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CIVIL AVIATION AUTHORITY
MINUTES OF 401ST BOARD MEETING HELD ON WEDNESDAY
19 SEPTEMBER 2007 AT 10.30 AM

Present:

Sir Roy McNulty

Chairman

AVM Anderson

Mr J R D Arscott

Dr C Bell

Mr M J Bell

Mr R T R Jackson

Miss C Jesnick

Mr J Keohane

Mr R P Mountford

Capt R O Whitefield

Mr R J Britton

Secretary & Legal Adviser

In Attendance:

Miss C Brown
Director Corporate Communications

Mrs N Hastings
Head of HR

Mr P Roberts
Assistant Director Airspace Policy, DAP For Item X

Mr R Taylor
Head of Air Traffic Standards Department, SRG For Item X

Mr M Johnson
Economic Policy & International Aviation, ERG
For Item X

Mr L Murtagh
Head of Information Services
For Item XI

Mr G Williams
IT Services Manager
For Item XI

Apologies for absence were received from Dr H Bush and Mr M Smethers.

I UK Airprox Board – Presentation by Mr Peter Hunt, Director UKAB.

1. The meeting opened with a presentation by Mr Peter Hunt on the UK Airprox Board. A copy of the presentation is attached to these minutes.

II Minutes of the Previous Meeting and Matters Arising.

2. The Minutes of the Meeting held on 18 July 2007 were approved and signed. On the action points arising:

- EU Emissions Trading – November Agenda item.
- Annual Accounts – Miss Brown confirmed that these will be published in October.
- UK Airprox Board – the presentation was given today.
- CAA Working Group on Organisation/Strategic Review – Miss Jesnick confirmed that an internal communication about the review had been sent to all staff. The Chairman confirmed that the latest draft of the Terms of Reference had been circulated to the Board.
- Changing the Structure/Content of Board and Policy Committee Meetings – the Chairman had re-circulated the amended Paper to Members.
- Grant of Intellectual Property Rights to CAA International Limited – the Chief Executive of the company, Mr Coules, is to discuss the issue with both Mr Arscott and Dr Bush.
- HR Report – Mrs Hastings confirmed that the potential conflict between succession planning and the application of the redeployment strategy had been considered further by the HR Steering Group and the matter had been resolved.
- Health & Safety Organisational Structure – Miss Jesnick confirmed that new Terms of Reference will be presented to the October meeting of the Board.
- High Level Group Report – Agenda item.

III(i) Chairman's Opening Remarks.

3. The Chairman reported on the following highlights:

- Meeting with the Secretary of State – the first formal meeting had taken place. A range of issues had been covered.
- EASA – the Chairman emphasised the need for a road map to establish the way forward to improve EASA's performance. M Goudou was in agreement with this.
- Board Appointments – the Secretary of State has reappointed both Dr Bush and Mr Mountford for a second term. As matters had settled down at the ODA, the Chairman would revert to his previous time commitment of 3½ days per week from 1 September.

(ii) CAA Strategic Review – Oral Update by the Chairman.

4. Sir Joseph Pilling, formerly Permanent Under Secretary at the Northern Ireland Office, had been appointed by DfT to undertake the review. Preliminary arrangements are now being addressed. Sir Joseph is broadly happy with the Terms of Reference. An Advisory Group rather than a Steering Group will be appointed. The Strategic Review Board Workshop will take place on 26 September. The Board confirmed the need for a monthly update on the Review.

IV Directors' Reports:

ERG – Doc 2007/89 by Dr Bush.

5. The Board asked for an update on slot trading legislation.

Action: Dr Bush

6. The Board noted the Report.

CPG – Doc 2007/90 by Mr Jackson.

7. Mr Jackson reported on the following highlights:

- Implementation of APC – the Government had decided in principle to proceed with the new scheme. The Association of British Insurers continues to express unhappiness at the decision. Concerns about the cost of the new scheme for new applicants had been addressed to the Government's satisfaction. CAA is working with DfT to extend the use of franchise arrangements to give industry more choice in how they obtain licences.
- Renewals – the September renewal round has proceeded satisfactorily.
- Failures – six small business ATOL holders have failed in recent weeks. A small call on the ATTF is anticipated. One licence holder was a member of the Travel Trust Association. Experience is showing that it is not always clear to whom claims should be directed.

8. The Board noted the Report.

SRG – Doc 2007/91 by Mr Bell.

9. Mr Bell reported on the following highlights:

- Mahan Air – on 20 July CAA had briefed DfT on this Iranian airline's poor safety performance. There had been a number of incidents involving deviations from cleared altitudes, one of which resulted in an AAIB investigation. SAFA ramp checks had also indicated an insufficient level of operational control. DfT unilaterally banned Mahan Air from operating to the UK on the same day. DfT notified the Commission about the action. The Commission has made a formal proposal to Member States to place Mahan Air on the Blacklist thereby banning the aircraft from European airspace. The proposal was implemented on 11 September. The airline has approached DfT for assistance to improve their operations and this has been referred to CAA International.
- EASA Contract with QinetiQ – there has been commercial pressure since the early 1990s to permit the commercial operations of single engine aeroplane operations in IMC or at night (SE-IMC). However, there has been no consensus among JAA Member States to permit these operations. As European operational rulemaking will eventually transfer from the JAA to EASA, the JAA decided that EASA should resolve the SE-IMC issue. QinetiQ has been awarded a contract by EASA to undertake an independent study of the issue. SRG has provided material to QinetiQ to help their assessment. The final report will be made to EASA in mid-September. Separately, Spain has requested a derogation from EU-OPS which comes into force on 16 July 2008 to permit continued operation of newspaper flights by Cessna Caravan aircraft to the Canaries. EASA have indicated to the Commission that they will be able to provide advice based on the results of the QinetiQ study.

10. The Board noted the Report.

DAP – Doc 2007/92 by Mr Arcscott.

11. Mr Arcscott reported on the following highlights:

- Single European Sky – The Commission Communication making proposals to amend the four high level SES Regulations has not yet been published.
- SESAR – a CAA workshop has been set up for 25 September to prepare for a SESAR regulators' workshop on 5 October. Revised versions of Deliverable D3 are due to be submitted for customer approval in September. Implementation packages to consider potential operational improvements to the European ATM system in the short, mid and long term future are being developed. These are seen by the SESAR consortium as a rescue plan for SESAR.
- Met Office Contract – following completion of the designation of the Met Office under the SES

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Service Provision Regulation, the CAA contract with the Met Office for the provision of meteorological services has been formally terminated by mutual agreement.

- Radar Provision at Filton – CAA has been working closely with Ofcom to enable Filton to cease use of its 50cm radar to free up this part of the spectrum for sale.

12. The Board noted the Report.

September Audit Committee – Report by Mr Mountford.

13. Mr Mountford referred to the minutes of the September meeting of the Audit Committee. The issue of external audit effectiveness, independence and fees had been discussed. PricewaterhouseCoopers have been retained for consultancy work by CAA because of their expertise in the travel industry sector. As a result, the non-audit fees have been four times higher than the audit fee which is very unusual. The non-audit work had been approved by DfT and meets the ICAEW ethical guidelines. The Committee approved proposals to ask CAA Procurement to engage with DfT to include the PwC Letter of Engagement in the new CAA external audit contract, to clarify the agreed services to be supplied and to develop consultancy and non-audit service procurement policies which meet the business needs of the Groups. Following completion of these actions, the Board will be asked to pass a resolution to implement this policy as part of the agreed process to procure any non-audit services from the external auditor.

14. The Committee noted that Mr Henry Irving has resigned as Head of Internal Audit to take up another post. Discussions are to be held with Deloitte & Touche to provide an interim manager on a part time basis to ensure continuation of the service. Different models for provision of internal audit in future will be examined.

Action: Miss Jesnick

15. The Board noted the Report.

V Legal Report – Doc 2007/93 by the Secretary.

Air Safety Support International Limited – Appointment

16. The Board, in its capacity as sole shareholder of Air Safety Support International Limited, resolved –

- To appoint Padhraic Kelleher, Head of Airworthiness Division SRG, to be a director of the company for the period 1 January 2008 to 31 December 2010.

A copy of the Resolution is attached to these Minutes.

CAA Pension Scheme – Appointment of Trustee

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

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appointment –

- To reappoint Mark Leatherbarrow, Manager of the SRG Luton Regional Office, to be a CAA Member Trustee for the period 1 October 2007 until the appointment of Member Nominated Trustees in accordance with the arrangements to be established under Sections 241-243 of the Pensions Act 2004.

A copy of the Resolution is attached to these Minutes.

Charges for Air Services – The CAA (Eurocontrol Charges) Specification 2007

18. The Board approved the making of an amendment to the CAA (Eurocontrol Charges) Specification 2007 reducing the unit rate for Croatia from €49.55 to €29.64 from 1 September 2007.

19. The Specification will be published in the London, Edinburgh and Belfast Gazettes as required by the Transport Act 2000.

Action: Mr Britton

20. The Board noted the Report.

VI Finance Report – 5 Months Ended 31 August 2007 – Doc 2007/94 by Miss Jesnick.

Financial Results

21. Miss Jesnick presented the financial results for the 5 months ended 31 August 2007. Employment costs had risen due to the pay award for 2007/08 which was made at a time when inflation was high. The budgetary position at the year end is likely to be tight. However, services and materials costs were below budget by £1,012k due to reduced expenditure on IT.

Renewal of Insurances

22. The CAA insurance programme has been satisfactorily renewed for 2007/08. The CAA's claims history has been good and potential areas of liability had diminished as responsibilities for such matters as type certification had passed to EASA.

23. The Board noted the Report.

VII Human Resources Report – Doc 2007/95 by Mrs Hastings.

24. Mrs Hastings reported on the following highlights:

- Performance Management – a number of initiatives have been put in place to improve the quality of performance management reports. The quality of the conversation between the appraiser and the appraisee is to be highlighted.

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- Diversity – the HR Steering Group has looked at the issue of CAA's ethnicity profile for recruitment and employment not matching that of the ethnic working population of the UK. The qualifications and experience of white and non-white applicants will be analysed over the next 10 to 20 recruitment campaigns. The issue will then be reviewed by the Steering Group.
- Practical Guide to Recognition – guidelines for managers on practical ways to recognise noteworthy performance have been approved by the HR Steering Group.
- Pensions Committee – the Trade Union Side have formally requested a reduction in the accrual rate from 1/59th to 1/58th, the rate adopted by NATS on separation from CAA. The request will be formally considered by the Pensions Governance Committee. For the first time, a joint management/Trade Union announcement was made on the results of the December 2006 valuation.

Action: Miss Jesnick

25. The Board noted the Report.

VIII European and International Strategy Report – Doc 2007/96 by Mr Smethers.

26. The Board noted the Report.

IX Environmental Policy Committee Quarterly Report – Doc 2007/97 by Mr Keohane.

27. Mr Keohane reported that the Committee held its first meeting on 24 July. A Paper setting out the CAA's existing statutory duties had been submitted by the Legal Department. The tasks to be undertaken by the Committee over the coming months will include –

- Consideration of the need for, and feasibility of, a CAA-led UK aviation sustainability policy.
- Development of a communications/influencing strategy for aviation environmental issues.
- A review of the CAA's sustainability and environmental policy.
- Consideration of a possible statutory duty on the environment for the CAA.

28. The Board noted the Report.

X High Level Group Preliminary Report by Mr Arcscott.

29. Mr Roberts and Mr Taylor presented an assessment of the High Level Group Report on the future European aviation regulatory framework which was published in July 2007. The SES Steering Group sought endorsement that the CAA's response to the Report was on the right lines. The environmental

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benefits flowing from operational efficiency were noted. Efficiency needed to be headlined. The Chairman commented that unless the sensitive issues of de-nationalisation and de-fragmentation are tackled, the project will not succeed. However, the High Level Group's Report was a significant first step, although more steps would be required.

30. The Board endorsed the approach taken by the SES Steering Group. Rather than produce a paper for the October Board which might be overtaken by developments, an update should be presented.

Action: Mr Arscott

31. A copy of the presentation is attached to these Minutes.

XI Steria Contract Renewal – Doc 2007/98 by Miss Jesnick.

32. Miss Jesnick introduced the Paper. Steria had been awarded the second IT outsourcing contract in 2003 in succession to EDS. The contract was now in its fourth year and the CAA needed to determine how to deliver IT services from 1 September 2008.

The Board noted the progress made to date and endorsed the recommendations made in the Board Paper.

XII Any Other Business.

(i) Agenda Plan Update.

October 2007 to March 2008 – add Strategic Review.

December 2007 – move ASSI Audit Report to February 2008.

January 2008 – add Air Transport White Paper Stock Take.

The next Meeting of the Authority will be at 10.00am on Wednesday 17 October 2007 in Conference Room 1 CAA House