

FOR PUBLICATION

**CIVIL AVIATION AUTHORITY
MINUTES OF 379TH BOARD MEETING HELD ON WEDNESDAY
7 SEPTEMBER 2005 AT 10.30 AM**

Present:

Sir Roy McNulty	Chairman
Mr J R Arscott	
Mr M J Bell	
Mr R T R Jackson	
Miss C Jesnick	
Mr J Keohane	
AVM Moran	
Mr R P Mountford	
Mr R Swainson	
Capt R O Whitefield	
Mr R J Britton	Secretary & Legal Adviser

In Attendance:

Mr R Townsend HR Director	
Mr P Roberts Assistant Director Airspace Policy	for Item X

Apologies were received from Dr H Bush and Miss C Brown

I Corporate Services Benchmarking – Presentation by Miss Jesnick and Mr Hughes of Compass

1. The meeting opened with the Presentation which concluded that the CAA's overall performance in Corporate Services functions was in line with efficient private sector organisations and much better than the average in Government. Considerable progress had

been made in making efficiency improvements. However some management systems were restricting the capacity to improve and objectives should always precede system choice.

II Minutes of the Previous Meeting and Matters Arising.

2. The Minutes of the Meeting held on 6 July 2005 were approved and signed. On the action points arising:

- EASA paper– Mr Bell reported that the paper will first be presented to SPC and brought to the October meeting of the Board.

Action : Mr Bell

- ASSI Chairman – The Secretary confirmed that the Secretary of State had formally approved the continuation of Mr Swainson’s appointment as Chairman of ASSI until 31 October 2006.
- Board Development Discussions – Agenda Item
- Future European Aviation Regulatory Structures - Agenda Item

III Chairman’s Opening Remarks.

3. The Chairman reported on the following matters:

- Ministerial Meeting –The next meeting with the Secretary of State is on 12 October.
- Transport Select Committee– the Committee Clerk had indicated that the Committee may wish to undertake an in-depth review of the CAA.
- Brussels Visit – Meetings have been arranged by Waterfront with selected MEPs next week.
- Paris Visit - A visit with the Group Directors has been arranged with DGAC for 28 September.

IV Directors’ Reports:

ERG – Doc 2005/71 by Dr Bush.

4. In response to Mr Swainson's question Mr Keohane confirmed that accommodation had been made in the Price Cap Review to enable NATS to bid for European opportunities arising from the Single European Sky.

5. The Board noted the Report.

CPG – Doc 2005/72 by Mr Jackson.

6. Mr Jackson reported on the following highlights:

- Future of Holiday Protection – as previously mentioned by the Chairman the CAA is to undertake work on a less interventionist policy. The RIA will be edited possibly to deal with repatriation only. DfT are to consider legislative options and proposals to put to airlines for a voluntary scheme. Advice from the Cabinet Office is awaited on whether airline licences can be conditioned for this purpose. The Secretary of State's consent is required before any RIA is published. The failure of EU Jet has prompted Gwyneth Dunwoody MP, Chairman of the Transport Select Committee, to resurrect the subject and to press the Government on why it has not responded to the Committee's 2004 Report on the matter. A survey was undertaken to see how EU Jet's customers were affected. Over 1000 responses had been received. Apart from lack of information one of the main complaints was that people felt they were being pushed towards use of debit cards for payment, thereby avoiding credit charge surcharges but also forgoing reimbursement protection from credit card issuers. Customers experience had matched the model produced by CPG.
- Resolution on Bond Signatures - The Board resolved that any member of staff at Grade ML6 or above (or any equivalent replacement grade) in CPG ATOL Licensing Section be authorised to sign bonds on behalf of the CAA with immediate effect.

A copy of the Resolution is attached to these Minutes.

- Denied Boarding Compensation Regulation – The Advocate General's Opinion for the European Court of Justice is due to be published this week.

7. The Board noted the Report.

SRG – Doc 2005/73 by Mr Bell.

8. Mr Bell reported on the following highlights:

- Investors in People – SRG's Certificate had been renewed. Mr Bell congratulated Sarah Murphy-Brookman of the HR Team for her efforts.
- EASA Budget Working Group – The first meeting took place on 8 August. It was well attended by Industry but only by the UK and French NAAs. No terms of reference for the group were submitted. EASA's financial concerns were raised. At the September Meeting, the Group was informed by EASA that its financial position had deteriorated substantially and that operational charges would have to be increased by 50%. Purchase Orders to NAA's for future work can only be made on a one month basis. Apparently the Group is now to be dissolved.
- EASA and "State" Aircraft – EASA now responsible for the airworthiness of all aircraft registered in the EU Member States with the exception of those "engaged in military, customs, police or similar services". Excepted aircraft remain a national responsibility. Practical difficulties are arising in the case of dual use aircraft which switch between roles. To clarify the position it is intended to amend the Air Navigation Order to enable an EASA Certificate to be converted into a UK Certificate. Following Consultation it is proposed to implement the change in 2007. In the interim a general exemption will be issued to enable UK registered aircraft with an EASA Certificate to operate for state purposes in the UK without a domestic certificate of airworthiness being in force. This does not ease the difficulty for companies such as FRA Limited which have a commercial need to operate aircraft for state purposes worldwide. An exemption issued by CAA will not suffice for this.
- Operational Issues – There have been six major accidents involving western jet and turbo prop aircraft in as many weeks. One such involved a Cypriot registered B-737 operated by Helios. The accident investigation is being undertaken by the Greek Authorities. The aircraft was maintained in the UK and engineers are being interviewed at AAIB in Farnborough by Greek investigators. The CAA has been providing advisory support to the Cyprus Department of Civil Aviation under a contract managed through International Services for many years. Statements have been taken from CAA staff by the Cyprus Police.

- Future of the JAA – the proposed closure of Central JAA is planned for 31 December 2006. CAA supports the closure. However it is not prepared to fund any JAA transition organisation.

9. The Board noted the Report.

DAP – Doc 2005/74 by Mr Arscott.

10. Mr Arscott reported on the following highlights:

- Single European Sky:- August has been a relatively quiet month with the holiday season. Meanwhile a large number of technical Implementing Rules are being developed. There has been a meeting on the proposed UK /Ireland FAB with NATS and the Irish Aviation Authority. However charging disadvantages for the UK are now becoming apparent and Government approval in principle to the proposal will be required.
- Clacton Airspace Judicial Review - the adjourned hearing has now been listed by the Administrative Court for 14 December. A response from the Claimants to the outstanding settlement proposals is awaited.
- NAT Radar Site Services Replacement Programme – In the period to 2012 NATS are upgrading their long range primary and secondary surveillance radars that service NERL's requirements. However there is also an impact on some aspects of NSL's operations and also NERL's services to Southern North Sea helicopter operators. Temporary Restriction of Flying Orders have been made to maintain the safety. Similar arrangements are now to be put into place in the Northern North Sea due to the need to remove Perwinnes Radar for emergency repairs due to corrosion of the antenna. There have been a number of difficulties associated with this programme both for civil and military operations which have been raised with senior NATS operational staff.

11. The Board noted the Report.

V Legal Report – Doc 2005/75 by the Secretary.

12. The Board appointed a panel consisting of Dr Bush as Chairman, Mr Keohane and Mr Mountford for the purposes of conducting the Quinquennial Review of Heathrow, Gatwick and Stansted Airports and making the decisions specified in Regulations 9 and 12 of the CAA (Economic Regulation of Airports) Regulations 1986.

Board Development - Conclusions

13. Mr Britton and Miss Jesnick presented the list of agreed actions following on from the Board year end Effectiveness Review and the year end Corporate Governance Review. The Board endorsed their implementation.

VI Financial Report – Four Months ended 31 July 2005 – Doc 2005/76 by Miss Jesnick

14. Miss Jesnick reported on the following highlights :

Financial Commentary – The operating profit to 31 July was £4,57K as compared with the budget of £2,629k. After deducting tax and borrowing costs of £365k the net profit was £3992k as compared to a budget of £2114k. AOC income is marginally below budget for the four month period but annual growth in ASKs is slightly ahead of budget. Airworthiness income is substantially above budget mainly as a result of the delay in implementing the EASA Fees and Charges Regulation. Operating costs at £55,595k were £3640k below the budgeted level of £59,235k. Disappointingly the Treasury Solicitor has not paid the first service charge due on One Kemble Street pleading cash flow problems. In response to Mr Mountford's question Miss Jesnick agreed to produce an aged debtor analysis with future financial reports.

One Kemble Street- The sub-lease to the Treasury Solicitor has been completed and their floors are now being occupied. Contracts have been exchanged for the letting of the first floor to the Commission for Architecture and the Built Environment. Negotiations are continuing with the Office of Rail Regulation

15. The Board noted the Report.

VII Human Resources Report – Doc 2005/76 by Mr Townsend

16. Mr Townsend reported on the following highlights :

- HR Steering Group – The first meeting chaired by Miss Jesnick took place on 28 July and dealt with reward strategy for both personal contract staff and those covered by collective bargaining arrangements.
- Performance Management – A survey had been undertaken of employees' opinions and this showed significant improvements in the extent to which employees understood the CAA's business plans and how their personal objectives linked to them.
- Pensions Communication – Managers have been provided with briefings on the benefits of the Pension Scheme and its robustness to enable them to deal with queries and give team briefings. The Trustees have recently commissioned work on a new interactive CAAPS internet site which will give access to detailed information about the Scheme and personal pension information.

17. The Board noted the Report.

VIII ASSI Audit Report– Doc 2005/78 by Mr Bell

18. Mr Bell presented the Audit Report which the CAA is required to undertake at least annually by virtue of paragraph 10 of the CAA (Overseas Territories) Directions 2003. The Audit Team of 3 was headed by Derek Blackall and concentrated on regulatory matters covering both ASSI's activities as an assessor of the Overseas Territories for their compliance with the relevant annexes of the Chicago Convention and also an audit of the Company in its capacity as a regulator having been designated as such by the Governor of the Territory. The Audit covered ASSI's headquarters in Crawley, the Caribbean Office in Antigua and the Turks and Caicos Islands.

19. The Audit was successful. 10 findings were raised which will be followed up with ASSI for closure. The findings have been welcomed by the ASSI Board. In response to questions Mr Bell confirmed that next year's audit will include finance and governance matters.

20. The Board noted the report and authorised Mr Bell to prepare an appropriate letter for the Chairman to send to the Secretary of State.

Action: Mr Bell and Chairman

IX Cabinet Office Consultation on “a Bill for Better Regulation” – Doc 2005/79 by Miss Jesnick

21. Miss Jesnick presented the paper on the Consultation proposals published by the Better Regulation Executive of the Cabinet Office. The proposals include amending the Regulatory Reform Act 2001 which contains powers to reform primary legislation by means of Regulatory Reform Orders which are a form of secondary legislation. Orders would be made to remove or amend outdated unnecessary or overcomplicated legislation and to streamline regulatory structures by merging regulators.

22. The second limb of the consultation proposals concern the implementation of the Hampton Review. The paper noted that the mandatory application of the Enforcement Concordat could conflict with certain specific statutory duties of the CAA set out in the Airports Act 1986 and the Transport Act 2000. It could also fetter the CAA’s discretion in the discharge of its statutory duties. Further a system of administrative penalties would not sit well with enforcement of aviation regulatory requirements through the current licensing regime of operators.

23. The Board noted the Paper and agreed to the proposed responses to the Consultation.

Action: Miss Jesnick

X Future European Aviation Regulatory Structures – Doc 2005/80 by Mr P Roberts

24. Mr Roberts presented the updated Paper which incorporated Members’ comments from the July meeting and subsequently.

25. The Board endorsed the Principles set out in the Paper as a basis for further action by CAA staff when engaging on EASA/SES matters and agreed that :

- Those items that related directly to EASA should be progressed by the Chairman and the Group Director Safety Regulation.
- The SESSG/SESWG should be invited to progress the SES related issues.
- The Chairman should send the paper to David McMillan.

Action: Chairman

XI Conference on Aviation Regulation in Europe – Doc 2005/81 by the Chairman

26. The Chairman presented the Paper informing the Board about the Conference planned in Edinburgh on 17 and 18 November. The main objective of the Conference was to discuss at a strategic level the implications of EASA and Single European Sky developments for Regulators and to influence their future evolution. The Secretary of State has confirmed that he will make the keynote speech. Some 2/3rd of the speakers invited have now accepted. The next step is to consider the papers to be submitted at the conference and the Chairman will be speaking to key participants including Mr Calleja of the European Commission.

Notwithstanding that the date for the conference had been fixed for some time, EASA had seen fit to announce this week their own industry conference on the same day in November.

27. In discussion of the conference objectives the Board considered that moving the debate in the directions which CAA considered preferable should be emphasised. Further, the seven key Principles set out in Mr Roberts paper needed to be got across. The Moderator's conclusions at the end of the conference will be particularly important.

28. The Chairman agreed to submit an updated paper to the October meeting.

Action: Chairman

XII Any Other Business.

(i) Agenda Plan Update.

29. November 2005 – add BAA Presentation.

December 2005 – add Trustees' Presentation from November and add International Services Contracts.

(ii) SRG Cost and Charges – Miss Jesnick reported that the Consultation closed on 5 September. 219 responses had been received mainly from General Aviation. While these were predominantly hostile there were no particular surprises. BATA, BA and Virgin also responded. The next step would be to carefully consider the responses made by consultees and prepare a response document for publication.