

FOR PUBLICATION

**CIVIL AVIATION AUTHORITY
MINUTES OF 398th BOARD MEETING HELD ON WEDNESDAY
16 MAY 2007 AT 10.30 AM**

Present:

Sir Roy McNulty

Chairman

Mr J R Arscott

Dr C Bell

Mr M J Bell

Dr H Bush

Mr R T R Jackson

Miss C Jesnick

Mr J Keohane

Mr R P Mountford

Capt R Whitefield

Mr R J Britton

Secretary & Legal Adviser

In Attendance:

Miss C Brown

Director Corporate Communications

Mr M Smethers

Director European & International Strategy

Mr R Townsend

HR Director

Mr R Taylor

Head of Air Traffic Standards Department, SRG

For Item VII

Apologies for absence were received from AVM Anderson.

I Minutes of the Previous Meeting and Matters Arising.

1. The Minutes of the Meeting held on 25 April 2007 were approved and signed. On the action points arising:

- Charges for Air Services – included in the Legal Report.
- Aviation Environmental Policy Committee Chairmanship – the Chairman said that he would aim to decide on this appointment in June.

Action: Chairman

- Year End Report & Accounts – Miss Jesnick reported that the external auditor had confirmed that there were no issues requiring an audit clearance meeting before the final Accounts were presented for signature at the June Board.
- JANSC Report – Mr Arscott confirmed that he will be submitting the Report to the DfT and MoD.

Action: Mr Arscott

II Chairman's Opening Remarks.

2. The Chairman reported on the following highlights:

- ODA – the Chairman reported that he will continue as Acting Chairman of the ODA until September when Mr John Armitage takes over the post and will then become Deputy Chairman.
- CAA Working Group on Organisation – at the meeting on 1 May the terms of reference for DfT's strategic review had been discussed. The Chairman is to meet David McMillan and Sandra Webber next week to discuss the scope of the review. The draft terms of reference will be submitted for consideration. DfT want to complete the review in six months. It will be important to find a proper balance between addressing properly all the important topics worthy of review, without allowing the scope to expand greatly or divert attention from carrying out the CAA's business. The Chairman confirmed that he would circulate draft terms of reference to those Members of the Board who were not on the Working Group.

Action: Chairman

- Commission Meeting – the Chairman and Mr Smethers are due to meet Mr Calleja, Director Air Transport Directorate and Mr Reute, DG TREN next week.
- Transport Select Committee Inquiry into Passengers' Experience of Air Travel – Mr Bell, Dr Bush and Mr Jackson will be appearing before the Committee this afternoon.

III Directors' Reports:

ERG – Doc 2007/49 by Dr Bush.

3. Dr Bush reported on the following highlights:
 - EU/US – following approval of the EU-US Air Services Agreement, it has become increasingly difficult to maintain the required regulation of fares under the current bilateral arrangements.
 - Competition Commission – ERG are heavily engaged with the Commission following submission of the Heathrow and Gatwick price control references. The first hearing took place on 27 April. Separate hearings are being held on the market study of BAA airports. A hearing is planned for 28 June which Dr Bush will lead.
 - EU Directive on Airport Charging – ERG has held a number of bilateral meetings with European counterparts and stakeholders. DfT and ERG officials are due to meet the Parliament Rapporteur and key MEPs in June. ERG's priority is to ensure that the proposals provide sufficient flexibility for action to be taken on the basis of market power rather than a one size fits all approach.
 - Manchester Quinquennial Review – it is intended to publish a summary of the responses to the policy consultation document at the end of May. The majority of airline responses were opposed to any de-designation of Manchester.
4. The Board noted the Report.

CPG – Doc 2007/50 by Mr Jackson.

5. Mr Jackson reported on the following highlights:
 - Reform of Bonding – CPG has been informed by DfT that for better regulation purposes the proposal will need to undergo a cross-Government approval process before going to Ministers. This has the potential to delay the process by a minimum of two weeks. Any delay would imperil the 1 April 2008 start date.
6. The Board noted the Report.

SRG – Doc 2007/51 by Mr Bell.

7. Mr Bell reported on the following highlights:
 - General Aviation Awards 2007 – this event was going from strength to strength. The calibre of the nominations was one of the highest of recent years. The event is very positive for CAA's relations with General Aviation. Mr Bell thanked Clare Brown and her

team for their efforts in making the event a success.

- Deregulation of Single Seat Microlights – Ministers had agreed to the CAA's recommendation that single seat microlights should not have to comply with airworthiness requirements. Rather than wait for an amendment to the Air Navigation Order to come into force, the CAA had issued an exemption to allow the deregulation to take effect immediately. The conditions of the exemption prohibit overflight of congested areas.
- Heathrow VCR – the new Visual Control Room at Heathrow was successfully introduced into service on 21 April. A seamless transition from the former VCR was achieved. Electronic flight progress strips have at long last replaced the traditional paper strips used by controllers for the last 50 years.

8. The Board noted the Report.

DAP – Doc 2007/52 by Mr Arscott.

9. Mr Arscott reported on the following highlights:

- UK/Ireland FAB – Mr McMillan is due to meet his Irish counterpart to discuss progress.
- Single Sky Committee – the meeting on 26 April had formally adopted ESARR 1 establishing a national safety oversight function. Useful debates had been held on the PRCs recent report on the impact of SES on ATM performance and progress being made by the High Level Group. The latter have reached a crucial stage in their deliberations on future European aviation regulation structures.
- SESAR – progress on production of the new version of the concept of operations continues to be disappointing. No clear single solution had been offered. ANSPs are excluded from the process.
- Air Transport White Paper – meetings of the Aviation Programme Board and the Heathrow Project Board had been held in April.
- Public Attitudes to Noise Survey – following discussion at the Airspace Policy Committee, DAP will write to DfT. Mr Arscott agreed to circulate the final draft to the non-executive Members.

Action: Mr Arscott

10. The Board noted the Report.

IV Legal Report – Doc 2007/53 by the Secretary.

The Civil Aviation Authority (Navigation Services Charges) Specification 2007

11. Mr Britton reported that when the Board approved the making of the Specification for charges for navigation services provided by NATS Services Limited at Heathrow, Gatwick and Stansted Airports, it had been assumed that the Heathrow Control Tower Building supplement was specific to Heathrow Airport. Subsequent to publication of the Specification in the London, Belfast and Edinburgh Gazettes, NATS had pointed out that this was not in fact their intention. Charges at the three London Airports were common rated in accordance with the current contract between NATS and BAA. Accordingly, the Heathrow CTB supplement was to apply at all three London Airports.

13. The Board agreed the recommendation that an Amendment Specification be published in the London, Belfast and Edinburgh Gazettes applying the Heathrow Control Tower Building supplement to Gatwick and Stansted Airports with effect from 21 April 2007 in accordance with the request of NATS Services Limited.

Air Safety Support International Limited and CAA International Limited

14. The draft minutes of the Board meetings of the two subsidiary companies were attached to the Board Paper for information.

15. The Board noted the Report.

V Human Resources Report – Doc 2007/54 by Mr Townsend.

16. Mr Townsend reported on the following highlights:

- Secondments – the HR Steering Group had agreed that a limited number of focused secondments both into and out of CAA should be explored. This would be more profitable than the broader approach taken by some other organisations.
- Equality and Diversity Progress Update and Plans for 2007 – the HR Steering Group is to look in more detail at why the percentage of ethnic minority candidates appointed to jobs was lower than the percentage applying.

17. The Board noted the Report.

VI European and International Strategy Report – Doc 2007/55 by Mr Smethers.

18. Mr Smethers presented the Paper on the next steps for EASA. Significant progress had been made in tackling the Agency's faults. The management processes were better and the internal organisation had been improved. Organisational approvals and programme

management had been removed from the Certification Directorate and will now be dealt with under a new Deputy Director post. Work has now commenced on drawing up a Safety Strategy. There is a much greater sense of partnership with the NAAs.

19. However, the fundamental issue of insufficient resources of manpower and finance to do the job remains. Concentration on demand-led certification tasks has had an adverse impact on rulemaking, continuing airworthiness, response to accidents and occurrence reporting. Deferral of essential IT projects could lock in under-achievement and inefficiency. However, resourcing is very much a matter for the Commission, the Council and Parliament. A particular problem is that the Commission's recruitment rules are too inflexible for these technical jobs where skills are in short supply. There is no ability to pay at the market rate. This rigid approach will not be helpful in recruiting replacements for the executive directors, all of whom are due for renewal over the next two years. There are continuing concerns on governance. While the Management Board is functioning better than it did, its size makes it unwieldy and hampers the ability of the Board to provide a strategic overview. The Commission had proposed the creation of a small Executive Committee but this was disliked by the smaller Member States.

20. In discussion of the Paper, the Chairman underlined the need to get to grips with the issue of seconding people to influential jobs. The preference of the UK industry to focus on fees and charges rather than strategy and competence was unhelpful. Unless EASA can turn into a first class organisation, UK aviation would have a serious problem.

21. With regard to the recommended strategies in the key areas set out in the Paper, Mr Arcott commented that EASA's work on ATM rulemaking should be confined to safety. This was essentially a separate matter from the crucial issue of the future of Eurocontrol.

22. The Board noted the Report.

VII Review of the Safety Performance of NATS – Doc 2007/56 by Mr Bell.

23. Mr Bell introduced the sixth annual review of the safety performance of NATS area services and major NATS contracted airports since PPP. Mr Taylor presented the Paper which concluded that NATS continued during 2006 to maintain a positive safety performance. No significant safety issues had emerged during the year in which traffic levels continued to increase. Mr Taylor drew the Board's attention to the following points –

- The NATS corporate structure continued to undergo change.
- NATS had kept up with capacity demands despite the increase in traffic levels by 3.5% on

average during 2006.

- NATS had very robust investigative processes for occurrences. These were dependent on the open reporting culture that had been encouraged in NATS, unlike that in many other States.
- The NATS Safety Management System was one of the best and was a model for others.

24. The Board endorsed the Report and authorised Mr Bell to submit it to DfT.

Action: Mr Bell

XIII Replacement of ExCo with the CAA Management Committee (CMC) – Doc 2007/58 by Miss Jesnick.

25. Miss Jesnick reported that as part of the drive to bring the Executives together under the 'one CAA' banner, to improve the governance of the CAA and to make the best use of the Chairman's availability, it was proposed that the current Executive Committee be replaced by a new CAA Management Committee with effect from May 2007. The Committee would be more focused than the current ExCo. Membership will comprise the executive directors and the Committee will be chaired by the Finance and Corporate Services Director. Other members of staff would be invited to attend meetings as required. The Pensions Governance Committee and the HR Steering Group will become sub-committees of the CMC.

26. The Board endorsed the proposal and the Terms of Reference of the Committee attached to the Board Paper.

IX Any Other Business.

(i) Agenda Plan Update.

27. June 2007 – move Steria Contract Renewal to September.

The next Meeting of the Authority will be at 10.30am on Thursday 21st June 2007 in Conference Room 1 CAA House