four were appointed following elections. They will attend a training workshop together with the TU representatives and managers who will be taking part in the new employment relations forums.
- Equal Pay – the joint review with the Trade Unions on equal pay was presented to ExCo in January and endorsed.

18. The Board noted the Report.

VII Corporate Communications Review – Doc 2005/8 by Miss Brown.

19. Miss Brown introduced the Paper which updated the CAA's communication

activities and their impact on CAA's reputation and profile since the previous report to the Board at its December 2002 meeting. Miss Brown referred to the technological improvements in CAA's media relations activities including upgrading the CAA website and the introduction of media measurement analysis. This showed that CAA had achieved a 60% increase in positive media coverage and a 57% decrease in negative media coverage in 2004 compared with 2003. To improve CAA's profile with politicians, CAA's Parliamentary Bulletin is issued biennially to all MPs and to Peers with an aviation interest. The Waterfront contract has been renewed from the beginning of 2005 and this has now been extended to enable CAA to use Waterfront's new European resource within the existing charging arrangements. In this connection, Waterfront has appointed a former MEP and a senior member of the European Parliament's Transport Committee as an associate director. Speaking opportunities for the Chairman have been sought to raise the CAA's profile. Internal communications have been improved by the introduction of OnAir.

20. In discussion of the Paper, Members commented favourably on the increased involvement in the regions. A good example of this was the recent Single European Sky conference held in Manchester. The need to influence European opinion formers was raised. While Waterfront's new European resource was of value, particularly when dealing with MEPs, the Board recognised that the executive directors would have the best European contacts in their respective fields. This had been demonstrated in the Single European Sky debate where CAA had been influential. The Chairman is to meet Waterfront to discuss European issues.

Action: Chairman/Miss Brown

21. Members recognised that it was important that CAA should get across its key messages. For this purpose, documents needed to be written in plain English avoiding the over-use of technical jargon which had been a failing in the past. In the event of an election this year, a presentation on CAA matters should be offered to the new Transport Committee and other relevant Parliamentary Groups.

22. The Board approved the recommendations set out under The Way Forward in the Paper.

VIII Staff Survey 2004: Results – Doc 2005/9 by Mr Townsend.

23. Mr Townsend presented the Paper summarising the key results of the 2004 CAA staff survey and comparing the results both with the 2002 survey and against benchmark organisations. Feedback was generally positive with no particularly difficult issues. The low score on cross group collaboration was disappointing but this probably stems from the fact that only small numbers of staff are involved. Successes in this area should be publicised. Pointers to areas where improvements can be made include a commitment to move to a single pay structure and bonus scheme as soon as possible, communication training courses for managers and creating opportunities to provide clarity about where the CAA and individual Groups are going.

24. The Board noted the contents of the Paper and the primary areas for actions and initiatives agreed by ExCo.

IX Reward Strategy – Doc 2005/10 by Mr Townsend.

25. Mr Townsend presented the Paper which had been considered by both ExCo and the Remuneration Committee. The Paper gave an update on progress to date and summarised the main features of the strategy.

Action: Mr Townsend

26. In discussion of the Paper, Mr Mountford referred to removal of the current earnings cap for pension purposes and its replacement by the lifetime allowance on 1 April 2006. Miss Jesnick confirmed that the Pension Simplification Working Group was looking at this and other issues arising out of the legislative changes.

27. The Board noted the content of the Paper and endorsed the next steps for implementation of the reward strategy.

X DfT Sponsorship of DfT – Doc 2005/11 by Miss Jesnick.

28. Miss Jesnick presented the Paper which took into account the comments made at

the December meeting of the Board. The Paper had been sent to DfT. The actions to take were set out at Appendix 1 of the Paper. Dr Bush suggested that there be further consideration on retaining the rate

of return. The Chairman commented that DfT wished to revisit the subject of performance measures and to carry out an efficiency benchmarking exercise.

29. The Board agreed with the recommendation to continue to discuss the implementation of the Sponsorship Statement with the DfT as set out in the Paper.

XI Any Other Business.

(i) Agenda Plan Update.

30. April 2005 – SRG Costs and Charges Review – Final Report (from March).

June 2005 – SRG Charging Proposals 2005/2006 (from May).

September 2005 – ASSI Audit Report.

(ii) Health and Safety and Internal Environmental Matters.

31. The Board agreed that Capt Lusher's successor should take on responsibility for these matters.

(ii) Freedom of Information Act.

32. Dr Bush referred to consideration by the joint regulators group of treatment of Board Minutes for the purposes of freedom of information. The Board agreed that the CAA should adopt best practice

The next Meeting of the Authority will be held at 10.30am on Wednesday 2 March 2005 in Conference Room 1