

**CIVIL AVIATION AUTHORITY
MINUTES OF 392ND MEETING HELD ON WEDNESDAY
22 NOVEMBER 2006 AT 10.30 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 N Fincham

Head of Regulation, ERG

For Item VIII

I Minutes of the Previous Meeting and Matters Arising.

1. The Minutes of the Meeting held on 18 October 2006 were approved and signed. On the action points arising:

- Health & Safety – Directors’ Responsibilities – Agenda item.
- EASA – Agenda item.
- General Aviation Conference – completed.
- Staff Survey – Mr Townsend reported that analysis of the staff survey was in hand and a report will be made to the December meeting.

Action: Mr Townsend

- Global Warming Paper – deferred to December.

II Chairman’s Opening Remarks.

2. The Chairman reported on the following matters:

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- ODA – a number of adjustments have been made to deal with the Chairman’s Acting Chairmanship of the ODA until the end of February 2007. Miss Jesnick will be chairing ExCo.
- Transport Select Committee – the Report was finally published on 8 November. The Report was complimentary about the CAA’s work. The DfT was roundly criticised for failing to review the CAA’s organisation and functions on a regular basis. It was therefore likely that such a review would take place at some time. As expected, the Report was very critical of EASA. Miss Jesnick confirmed that CAA’s response to the recommendations was being prepared. The draft response will be put before the December Board.

Action: Miss Jesnick

- General Aviation Conference – the Conference went well. The Chairman thanked Miss Brown and the CAA participants for their work on the organisation of the Conference. Relations with General Aviation had considerably improved over the last year.

III Directors’ Reports:

ERG – Doc 2006/104 by Dr Bush.

3. Dr Bush reported on the following highlights:

- Transport Select Committee – the Committee’s recommendations on the economic

regulation of airports including the de-designation of Manchester and Stansted and simplification of the process were welcomed. As far as ERG were concerned, this was a very good Report.

- Policy and Strategy – two important papers on no-frills airlines and a study of India routes following deregulation have recently been published. A decision to end fares regulation had been published.
- Airports Regulation – emerging thinking on price regulation of BAA's London airports will be set out at the Global Airport Development Conference in Rome on 23 November. A press release will be made.
- EU Directive on Airport Charges – further intervention is planned which makes no sense. Many UK airports would be subject to unnecessary economic regulation which the CAA could not support. This approach conflicts with the Better Regulation agenda. A meeting is to be held with Daniel Calleja of DG TREN in early December to represent the CAA's views and to suggest better alternatives.
- ERG Charging Proposals for 2007/08 – the Board approved the charging proposals for ERG set out in the Board Paper.

4. The Board noted the Report.

CPG – Doc 2006/105 by Mr Jackson.

5. Mr Jackson reported on the following highlights:

- CPG Charging Proposals 2007/08 – new charges are being introduced for change of control of ATOL holders and for ATOL exemptions. Charges for airline start-ups were being increased by 25% to cover costs. This would be made clear in the consultation paper.

The Board approved the charging proposals for CPG set out in the Board Paper.

- CAA's Response to DfT on the Future Holiday Protection System – at DfT's request, the industry had been consulted on a proposal to replace the current system of bonding with a levy. Industry had been in favour of the change which would be a cheaper way to fund ATOL protection and simplify the system. The necessary levy powers had now been enacted in the Civil Aviation Act 2006. The response to the Judgment of the Court of Appeal in the ABTA Judicial Review had not indicated that there would be a rapid decrease in ATOL passenger numbers. DfT's concerns about repaying the current ATTF deficit as a priority had therefore diminished.

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4

The recommendations needed to be with Ministers before Christmas. The Board was therefore asked to agree to CPPC vetting and approving in detail the approach being adopted in the submission to DfT. That submission would be put before the Board for formal endorsement at the December meeting.

Action: Mr Jackson

The approach being taken was set out in the Appendix to the Board Paper. The projections will be validated by PricewaterhouseCoopers using data supplied by the industry. The model will incorporate market estimates of the cost of an insurance instrument that would form part of the funding system.

The Board agreed the approach subject to CPPC being content.

6. The Board noted the Report.

SRG – Doc 2006/106 by Mr Bell.

7. Mr Bell reported on the following highlights:

- Accident to Bristow Super Puma G-JSAR – the helicopter which was evacuating persons from a North Sea oil rig ditched in the sea off Holland. Fortunately there were no injuries to the 17 persons on board. There had been abnormal engine indications followed by increasingly restricted cyclic movement.
- EASA Automatic Approval of Simple Modification to US Designs by the Designer – EASA had been sympathetic to the representations made by Padhraic Kelleher and BA on this modifications problem which was causing unnecessary downtime to their aircraft.
- Single Production Organisation Approval for Airbus – Airbus has separate production organisation approvals in UK, France, Germany and Spain. This is still a national matter. France has made representations that there should be a single production organisation approval for Airbus with France as the lead State. Airbus activities in UK, Spain and Germany would be defined as parts manufacture and subordinate to the overall production approval activity. SRG needs to be assured of the safety implications of such a change before it can advise DfT to agree to the proposal.
- ECAC League Table of Operators – the league table has been developed from ramp checks under the SAFA programme. This is a very simplistic approach and of little value since there is no standardisation of ramp checks. Much more development work is required for such a table to be of value.
- Pakistan International Airways – SAFA checks have highlighted poor airworthiness

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standards on their Boeing 747-300 aircraft. PIA is to submit a recovery plan to the EC and cease using this aircraft into Europe.

- Third FAA Annual Safety Conference – Mr Elder and Mr Taylor participated at this high level Conference in Washington.
8. The Board noted the Report.

SRG Charging Proposals 2007/08

9. Miss Jesnick reported that these had been approved by the SPC and circulated to Members.
10. The Board approved the charging proposals for SRG.

DAP – Doc 2006/107 by Mr Arscott.

11. Mr Arscott reported on the following highlights:
- Single European Sky – a meeting had been held with Luc Tytgat, Ben van Houtte's replacement as Head of the Single Sky Unit. An invitation to visit CAA had been made. Opposition to extension of SES into the lower airspace was made clear. Two days had been spent in the European Parliament with Waterfront. Meetings had been held with a number of MEPs who were receptive to advice.
 - Mode S – this was discussed at the General Aviation conference but not to any great extent, neither did it feature in the written questions.
 - Funding – the DfT are to write to the CRCO to replace the current CAA/NATS designation with a designation naming DfT, CAA, NATS and the Met Office as recipients of the UK's share of Eurocontrol route charges.
12. The Board noted the Report.

November Audit Committee – Oral Report by Mr Mountford.

13. Mr Mountford reported to the Board on the following matters –
- Whistleblowing Report – there had again been no internal whistleblowing reports in CAA. The Head of Internal Audit would be benchmarking this nil return with other regulators.
 - The effectiveness of the Internal Audit function was discussed.
 - A strategic risk report was presented together with ideas on how measures to mitigate risk might be applied. The review of strategic risk was behind schedule and needed to be undertaken as soon as possible.
14. The Board noted the Report.

IV Legal Report – Doc 2006/108 by the Secretary.

ASSI

15. The ASSI Board had recommended certain changes to the Guidelines for the working relationship between the CAA and its subsidiary.
16. The Board approved the amended Guidelines.
17. The Board noted the Report.

V Finance Report – 7 Months Ended 31 October 2006 – Doc 2006/109 by

Miss Jesnick.

Income

18. Miss Jesnick reported that the operating profit for the seven months to 31 October 2006 was £6,348k as compared to the budgeted profit of £561k. Miss Jesnick drew attention to EASA contract income at £2,082k being under budget by £585k as the result of less than budgeted hours being booked to the EASA contract.

CAA House Site

19. The Freehold is up for sale again following the rent review which was less than satisfactory to the Landlord.
20. The Board noted the Report.

VI Human Resources Report – Doc 2006/110 by Mr Townsend.

21. Mr Townsend reported on the following highlights:
 - Age Discrimination and CAAPS – the impact of age discrimination legislation on CAAPS has been under discussion with the CAA's and the Trustees' advisers. There had been a very late revision to the Regulations requiring certain decisions to be taken by 1 December. A small number of issues will require minor amendment to the CAA Section Rules to ensure compliance. These include for example ill-health early retirement calculations, calculations of children's and spouse's pensions and drawing down of pension prior to age 55.
The Board noted the Paper and endorsed the action recommended.
 - Health & Safety Policy and Principles - Leadership – the draft Statement was approved.
22. The Board noted the Report.

VII European and International Strategy Report – Doc 2006/111 by Mr Smethers.

23. Mr Smethers reported on the following highlights:

- Internal Organisation – EU focal points have been agreed with Group Directors in each of their Groups. The role and focus of the EU Policy and Communications Group, which includes the focal points along its core members, is being sharpened.
- EASA Three Years on – the comprehensive paper which set out a CAA strategy over the next three years was endorsed.

24. The Board noted the Report.

VIII Airports Review – Presentation by Dr Bush and Mr Fincham.

26. The OFT is likely to make a reference to the Competition Commission following its market study into airports. The timing of this announcement is not yet known.

IX ASSI Audit Report – Doc 2006/112 by Mr Bell.

28. 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 covered those areas where ASSI had been designated as the regulator together with Medical Standards. The audit had been successful and the findings had been raised with the ASSI Board.

29. 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

X Update on the NEAT Action Plan and Report on the Airspace and Safety Initiative – Doc 2006/113 by Mr Arscott.

30. Mr Arscott introduced the final update from the North East Airspace Team which had been formed in 2004 under the joint sponsorship of the CAA and MoD to review the risk of collision outside controlled airspace between military fast jets and commercial air transport aircraft in the North East of England. Paragraph 3 of the Board Paper contained an update on each element of the NEAT action plan. Since completion of this work a further high level

review, the Airspace and Safety Initiative, has been initiated. This is broader in scope than NEAT. It involves NATS at all levels together with elements of the GA community and Government. Under the ASI NATS is now more positively engaged in the air traffic services outside controlled airspace review.

31. AVM Moran commented that the Newcastle situation is a microcosm of what is happening in the UK. The MoD welcomed its involvement in this work. Communications and education is very important. Collision avoidance systems are now fitted to large military aircraft platforms and new generation training aircraft. Money is being invested in delivering systems to fast jets.

32. The Chairman said that encouraging progress had been made over the last two years and welcomed AVM Moran's suggestion to give another briefing to the Board in the New Year on MoD aviation safety matters.

Action: Secretary/AVM Moran

33. The Board noted the Report.

XI Any Other Business.

(i) Agenda Plan Update.

34. February 2007 - add MoD presentation.