

FOR PUBLICATION

**CIVIL AVIATION AUTHORITY
MINUTES OF 409th BOARD MEETING HELD ON WEDNESDAY
21 MAY 2008 AT 10.00 AM**

Present:

Sir Roy McNulty Chairman

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:

**Mrs N Hastings
Head of HR**

**Mr N Fincham
Director Economic Regulation & Competition Policy For Item I**

**Mr L Murtagh
Head of Information Services For Item XI**

Apologies for absence were received from AVM Anderson, Miss C Brown and Mr M Smethers.

I Competition Commission Inquiry into BAA Ltd – Presentation by Mr Fincham, ERG.

1. Mr Fincham gave a presentation on the CAA's proposed response to the Commission's emerging thinking on its investigation. The Commission had concluded that common ownership

adversely affects competition between the BAA London airports. Provisional findings and remedies will be published by the Commission at the end of August. Dr Bush commented that the CAA's February submission to the Competition Commission had contained a section on the current regulatory framework for airports and set out recommendations for a reformed regulatory regime. Nevertheless, it would be worth emphasising these points again.

2. A copy of the presentation was handed to Board Members.

II Minutes of the Previous Meeting and Matters Arising.

3. The Minutes of the meeting held on 16 April were approved and signed. On the action points arising:

- Judicial Review Guidance – Mr Britton confirmed that guidance for staff had been prepared and entered into CAAMS.
- European ATM Issues – the Chairman confirmed that the meeting to prepare for the 29 April meeting attended by the Chairman, DGCA, the Chief Executive of NATS and MoD had been held.

III(i) Chairman's Opening Remarks.

4. The Chairman reported on the following highlights:

- DfT Meetings – the Chairman had met the Permanent Secretary and DGCA to discuss the DfT/CAA working relationship.
- Competition Commission – the Chairman had met Mr Christopher Clarke, Deputy Chairman of the Commission. Process issues and CAA's study for the Secretary of State on the passenger experience were discussed.
- AUC Meeting – the Chairman had attended a meeting of the AUC Board. The need to work together on consumer policy and enforcement of the DBC Regulation had been discussed.
- GDSR – a good level of applications had been received and the long listing meeting had been held.

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

5. A further Working Group had been held yesterday to agree a paper on the environment which had been submitted to the Review team. Prior to the Board meeting the Chairman had met Sir Joseph Pilling to discuss progress. The first batch of working drafts should be received by the end of the week. Miss Jesnick will be the contact and circulate the drafts as strictly necessary. The drafts will be circulated to Board Members and Mr Smethers.

Action: Miss Jesnick

IV Directors' Reports:**ERG – Doc 2008/48 by Dr Bush.**

6. Dr Bush reported on the following highlights:

- Single European Sky – the PRC is likely to become the performance review body. To do so it will need to improve its capability to take on more judgement tasks in order to drive performance. Mr Arcscott referred to the criticality of the network manager function.
- Slots – on 30 April the Commission published its Communication on the application of the Slot Regulation and concluded that it will now accept secondary trading. If and when new runway capacity is introduced, the issue of allocating new slots will become crucial and the Commission will need to be made aware of this.
- Airport Regulation – IATA had written to the Chairman to confirm that they will not be instituting Judicial Review proceedings in respect of the Heathrow and Gatwick decisions.
- Passenger Experience – Dr Bush updated the Board on progress. T5 was being evaluated together with the impact on freeing up of capacity elsewhere at the Airport. Given the problems on opening, more settling down time is needed before reporting. Dr Bush had spoken to Colin Matthew, the new Chief Executive of BAA Limited. A consequence of the opening of T5 was that the QSM scores for T1 had improved significantly. Secondly, ERG is looking at the runway congestion issue. Consultants have been retained to produce a report before the summer on resilience v extra capacity. It was important that the report recognised the European-wide ATM disruption caused by problems at Heathrow. Thirdly, ERG was looking at the airport experience including airline elements. However, the airlines had been reluctant to participate for commercial reasons. A broader approach, looking at consumer interests, might be more acceptable. The Chairman confirmed that the Secretary of State had been informed about the approach being taken and had appeared to be content with it.

7. The Board noted the Report.

CPG – Doc 2008/49 by Mr Jackson.

8. Mr Jackson reported on the following highlights:

- Consumer Policy – as part of its market investigation into BAA, CPG had given evidence to the Competition Commission on its approach to consumer policy which of course went wider than BAA Airports.
- APC Implementation – the new procedures and systems are bedding in. The new IT system to enable ATOL holders to report bookings on-line was working well. The majority of the trade had submitted data electronically.
- Airline Licensing – Mr Jackson updated the Board on Silverjet's latest financial position.

9. The Board noted the Report.

SRG – Doc 2008/50 by Mr Bell.

10. Mr Bell reported on the following highlights:

- EASA:

Extension of Scope to Operations and Licensing – the Flight Crew Licensing Notice of Proposed Amendment is due to be issued as planned in May but the remaining NPAs may well be delayed until August.

Proposed Extension of Scope to Air Traffic Management – a letter had been drafted for DGCA to send to the Director of the Commission's Air Transport Directorate setting out the UK's areas of concern with suggested alternative proposals.

Medical Certification of Cabin Crew – the draft EASA requirements contain a proposal that cabin crew should have a Class 2 medical certificate to be revalidated at intervals depending on age. UK airlines employ approximately 33,000 cabin crew and this unnecessary proposal, which has no safety benefits, will cost UK airlines between £1 million and £2 million per annum. CAA is taking the lead to try to inject some common sense into this.

Pool of Experts – the official launch took place in Cologne on 17 April. The pool of experts is an initiative of the EASA/NAA Certification Transition Working Group and aims at obtaining more efficient usage of the expertise available to perform the various certification tasks.

- BAA Airports Oversight – despite the T5 problems, no safety issues were involved. NATS was closely monitoring the new taxi patterns. It is understood that Colin Matthews, the

new BAA Chief Executive, is seeking to put in place shorter chains of command.

- UK Operations into Barcelona and Madrid – a significant increase in MORs about flights into the Spanish airports had been noted. DGCA has been informed and is to make his Spanish counterpart aware of the concerns being raised.

11. The Board noted the Report.

DAP – Doc 2008/51 by Mr Arscott.

12. Mr Arscott reported on the following highlights:

- Single European Sky:

SES II – drafts of the proposals for the SES II package have been seen. The proposals are expected to be framed around the four pillars of performance, safety, technology and capacity. The new Commissioner has indicated his support.

UK/Ireland FAB – arrangements for the implementation of the FAB continue. The Secretary of State has agreed. The changes in the Irish Government have caused a slight delay.

SESAR – the ATM Master Plan and Work Programme for the SESAR Development Phase were accepted by Eurocontrol on 21 April and were presented at a stakeholder forum in Rome on 6 May. However, there are gaps and inconsistencies that require further work. Accordingly, political endorsement will therefore be an agreement to go ahead with the project on the basis of a plan that needs further development rather than the plan itself. There is uncertainty about what is to be presented to the Transport Council. A Stakeholder Workshop, jointly chaired by DGCA and DAP will be held on 6 June.

Action: Mr Arscott

- Terminal Control South West Airspace Change – the claimants are seeking a further extension of time until 29 May to lodge their full statement of grounds and reasons.
- NATS Terminal Control North Proposals – NATS has extended the consultation period by four weeks until 19 June. Criticisms are being received about the NATS consultation process from Friends of the Earth Rights and Justice Centre. It is important that the clear separation of roles in this process between NATS, CAA and DfT is understood.
- Airspace Safety Initiative – an implementation date of 12 March 2009 has been agreed. Progress towards the date will be closely monitored.
- Mode S – some 400 people attended a consultation session at Lasham on 4 April. The airlines, as the main beneficiary of the safety benefits, need to participate more fully in the consultation.
- Spectrum Trading and Administrative Incentive Pricing – Eurocontrol is starting to do some

work on this matter.

- Windfarms – an MoU between MoD, DfT, BERR, CAA, NERL and the British Wind Energy Association has been drawn up. Its purpose is to set out a strategy of how workstreams are to be progressed to resolve specific issues. However, agreement to extra resources for DAP to deal with the work is still awaited.
- NATMAC – the new arrangements have worked well.

13. The Board noted the Report.

V Legal Report – Doc 2008/52 by the Secretary.

Charges for Air Services

14. The Board approved the making of an amendment to the CAA (Navigation Services Charges) Specification 2008 to increase NSL's charges for the provision of aerodrome navigation services at Aberdeen, Edinburgh and Glasgow Airports. The increases requested were –

- Aberdeen – below 20 tonnes from £6.29 to £7.53
above 20 tonnes from £3.89 to £4.66
- Edinburgh – from £2.61 to £2.84
- Glasgow – from £2.33 to £3.08.

The increases requested relate to both charges for 2008/09 and under-recovery of charges in the previous two years. DfT has indicated that direct charging at the three Scottish Airports will cease on 31 March 2009.

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

Action: Mr Britton

16. The Board noted the Report.

VI Finance Report – 12 Months Ended 31 March 2008 – Doc 2008/53 by

Miss Jesnick.

17. Miss Jesnick presented the draft 12 months results ending 31 March 2008. The draft results are subject to final year end adjustments and the outcome of the external audit which commenced on 21 April. The regulatory sector has provisionally achieved a 4% rate of return on the current cost of capital compared to the target of 6%. Miss Jesnick reported that she had spoken to Janet Eilbeck, the external auditor, who had suggested that there is potentially no

need for an audit clearance meeting.

19. The Board noted the Report.

VII European and International Strategy Report – Doc 2008/54 by Mr Smethers.

20. Mr Arscott commented that consideration should be given to simplification of the various Working Groups and this would be put on the agenda for EAPC.

Action: Mr Arscott

21. The Board noted the Report.

VIII Eddington Report – Doc 2008/55 by Dr Bush.

22. At the February meeting Dr Bush had presented an update on progress relating to the work plan set out in the Air Transport White Paper. The paper had referred to a recently published discussion paper by DfT *Towards a Sustainable Transport System: Supporting Economic Growth in a Low Carbon World*. This document set out the Government's response to the Eddington recommendations to "improve transport's contribution to economic growth and productivity, to set out investment plans for the period to 2013-14 and proposed a "new approach to longer term transport strategy". Five goals had been set out, some of which appeared to conflict. It was important to distinguish aviation which is privately financed from rail and road which are largely financed by Government. ERG's views on the policy goals have been set out in an e-mail from Helen Watson to Jonathan Moor annexed to the Board Paper. As a result of the Eddington Report, DfT had reorganised itself into four Directorates. The International Networks Directorate included aviation and environment.

23. CAA will use the process to suggest improvements to current aviation policy, and look to ensure that a common direction for all transport modes did not work to aviation's disadvantage and that the importance of private investment is recognised. ERG will continue to engage with DfT by regular meetings with senior officials and responding to the Department's proposals as they develop.

24. The Board noted the Report.

IX Environmental Policy Committee Quarterly Report – Doc 2008/56 by Mr Keohane.

25. Mr Keohane reported that the paper on the environment had been agreed by the Strategic

Review Working Group and had now been submitted to Sir Joseph Pilling to inform his thinking. The April meeting of the Committee had considered a number of topics including a communications and influencing strategy on the environment. It had been concluded that the CAA should maintain the status quo for the time being but would review the position once Sir Joseph had reported. The first meeting of the joint CAA/DfT working group had been held on 31 March to discuss terms of reference and a work programme. This covers a broad range of issues ranging from data provision to an overall framework for aviation environmental policy. Target dates will be set for each work stream. The July meeting of the Committee will review progress.

26. The Board noted the Report.

X JANSK Report – Doc 2008/57 by Mr Arscott.

27. Mr Arscott presented the annual report of the Joint Air Navigation Services Council which is a legal requirement set out in the CAA (Air Navigation) Directions 2001 given to the CAA under Section 66 of the Transport Act 2000 by the Secretaries of State for Transport and Defence.

28. The Report was in a new format this year with much of the detail set out in Annexes. Mr Arscott drew attention to the key areas of activity during the year including the Airspace and Safety Initiative, the Joint Future Airspace Design Team between MoD and NATS and the impact of airspace changes. An exercise to test the National Airspace Crisis Management Executive had been held yesterday which went well. The increasing incidents of Russian aircraft entering UK airspace ignoring ICAO procedures is being taken up with the FCO. The JANSK had a good oversight of the UK's joint and integrated arrangements enabling both civil and military needs to be met in a flexible and responsive manner.

29. The Board noted the Report, a copy of which will be submitted to the Chief of the Air Staff and DGCA.

Action: Mr Arscott

XI Provision of IT Services 2008 – Doc 2008/58 by Miss Jesnick.

30. Miss Jesnick presented the Paper, which provided a formal update to the Board on the progress made to date on the delivery of CAA's IT services from 1 September, when the existing Steria contract expires. Mr Murtagh informed the Board about the procurement process. References had been taken up. The TUPE process from Steria is being led by HR with advice from Legal. The Steria exit programme is being closely monitored.

31. The Board noted the progress made to date and endorsed the recommendations
32. The Board further noted that it is anticipated that the contract award with the preferred suppliers will take place during June.

XII Any Other Business.

(i) Agenda Plan Update.

33. July 2008 – add European update.

(ii) Regulatory Budgets.

34. Miss Jesnick drew the Board's attention to BERR's proposal to set fixed regulatory budgets for all regulators unless a robust case can be made for exclusion. Very little time had been allowed for consultation. CAA had made the point that aviation operated in a global regulatory environment with standards set internationally and the great majority of CAA's regulatory effort was safety driven. Further, CAA recovers its costs from the industry and there is extensive consultation every year on the level of charges. While CAA embraced the principles of Better Regulation, it would be inappropriate for CAA to come within the scope of this proposal. Further, the whole concept undermined the independence of the CAA and other regulators which had been enacted by Parliament. The results of BERR's consultation are awaited.

The meeting was followed by a Board Thinkpiece on Building and Sustaining High Performing Organisations.

The next Meeting of the Authority will be at 10.00am on Wednesday 25 June 2008 in Conference Room 1, CAA House