

I Minutes of the Previous Meeting and Matters Arising.

1. The Minutes of the meeting held on 18 September were approved and signed. On the action points arising:

- 1982 Resolution – Miss Jesnick said that this matter had been under discussion and would be resolved shortly.
- NATS – Dr Bush confirmed that the governance issues for CP3 had been discussed at ERPC and would be considered by the Board in November. In the meantime, as the review is now due to commence, a Panel of Members would need to be appointed to carry out the work (see ERG Director’s Report).
- XL Failure – it was confirmed that Willie Walsh, the Chief Executive of British Airways, had been thanked personally. Letters would be sent to the other companies that had provided assistance in the repatriation.

Action: Chairman

- Heathrow Runway Resilience – Dr Bush confirmed that a copy of the consultants’ report had been sent to the Chairman.

II(i) Chairman’s Opening Remarks.

2. On behalf of the Chairman, Mr Keohane reported on the following highlights:

- Recruitment of New Chair and CEO – the Job Descriptions had been submitted to DfT. The advertisement for the Chairman’s successor should be published by the end of the month.
- Recruitment of new DAP – the final interviews are expected to be completed by the second week of November. The Minister’s decision will follow thereafter.
- Meeting with Simon Webb – the main points arising from the meeting were:
 - DfT wish to be able to make an announcement in early December on the likely outcomes of their review of economic regulation.
 - Mr Webb confirmed that he would now arrange a half day meeting and Dr Bush has been contacted to set it up.
 - A meeting is being arranged to discuss the CAA/DfT relationship.
 - New Secretary of State – the Rt Hon Geoff Hoon MP had been appointed Secretary of State for Transport in succession to Ruth Kelly. The Chairman is to meet the new Secretary of State on 21 October.

(ii) Strategic Review Implementation.

3. Miss Jesnick reported that a meeting of the Implementation Working Group was arranged later

in the day. A plan is in place to deal with the 41 recommendations from the Pilling Report. Miss Jesnick is to meet Sandra Webber to focus on implementation of the various tasks. There had been little public response to the Pilling Report. Rather than making a specific public response, DfT is likely to incorporate the response in a broader document to be published some time in December.

4. The Board noted the Report.

III Directors' Reports:

ERG – Doc 2008/93 by Dr Bush.

5. Dr Bush reported on the following highlights:

- SES II – ERG is working closely with other Groups to advise DfT on the UK position. ERG's main focus is on the performance scheme and proposals on ANS charging.
- Bilaterals – there is a likelihood that a scarce bilateral capacity hearing will be required to allocate capacity on the London-Kiev route following bilateral talks with the Ukraine on 10 and 11 September. A hearing would be under the new scarce bilateral capacity allocation regime.
- Stansted Airport Price Control Review – the Competition Commission's report on the CAA's reference is expected by the end of next week.
- Competition Commission's Market Inquiry into BAA – the CAA's response to the CC's provisional findings had been published on 25 September. CAA strongly supported the divestment of two of BAA's London airports but considered that the CC had understated the potential for competition to deliver benefits. The CC had made a number of criticisms of the way in which the CAA had applied economic regulation to airports and these were strongly rebutted. Meetings had been held with the CC on remedies.
- DfT Review of Framework of Economic Regulation – the consultation closes on 22 December 2008. DfT had requested CAA to submit its views by the end of October.
- NATS Regulation – work on the CP3 price control review was commencing.
The Board appointed a panel consisting of Dr Bush as Chairman, Miss Jesnick and Dr Bell for the purposes of conducting the NATS (En Route) plc CP3 price control review.

6. The Board noted the Report.

CPG – Doc 2008/94 by Mr Jackson.

7. Mr Jackson reported on the following highlights:

- XL Group Failure – a "lessons learned" exercise is being carried out with DfT. A key issue is the inability to use the failed airline's fleet to repatriate passengers because of administrators' requirements for a Government financial indemnity to deal with ransom creditors and extreme eventualities. The exercise will include a review of the scope of the ATOL Regulations. The

Chief Executives of TUI and Thomas Cook are due to see the new Secretary of State.

- ATOL Enforcement – two failures had been referred to the Aviation Regulation & Enforcement Branch for consideration of prosecution of companies trading in breach of the ATOL Regulations.

8. The Board noted the Report.

SRG – Doc 2008/95 by Mr Bell.

9. Mr Bell reported with regret that Ronald Ashford CBE, GDSR from 1988 to 1992, had died. Ronald Ashford was a leading figure in the aviation world and was an original founding member of the Joint Aviation Authorities. His pioneering work in flight data recording has set new industry standards and made a significant contribution to the safety levels we enjoy today. A thanksgiving service will be held on 21 October.

10. Mr Bell reported on the following highlights:

- EASA:

Extension of Scope to Operations and Licensing – a new timetable has been published extending further the response time for the one Notice of Proposed Amendment published so far.

Part M Implementation – the Commission had allowed Member States to defer implementation of Part M for certain aircraft for a 12 month period until September 2009. SRG had decided not to delay implementation because of the adverse impact on industry and accordingly Part M became fully effective in the UK from 28 September 2008.

Gliders – the transition of gliders to non-expiring EASA Certificates of Airworthiness is well under way with a quarter of affected gliders being certificated. The process should be complete by June 2009.

ATCO Licence Directive – this was due to be implemented in May 2008 but the necessary UK Implementing Regulations were subject to delays in the DfT. The required amendment to the Air Navigation Order is now unlikely to be in force until January 2009. In discussion, Mr Bell confirmed that the Chairman had taken up the matter of secondary legislation delays with DGCA. While there had been some progress, the complex procedures and the requirement to produce an Impact Assessment had slowed matters down. The Board asked for an update on the position at its next meeting.

Action: Chairman/Mr Britton

- Commercial Air Transport:

British Airways Maintenance Glasgow – the media had revisited some performance shortfalls which had in fact occurred over two years previously. The CAA remains satisfied that the organisation's processes were acceptable.

- Airports:

Newquay Airport – progress on the civilianisation of RAF St Mawgan is progressing slowly. There is likely to be an issue with regard to air traffic control provision before the end of November.

11. The Board noted the Report.

DAP – Doc 2008/96 by Mr Arscott.

12. Mr Arscott reported on the following highlights:

- Heathrow Developments – advice had been given to DfT on the options to improve the operation of the Airport from a resilience and environmental perspective. This will be connected with ERG's runway resilience study.
- Terminal Control North Airspace change – NATS published an update to the TCN Airspace Change Consultation in late September. A number of design changes are being considered. This airspace change is likely to be a topic for the Transport Select Committee.
- Airspace and Safety Initiative – progress is being made towards the planned implementation date of 12 March 2009. The four phases of the programme are showing positive progress.
- Airspace Safety Initiative Communications and Educations Programme – this is being run in parallel with the main programme. A CD has been sent to all elements of the aviation community with the exception of General Aviation, which will be targeted in the early part of 2009. Capt Chapman is taking the lead in this.
- Future Airspace Strategy – a workshop session with all the principal parties was held on 8 October and an action plan is being produced. The particular focus is on the LTMA and the South East of the UK. How DfT will take this forward is still under debate.
- Ofcom Consultation – Mr Arscott referred to the draft CAA response to the Ofcom consultation on applying spectrum pricing to the maritime and aeronautical sectors. DAP has been involved with the Cave Inquiry since the beginning. There has to be a reasonable balance between efficient use of this scarce resource and proper assurance of safety. DAP has been working closely with SRG to achieve this. In discussion, the Board confirmed that safety must not be compromised but there must be clarity on the safety impacts. Mr Arscott invited Members to let him have comments on the draft response by 22 October. The final document will be circulated to Board Members.

Action: Mr Arscott

13. The Board noted the Report.

IV Legal Report – Doc 2008/97 by the Secretary.

14. In discussion of the prosecution items, the Board expressed concern that the level of penalties

imposed by the Courts did not reflect the cost of disruption (and potential danger) to airlines caused by, for example, intrusion into controlled airspace. The matter will be raised at the Prosecutors' Convention held by the Attorney General's Office later this month.

Action: Mr Britton

15. Mr Britton reported that the Administrative Court had now given permission for a Judicial Review of the Terminal Control South West Airspace Change.

16. The Board resolved to adopt the draft Resolution on actions to be taken following a receipt of a Direction from the Secretary of State under Section 6 of the Civil Aviation Act 1982 or Section 66(1) of the Transport Act 2000. A copy of the Resolution is attached to these Minutes.

17. The Board noted the Report.

V Quarterly Performance Report – Doc 2008/98 by Miss Jesnick.

18. Miss Jesnick presented the key issues arising from the Report.

CAA Finances

19. The operating profit for the year to date was £377k as compared to the budgeted profit of £1482k. The net profit after accounting for a £195k credit on borrowing costs, was £572k as compared to a budgeted profit of £1,650k. The economic down-turn was starting to have an effect on ASK volume numbers, arriving passenger numbers, pilot licence applications and airworthiness income. In fact there were no areas of income not affected. A number of economies had been introduced for travel expenditure and certain refurbishment works had been stopped. Nevertheless, the CAA could be in a loss position of some £2 million at year end. Accordingly, the Executive team will be looking at a further list of items to cut costs. DfT have been informed. DfT also owe CAA £1 million for work carried out and the Chairman has been asked to raise the matter of payment with DGCA.

Action: Chairman

A paper will be brought to the November Board. Miss Jesnick confirmed this will include financial information relating to CAA International.

[Secretary's Note: this Item will be postponed to the December meeting at which Mr Griffiths, DGCA, will give a presentation on the subject of the credit crunch and potential global recession.]

Human Resources

20. The performance management figures showed that staff sickness levels have increased which could be an indication that staff in some areas are under pressure. The economic down-turn would help ease recruiting.

Corporate Plan

21. The progress against Corporate Plan objectives for Quarter 2, July to September 2008, was

noted.

Media Evaluation

22. The media evaluation report for August was noted.

23. The Board noted the Report.

VI Eurocontrol Unit Rate 2009 – Doc 2008/99 by Miss Jesnick.

24. The 2009 and 2010 of forecasts of Chargeable Service Units have yet to be approved by the NATS Board and are still subject to change. The latest forecast is significantly lower than the figure used in June due to the economic down-turn and recent airline failures. The CAA's unit rate is forecast to be £0.77, an increase of £0.08 on the 2008 rate due to the effect of the adjustment mechanism.

25. The Board endorsed the proposed 2009 CAA unit rate of £0.77 per CSU and noted that the other components of the UK unit rate (NATS, Met and DfT) will not be available until after 13 October.

VII European and International Strategy Report – Doc 2008/100 by Mr Smethers.

26. Mr Smethers reported on the following highlights:

- High Level Seminar on SES II and SESAR – the opportunity was taken to press the UK view that there should be an Aviation System Co-ordinator consisting of experienced people to oversee the implementation of these major change projects. The seminar allowed little time for questions.
- EASA – the Management Board is considering a five year business plan focusing on core functions and operational efficiency. A meeting with senior SRG staff and the new EASA Rulemaking Director, Jules Kneepkens, had been held in London on 3 October. Considerable common ground was found together with a new willingness on the part of EASA to think in terms of partnership behaviour.

27. In discussion, AVM Anderson expressed concerns about the apparent dismissal of military interests by the Rapporteur for the Parliamentary proceedings on SES II. Mr Arscott confirmed that the agreement on military issues reached in SES I continues to apply. Mr Smethers confirmed that regular meetings were held with MoD on these issues.

28. The Board noted the Report.

VIII European ATM Issues – Doc 2008/101 by Mr Arscott.

29. Mr Taylor, the joint Chairman of the Single European Sky Working Group, gave an update on progress of the SES II package and the discussions on it in both the Council Aviation Working Group

and within the European Parliament. The following points were made –

- SES II Package 2 – the proposals for legislation had been published on 25 June and were being examined by the Council's Aviation Working Group. The legislative proposals have to be approved by both the European Parliament and Council of Ministers through the co-decision process before adoption into EU law. The French Presidency has made SES II and SESAR priorities for its term. Political endorsement of SESAR was agreed at the Transport Council meeting on 9 and 10 October. The proposed amendments to the four high level SES Regulations are largely unchanged from the drafts already seen by CAA. CAA is broadly content subject to revised focus on performance and the environment. Proposed wording has been given to DfT for use in the negotiations. The Parliament is aiming for a first reading in February 2009 which is an ambitious timetable.

SESAR – the Council Resolution has been achieved. The Commission are obliged to produce by next March a proposal to endorse a European ATM master plan. This gives time for the UK to promote its objectives. The NLMCC have given a consent under Condition 5 of the Air Traffic Service Licence to NERL to enable it to participate in the Joint Undertaking.

- EASA Extension to ATM/Airports – discussions are to be held on 27 October in the Aviation Working Group. Many Member States are not happy with the package. It is important that the extension is not rushed as there are a number of safety concerns.
- Airport Capacity – the Commission is setting up an Airport Observatory to advise on development and implementation of EU policy. There is to be a meeting in November with membership comprised of the Commission, Member States and industry representatives. While the Observatory may have a part to play in assessing how airports will be included in the SES II package, its role is not entirely clear.
- NSA Co-operation – the CAA led a team comprising France, Spain and Ireland to review the Eurocontrol Maastricht Upper Area Control Centre. The next peer review will be of Latvia. A workshop will be held in Madrid in November to determine the best practice for these audits.

30. In conclusion, the CAA remains well organised and equipped to support DfT in the detailed negotiations. There is intense activity to enable the French Presidency to achieve a general approach to SES II in the Transport Council on 9 December. Final adoption of the full package is unlikely before 2010.

31. The Board noted the Report.

IV IIP Re-Accreditation – Doc 2008/102 by Mrs Hastings.

32 Sarah Murphy-Brookman, Head of HR Operations, presented the paper on managing the CAA's

IIP re-accreditation process. IIP is a business benchmarking tool which enables CAA to see how its HR activities compared against a national benchmark of good practice. The benchmarks which describe various good practice processes are independently assessed every three years. Awareness of IIP was maintained by staff briefings. The process was not prescriptive but simply described what good practice should look like.

33. Interviews would be held with both members of staff and Board Members on a confidential one-to-one basis. These would begin in November. Some 100 people would be interviewed. Local IIP focal points will provide briefings to managers and staff.

34. The costs of the process should be contained at around £5k. This was thought to be good value to give confidence to CAA's stakeholders on the conduct of its people activities.

35. The Board agreed to support the IIP re-accreditation process.

X Any Other Business.

(i) Agenda Plan Update.

36. It was noted that the November Agenda was looking particularly heavy. Accordingly, the consumer policy report to DfT will be circulated to Members outside the meeting and Mode S would be slipped a month.

December 2008 – add Mode S; announcements by DfT on review of economic regulation and Heathrow; CC remedies.

This was the final meeting of the Board attended by Mr Bell. Mike Bell had been Group Director Safety Regulation since November 2003. Mr Keohane paid tribute to Mike's contribution to aviation safety over many years in SRG. The CAA was very grateful for his services.

The next Meeting of the Authority will be at 10.00am on Tuesday 25 November 2008 in Conference Room 1, CAA House