

FOR PUBLICATION

**CIVIL AVIATION AUTHORITY
MINUTES OF 404th BOARD MEETING HELD ON WEDNESDAY
19 DECEMBER 2007 AT 10.00 AM**

Present:

Sir Roy McNulty Chairman
AVM Anderson
Mr J R D 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 O Whitefield
Mr R J Britton Secretary & Legal Adviser

In Attendance:

Miss C Brown
Director Corporate Communications
Mrs N Hastings
Head of HR
Mr M Smethers
Director European & International Strategy
Mr A Brett
Strategic Review Manager For Item I
Mr N Fincham
Director Economic Regulation & Competition Policy For Special Item and Item IX
Mr T Williams
Health, Safety & Environmental Adviser For Item X

I CAA Strategic Review.

1. The meeting opened with a presentation by Sir Joseph Pilling on how he intends to undertake the Strategic Review of the CAA. Sir Joseph referred to the visits to SRG, ERG and DAP and the visit to CPG today. Further meetings are planned for January including meetings with the non-executive Members. Sir Joseph confirmed that he had talked to David McMillan before he departed for Eurocontrol. He had also seen Gwyneth Dunwoody MP, Chairman of the Transport Select Committee. Three days of stakeholder dialogue are planned. The proposed programme would include the future of aviation; what should the CAA's response be to the environment, passengers' experience, security and general aviation together with CAA's finances, relations with stakeholders and its effectiveness. Sir Joseph said that he planned to talk to both the Commission and EASA.
2. From what he had seen so far, CAA was in a somewhat unique position with its wide range and complexity of regulatory responsibilities. There appeared to be no serious case for disturbing the broad positioning of CAA between DfT and the private sector. Sir Joseph stressed that he had not been asked to undertake the review because CAA was in a mess. Nevertheless, there were some things that required thinking about. He hoped to finish his report in June. It would be sensible for CAA and DfT to liaise on the best way of putting it into the public domain.

Special Item – Designation and De-designation Under the Airports Act 1986.

3. See Confidential Annex.

II Minutes of the Previous Meeting and Matters Arising.

4. The Minutes of the Meeting held on 21 November 2007 were approved and signed subject to the following amendments –
 - Stansted G1/G2 – Mr Arscott confirmed that the FOI request had been made to DfT rather than CAA.
 - Market Related Supplements – delete “double” in line 4.

On the action points arising:

- Emissions Trading Update – January Board.
- Passenger Experience at Airports – the Secretary of State's request for advice and assistance in identifying key issues would be discussed at the January ERPC.

- AOC Suspension Process – Mr Bell confirmed that this had been discussed at SPC.
- Stansted G1/G2 FOI Request – action discharged.
- NERL Refinancing – Mr Britton confirmed that the Letters of Consent under Condition 5 of the Licence had been delivered.
- Data Handling – Agenda Item.
- Meeting with French DGCA – Mr Smethers confirmed that diary dates are being arranged.

III(i) Chairman's Opening Remarks.

5. The Chairman reported on the following highlights:

- Heathrow Visit – the Chairman said that he had been impressed with the level of attention management is now giving to details. Dr Bell said that the non-executive Members would appreciate a tour of Heathrow. Dr Bush confirmed that this could be arranged but it would be better left until T5 had bedded down.
- Economic Regulators' Chairmen's Meeting – dealing with the flow of Regulations from Europe was a common theme. The burden on regulators imposed under Better Regulation was a similar common problem.

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

6. Sir Joseph Pilling had said that the CAA was welcome to send an observer to the stakeholder meetings. However, so as not to divert attention, the representative should come from a senior management rather than Group Director level.

Action: Chairman

IV Directors' Reports:

ERG – Doc 2007/122 by Dr Bush.

7. Dr Bush reported on the following highlights:

- Single European Sky – a draft of the contestability assessment on air navigation service provision at UK airports had been submitted to ERPC. The broad finding of the assessment is that provision of air navigation services is contestable.
- EU Directive on Airport Charges – a common position was agreed at the Transport Council on 30 November which broadly meets UK concerns. The Directive will apply to all airports over 5 million passengers plus the largest airport in each State if not otherwise covered. Provisions built in would allow the current UK airport regulation

framework to continue. However, the Directive still has to pass through the European Parliament.

- High Level Group Report Response – a good meeting had been held with Mr Calleja, Director of Air Transport at DG TREN. Mr Calleja had given a sympathetic hearing to ERG's points.
- Transport Select Committee Inquiry into the Future of BAA – oral evidence had been given to the Transport Committee on 21 November alongside the Competition Commission. The evidence session appeared to have gone well.
- House of Lords Select Committee on Regulators – the Committee reported on the economic regulators on 13 November. Helpfully it recommended that CAA should have the power of designating airports for price control rather than Government as the decision was essentially economic rather than political.

8. The Board noted the Report.

CPG – Doc 2007/123 by Mr Jackson.

9. As Mr Jackson was accompanying Sir Joseph Pilling on a visit to CPG, the Board noted the Report.

SRG – Doc 2007/124 by Mr Bell.

10. Mr Bell reported on the following highlights:

- EASA:

Extension of Scope to Operations and Licensing – a compromise text is currently being considered by the European Parliament. The compromise includes acceptance of the European Parliament amendment on cabin crew attestation that requires Implementing Rules to be developed which would effectively turn the attestation into a licence. The proposed Regulation will allow the UK to continue the current role of GPs in endorsing the medical fitness of private pilots.

Proposed Extension of Scope to Air Traffic Management and Aerodromes – the Notice of Proposed Amendment on safety regulation of ATM was published on 30 November. The consultation period expires on 18 January. Before then a joint CAA/DfT response will need to be prepared. Mr Smethers said that it would be prudent to discuss the draft response with DfT before it is considered by the SES Steering Group.

Action: Mr Smethers

- Air Safety Committee Meeting – this Committee of the Commission met on 19-21 November to update the Community List of Banned Carriers. Following French

comments it was agreed that Mahan Air, an Iranian carrier, should remain on the Blacklist. The Committee agreed to remove Pakistan International Airlines from the Blacklist as it had made sufficient progress.

- Commercial Air Transport:

Flightline – a new Accountable Manager had been accepted. An interim audit is scheduled for January 2008.

11. The Board noted the Report.

DAP – Doc 2007/125 by Mr Arscott.

12. Mr Arscott reported on the following highlights:

- Single European Sky – the agenda for SSC 24 has now been published. The meeting will include strategic discussion on the Commission's proposals for SES 2 and actions to address the recommendations of the High Level Group. Discussions on the proposed UK/Irish FAB have taken place between the parties and revised proposals are now expected later in December.
- SESAR – regrettably, the assumption has been made by the Commission that a regulatory interface with SESAR will not be required until the post development/JU phase in 2013. This issue will be pursued further.

Action: Mr Arscott

- Mode S – the DfT have agreed that the forthcoming amendment to the Air Navigation Order will include a provision for the carriage of Secondary Surveillance Radar equipment which meets the requirements for Mode S. This part of the Order will come into force on 31 March 2008.
- Windfarms – CAA is actively engaged with Government, aviation stakeholders and the renewable energy industry. Its role is exercising honest brokerage between civil aviation and the windfarm industry where their interests conflict. One mitigation is carriage and operation of SSR and the CAA is trying to interest industry in supporting the fitting of transponders into small aircraft. The spread of windfarms could have significant issues for MoD, and CAA would be happy to share its experiences.
- Administrative Incentive Pricing – following the discussion at the last meeting of the Board, a note on the Cave audit/spectrum review was attached to the Board Paper. Ofcom have made no proposals so far but it was important that industry should be alerted to the potential impact on aviation of pricing. It was for consideration whether

CAA should engage further with aviation stakeholders at this stage. The Chairman said that he would discuss the issue with Mr Griffiths, DGCA, before a decision was made on this.

Action: Chairman

The Board noted the update and supported the continued CAA participation in implementing the Government's work programme recognising the need to take into account the specific issues relating to aviation.

- NATS' Terminal Control South West Airspace Change – this relatively minor airspace change over parts of Hampshire, Berkshire and Oxfordshire has attracted considerable attention from MPs and the National Parks that are affected by the proposals. There will be a full assessment of the environmental impact before a decision is taken in mid January.

13. The Board noted the Report.

V Legal Report – Doc 2007/126 by the Secretary.

Charges for Air Services

14. The Board approved the making of the CAA (Denmark and Iceland Charges) Specification 2008, which introduces revised charges for air navigation services provided by the Governments of Denmark and Iceland and ICAO from 1 January 2008.

15. The Board approved the making of the CAA (Eurocontrol Charges) Specification 2008, which introduces revised Eurocontrol rates from 1 January 2008.

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

Action: Mr Britton

VI Finance Report – 8 Months Ended 30 November 2007 – Doc 2007/127 by Miss Jesnick.

Financial Results

17. Miss Jesnick presented the financial results for the 8 months to 30 November 2007. Operating profit was £3422k as compared to the budgeted profit of £926k. AOC income has improved with MK Airlines aircraft coming on to the UK register. Nevertheless the year end forecast remains very tight.

Proposed New Quarterly Performance Report to the Board

18. Miss Jesnick presented a draft mock up of a new style Quarterly Performance Report which was designed to provide information at a glance on the performance of the CAA using statistical data and a traffic light indicator system for Finance, Human Resources, Corporate Plan and Continuous Improvement. In discussion, AVM Anderson said that MoD had recently been through a similar exercise. It was particularly important to draw management's attention to the actions required so as to speed up the process. Mr Keohane welcomed the proposed approach which was an improvement in the way key reporting items were shown. The Chairman said that the Board was broadly content with the proposed format. Detailed comments should be submitted by Members to Miss Jesnick.

Security of Personal Data Held on CAA Systems

19. Following the widely publicised loss of computer media containing personal data held HMRC, the CAA carried out a review of its systems to see if any lessons could be learned. Most of CAA's sensitive data was held by SRG. Section 23 of the Civil Aviation Act 1982 contained a prohibition on disclosure of much of this data on pain of criminal penalty. A number of policies and procedures had been put in place to protect such data including the IT Security Policy, the IT Code of Conduct and the CAA protective marking scheme Intranet page. The policies and procedures are communicated to security cleared personnel through the CAA Management System, the employee induction programme and the CAA Intranet. Risk assessments are conducted formally twice a year in line with the business planning cycle and reported to the management team and the Board. The CAA IT Security Officer has input into data handling issues for all major systems developments and reports issues to the Chief Operating Officer and the Board where required. There is a high visibility of data handling issues. Internal Audit have provided an opinion of "substantial assurance" over the risk and control environment of the audited departments including elements of data handling where relevant. Following the loss of data by HMRC, the DfT had sent a 23 page questionnaire requiring detailed information on the CAA's data handling and its protection which the CAA was able to answer satisfactorily.

20. In response to questions, Miss Jesnick confirmed that only staff who are security cleared are entitled to log on to the CAA systems. The security checks are carried out directly by CAA in conjunction with the Security Services.

21. The Board noted the Report.

VII Human Resources Report – Doc 2007/128 by Mrs Hastings.

22. Mrs Hastings reported on the following highlights:

- Diversity – a diversity score card is being developed by HR to expand current measures and will use traffic light indicators to show the extent of progress in each area. Diversity workshops are scheduled for January and February to ensure that Trade Union and Employee Representatives' knowledge is brought up to date.
- Resourcing – recruiting in areas of scarce skills is a key issue. External secondments could be used as a means of developing scarce skills within the current workforce. A Secondments Forum has been established to consider secondment opportunities both internally and externally.
- Investors in People – the CAA is due to be reassessed in November/December 2008. Measures are being put in place to ensure a successful reassessment. One area of concern being addressed is the evaluation of local technical training.

23. The Board noted the Report.

VIII European and International Strategy Report – Doc 2007/129 by Mr Smethers.

24. The Board noted the Report.

IX NLMCC Annual Report – Doc 2007/130 by Dr Bush.

25. Mr Fincham, Chairman of the NATS Licence Management Co-ordinating Committee, reported that it had generally been a good year for NATS (En Route) plc. Volumes were up and NERL had outperformed on operating costs. Importantly, there had been no NAS failures this year whereas last year there had been four. There had been no licence breaches. Information requested by CAA had been provided on time. A report had been commissioned from NATS on service continuity. This had been reviewed by Logica who confirmed that NATS are sensibly managing the risks. Regular reports on service continuity had been supplied by NATS and these will continue to be required for the time being. NATS were consulting users on contingency in the event of a Centre outage.

26. In discussion of the report the Chairman said that as SRG had discontinued its annual safety review, it would be appropriate if in next year's report the NLMCC expanded its review of safety matters.

27. The Board noted the report.

X CAA's Health & Safety Policy and Responsibility – Doc 2007/131 by Miss Jesnick.

28. Miss Jesnick informed the Board that the current health and safety policy published in July 2004 had been reviewed to take into account organisational changes within the CAA and the latest edition of the good practice guide “Leading Health and Safety at Work – Leadership Actions for Directors and Board Members” produced by the HSE and the Institute of Directors. A review of health and safety accountabilities within other aviation organisations and the Health & Safety Executive had been undertaken. The review undertaken by CMC determined that it should take executive responsibility for health and safety and for ensuring the appropriate interface with the executive nominated as “Health & Safety Director”. GDSR was most appropriately placed to provide the overall strategic oversight of health and safety and should therefore be nominated “Health & Safety Director”. The CAA's health and safety risk profile showed that line management for health and safety would best reside within SRG in line with the Aviation Health Unit.

29. In discussion of the proposed policy statement, Mr Keohane queried the paragraph dealing with the role of Board directors and whether it was appropriate for non-executive directors. Miss Jesnick said that two non-executive directors had line management responsibility for pensions administration and ASSI. Further clarity needed to be given to the paragraph dealing with the Health and Safety Director who is to be accountable to the Board.

30. The Board noted the revised policy with which it was broadly content subject to further clarification of the two paragraphs discussed and confirmation that the policy was compliant with the latest guidance issued by HSE.

Action: Miss Jesnick

XI Business Plans:

ERG – Doc 2007/132 by Dr Bush.

CPG – Doc 2007/133 by Mr Jackson.

SRG – Doc 2007/134 by Mr Bell.

DAP – Doc 2007/135 by Mr Arscott.

ASSI Business Plan and Budget 2008/09 – Doc 2007/136 by Mr Whitefield.

CI Business Plan and Budget 2008/09 – Doc 2007/137 by Miss Jesnick.

31. In discussion of the Business Plans, Mr Keohane said that the Plans were a start to crafting the overall Corporate Plan. However, the Corporate Plan would need to include

other issues such as the Strategic Review, the DfT's request for advice on the passenger experience and the environment. Miss Jesnick said that CMC had seen a draft of the Corporate Plan. Consideration was being given to publishing it electronically which would give the Plan a rather different look.

33. In discussion of the CI Business Plan, Dr Bush noted the statement on page 11 paragraph 4.2.4 that CI would remain a niche business providing regulatory advice and that limiting commercial risk was more important than financial returns. Miss Jesnick said that some services were more price sensitive than others. The Chairman said that the Plan was trying to achieve a balance between the day job and what CAA could sensibly do on the international front. Nevertheless, it was worth having another look at this particular paragraph.

Action: Mr Bell

34. In respect of the SRG Plan, the Chairman commented that the section on EASA could be improved by putting some context around the current position and the roadmap for future improvement which CAA will support.

35. The Board endorsed the 2008/2009-2012/2013 Business Plans of the four Groups and the two CAA subsidiaries. The Board further approved the submission of the ASSI Business Plan and Budget 2008/09 to the Secretary of State as required by the CAA (Overseas Territories) Directions 2003.

Action: Mr Britton

XII Any Other Business.

(i) Agenda Plan Update.

36. January 2008 – the Board Thinkpiece will be on the environment.

February 2008 – add High Level Group Update from January and ERG Presentation on Price Control Review.

The next Meeting of the Authority will be at 10.00am on Wednesday 23 January 2008 in Conference Room 1 CAA House