

**MINUTES OF THE MEETING OF THE EASA MANAGEMENT BOARD HELD
ON 02 MARCH 2007
AND SUMMARY OF DECISIONS TAKEN
MB MEETING No. 01-2007**

O. LIST OF ATTENDEES

The following full members or respective alternates were present:

| | | | |
|---------------------|---------------------------------|-----------------|-----------------|
| AUSTRIA | MR | KARL | PRACHNER |
| BELGIUM | MR | BENOÎT | VAN NOTEN |
| BULGARIA | MR | ZAHARI | ALEXIEV |
| CYPRUS | MR | LEONIDAS | LEONIDOU |
| CZECH REPUBLIC | MR | JINDŘICH | PLOCH |
| DENMARK | MR | KURT | LYKSTOFT LARSEN |
| ESTONIA | REPRESENTED BY PROXY BY DENMARK | | |
| FINLAND | MR | KIM | SALONEN |
| FRANCE | MR | PAUL | SCHWACH |
| GERMANY | MR | THILO | SCHMIDT |
| HUNGARY | MR | PÉTER KRISZTIÁN | SELYMES |
| ICELAND* | MR | PÉTUR K. | MAACK |
| IRELAND | MS | ETHNA | BROGAN |
| ITALY | MR | DANIELE | CARRABBA |
| LITHUANIA | MR | ROMUALDAS | ARMANAVIČIUS |
| MALTA | MR | ANTHONY | GATT |
| NETHERLANDS | MR | JAN DIRK | STEENBERGEN |
| NORWAY* | MR | HEINE | RICHARDSEN |
| POLAND | MR | | |
| PORTUGAL | MR | LUIS | COIMBRA |
| SLOVAK REPUBLIK | MR | OTAKAR | MIKYSKA |
| SLOVENIA | MR | JOZEF | SLANA |
| SPAIN | MR | JOSÉ MARIA | RAMÍREZ CIRIZA |
| SWEDEN | MR | NILS GUNNAR | BILLINGER |
| SWITZERLAND | MR | URS | ADAM |
| UNITED KINGDOM | MR | MICHAEL | SMETHERS |
| EUROPEAN COMMISSION | MR | ZOLTÁN | KAZATSAY |

The Chairman welcomed officially Romania and Bulgaria as new Members of the European Union, and full members of the Management Board. He also welcomed a number newly appointees as full members or alternates.

* Norway, Iceland, Liechtenstein and Switzerland participate in the Agency (and are hence members of the Management Board without voting rights) under article 55 of Regulation 1592/2002 as a result of Decisions No 179/2004, No 15/2005 and 16/2005 of the EEA Joint Committee which incorporates the Basic Regulation and its implementing rules into Annex XIII to the EEA Agreement.

SUMMARY OF DECISIONS

At its meeting held on 02 March 2007, the Management Board:

- adopted the agenda (document MB 01-2007 WP01);
- adopted the minutes of the meeting 05-2006 held on 13 December 2006 (document MB 01-2007 WP02);
- agreed to postpone decisions adopting the 2008 Preliminary Draft Budget and the Multiannual Staff policy Plan (documents MB 01-2007 WP05a, b and c)
- agreed that it would be premature to involve Turkey more within the Agency's work;
- decided to hold its next meetings on 28 March, 11th June, 11th September and 14th December 2007.

1. ADOPTION OF AGENDA

The Management Board adopted the proposed agenda, subject to some modifications in the sequence of the items, in order to allow for the budget items to be dealt with altogether, and in the light of the conclusions of the ENACT group. The adopted agenda was hence:

1. Adoption of the Agenda
2. Adoption of the minutes of meeting 05-2006
3. Report of the Executive Director
4. Report of the ENACT working Group
5. Outturn of 2006 Accounts and information on carry-overs
6. Implementation plan for 2007 budget
7. 2008 Preliminary Draft Budget and Workprogramme, Multi annual Staff Policy Plan
8. Update on the revision of the Fees and Charges Regulation
9. Update on the Article 51 evaluation study
10. Update of decision 07-03 on rulemaking procedures
11. Update of decision 04-2005 on accreditation surveillance visits frequency to NAAs
12. Application from Turkey
13. AOB
 - a. Request to Member States to provide a safety plan (it was agreed to deal with the matter under agenda item 6)
 - b. Report of the Internal Audit Service
 - c. Next meetings

2. ADOPTION OF MINUTES OF PREVIOUS MEETING

The minutes of the last meeting were adopted subject to the following changes:

- Under item 4, 5th paragraph, a sentence regarding transition measures was considered as unnecessary
- Under item 8: the participation of the Czech Republic to Article 51 Steering Committee was rightfully recorded
- A mention of the ENACT report has to be made

3. REPORT OF THE EXECUTIVE DIRECTOR

The Executive Director provided a full report on Agency's activities and events since the last meeting, in December 2006.

Major projects are led at satisfactory pace, but the budget uncertainty of the past years has led to some delays in other important aspects of Agency's work, such as safety analysis, continuing airworthiness or execution of the rulemaking workprogramme.

The Time Tracking System recently put in place in the Agency demonstrates the dedication of the staff.

Most delegations marked their satisfaction for the work carried out over the period and the Commission initiated the debate by thanking the Agency for its work , and notably for the support brought to them.

It was agreed that all discussions on the delays for some aspects Agency's work should be carried out in the light of the ENACT report.

4. REPORT OF THE ENACT WORKING GROUP

The co-Chair of the group delivered his report, recalling that the ENACT Group consists of technical experts and has looked in detail at the Certification Business Plan. The conclusion of their work is that there is a mismatch between the number of projects and the number of hours of skilled resource available. Since the Agency has to meet immediate requests from the industry, there is a risk that some less urgent but safety-critical tasks, such as oversight of continuing airworthiness, will tend to put aside. The ENACT group believes that at this stage the Agency is under funded and understaffed, and that, if perpetuated, this could prevent the Agency meeting the high expectations set out in Regulation 1592.

After thanking the ENACT group for these conclusions, the Management Board thoroughly discussed the issues it raised. Several delegations confirmed that the Agency had, and still has, to face immediate needs of industry, and that, given the circumstances it had done what it could as well as possible. It was agreed that it is now necessary to give the Agency the means to be more pro-active in its work, and to become a world leader in safety regulation.

Austria, Sweden, France, expressed their concern that the funding of the Agency has not been secured since 2003, and that the issue needs to be tackled both in terms of making the necessary resources available and in terms of creating the practical administrative tools to manage existing resources more effectively.

The Board also discussed the existing means to bring the issue to the attention of the European Parliament and the Council. Some members expressed support for the proposal of the European Parliament to amend the Basic Regulation so as to fund continuing airworthiness activities through an increased EC contribution (the proposed amendment has received an initial unfavourable response in the Council Working Group).

The Commission took note of the ENACT report. It also noted that expenses have to be adapted to the available resources. The Commission also gave the Agency opportunity to clarify why it had, every year since 2003, returned some funds to the general budget of the Community. The Agency explained that because of budget uncertainty and late release of funds, it had to be prudent about committing funds and effectively postpone some necessary expenditure.

The Chairman summarised a number of elements that are commonly agreed amongst members. Firstly, there is a need to evaluate what are the changes to the Agency's Financial Regulation that could be of some help in managing existing resources. Several delegations, including Sweden, advocated that a reserve fund be created, and used as a buffer to smooth out fluctuations in demand for certification tasks. The Chair then re-iterated that the revision of the Fees and Charges Regulation is key to having certification activities totally self-funded. And finally, the Chair invited the Commission to report to the Council on the issue

5. OUTTURN OF 2006 ACCOUNTS AND INFORMATION ON CARRY-OVERS.

The Administrative Director reported to the Management Board on the budgetary outturn balance of 2006 and on the automatic carry-overs from year 2006 to year 2007¹.

As a positive note he reported that the income from the fees and charges at 33.2 million euros exceeded the budget expectations by almost 3 millions due to the improved invoicing and unwavering collection of late payments. Three millions were received through these actions in the last weeks of the year.

¹ Appropriations that have been legally committed but not yet paid during the budgetary year.

The budget was committed in average at the rate of 91%, the operational budget being committed only at 87% as contracting was postponed until the additional funds were secured. The payment rate was low in Title 2 at 60% (general office and IT-costs) and in particular in Title 3 at 44% (NAA outsourcing).

Due to the low payment rate some 19 M€ of the appropriations have been carried over, mostly arising from the operational expenditures in Title 3. Out of the 16,5 M€ carried over from title 3, some 13,5M€ relate to purchase orders to the NAAs, signed in 2006 and for which no invoice has been received yet. The rest is composed of software and databases service contracts which were signed late in the year meaning that the activities continue in 2007 and payments will follow only thereafter.

The higher than expected income and lower than planned payment rate meant that budgetary outturn balance was 5M€. These funds will be returned to the Commission where they will be put on an earmarked revenue line ("Romero Facility").

6. IMPLEMENTATION PLAN FOR 2007 BUDGET

Following the request of the Board, made in its December meeting, the Administrative Director presented the 2007 budget together with an outline of an amended budget to be presented for the Board's consideration in June.

The Agency has estimated that an increase of the total revenue from 60 to 71.5 millions could be realistic. In this estimate the main components are the net budgetary outturn balance of 3M€², the very likely release of the parliamentary reserve of 2M€ and the increase of the fee revenue from 34.5 millions to 40 millions as a result from the amended regulation 488/2005.

The increase in expenditure, to be funded with these additional funds, are staff costs of some 2M€, operational missions of 1M and needs for the NAA outsourcing in the second half of the year of 8.5M€. In particular the increased appropriations for staff and the NAA outsourcing are critical. With the budget of 60M€ the Agency cannot recruit any new staff in 2007 in addition to the already recruited 301 Temporary Agents nor can it continue outsourcing new post-TC projects in the second half of the year as the ongoing projects and the CAW tasks already allocated consume the now available 9M€ completely.

² 5M€ total outturn minus 2M€ that is already included in the 60M€ budget.

He concluded that before presenting the amendment to the Board the Agency first has to see the final result of the ongoing amendment of the regulation 488/2005.

7. 2008 PRELIMINARY DRAFT BUDGET AND WORKPROGRAMME, MULTI ANNUAL STAFF POLICY PLAN

WORK PROGRAMME

The Agency has drafted, together with a working group comprising delegates from the industry and from the Management Board, a Preliminary Draft Budget and related outline of work programme. The scope of the Agency's work is expected to remain stable, with a focus on the mandatory activities. The year 2008 is expected to rectify part of the shortfall of the resources. Moreover, the work for the extension of the Agency's mandate is expected to continue.

Further details on the activities are presented in the relevant PDB 2008 document.

PRE-DRAFT BUDGET 2008 (PDB 2008)

As the Agency is expected to be fully self financed in the area of certification of products and organisations approvals, the own revenue is estimated at 55.3M€³. This includes 14M from organisations approvals and 35M from products. In addition to the expected revenue from these "standard" certification activities the Agency has included in its 2008 revenue estimate 2M€ from the activities related to Flight Standards, and another 2M€ from the Airbus single POA. Further items in the own revenue are the reimbursement of travel outside EU at 2.25M€

The Community contribution is proposed at 30M€. With other contributions the total revenue is estimated at 87.3M€

The balanced budget will present also the expenditure at a level of 87.3M€. The detailed expenditure per each budget line was presented in the PDB 2008 tables. The activity based view of the expenditure looks as follows:

³ Bearing in mind that it is expected to adopt a revised budget of 71M€ for 2007 at the June meeting of the MB

Activity based view on the expenditure- PDB 2008

| | |
|--|-------------------|
| Staff (417 full-year staff) –Title 1 | 47,110,000 |
| Fee financed (266 staff) | 28,390,000 |
| Contribution financed (186 staff) | 18,720,000 |
| | |
| Buildings & infrastructure –Title 2 | 11,270,000 |
| Fee financed | 7,260,000 |
| Contribution financed | 4,010,000 |
| Operational expenditure –Title 3 | 28,900,000 |
| Fee financed | 19,650,000 |
| Contribution financed | 9,250,000 |
| Special operational programmes | p.m. |
| Total | 87,280,000 |

**Activity based view on the operational expenditure
- Title 3 of the PDB 2008**

| | |
|--------------------------------------|-------------------|
| Fee financed total | 19,650,000 |
| NAA outsourcing/ Products | 7,500,000 |
| NAA outsourcing/ Org. | 6,750,000 |
| NAA outsourcing TOTAL | 14,250,000 |
| Other fee financed op. costs | 5,400,000 |
| Contribution financed Total | 9,250,000 |
| Total operational expenditure | 28,900,000 |

All delegations reckon that 87.3 M€ represent a substantial increase of the budget, but that it is certainly not an oversized budget for the Agency to meet its obligations.

Still, and in the light of the on going discussions on fees and charges, the Management Board unanimously agreed to postpone the adoption of the preliminary draft budget until the 28 March meeting. On that date the

Commission will present their proposal for a revision of the fees and charges.

It was agreed that the Members of the Management Board would, in the meantime, send in writing their detailed questions and comments on the proposed budget and work programme to the Agency.

MULTI-ANNUAL STAFF POLICY PLAN

The Commission adopted a document called *"Guidelines on Staff Policy in the EU Agencies"* in December 2005. These guidelines expect that the agencies present each year, together with the following year's pre-draft budget a three year plan on their staff policies and planned staff numbers. The document has to present the general policies on recruitment, grading, promotion and list all the adopted implementing rules. The detailed staff tables show both the requested new posts and the evolution of the staff complement through career progression.

These Guidelines are also a response to the request by the European Parliament to foster harmonisation and transparency of staff policies across Agencies.

The Agency presented accordingly a plan that outlines the above mentioned policy issues, and gives draft plans for the staff complement over the three year period. The Agency is requesting to have 452 Temporary Agents at the end of 2008 together with 30 Contractual Agents. At the end of 2010 the Agency estimates the staff need at 600, including staff recruited for flight standards activities. The staff financed by fees is planned at 266 in the end of 2008 and 300 in 2010. The staff figures proposed to be covered by the other contributions are 186 and 300 respectively.

As the Multi-annual Staff Policy Plan is part of the procedure adopting the PDB 2008 also adoption of that document was postponed till the next meeting.

8. UPDATE ON THE ARTICLE 51 EVALUATION STUDY

The Dutch delegation, holding the chair of the Steering Committee, informed the Management Board of the kick-off meeting held with HORVATH, for the evaluation of the Agency, as per Art. 51 of the Basic Regulation. The consultant presented some elements of their methodology, on which the Steering Committee delivered some advices. The methodology is twofold. On one side they will focus on the impact of Regulation on the overall system, and on the other hand, they will assess the efficiency of the tools and instruments available for the Agency.

9. UPDATE OF DECISION 07-03 ON RULEMAKING PROCEDURES

Due to the lack of time, it was agreed to discuss this item at a next meeting of the MB.

10. UPDATE OF DECISION 04-2005 ON ACCREDITATION SURVEILLANCE VISITS FREQUENCY TO NAAs

Due to the lack of time, it was agreed to discuss this item at a next meeting of the MB.

11. REQUEST FROM TURKEY

Turkey has sent to the German Ministry of Foreign affairs, as President of the Council, a request to be more involved in the Agency's work, including Management Board and rulemaking groups.

A number of delegations had no formal objections to the request, but the Commission reminded that if a cross examination of Article 18 and 55 of the Basic Regulation could open the debates on the matter; Turkey does not accept the competency of the Commission in air transport, and notably as regards competition.

Cyprus and Greece pointed out that they do not consider Turkey as compliant with a number of standards, regarding competition, environment, recognition of Cyprus NAA, and that their own positions ought to be clarified on the subjects before participating more actively to the EASA system.

Other delegations pointed out that there could be technical advantages in integrating Turkey to the EASA system, but that the institutional and political issues raised by the request needed to be addressed first.

The Management Board therefore agreed that giving a positive answer to the request would be premature.

12. AOB

a. REPORT OF IAS

The Commission requested the Agency to report on the Internal Audit Service visit to the Agency, at the next meeting of the Management board, as some findings are of importance to the Management Board.

b. NEXT MEETINGS

The Management Board agreed to hold its next meetings on 28th March, 11th June, 11th September and 14th December 2007 in Cologne.