

FOR PUBLICATION

**CIVIL AVIATION AUTHORITY
MINUTES OF 389TH BOARD MEETING HELD ON WEDNESDAY
19 JULY 2006 AT 10.30 AM**

Present:

Sir Roy McNulty

Chairman

Mr J R Arscott

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 T Williams
Heath, Safety & Environmental Adviser
For Item IX**

Mr A Brett
Head of Corporate Services
For Item XI

Mr A Plant
Head of International Aviation Policy, ERG **For Item XII**

I. Presentation.

1. The meeting opened with a presentation from Mr David McMillan, Director General of Civil Aviation. A copy of the presentation is attached to these Minutes. Also attached is the letter from the Secretary of State for Transport responding to the Prime Minister's letter outlining the key challenges and opportunities for transport.

II Minutes of the Previous Meeting and Matters Arising.

2. The Minutes of the Meeting held on 22 June 2006 were approved and signed. On the action points arising:

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- Financial Report – Miss Jesnick explained the reasons for actual manpower being lower than budget to date.
- ASSI Chairman – Mr Britton confirmed that consent from the Secretary of State had been sought.
- GA Review – the Chairman confirmed that his office was endeavouring to arrange a meeting with the Parliamentary Aviation Committee.

III Chairman's Opening Remarks.

3. The Chairman reported on the following matters:

- Ministerial Meetings – the Chairman and Miss Jesnick had met Gillian Merron MP, the new Aviation Minister.
- BAA plc – a brief discussion had been held with Stephen Nelson, the new Chief Executive of BAA plc. A further meeting would be arranged.
- Meeting with Marion Blakey, FAA Administrator – current FAA/CAA issues had been discussed.
- Follow Up to Edinburgh Conference – the Commission have arranged a "hearing" in

Brussels on 20 September. It is therefore necessary to change the Board date to 26 September. Group Directors should manage staff attendance at the Conference. Non-executive Members were of course welcome to attend.

IV Directors' Reports:

ERG – Doc 2006/67 by Dr Bush.

4. Dr Bush reported on the following highlights:

- EU/US – the final rule on easement of foreign control restrictions for US airlines is still awaited. Mr Plant is working with Mr Smethers and others on the proposals.
- Slots – ERG is preparing further work for the DfT-led Whitehall group on slots and auctioning.
- Review of NATS' Licence Conditions – the consultation paper was published on 6 July setting out CAA's initial conclusions on the review of the conditions in NERL's Air Traffic Services Licence. There had recently been speculation in the press about disposal by the Airline Group of its shareholding in NATS. ERG had held initial discussions with both DfT, as shareholder, and the Airline Group on relevant issues.

5. The Board noted the Report.

CPG – Doc 2006/68 by Mr Jackson.

6. Mr Jackson reported on the following highlights:

- Reform of ATOL Bonding – a summary of responses to the consultation had been published on 10 July. Discussions are being held with DfT on the structure and size of the levy fund.
- ABTA Judicial Review – the Court of Appeal's decision is awaited. Draft declarations on interpretation of the Regulations and questions to the ECJ had been sought by the bench from the parties.

7. The Board noted the Report.

SRG – Doc 2006/69 by Mr Bell.

8. Mr Bell reported on the following highlights:

- EASA – a partnership meeting between EASA and the NAAs was held on 5 July. 40 representatives attended. The meeting was useful but unstructured. Similar criticisms to those made in the past by CAA had been made by other major NAAs, including the

German LBA. M Goudou agreed that such meetings would take place in future at six monthly intervals. Six sub-groups were established to discuss EASA's business plan, working arrangements, proximity activities, European safety strategy, Additional Airworthiness Directives and guidance material. The sub-groups would meet monthly. M Goudou appeared to accept that up to 20% of EASA certification work could be outsourced. M Goudou and the other three EASA Directors had attended a half day seminar at the Royal Aeronautical Society.

- Adoption of UK Article 10 of the EASA Basic Regulation Items – EASA has implemented 24 Airworthiness Directives which supersede UK Article 10(1) items. 167 such items had been identified as being of high safety importance following the extensive review of the UK's 1000 Additional Requirements for Import, 2,500 Additional Airworthiness Directives and 30 Mandatory Airworthiness Notices. It is anticipated that the balance of the UK Article 10(1) items will be implemented by EASA.
 - SES Certification – 36 applications for certification with supporting evidence have been received by SRG representing 90% of ATS provision in the UK.
 - Light Aviation Airports Study Group – the Group's recommendations on use of licensed aerodromes, provision of RFFS facilities at light category aerodromes and allowing flight training from unlicensed aerodromes will be the subject of a further industry consultation.
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9. The Board noted the Report.

DAP – Doc 2006/70 by Mr Arscott.

10. Mr Arscott reported on the following highlights:

- Single European Sky – Eurocontrol's Regulatory Impact Assessment on the Charging Regulation was unsatisfactory despite assurances given by Mr Calleja. A letter of complaint had been sent jointly with Ann Godfrey.
- Provisional Council Workshop on Future of Eurocontrol – the meeting had been skilfully chaired by David McMillan. There was a consensus that Eurocontrol needs to change. In particular, there was a recognition that stakeholders must have a greater say in the decisions of Eurocontrol at both a strategic and technical level and that the effort required to support Eurocontrol's work must be rationalised.
- Air Transport White Paper – the DfT was publishing a paper on air quality today.

However the definitive environmental document is awaited.

- London Assembly Investigation into Helicopter Noise – Mr Roberts gave evidence to the Environmental Committee of the London Assembly. The Mayor of London is keen to use his environmental powers.
- Mode S RIA – the consultation on the Regulatory Impact Assessment will close on 29 August. 65 responses had been received so far. Press coverage has been generally factual and constructive. The success of this programme, which will improve aviation safety and capacity, is very important.

11. The Board noted the Report.

June Audit Committee – Report by Mr Mountford.

12. Mr Mountford presented the Minutes of the Audit Committee held on 14 June. The principal item was the Annual Report & Accounts which were dealt with at the June meeting of the Board. Mr Mountford drew attention to Item 9 in which the Head of Internal Audit had proposed that more staff be involved in quality training. This would be good experience for the people involved and the proposal had been endorsed by the Audit Committee. Miss Jesnick informed the Board that the Head of Internal Audit would be arranging to see all Group Directors with a view to gaining their support for short term auditing assignments and urged them to support this initiative.

V Legal Report – Doc 2006/71 by the Secretary.

SRG Policy Committee

13. The Board approved revised Terms of Reference for the SRG Policy Committee, a copy of which are attached to these Minutes.

14. The Board noted the Report.

VI Finance Report – 3 Months Ended 30 June 2006 – Doc 2006/72 by

Miss Jesnick.

15. Miss Jesnick presented the financial results. Operating profit for the three months to 30 June was £3563k as compared to the budgeted loss of £238k. After accounting for tax and borrowing costs of £38k, the CAA's net profit was £3601k as compared to a budgeted loss of £284k.

16. The Board noted the Report.

VII Human Resources Report – Doc 2006/73 by Mr Townsend.

17. Mr Townsend reported on the following highlights:

- Personal Contract Staff – the review of PCS bonus recommendations had now taken place and bonuses are due to be paid at the end of July. The calibration process undertaken by the HR Steering Group had been successful.
- CAA Grading Structure – agreement had been reached with the Trade Unions to introduce the new single CAA-wide grading structure with effect from 1 September. The Trade Unions will recommend acceptance of the deal in a membership ballot to take place in August.

18. The Board noted the Report.

VIII European and International Strategy Report – Doc 2006/74 by Mr Smethers.

19. Mr Smethers reported on the following highlights:

- EASA – Mr Smethers referred to the proposal by M Goudou that up to 20% of certification activities should be decentralised. The Chairman said that the proposal presented an opportunity for the CAA to put forward a sensible proposition to EASA on outsourcing which they could adopt. An update should be given to the September meeting of the Board.

Action: Mr Bell, Miss Jesnick and Mr Smethers

CAA would work throughout September to establish a common line on this with other major NAAs and seek to establish a common position by the next EASA Management Board on 21 September.

- Future European Aviation Regulatory Structures – a useful meeting of the Provisional Council of Eurocontrol had identified that changes are taking place in European regulatory arrangements and that Eurocontrol would need to change. There seemed to be agreement that safety rule-making for ATM should move to EASA in due course. A follow-up to the CAA's Edinburgh Conference, organised by the Commission on 20 September, would move the debate on. DfT and CAA are agreed on the main strategic objectives.

20. The Board noted the Report.

IX Health & Safety Report 2005/06 – Doc 2006/75 by Mr T Williams – Health, Safety & Environmental Adviser.

21. Mr Williams presented the annual Health & Safety Report. The health and safety record of the CAA remained good during the year. Road risks remained the worst item.

22. In discussion, it was noted that driving and road incidents declined after training but Members questioned whether driver training was necessary every time a CAA car was changed. Mr Williams said that he would consider this. Capt Whitefield requested that non-executive Members be included in any relevant training.

Action: Mr Townsend

23. The Board noted the Report.

X Air Transport White Paper Review – Doc 2006/76 by Dr Bush.

24. Dr Bush presented the progress report. The DfT had committed itself in the White Paper to publish a progress report at the end of 2006. If required, CAA could submit papers to DfT on discrete issues within the progress report as appropriate.

25. Mr Arscott suggested that the DfT should agree what advice and assistance it required from CAA to achieve clarity on the work to be undertaken. Further, DfT needed to ensure that the current joint approach by CAA, BAA, NATS and DfT was maintained.

26. The Board endorsed Mr Arscott's suggestions and

- Agreed that the CAA's input should be channelled through the progress report steering group – liaising with the Chairman in his role on the Programme Board.
- Noted the DfT's intentions for the progress report.
- Agreed that while a good part of the CAA's input can be done through comments on DfT's draft, there may be a case for producing a series of stand alone papers on the relevant issues.

27. The Chairman asked Dr Bush to report back to the Board in September with a more developed work programme to assist DfT.

Action: Dr Bush

XI CAA Corporate Planning Guidelines – Doc 2006/77 by Miss Jesnick.

28. Miss Jesnick introduced the Paper which set out the Corporate Planning Guidelines for the 2007/08 planning round. The Paper took account of comments made by Members at the May meeting when the proposed enhancements to the CAA's corporate and business planning processes were discussed. The Guidelines have been modified since the last business planning round. The objectives set out therein are now presented using a balanced score card approach. The Guidelines will include potentially only six high level strategies to provide the basis for the 2007/08 Corporate Plan and which are to be used by the Groups to develop their business plans

29. Mr Brett, Head of Corporate Services, referred to the new set of balanced objectives agreed by the Board and the 15 strategies which had been generated from across all Groups, and represented the means by which the balanced objectives would be achieved over the five year period of the plans. A strategy matrix was set out to indicate which of the strategies are applicable to each Group function. It is expected that these will develop following iteration with Group plans. The strategic risk section will be completed following the Board Strategic Risk Workshop.

30. In discussion, Miss Jesnick said that the six key strategies were likely to be safety, efficiency and effectiveness of regulation, Europe/international, the environment, value for money and high performing staff. Miss Jesnick further explained that the reason for the budget increase in 2006/07 in SRG was due to EASA uncertainties. This was an operational budgeting issue rather than a matter for the Planning Guidelines.

31. The Chairman referred to his Introduction to the Guidelines setting out the new approach. The next step would be to work up the individual business plans, the structure of which had been simplified.

32. The Board endorsed the CAA Planning Guidelines attached to the Paper.

XII Any Other Business.

(i) Agenda Plan Update.

33. September 2006 – add EASA Outsourcing and Air Transport White Paper.

October 2006 – delete North East Airspace Review.

November 2006 – add North East Airspace Review, Airspace and Safety Initiative Report, Trustees' Presentation.

(ii) Strategic Review of GA.

34. Mr Plant said that it was proposed to publish the GA Strategic and Regulatory Reviews on 20 July. The Board agreed a Statement underlining its support for the two Reports, endorsing the recommendations in full and pledging to take forward the CAA's part in the action plans and follow up actions that will flow from them for inclusion in the CAA news release. The Chairman confirmed that he would send a letter plus a copy of both Reviews to the Secretary of State for Transport.

35. The Board thanked Mr Plant and Mr Chapman for their efforts in preparing the Reviews.

(iii) DGCA Presentation.

36. The Chairman asked Members to reflect on David McMillan's presentation and submit any comments to Miss Jesnick.

The next Meeting of the Authority will be at 10.30am on Tuesday 26 September in Conference Room 1 CAA House