

**CIVIL AVIATION AUTHORITY**



**FOR PUBLICATION**

**CIVIL AVIATION AUTHORITY  
MINUTES OF 448th BOARD MEETING HELD ON WEDNESDAY 21 DECEMBER 2011 AT 9.30 AM**

**Present:**

**Dame Deirdre Hutton**

**Chair**

**Mr Andrew Haines**

**Chief Executive**

**Dr Catherine Bell**

**Mrs Gretchen Haskins**

**Mr David Gray**

**Mr Richard Jackson**

**Miss Chris Jesnick**

**Mr Michael Medlicott**

**Mr Roger Mountford**

**AVM Barry North**

**Mr Iain Osborne**

**Mr Mark Swan**

**Capt Roger Whitefield**

**Mrs Kate Staples**

**Secretary & General Counsel**

**In Attendance:**

**Dr Stephen Rooney  
Director of Corporate Communications**

**Mr Chris Hemsley  
Director, Consumer & Markets**

**(for item IV)**

**Mr Ken Cheong  
Head of Price Control Regulation**

**(for item IV)**

**Mr Tim Griffiths  
Senior Economic Regulatory Policy Advisor**

**(for item IV)**

**Mrs Isabell Kohten**  
**Regulatory Policy Advisor**

**(for item IV)**

**Mr Robert Cowle**  
**Senior Regulatory Policy Advisor**

**(for item V)**

**Mr Michael Smethers**  
**Director, European & European Strategy**

**(for item VII)**

**Mrs Anne-Marie Hopcroft**  
**Minute Taker**

**I. Apologies**

1. No apologies were received

**II. Minutes of the Board Meeting held on 16 November**

2. The minutes of this meeting were approved and signed.

**III. Chair's Opening Remarks**

3. Dame Deirdre briefed the Board on recent interesting visits to Airbus, Bristol Airport and the CAA's South Western Regional Office. The Board were also briefed on meetings with the Department for Transport's (DfT) Director General International, Strategy & Environment and the Chair and Chief Executive of the Competition Commission.

**IV. Airport Market Power Assessment - Doc 2011-149 and Q6 Price Control Reviews for Heathrow, Gatwick and Stansted Airports: State of Play and Next Steps - Doc 2011-150 by Mr Iain Osborne**

4. The paper provided contextual information on when, why and how the CAA undertakes an assessment of the competitive environment at Heathrow, Gatwick and Stansted and the links with the forthcoming Q6 price control process. The CAA's emerging views of this assessment and the potential implications for Q6 were also outlined.

5. Mr Iain Osborne briefed the Board on the legal basis for assessing market power and how this is currently used by the Secretary of State as one of three cumulative tests (the others relating to whether regulation is more effective than general competition law, and whether the benefits from regulation outweigh costs) to decide whether or not an airport is designated under Part 4 of the Airports Act 1986. It was noted that the decision as to whether an airport has substantial market power will transfer to the CAA under the draft Civil Aviation Bill.

6. Previous experience of the Manchester Airport de-designation and the case that had been made to de-designate Stansted Airport (both in the period 2007/08) was discussed. It was noted that it was too early to understand fully the impact of de-designation at Manchester, particularly in the difficult economic climate. With regard to Stansted, it was noted that whilst a formal lessons learned process had not been undertaken, the CAA had reviewed the case both in terms of content and handling. The Board also recognised the potential for Stansted to be subject to a sale process in future and discussed the role of the CAA in the lead up to any sale.

7. The Board discussed each of the designated airports (Heathrow, Gatwick and Stansted) in turn.
8. The Board discussed how Constructive Engagement (CE) was progressing at each of the airports.
9. The Board recognised that the new licence approach allowed for more flexibility and for alternative forms of regulation to be used where an airport meets the significant market power test. It was felt exploring these alternative forms of regulation in the coming months would provide useful insights as to their practical application.
10. The Board agreed that it was appropriate to share an emerging view of the market power assessments in January, in advance of a Q6 Policy Update in April, as this would provide a useful foundation for CE. It was also agreed that the clearance of the publication in January would be delegated to Mr Andrew Haines, Mr Iain Osborne and Mr David Gray.

#### **VI. Aviation Policy Framework Final Insight Note - Doc 2011-162 by Mr Iain Osborne**

17. The paper provided a draft version of the final Insight Note on Aviation Policy for the Future: Creating a Sustainable Framework. The Note reviewed the principles underlying the two stage approach to development of aviation policy, drew on analysis and evidence from the previous two Insight Notes to recommend a set of policy outcomes, taking into consideration the challenges facing Government given its limited levers and addressing the implications for policy.
18. The Board discussed the feedback from the DfT on the draft Insight Note and the balanced media coverage that the Notes had generated.
19. The Board welcomed the work that had been undertaken to develop the series of Insight Notes and agreed the clearance of the final document in January would be delegated to Mr Andrew Haines and Mr Iain Osborne.

#### **VII. Annual European & International Strategy Report - Doc 2011-152 by Mr Michael Smethers**

20. The paper outlined the CAA's international engagement during 2011 and previews 2012 at both a strategic and operational level.
21. Mr Michael Smethers provided further context for the Board, particularly regarding the potential impact of the UK veto and the risk to aviation of the development of a "two-tier Europe". It was considered that, to date, the veto had resulted in minimal impact on the UK's relationships in European institutions with regard to aviation, particularly at a working level, and the risk of a "two-tier Europe" was likely to be minimised because of the clear benefits of developing a single market in the aviation sector.
22. Mr Smethers highlighted that focus in recent history in Europe had related to safety but that attention was now turning to more consumer orientated issues, which would necessitate the maintenance of good working relationships with DfT.

23. With regard to EASA, the Board recognised the significant progress that had been made over the last 12 months and commended Mr Smethers, in his role as Chair of the EASA Management Committee, in being a key contributor to this. In response to a question regarding how the CAA would wish EASA to evolve over the next 5-10 years, it was noted that this would focus on ensuring that safety risks are identified and managed effectively using a partnership approach with EASA, National Aviation Authorities and industry.

24. It was noted that Single European Sky (SES) was entering a more uncertain phase primarily due to issues relating to industrial relations, sovereignty of airspace and questions of liability. It was highlighted that a senior level meeting with the DfT was being held in January to agree the UK's priorities in this area. Concerns also extended to the SES Air Traffic Management Research (SESAR) initiative and it was highlighted that a senior level meeting between the DfT, Ministry of Defence, CAA and SESAR Joint Undertaking had been held to discuss the strategic direction of SESAR. The Board supported the approaches that were being made in these areas and wished to understand any barriers that may exist, and the CAA's position on these. The Board also reflected on the discussion that had been held at the December Policy & Information Exchange Forum regarding how best to influence internationally.

25. The Board discussed the potential for pursuing environmental issues, for example steep approaches, through ICAO. It was noted that guidance in this area had been proposed through ICAO's Committee on Aviation Environmental Protection but had been rejected at this stage on the basis of its safety case. It was acknowledged to be a complex issue but the Board recognised that ICAO was the appropriate forum in which to pursue topics of this nature.

26. The Board noted the contents of the paper.

#### **VIII. Air Safety Support International (ASSI) Business Plan & Budget - Doc 2011-151 by Capt Roger Whitefield**

27. The paper outlined the business environment, challenges and associated risks that ASSI expects to face over the next five years and the actions / deliverables that it will deliver.

28. Capt Roger Whitefield briefed the Board on the progress that had been made with cost recovery of ASSI's activities from the Overseas Territories (OTs). The Board recognised that this did not guarantee financial security but acknowledged that the organisation was in a much stronger financial position.

29. It was noted that the key risks and challenges related to Offshore Registers and the transfer of knowledge to the OTs. With regard to Offshore Registers, it was noted that the issue also applied to the Crown Dependencies (outside of the scope of ASSI) and was a policy area being considered by DfT.

30. Capt Whitefield briefed the Board that ASSI regularly revisited the Directions put in place by the DfT regarding its role, although he acknowledged that the training obligation was becoming more

difficult to resource with reduced funding. Capt Whitefield also highlighted that ASSI had been subject to a number of audits by CAA, which had been useful in identifying areas of focus. It was noted that ASSI would be revisiting its ICAO audit findings in 2012 in order to try and close outstanding audit findings.

31. The Board discussed the level of oversight of ASSI and were assured both by the audits carried out by SRG and the CAA representation on the ASSI Board. It was agreed that this assurance could be enhanced by a better understanding of whether outcomes being sought by ASSI in the OTs had been achieved. It was agreed that an update would be presented to the Board in six months time.

**Action: Capt Whitefield**

32. The Board recognised the difficulties that had been experienced by ASSI in the last 12 months and the progress that had been made. Capt Whitefield was asked to pass on the Board's support to the ASSI team.

#### **IX. Chief Executive's Report – Doc 2011-154 by Mr Andrew Haines**

33. Dame Deirdre took the opportunity on behalf of the Board to congratulate Mr Andrew Haines on his reappointment to the CAA for a five year period from August 2012. It was noted that the official DfT and CAA announcements would take place on 22 December 2011.

34. Mr Haines and Mr Rooney updated the Board on the provision of evidence to the Transport Select Committee on the draft Civil Aviation Bill and it was noted that further evidence would be given in respect of ATOL Reform. It was felt that the aviation security and environmental elements of the Bill were likely to receive the closest scrutiny but that overall the net impact of the Bill would be deregulatory.

35. Mr Haines highlighted that the UK Border Agency strike had provided an opportunity to facilitate engagement between airlines and airports although it had highlighted issues with respect to adherence to passenger rights legislation.

36. Mr Haines briefed the Board on the latest situation with regard to Flight Time Limitations requirements. It was noted that the Comments Response Document on this subject was scheduled to be published by EASA in January.

37. Mr Haines and Mrs Haskins updated the Board on progress with respect to volcanic ash activity. In particular, it was noted that a safety case for flight in the vicinity of high density volcanic ash for British Airways had been approved and that easyJet had successfully tested its Airborne Volcanic Object Imaging Detector (known as AVOID) system.

38. The Board noted the contents of the report and approved the CAA (Denmark and Iceland) Specification 2012 and the CAA (Eurocontrol Charges) Specification 2012.

**X. Directors' Reports****Finance Report – 8 Months Ended 30 November 2011 - Doc 2011-155 by Miss Chris****Jesnick**

39. The paper provided financial results for the eight months to 30 November 2011. The operating profit was £3,634k compared to the budgeted profit of £2,496k. After accounting for net borrowing costs, the profit was £3,262k compared with a budgeted profit of £2,655k.

40. Miss Chris Jesnick briefed the Board on recent and anticipated payments and the results of the rent arbitration process with respect to CAA's office London.

41. The Board noted the contents of the report.

**CPG – Doc 2011-156 by Mr Richard Jackson**

42. Mr Richard Jackson updated the Board on the Holidays4UK claim position and a number of airline / tour operator issues.

43. The Board noted the contents of the report.

**RPG – Doc 2011-157 by Mr Iain Osborne**

44. Mr Iain Osborne updated the Board on a number of enforcement cases and highlighted that the work to investigate airline website pricing transparency had concluded.

45. The Board noted the contents of the report.

**SRG – Doc 2011-158 by Mrs Gretchen Haskins**

46. Mrs Haskins drew the Board's attention to the item in her report relating to Southend Airport. It was noted that the CAA was content to approve the proposed extension to the airport runway, having taken into account the measures put in place to assure safe operations.

47. The Board also discussed issues surrounding Ground Based Augmentation Systems and it was agreed that these would be further investigated. The Electronic Flight Bag item was also further discussed and it was noted that trade-offs did exist with the use of this equipment.

48. The Board noted the contents of the report.

**DAP – Doc 2011-159 by Mr Mark Swan**

49. Mr Swan drew the Board's attention to two items in his report relating to Heathrow: its winter resilience programme and the options for reducing airborne holding.

50. The Board noted the contents of the report.

**XV. Any Other Business**

51. No items were raised.

**The next meeting of the Authority will be on Wednesday 18 January 2012 at 9.30 am**