



**DRAFT BUSINESS PLAN 2009 – 2013**  
**REPORT FROM MEETING OF STRATEGIC HIGH LEVEL GROUP,**  
**13 NOVEMBER 2008**

As agreed at the September Management Board meeting, the Agency's draft 5-Year Business Plan 2009-2013 was reviewed by the Budget Sub-Committee and by the ENaCT Group during October, before being the subject of a meeting of a small strategic group on 13 November. The strategic group consisted of representatives from the Agency, the Commission and the Management Board.

The group received reports from the Budget Sub-Committee and from ENaCT, which are attached. It also had a note from the Agency, updating information in the draft Business Plan, responding to comments from the two other groups, and identifying key issues for discussion.

The outcomes from the meeting of the strategic group were as follows:

- the Business Plan is a "living document", which will be reviewed each year. Figures for later years in the period covered by the Plan are necessarily less definitive than for earlier years
- the Business Plan should contain only one "scenario", along the lines of the "Basic Scenario" in the first draft (as subsequently amended), showing expenditures matching expected funding
- the Agency should show the gap between the level of activities its wishes to undertake and the level possible within available resources, either in a side document or by way of explanation in the Business Plan
- the decision of the Budgetary Authority on the level of the Community subsidy to the Agency in 2009, if confirmed, was welcomed. The Commission confirmed the existence of additional funds becoming available through the Romero Facility, and the Group discussed how these should be treated in the 2009 budget
- the likely delay in adoption of the Implementing Rules on Operations and Licensing compared to the assumption contained



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in the draft Plan would provide a bit more headroom for the Agency in 2009

- there should be no deferral or deceleration of on-demand certification activities
- there should be further dialogue between the Agency and the Commission on the level of resources required for the extensions of scope of the Agency's functions
- there was lengthy discussion of the importance of two Agency activities: work on continuing airworthiness of design, and work on safety strategy. Both these functions are a necessary ingredient of the Agency being pro-active rather than reactive in identifying and mitigating safety risks. It was agreed that ENaCT should be asked to instigate a more rigorous analysis of the appropriate number of hours the Agency should devote annually to continuing airworthiness, which in the meantime would remain as forecast by the Agency at half the level requested by ENaCT (and funded by industry). The significance of safety strategy would be discussed at the December Management Board
- there was discussion of the possibility of launching a study of long term funding options for the Agency
- various suggestions were made for amendments to the narrative parts of the Plan
- in the light of the meeting, and the reports from the other two groups, the Agency will submit a revised version of the Plan for debate and decision by the Board in December



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**Annex A**

**EASA MB Budget Committee on Draft BP 2009-2013,  
Cologne – 02 October 2008**

Attendants:

**Patrick Goudou**, EASA, Executive Director

**Kurt Lykstoft Larsen**, co-chairman, CAA Denmark

**Simon Backer**, CAA UK

**Pieter Mulder**, Dutch Ministry of Transport

**Josef Schiller**, German Ministry of Transport

**Staffan Söderbert**, CAA SE

**Carlos Filipe**, EC, Head of Unit Financial Resources and Coordination of Agencies

**Szymon Oscislowski**, EC, Administrative Coordination Officer, Section Coordination of Agencies

**Alessandra Zampieri**, EC, Deputy Head of Unit Air Safety

**Luc Vanheel**, EASA, Deputy Director

**Yves Lecoanet**, EASA, Head of Finance

**Victor Contineanu**, EASA, Accountant

**Ana Fernández de Castro**, EASA, Business Planning Executive

P. Goudou welcomed all attendees and reminded that this meeting is to be seen as part of the several discussions being held on the Draft EASA's Business Plan 2009-2013. An ENACT meeting and a High Level Strategy meeting on the same subject will take place in the next weeks, as decided by the Management Board on 17 September.

The Business Plan was generally welcomed by all parties as a good basis for discussion on several strategic items affecting the development of the Agency.

L. Vanheel presented shortly the main facts included in the Business Plan and suggested some topics for discussion: Analysis of the possible impact of the change of assumptions on the Business Plan (dates for



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extension of remit, income from F&C and EC contribution), EC contribution level for the 2<sup>nd</sup> extension of remit, financing of preparation costs for the new remits and reduction of hours in the Type Design Certification activities.

These and other subjects were discussed during the meeting:

**1. Budgetary situation**

K. Lykstoft Larsen summarised the budgetary situation presented in the Business Plan as follows:

- No major problems are expected in 2009
- In 2010 there are three main questions:
  - i. when the activities related to the new remit will effectively be taken over;
  - ii. if the F&C Regulation is going to be in place on the first day on which the first extension is effective and which concrete consequences would have the non-existence of such a regulation in place;
  - iii. how to address the preparation costs for the extension of remit, for which no mechanisms are in place.

**2. Assumptions on the dates of the extensions of remit**

K. Lykstoft Larsen pointed out that several facts indicate that the dates assumed in the Business Plan for the effective take over of new activities could be too optimistic. As explained by the Commission during the last Management Board meeting, the implementing rules for the "first extension" tasks will not be adopted before spring 2010 and they might foresee a transitional period.

P. Goudou agreed with this view and explained that if the assumptions change, the plan will have to be changed accordingly. However, it is necessary to have a view in the future and at some point assumptions need to be fixed as basis for the planning documents.



### **3. Basic and full scenario**

K. Lykstoft Larsen questioned the convenience of including in the Business Plan subjects which are still at a very early stage in the political negotiations (e.g. environment).

P. Mulder pointed out the same fact and explained that in his opinion the full scenario is good to launch discussions on the strategic vision but not to be linked to a budget.

Also J. Schiller expressed his disagreement with the existence of two scenarios. From a budgetary point of view the full scenario cannot be adopted and therefore it should be deleted in his opinion.

C. Filipe welcomed the document in general but expressed the serious concern from the Commission about the way how it is presented, with unbalanced budgets. In their opinion the presentation should answer the question “which activities can we perform with the available EC contribution?” and should include the detailed outputs expected as result of the activities. The same approach shall apply for the activities financed through fees and charges.

P. Goudou clarified that one of the main reasons to have two scenarios in the Business Plan is to launch a discussion about the Agency's strategic directions. This objective has been clearly reached. In addition, replying to the Commission remark, he pointed out that the Commission would have never been aware of the budgetary difficulties of the Agency if only one balanced scenario had been presented. He also addressed the difficulty of being able to influence the budgetary figures proposed in the Financial Perspectives before the adoption of the budget.

C. Filipe explained that the allocations to the Agencies are part of the Financial Perspectives 2007-2013 agreed with the Member States and the Parliament in 2006, which were later on decreased in view of the financing of the Galileo Programme. Furthermore he explained that every year the Commission discusses the proposals put forward by the Agencies in the frame of the preparation of the preliminary draft budgets.

L. Vanheel pointed out that the final objective is to have only one balanced scenario in the Business Plan, once the discussions



have taken place and decisions have been taken about what to include exactly in this balanced scenario.

#### **4. Financing of preparatory activities for the new remits**

At present there are no mechanisms in place to finance the preparation of the activities linked to the new remits. One possibility to be analysed would be the utilisation of the “reserve” (fees collected for activities to be performed in the future) until the new fees and charges system is in place.

The new system should contain provisions for the beneficiaries of the new activities to pay for the preparation together with the first activities. These amounts would then be reimbursed to the “reserve”.

#### **5. Subjects related to activities financed through fees and charges**

K. Lykstoft Larsen indicated the importance of analysing the consequences that the non-existence of an adequate F&C regulation would have for the extension of the remit.

J. Schiller pointed out the need to understand why the current fees and charges system is not enough to cover the costs and the correspondent justification for the increase of costs in the activities financed through fees and charges.

A. Zampieri supported J. Schiller's intervention.

L. Vanheel explained that the system allows continuing with the existing activities: the present fees and charges cover the existing activities. However, new activities are not covered. The Industry is also asking the Agency to change the system. During the last F&C workshop it was agreed to wait until the ERP system is implemented to be able to analyse the right data. The system will be reviewed based on the analysis of the full 2008 data.

P. Goudou highlighted that it should be taken into account how many years it took for the NAAs to achieve a final fees and charges system (if at all achieved) when criticising EASA for not having achieved a final valid system yet.



## **6. Subjects related to activities financed through EC contribution**

J. Schiller wondered if the assumptions taken for these activities are adequate. In particular, he remarked that given the considerable amount of Rulemaking work already performed there should be place for new activities without need of so many additional resources.

P. Goudou expressed his surprise regarding this opinion. He explained that Rulemaking is a never ending process since all rules need to be constantly reviewed.

In addition, the Management Board has never expressed an opinion until present indicating that the Agency is performing too many rulemaking activities.

A. Zampieri recalled the Commission appreciation for the recently adopted EASA 2009 Rulemaking Work Programme: it streamlines activities and focuses on agreed EU priorities.

## **7. Inflation**

Following a question of S. Söderbert, P. Goudou confirmed that all figures presented in the Business Plan are calculated without inflation, in order to give an overview about the real growth of activities and costs.

Also the EC contribution figures exclude inflation. C. Filipe clarified that in general terms a deflator of 2% is applied when elaborating the budget.

The following ACTIONS resulted from the meeting:

### **1. Statements on Market / Organisation and competencies sections**

J. Schiller requested EASA to include statements at the end of these sections summarising the impact of the market tendencies on the Agency's work and the impact of the external evaluation on the Agency's organisation.



## **2. Income**

The Business Plan income from the EC contribution (33,2 M€) is based on the Preliminary Draft Budget 2009 and kept constant during the future years for the activities related to the existing remit. The Commission indicated some months ago that this figure was not correct, the amount being 31,54 M€. As it is shown in the Business Plan, this reduction in the EC contribution as indicated in the Financial Programming would impact negatively the balance of the Agency's budget. Mr Goudou signalled that EASA expects a decision from the Budget Committee about the level of EC contribution on which the Business Plan should be based.

The Budget Committee decided to base the Business Plan on the forecasted EC contribution included in the Financial Perspectives and the amounts foreseen in the Financial Statements regarding the two extensions (copy attached to these minutes). EASA will amend the Business Plan accordingly.

## **3. 22.000 hours to be reduced in certification activities**

The planned working hours for the Type Design Certification activities need to be reduced in 22.000 hours per year to adapt to the available budget. Questions about the interpretation of this statement arose several times during the meeting: The planned hours showed in the Business Plan (5.1.1.2) include approximately the double number of hours currently performed in Continuing Airworthiness activities. The number of hours was increased according to the analysis done by the ENaCT Committee. Since the Continuing Airworthiness activities are invoiced per flat fee and not per number of worked hours, this increase in number of working hours would result in costs about 5,1 M€ higher than the forecasted income. This problem needs to be addressed.

## **4. Saving possibilities**

P. Mulder, supported by A. Zampieri, requested EASA to mention possible cost saving factors in the document. As an example, P. Mulder mentioned the possibility to reduce the number of standardisation visits. A. Zampieri mentioned the possibility to obtain some efficiency gains. She also referred to the Industry





request to introduce performance indicators with an external impact in the Business Plan.

## **5. Activities and outputs**

C. Filipe, K. Lykstoft Larsen and P. Mulder requested EASA to specify the detailed activities that will be performed with the available budget and the detailed outputs of these activities. C. Filipe explained that this is also the request from the budgetary authority.

## **6. 1.200 hours as basis for Certification calculations**

P. Mulder asked EASA to include an explanation about the 1200 hours used as a basis for the Certification activities costs calculations, including the source of this figure and the convenience to still use it for the future planning.

## **7. Detailed staff table on Certification activities**

P. Mulder pointed out that detailed staff tables per Department and Section were included only for the Certification activities. For consistency reasons these tables should be removed from this activity or included in the sections corresponding to the other activities.

P. Mulder will send other minor questions and remarks by e-mail next week.



## **REPORT OF ENaCT DISCUSSION ON THE AGENCY'S DRAFT BUSINESS PLAN, 14 OCTOBER 2009**

### **Introduction**

As requested by the Management Board the EASA NAA Certification Transition (ENaCT) Group met on 14 October to discuss the Agency's draft Business Plan for 2009-2013. The meeting was co-chaired by Michael Smethers and Patrick Goudou, with participants from the Agency, the Czech Republic, France, Germany, Italy, Sweden, the United Kingdom and the European Commission. The meeting covered the following issues.

### **Funding of Staff in Advance of Taking Over Chargeable Activities**

ENaCT endorsed the Agency's need to appoint staff in the fields of Operations and Licensing during 2009, in advance of the Implementing Rules coming into effect (assumed to be 1 January 2010), at an estimated cost of €1.2million. ENaCT noted that the Agency planned to finance this by utilising up-front receipts for certification tasks. ENaCT members pointed out that this could provoke strong criticism from industry, but were unable to identify an alternative source of funding. The Commission representative excluded the Community contribution as a source of funding, but could support the re-directing of Community-funded staff from rule-making to more operational work. ENaCT suggested an amendment to the EASA proposal currently with the Parliament and the Council could prevent this problem re-occurring with ATM and Aerodromes, but noted that this further extension of scope is unlikely to involve substantial certification activity.

### **Funding of Certification Work**

ENaCT noted that the "basic scenario" in the draft Business Plan as opposed to the "full scenario" would mean some 22,000 fewer hours of certification activity, equivalent to around 20-25 man-years. ENaCT advised strongly against any delays to demand-led certification tasks, and warned against any short-cutting of initial certification activity.



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However the Agency would undertake a careful review of initial certification processes, to explore - for example - whether extending the burden on DoAs could legitimately compensate for a reduction in the regulator's work, and whether a refinement of the allocation of regulatory resources, based on more overt emphasis on risk, could be acceptable. Any changes should be supported by a suitable risk assessment.

ENaCT saw no reason to change its original estimate that around 50,000 man-hours a year should be allocated to ensuring continuing airworthiness of design, and re-stated the safety risks of not allocating adequate resources in this area – with reputational risk to the Agency. It identified three legitimate sources of funding for this work: the Type Certificate Holders (as at present); the operators, who have a responsibility for maintaining continuing airworthiness; and the Community subsidy, since monitoring in-service safety incidents and drawing together evidence from standardisation activities, which are both funded from the Community subsidy, contribute to continuing airworthiness.

### **Environment**

ENaCT was content that the draft Business Plan covered the Agency's environmental role in an appropriate manner, whilst noting its muted impact on staffing requirements over the period.

### **Internalisation**

ENaCT discussed whether the Agency's target of internalising 80% of all certification tasks in the medium term remained appropriate. Whilst recognising the advantages of internalisation in terms of quality control, the Group agreed that this target should be regarded as a "soft" one, to be continually reviewed as circumstances develop. Leaving only 20% of work to be outsourced could excessively constrain the Agency's flexibility to reduce costs during a downturn in aviation activity, and render NAAs unable to respond to requests for assistance in busier periods. This was central to the key issue which ENaCT continually came back to – how to ensure that scarce expertise is best deployed around the system so that both the Agency and the NAAs can properly discharge their respective functions in the long term. It



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was agreed to expand the text in paragraph 5.1.1.2 on page 32 of the Business Plan to take account of these points, using text along the lines of that proposed by the NL delegate at the Management Board.

### **Chargeable Hours**

The Agency confirmed that 1200 hours a year is a realistic planning assumption for the average chargeable hours provided by certification experts.

### **Qualified Entities**

The Agency said that the Management Board would be asked to revise its Outsourcing Decision in December to bring it in line with the Basic Regulation by permitting outsourcing to Qualified Entities, but that it was the Agency's intention to open the market only slowly, subject to strict conditions. The Group noted that this could have far-reaching consequences, which the Management Board would wish to consider carefully, in particular on the ability of NAAs to retain competence to perform their national tasks.

### **EASA's International Involvement**

The Group noted that the basic version of the Business Plan envisaged the Agency employing only three representatives in third countries, and reducing its participation in international rulemaking activities. This stimulated generalised comments by some NAA representatives that the overall range and intensity of the Agency's activities were being determined more by externally imposed budgetary factors than by safety considerations. In international work, there was a risk of EASA exerting a lower level of influence than JAA had done. The Commission representative said that the Agency had no choice but to operate within the level of resources decided by the Community's budgetary authorities; if savings are necessary, they have to be implemented in such a way as not to impact negatively on safety. It was agreed that these comments raised fundamental strategic questions going beyond the remit of ENaCT, which would need to be addressed by the higher level group and then the Management Board.