

FOR PUBLICATION

**CIVIL AVIATION AUTHORITY
MINUTES OF 381ST BOARD MEETING HELD ON WEDNESDAY
16 NOVEMBER 2005 AT 10.30 AM**

Present:

Sir Roy McNulty
Chairman

Mr M J Bell

Dr H Bush

Mr R T R Jackson

Miss C Jesnick

Mr J Keohane

Mr R P Mountford

Mr R Swainson

Mr R J Britton
Secretary & Legal Adviser

I Presentation.

1. The meeting opened with a presentation by Mr Mike Clasper, Chief Executive Officer BAA plc and Mr Mike Toms, Director of Planning and Regulatory Affairs. Mr Clasper set out BAA's plans for development of Heathrow East and Stansted G2, the importance of a fair price control regime which did not punish success and BAA's view of constructive engagement.

II Minutes of the Previous Meeting and Matters Arising.

2. The Minutes of the Meeting held on 5 October 2005 were approved and signed.

On the action points arising:

- Presidency Powers – the Chairman confirmed that he had discussed the matter with David McMillan. The Secretary of State will be writing to Commissioner

Barrot.

- [Audit of Public Sector Spectrum Holdings](#) – Mr Britton confirmed that DAP was keeping Alex Plant of ERG closely involved.
- [Financial Report](#) – Agenda item.
- [Investors in People](#) – Mr Townsend confirmed that he had made the necessary arrangements for a meeting with Members.
- [North East Airspace Review](#) – Mr Britton confirmed that DAP will be submitting a further report to the Board in April 2006.
- [Conference on Aviation Regulation in Europe](#) – this is taking place on 17 and 18 November in Edinburgh.
- [SRG Charging Proposals 2006](#) – Miss Jesnick confirmed that the Secretary of State had now approved SRG's charging proposals which would come into force on 1 January 2006.

III Chairman's Opening Remarks.

3. The Chairman reported on the following matters:

- [Ministerial Meeting](#) – as had been widely reported, the Government had decided not to accept the CAA's recommendation for a £1 levy on all air passengers departing the UK. Karen Buck MP, Parliamentary Under Secretary of State, had defended the Government's decision before the Transport Select Committee.
- [Non Executive Member Recruitment](#) – the recruitment process for Mr Swainson's successor was currently on schedule.
- [Mr Smethers](#) – the Chairman informed the Board that Mr Smethers will be retiring as Head of DfT's International Aviation and Safety Division and will be joining CAA as Director, European and International Strategy on 30 January 2006.
- [Edinburgh Conference](#) – there is to be no presentation from the Commission on economic regulation. The Chairman is working on his speech to draw the various threads together.
- [Better Regulation Conference](#) – DfT intend to hold a seminar on 2 December.

Attendance from CAA is encouraged.

IV Directors' Reports:

ERG – Doc 2005/95 by Dr Bush.

4. Dr Bush reported on the following highlights:

- EU/US Talks – Alex Plant is attending the current round of talks in Washington. The EU have tabled ownership and control proposals but a right of establishment has not been forthcoming from the US. Relatively small changes to dilute the existing restrictions have been offered but US citizens must remain in charge of important areas such as security. It is very important to achieve a satisfactory deal not only because of its huge importance to the UK but also because any agreement will form a template for liberalisation arrangements elsewhere.
- Airports Regulation – a number of key documents are to be published shortly. On 9 December BAA will make its announcement on Stansted G2 options. On 20 December CAA intends to publish its review policy paper. ERPC is to be consulted on extending the price control on Manchester Airport for a further 12 months as permitted by Section 40(7) of the Airports Act 1986.
- NATS Price Control – the formal proposals for modifying the NATS price control conditions have now been published pursuant to Section 11 of the Transport Act 2000 and the responses are being considered.
- NATS Refinancing – NATS intend to replace £216 million of loan and overdraft facilities with an equivalent amount of new facilities but with reduced pricing reflecting NERL's improved financial position and with greater flexibility in terms of currencies and consent requirements. The cross-default provision which CAA had approved as part of the Composite Solution remains and CAA's consent is therefore required pursuant to Condition 5.19(d) of the Air Traffic Services Licence to NERL. Dr Bush confirmed that the revised documents have been analysed with the benefit of specialist legal advice and that he was content to grant the necessary consent. The Board resolved that the Secretary be authorised to sign and deliver the letter of consent. A copy of the Resolution is

attached to these Minutes.

5. The Board noted the Report.

CPG – Doc 2005/96 by Mr Jackson.

6. Mr Jackson reported on the following highlights:

- Future of Holiday Protection – as previously reported, the Government had rejected the £1 levy proposal. It was pressing for voluntary measures on repatriation. The CAA had been asked to review whether the system of ATOL bonds could be replaced with a less burdensome means of meeting tour operators' financial protection obligations. The Air Travel Trust Fund would be replenished following the enactment of the Civil Aviation Bill currently in Parliament.
- EC Regulation on Denied Boarding – Commission officials had indicated that the Commission is proposing to extend the current Regulations in 2007 to increase the levels of financial compensation payable, to extend the scope of the Regulations and to tighten up the definition of "exceptional circumstances". The proposals will be discussed with other EU Member States to try to persuade the Commission to take a more realistic approach.

7. The Board noted the Report.

SRG – Doc 2005/97 by Mr Bell.

8. Mr Bell reported on the following highlights:

- EASA:

Management Board – a revised 2005 budget had been presented to the Management Board for approval. By drawing down reserves and making accruals the budget balanced and was approved. This will enable EASA to commit to contracts with NAAs to the end of 2005. Work on the 2006 budget is proceeding through the EU machinery.

EU/US Bilateral Agreement Process: FAA Shadowing Exercise – a detailed response had been sent to Dr Lohl setting out the process, procedural and communication difficulties which had resulted in problems during the FAA shadowing exercise.

ENaCT – EASA have provided a coherent risk register for the latest ENaCT meeting in Cologne. The need for a revised salary structure to recruit the best expertise had finally been recognised. EASA confirmed its plans to outsource flight testing and software certification to centres of technical excellence and for this purpose had opened negotiations with two French bodies.

- Cessation of Continued Airworthiness Flight Testing – CAA has terminated the UK national continued airworthiness flight testing process for aircraft subject to EASA Regulations.
- Farnborough 2006 –SBAC have formed a new company to undertake the 2006 exhibition. As the regulator, SRG will be watching this development carefully.
- Heathrow 2005 Audit – a comprehensive audit of airside safety has been undertaken following a number of ground collisions and air bridge incidents. The airport operators' approach to aerodrome licensing issues has been revised to manage all aspects of airside operations.
- Reduction in Periodic Medical Examinations for Commercial Pilots – following the introduction of a new ICAO standard, it is proposed to reduce the frequency of medical examinations from six monthly to annual for all holders of Class 1 medical certificates between 40 and 60 and similarly for electrocardiograms for those aged between 50 and 60. The two proposals will save the UK industry some €1.5 million per annum.

9. The Board noted the Report.

DAP – Doc 2005/98 by Mr Arscott.

10. The Report was taken as read.

V Legal Report – Doc 2005/99 by the Secretary.

CAAPS – Appointment of Trustees

11. The Board in its capacity as Principal Employer of CAAPS, resolved to make the following Trustee appointments –

- Renewal of the appointment of Philip James, Director of Human Resources

NATS, as a NATS Management Trustee for the period 1 January 2006 to 31 March 2009.

- Appointment of Kevin Dean, an ATC Engineer 3 at West Drayton, to be a NATS Member Trustee for the period 1 April 2006 to 31 March 2009.

A copy of the Board's Resolution is attached to these Minutes.

Remuneration Committee

12. The Board approved revised Terms of Reference for the CAA Remuneration Committee.

Air Safety Support International Limited

13. Mr Swainson referred to the draft Minutes of the October Board meeting and the discussion on the duration of the tasks set for ASSI and the resources to discharge those tasks. Once the necessary structures to ensure proper aviation safety regulation in the Overseas Territories have been established DfT are keen to withdraw. A further debate is to be held at the January meeting of the company's Board. Mr Swainson suggested that a presentation be made to the CAA Board on the issue in February or March next year.

Action: Mr Swainson

14. The Board noted the Report.

VI Financial Report – 7 Months Ended 31 October 2005 – Doc 2005/100 by Miss Jesnick.

Manpower

15. In response to the question asked at the October meeting on reductions in SRG numbers, Miss Jesnick said that DPSD numbers are being run down for EASA reasons. AALSD numbers had been reduced because of the difficulties of recruiting ATCOs at salaries below those offered by NATS. This problem had been cured by market supplements and the numbers should return to the budget levels.

Financial Commentary

16. Income was still healthy. Operating costs remain below the budgeted level

principally due to a saving on employment costs.

The Board noted the Report.

VII Human Resources Report – Doc 2005/101 by Mr Townsend.

19. Mr Townsend reported that a review of performance management had been undertaken. While the position was improving, more needs to be done to ensure that the objectives set are sufficiently challenging.

20. The Board noted the Report.

VIII Designated Airports Quinquennial Reviews – Presentation by Mr Fincham, Head of Regulation ERG.

21. A copy of Mr Fincham's presentation is attached to these Minutes.

IX NLMCC Annual Report – Doc 2005/102 by Dr Bush.

22. Dr Bush presented the fourth Annual Report of the NATS Licence Management Co-ordinating Committee which set out the actions and issues considered by the Committee over the past year. The main issues were –

- Revision of NERL's price control conditions which are due to come into effect on 1 January 2006.
- NERL service quality.
- NERL's financial position is continuing to improve.

23. The Board noted the Report.

X Charging Proposals 2006/2007:

ERG – Doc 2005/103 by Dr Bush.

24. Dr Bush presented ERG's budget for 2006/07.

CPG – Doc 2005/104 by Mr Jackson.

25. Mr Jackson presented CPG's proposed charges for 2006/07.

26. Following approval by the respective Policy Committees, the Board approved the charging proposals for ERG and CPG set out in the Board Papers.

XI Transport Select Committee Inquiry into CAA – Miss Jesnick.

27. Miss Jesnick tabled a draft Memorandum to the Committee and requested Members' comments by Monday 21 November. The deadline for submission is 28 November. The Committee have revised their programme and will visit Gatwick only on 12 December.

XII Any Other Business.

(i) Agenda Plan Update.

28. December 2005 – move Corporate Governance Review to January.

January 2006 – add International Services.

February 2006 – add ASSI presentation.