

FOR PUBLICATION

**CIVIL AVIATION AUTHORITY
MINUTES OF 393RD BOARD MEETING HELD ON WEDNESDAY
20 DECEMBER 2006 AT 9.30 AM**

Present:

Sir Roy McNulty

Chairman

Mr J R Arscott

Dr C Bell

Mr M J Bell

Dr H Bush

Mr R T R Jackson

Miss C Jesnick

Mr J Keohane

AVM Moran

Mr R P Mountford

Capt R O Whitefield

Mr R J Britton

Secretary & Legal Adviser

In Attendance:

Miss C Brown

Director Corporate Communications

Mr M Smethers

Director European & International Strategy

Mr R Townsend

HR Director

Mr A Plant

Head Economic Policy & International Aviation, ERG

For Item X

I Minutes of the Previous Meeting and Matters Arising.

1. The Minutes of the Meeting held on 22 November 2006 were approved and signed. On

the action points arising:

- Staff Survey – Mr Townsend confirmed that the key findings had been circulated to Board Members together with the report giving an overview of the outcomes.

Action: Mr Jackson

- ASSI Audit Report – the Chairman confirmed that the Report had been sent to the Secretary of State.
- MoD Presentation – February 2007 meeting.

II Chairman's Opening Remarks.

2. The Chairman reported on the following matters:

- The Future of Air Transport Progress Report – the Report had been published on 14 December. There were no major changes but the environment had been highlighted.
- Secretary of State Meeting – the subjects covered the White Paper progress report, the CAA's price review for airports, reform of ATOL bonding and EASA.
- DGAC Meeting – there was agreement on most subjects.
- House of Lords – a Committee had been appointed to look at economic regulators which would include ERG.
- Board Working Group – the two sub-groups would be reporting to Members following the meeting. The Chairman's acting Chairmanship of the ODA would now continue until at least the end of April.

III Directors' Reports:

ERG – Doc 2006/114 by Dr Bush.

3. Dr Bush reported on the following highlights:

- EU Directive on Airport Charges – publication of the draft Directive had been delayed due to translation problems. Meetings had been held with the Commission to endeavour to revise the scope of the Directive so as to target airports with significant market power rather than all airports above a size threshold.
- Airports Regulation – the initial proposals on airport charges had been published. There had been reasonable press coverage. The airlines had expressed dissatisfaction as had BAA. There will now be a two month consultation period. The statutory reference to the Competition Commission will be made at the end of March.

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An initial document on Manchester Airport's quinquennial review will be published at the end of January.

- Stansted Airport Price Review – a consultation letter on a proposal to defer the Stansted Airport price review for a year to avoid unnecessary work should Stansted be de-designated is being sent out this week.

4. The Board noted the Report.

CPG – Doc 2006/115 by Mr Jackson.

5. Mr Jackson reported on the following highlights:

- Reform of Bonding – a preliminary meeting had been held with DfT.

6. The Board noted the Report.

SRG – Doc 2006/116 by Mr Bell.

7. Mr Bell reported on the following highlights:

- National Aviation Security Committee – the Committee is chaired by the Secretary of State personally. In discussion, the Chairman confirmed that security is a DfT responsibility and is not for CAA unless it impinges on aviation safety requirements as was the case, for example, with cockpit doors.
- EASA Standardisation – DfT have agreed to fund SRG staff to participate in EASA standardisation inspections to the present level and have also agreed to consider an increase in funding for future standardisation activities, for example operations standardisation and medical standardisation, where there is an opportunity to influence the development of European practices.
- EASA Working Group on Non-Complex Aircraft in Non-Commercial Activities – some 4400 responses had been received to the consultation on this new regulatory concept.
- Transfer of Design Organisation Approvals to EASA – EASA has requested CAA to transfer 11 DOAs to EASA including, by June 2007, Rolls Royce plc. EASA wish to have a representative number of DOAs in each Member State. This will result in a small reduction in CAA activity but the proposal does not affect CAA's continued oversight of the production or Part 145 activities of these companies.
- AAIB/CAA Liaison Meeting – the annual meeting was held in November. The current relationship with AAIB is excellent, with regular exchanges on matters of mutual interest. EASA is asserting the right to attend accidents as the representative of the State of design. This does not fit with the Chicago Convention which refers to ICAO Member

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States. A Council of European AIBs has been convened to deal with EASA relations.

This Council will be chaired by the representative of the Member State that has the EU Presidency.

8. The Board noted the Report.

DAP – Doc 2006/117 by Mr Arscott.

9. Mr Arscott reported on the following highlights:

- Single European Sky – the Eurocontrol Performance Review Commission held its final consultation workshop on 6 December on its report on the evaluation of the impact of SES on the performance of European ATM. CAA and DfT jointly insisted that the report should be debated before the Commission responds. The European Parliament debated the SESAR Joint Undertaking Council Regulation. The majority of the transport and industry committees' proposed amendments were adopted. There was a negative vote on the legal basis for the Parliament's involvement in the joint undertaking and on voting rights for industry. This will now be considered by the Transport Council under the German Presidency in March.

Mr Arscott informed the Board with regret that Madame de Palacio, who was the founder of SES, had died.

- Met Office – good progress is being made on termination of the contractual relationship between CAA and the Met Office. The contract would be terminated at the end of January and be replaced by certification under the Common Requirements.
- Cave Report – work continues to find a solution for Filton to replace their 50cm radar thereby freeing up part of the spectrum for broadcasting. Work is being carried out in conjunction with Ofcom and HM Treasury.
- Mode S – the 2,800 responses to the consultation have now been analysed. The majority of the responses came from the gliders and sailplane sector of GA. An initial CAA response is being drafted. Discussions are being held with the industry on transition arrangements. The Chairman asked that this matter be considered by the Airspace Policy Committee.

Action: Mr Arscott

- Airspace and Safety Initiative – two strands of work are being carried out in respect of communications and education and ATS activity outside controlled airspace. The steering group is due to meet in April by which date significant progress is expected.

10. The Board noted the Report.

IV Legal Report – Doc 2006/118 by the Secretary.

Charges for Air Services

11. The Board approved the making of the CAA (Denmark and Iceland Charges) Specification 2007 which introduces revised charges for air navigation services provided by the Governments of Denmark and Iceland and ICAO from 1 January 2007.

12. The Board approved the making of the CAA (Eurocontrol Charges) Specification 2007 which introduces revised Eurocontrol rates from 1 January 2007.

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

Action: Mr Britton

15. The Board noted the Report.

CAAPS – Age Discrimination

16. At the November meeting of the Board a number of changes to CAAPS had been agreed to ensure that age discrimination requirements were met. A decision to withdraw the 40 year rule benefit had been deferred following clarification of the NATS position. NATS had now confirmed that it could not find an objective justification for retention of the benefit. CAA was in a similar position and a sub-group of the Pensions Governance Committee had agreed to withdraw the benefit for CAA.

17. To effect the changes, a Deed and Resolution of Amendment (Age Discrimination) needs to be made between the CAA as Principal Employer, National Air Traffic Services Limited and the Trustees of the CAA Pension Scheme.

18. The Board resolved to enter into the Deed.

19. A copy of the Resolution is attached to these Minutes.

V Finance Report – 8 Months Ended 30 November 2006 – Doc 2006/119 by

Miss Jesnick.

Financial Commentary

20. Miss Jesnick reported that the operating profit for the eight months to 30 November 2006 was £6,610k as compared to the budgeted profit of £67k. HMRC are carrying out a PAYE audit of CAA. Substantial recoveries had been made in respect of bad debt provisions.

23. The Board noted the Report.

VI Revised CAA Balanced Objectives and Strategies – Doc 2006/120 by Miss Jesnick.

24. This item was deferred to the January Board.

VII Human Resources Report – Doc 2006/121 by Mr Townsend.

25. Mr Townsend reported on the following highlights:

- CAA Pension Committee – Mr Townsend drew the Board's attention to the Trade Unions' views concerning CAAPS prior to the triennial valuation on 31 December 2006. In essence, the Trade Unions are seeking to improve the accrual rate from 1/59th to 1/58th, to match the accrual rate in the NATS Section.
- HR Strategy – Mr Townsend thanked Members for their comments on the strategic HR priorities for the period 2007-2012.
- Health & Safety Policy and Principles - Leadership – the draft Statement was approved.

26. The Board noted the Report.

VIII European and International Strategy Report – Doc 2006/122 by Mr Smethers.

27. Mr Smethers reported on the following highlights:

- Management Board Review of EASA – the consultants to carry out the independent review will be selected on 10 January. The review will evaluate the impact of the EASA Regulation and how effectively the Agency has implemented it. Mr Smethers has been appointed to the Steering Group for the study.
- Extension of Scope – DfT Ministers have accepted advice to lift the UK's general reserve on the Commission's proposal to extend the scope of EASA to cover rule making and standardisation for operations and licensing.

28. The Board noted the Report.

IX NLMCC Annual Report – Doc 2006/123 by Dr Bush.

29. Dr Bush presented the fifth annual report of the NATS Licence Management Co-Ordinating Committee which set out the actions and issues considered by the Committee over the past year. The main issues were -

- Continuing dialogue with NATS on contingency arrangements following NERL system

failures.

- A “lessons learned” review of the NERL price control process. Some useful pointers for the airports review were identified.
 - Review of the NERL licence conditions. The proposed modifications are out for final consultation and the exercise should be completed by next Spring.
30. The Board noted the Report.

X Aviation’s Contribution to Global Warming – Doc 2006/124 by Dr Bush.

31. Mr Plant, Head of Economic Policy & International Aviation, presented the Paper which followed on from the Paper discussed at the October meeting of the Board. Since then, events have moved quickly. The Stern Report had given an unequivocal message of the need to act now to address climate change. The Report noted that aviation emissions, while currently a small proportion of the total, are growing rapidly. The Eddington review stressed the importance of transport meeting its external costs including emissions. The Government announced in the pre-Budget report a doubling of Air Passenger Duty. The Air Transport White Paper Progress Report had highlighted environmental issues. The evidence base for the need to tackle the issue of aviation’s impact on the environment had been considerably strengthened in the last three months. Accordingly, it was important for the CAA to engage in the debate to try to shape policy developments.

32. Until recently, aircraft noise had been considered to be the most important aviation environmental impact. CAA had considerable in-house skills on noise issues. To strengthen its position, ERG is building links with the scientific research community through the OMEGA grouping. This is a collection of academics, industry, manufacturers (including Boeing and Airbus), Government officials, lobby groups and representative organisations brought together under the auspices of Cambridge University. CAA will therefore be able to tap into this valuable resource. Further, ERG has recruited Martin Johnson from the Treasury who has worked on both the Stern and Eddington Reports.

33. In discussion, it was noted that aviation has made progress through airframe and engine design. Modern aircraft are more fuel-efficient than their predecessors. The importance of the environment as a major strategic issue was noted. The suggested questions and answers appended to the Paper were considered helpful.

34. The Chairman said that there appeared to be unanimous support for the recommendations

in the Paper. In particular, the need to upgrade the current CAA Aviation Environmental Working Group as a cross-CAA forum was noted. In due course it might be sensible to create an Environmental Policy Committee to advise the Board. The OMEGA link would be particularly useful.

35. The Chairman congratulated Mr Plant on this excellent Paper.

36. The Board agreed that:

- The CAA would seek a more active role on the issue of aviation and climate change and would make a public statement on the issue early in 2007 linking it to the broader debate on sustainability.
- The CAA would aim to be a respected and independent adviser on climate change policy issues affecting aviation.
- The CAA would develop its links with the research community using OMEGA.
- Cross-CAA working on this issue was important and that membership of the existing Environmental Working Group should be at a more senior level.

XI Effectiveness of Internal Audit Function – Doc 2006/125 by Mr Mountford.

37. Mr Mountford reported that PricewaterhouseCoopers had carried out an independent review of the effectiveness of CAA internal audit. The report had been considered by the Audit Committee in September.

38. The CAA Executive and Audit Committees had accepted the recommendations.

39. The Board approved the report attached to the Paper and the management action plan endorsed by the Audit Committee.

XII Transport Select Committee Report – Draft CAA Response – Doc 2006/126 by Miss Jesnick.

40. Miss Jesnick presented the draft responses which have to be delivered to DfT by the first week in January. There will be a joint response but CAA's input will be clear. A number of the recommendations were helpful to CAA, particularly those involving ERG.

41. The Board considered the proposed responses. In particular –

- The report said that staff morale was poor in CAA following representations by a Trade Union. This view was not borne out in the recent staff survey and the response should make this clear.

- Information about Regulation 6 appeals have been placed on the CAA's website.
- With regard to the EASA criticisms, the Secretary of State had written to Mrs Gwyneth Dunwoody MP to inform her that the conditions had been met to allow the Government to agree to the Regulation extending EASA's role to cover rule making and standardisation on flight operation and personnel licensing. A copy of the Secretary of State's letter will be circulated to Members.

Action: Mr Britton

42. The Chairman said that the responses had been well prepared and the Board agreed to their submission to DfT.

Action: Miss Jesnick

XIII Business Plans:

ERG – Doc 2006/127 by Dr Bush.

CPG – Doc 2006/128 by Mr Jackson.

SRG – Doc 2006/129 by Mr Bell.

DAP – Doc 2006/130 by Mr Arscott.

43. Consideration of the above plans was deferred to the January meeting.

ASSI Business Plan and Budget 2007/08 – Doc 2006/131 by Mr Whitefield.

44. Mr Britton reported that the ASSI Business Plan had to be submitted to the Secretary of State by the year end to comply with the CAA (Overseas Territories) Directions 2003. The Business Plan had been endorsed by the ASSI Board at its October meeting.

45. The Board endorsed the Plan and approved its submission to the Secretary of State.

Action: Mr Britton

XIV Any Other Business.

(i) Agenda Plan Update.

46. January 2007 – add Future Holiday Protection System; Revised CAA Balanced Objectives and Strategies Paper; ERG, CPG, SRG and DAP Business Plans.

February 2007 – MoD presentation confirmed; add Environmental Report from January.

March 2007 – add Trustees Presentation from January.