

FOR PUBLICATION

**CIVIL AVIATION AUTHORITY
MINUTES OF 391ST BOARD MEETING HELD ON WEDNESDAY
18 OCTOBER 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 A Plant Head International Aviation Policy, ERG For Items VIII and IX

I Minutes of the Previous Meeting and Matters Arising.

1. The Minutes of the Meeting held on 26 September 2006 were approved and signed. On the action points arising:

- Single European Sky – the draft had been circulated.
- Aviation's Contribution to Global Warming – Agenda item.
- SES Concepts and Lower Airspace – APC Agenda item for November.
- Heathrow Mixed Mode – a presentation had been made to SPC by Richard Taylor, Head of Air Traffic Standards Department.
- Health & Safety – the Secretary reported that consideration was being given to HSE Guidance on Directors' Responsibilities and a paper will be brought to the November Board.

Action: Mr Townsend

- Composition of EASA Management Board – the Chairman asked Mr Smethers to circulate the SPC Paper to the Board.

Action: Mr Smethers

- Air Transport White Paper Review – Agenda item.

II Chairman's Opening Remarks.

2. The Chairman reported on the following matters:

- ODA – following the departure of Mr Lemley as Chairman of the Olympic Delivery Authority, he was being appointed acting Chairman. This role might last two to four months.
- General Aviation Conference – Gillian Merron MP, the Aviation Minister, will speak at the Conference to be held on 21 November. Clare Brown will circulate details of the Conference. Attendance of Board Members would be welcomed.

Action: Miss Brown

III Directors' Reports:

ERG – Doc 2006/93 by Dr Bush.

3. Dr Bush reported on the following highlights:

- Airline Ownership and Control – ERG's discussion paper is due to be published on 26 October. A more liberal approach is encouraged while maintaining or improving safety standards.

- Long Haul Competition Study – a policy forum was held on 9 October with representatives from the airlines concerned. Valuable feedback was obtained. A full report is being prepared for ERPC.
- OFT Market Study into Airports – a meeting had been held with Jonathan May, OFT acting Executive Director of Policy, on 13 October to discuss CAA’s views on the operation of the UK market.
- Price Control Review of BAA’s Designated Airports – BAA’s regulatory submission had been received on 3 October and is now being analysed.
- NATS Regulation – follow-up work from the last price review is continuing. NATS has briefed ERG on the joint venture with AENA of Spain and technical issues with the SACTA system.

4. The Board noted the Report.

CPG – Doc 2006/94 by Mr Jackson.

5. Mr Jackson reported on the following highlights:

- Appeal on the Judicial Review Judgment on the Definition of a Package – on 17 October the Court of Appeal handed down its Judgment dismissing the CAA’s appeal. However, Lord Justice Chadwick, in his Judgment, clarified a number of points which had been unclear following the Judgment of Mr Justice Goldring in the Administrative Court. These included the issue as to whether principles of agency could be deployed in order to avoid the creation of a “package” and the meaning of “inclusive price”. Unfortunately the Judge held that if individual services were sold separately and not as a pre-arranged combination, that would not be a package even if the separate services were paid for at the same time. The Guidance could therefore be potentially misleading to the uninformed reader. The Court invited the parties to make further representations on the form of the Order and costs. Discussions will be held with the trade on what the Judgment means for the industry with the aim of briefing Ministers by early December.

6. The Board noted the Report.

SRG – Doc 2006/95 by Mr Bell.

7. Mr Bell reported on the following highlights:

- EASA Meeting on Fees and Charges – Miss Jesnick had represented CAA at the EASA Fees and Charges Steering Group meeting with industry in Cologne on 26 September. Miss Jesnick reported that the industry were unhappy about the consultants’ interim conclusions.

The industry was pressing for hourly charges but EASA's systems could not cope with these at present. Accordingly, the proposal was for fixed fees for itemised categories of work. The consultants' final report will be finished by December.

- EASA Accreditation for non-EU Part 145 Approved Maintenance Organisations – the EASA Standardisation Team has recommended the continuation of the CAA's accreditation for this activity.
- EASA Automatic Approval of Simple Modification to US Designs by the Designer – British Airways has voiced concerns to CAA about the reduction in support for the quick return of aircraft to service after modification. With its technical knowledge, CAA was prepared to release an aircraft back to service when the FAA's technical stage was completed. However, EASA requires formal FAA approval, which can take some time, as a prerequisite to the EASA automatic approval. Assistance has been offered to BA with any meeting it may wish to hold with EASA or FAA.
- Avro Vulcan B2 – the application for the issue of a CAA permit to fly originally dates from 1999. The necessary funding has apparently been secured and there is every reason to believe that the project can be completed.
- Carriage of Munitions of War – a meeting had been held with MoD, FCO and DfT officials to clarify the notification procedures for the carriage of munitions of war through UK airspace.
- Visit to LBA – the purpose of the visit was to build on existing relationships and gain an understanding of the LBA's views of EASA developments.

8. The Board noted the Report.

DAP – Doc 2006/96 by Mr Arscott.

9. Mr Arscott reported on the following highlights:

- Single European Sky – the Charging Regulation was adopted at the Single Sky Committee on 29 September. The majority of UK concerns were eliminated from the final Regulation.
- SESAR – the European Parliament Rapporteur has been briefed on the issues and CAA's opinion was valued.
- South East Airspace Study – a meeting took place on 27 September between the chairman, DAP, DfT officials and the NATS Director of Operational Performance. The aim is now to produce a more detailed scoping paper to build on the issues raised with a view to submitting a brief to Ministers in January.

- Hurn Airspace Change – a NATMAC consultation is under way for changes to cross-Channel routes to the south of the Isle of Wight and for the Bournemouth area. A number of AONBs lie underneath the area making environmental issues particularly sensitive. The environmental assessment enables dialogue with the CPRE and others on a factual basis.
 - GLA Environment Committee Report on Helicopter Noise – the report is expected to be critical of noise in some areas and to require more consultation.
 - Mode S – some 3,000 responses have been made to the consultation mainly from the General Aviation sector. The responses are currently being analysed.
 - Met Office Meeting – a meeting had been held with the Commercial Business director of the Met Office to discuss issues relating to the provision of aviation met data, the terms of the contract termination and SES certification and designation issues.
10. The Board recorded its thanks to the CAA team for its successful work on the SES Charging Regulation.
11. The Board noted the Report.

IV Legal Report – Doc 2006/97 by the Secretary.

12. The Board noted the Report.

V Finance Report – 6 Months Ended 30 September 2006 – Doc 2006/98 by Miss Jesnick.

Income

13. CAA's income is holding up well. The operating profit for the six months to 30 September was £6197k as compared to the budgeted profit of £541k. The volumes for AOC charges have been particularly healthy and, as a consequence, the AOC variable charge rates for over 40 tonne aircraft had been reduced by 15% with effect from 1 July 2006. A further price reduction of 10% took effect from 1 October.
14. EASA contract income at £1795k was under budget by £491k as a result of less than budgeted hours being booked to the EASA contract.
16. The Board noted the Report.

VI Human Resources Report – Doc 2006/99 by Mr Townsend.

17. Mr Townsend reported on the following highlights:

- EASA Transfers – 25 former CAA staff now work for EASA. The target of 30 posts should be reached.
- Ethnic Minority Recruits – a lesser number of ethnic minority persons are offered jobs than would be expected from the number applying. CAA's aim is to reflect the ethnic composition of the labour market in which it recruits.

18. Dr Bell asked for the analysis of the staff survey to be circulated to Board Members.

Action: Mr Townsend

19. The Board noted the Report.

VII European and International Strategy Report – Doc 2006/100 by Mr Smethers.

20. Mr Smethers reported on the following highlights:

- EASA – the Executive Director has recently advertised for the Head of the new “Plans and Programmes” unit to handle programme management for certification tasks and internal business planning. The job description is wide-ranging and the quality of candidates is encouraging.

EASA has identified a number of defects in its safety oversight in some Member States enabling the Commission to initiate remedial measures. The lack of uniform standards across Europe has been highlighted in the recent Greek report into the fatal accident to the Helios Boeing 737 in August 2005. The Quality and Standardisation Directorate is developing its activities quickly.

Negotiations on a Commission proposal to extend the scope of EASA to cover rulemaking and standardisation for operations and licensing are continuing in Brussels. The first round of discussions went well. MEPs have been impressed with CAA briefing.

- Third Package Review – the UK position needs to be established quickly. There are differing views on the economic and safety aspects of leasing. If safety standards were uniform throughout Europe, there would not be a problem. The timescale is four to six weeks. The Chairman asked Mr Smethers to update the Board at its November meeting.

Action: Mr Smethers

- Board Workshop – this should now take place on 28 February in London.

21. The Board noted the Report.

VIII CAA Input to the Air Transport White Paper Progress Report – Doc 2006/101 by Dr

Bush.

22. The Air Transport White Paper committed the Government to deliver a report on progress by the end of 2006. The Board agreed in July that the CAA should offer the Government its views on three core issues –

- The development of airport capacity in the South East.
- The airspace considerations.
- The environmental questions facing Government.

The Paper had been prepared by a pan-CAA team comprising Mr Plant – ERG, Mr Elgy – SRG and Mr Roberts – DAP.

23. Mr Plant said that the Paper focused on the changes since the publication of the Air Transport White Paper. In particular –

- The environment is very much higher up the political agenda than in 2003.
- In the light of experience, the Government should not set prescriptive dates for the introduction of developments or indeed their sequencing.
- Airspace is a constraining factor which needs to be fully taken into account.

26. Further comments by Members should be submitted to Dr Bush by Thursday and the Paper should be submitted to DfT as soon as possible.

27. The Board:

- Endorsed the report as the CAA's written contribution to the Air Transport White Paper progress report; and
- Agreed to it being sent to DfT as soon as possible.

IX CAA's Position in Relation to Aviation's Contribution to Global Warming – Doc 2006/102 by Dr Bush.

28. Dr Bush said that there was significant consensus, of which the CAA had been part, that aviation should pay its full costs on matters such as the environment, surface access and security. The best solution for the environmental costs of aviation was entering into the European Emission Trading Scheme in 2008. However, consideration of interim measures was required in case aviation's entry into the ETS was delayed. It was important that aviation meet its environmental costs as this was the best guarantee of long term sustainability.

29. Mr Plant said that noise impact had traditionally been the main environmental challenge for aviation. However, mainstream thought now recognised the global warming impact of aviation as a big environmental concern. Aviation was increasingly being portrayed as a pariah industry. As the industry's regulator, the CAA needed to respond to this increasingly high profile issue more proactively than before. The Chairman said that the context for this debate is the Air Transport White Paper. Capacity enhancements must be balanced with the environment. This would be the critical issue in new runway debates. A further report should be brought back to the November Board.

Action: Dr Bush

X CAA Eurocontrol Unit Rate 2007 – Doc 2006/103 by Miss Jesnick.

30. Miss Jesnick referred to the proposal to terminate the CAA contract with the Met Office on 31 December 2006 as the Single European Sky Regulations require clear separation of regulation from service provision. As a consequence, the Met Office element of the CAA's unit rate would pass straight to DfT. However, it was important that CAA retained control over the element relating to DAP's costs. It would not be appropriate for DfT to be seen to fund the independent regulator.

31. The Board noted:

- The proposed 2007 CAA/DfT unit rate of £7.47 per chargeable service unit comprising CAA £0.67, Met £2.47 and DfT £4.33.
- That the DfT element of the unit rate is subject to the approval of the 2007 Eurocontrol budget by the Provisional Council.

XI Any Other Business.

(i) Agenda Plan Update.

32. November 2006 - add EASA Three Years On and a further paper on the CAA Role and Policy Objectives in Relation to Aviation's Contribution to Global Warming.

The next Meeting of the Authority will be at 10.30am on Wednesday 22 November 2006 in Conference Room 1 CAA House