

# **SADIS COST RECOVERY ADMINISTRATIVE GROUP (SCRAG)**

## **SEVENTH MEETING**

(Bangkok, 1st and 2nd November 2006)

### **Agenda Item 7: Any Other Business**

#### **CHANGES TO THE ADMINISTRATIVE AND BILLING PROCEDURES IN THE UNITED KINGDOM**

(Presented by the United Kingdom)

##### **REFERENCES**

SADIS Agreement

### **1. Introduction**

- 1.1 This paper details a minor amendment to the administration and billing procedures carried out by the United Kingdom as the SADIS provider State. These changes are necessary as a result of the termination of the SADIS contract between the UK Civil Aviation Authority (CAA) and the Met Office in December 2006.

### **2. Current Arrangements**

- 2.1 SADIS services are provided by the UK Met Office under the terms of a contract between the Met Office and the CAA. The Met Office invoices the CAA on the basis of the estimated SADIS costs approved by the SCRAG. The CAA also makes payments to NATS, in respect of Gateway costs, and to ICAO to cover the costs of administration, as provided for in the SADIS Agreement.
- 2.2 In January of each year, the CAA issues an invoice to each participating State as calculated by ICAO and approved by the SCRAG. All expenses and receipts are accounted for using a discrete account, as required by the SADIS Agreement.

### **3. Change to Billing Arrangements**

- 3.1 The contract between the CAA and Met Office will terminate on 31 December 2006. This has become necessary as a result of the CAA's regulatory role under the European Union's Single European Sky regulations. As the National Supervisory

Authority (NSA), the CAA will have responsibility for the certification and designation of all Air Navigation Service Providers in the UK, including providers of Meteorological services. As a result of the regulations, the CAA is required to have clear separation between regulation and service provision and it is therefore inappropriate for the CAA to have a commercial contract with an entity it regulates.

- 3.2 The CAA's regulatory oversight of the Met Office will ensure the UK meets its obligations to provide ICAO Annex 3 products and also meets its obligations under international agreements, including the SADIS Agreement. The Met Office will continue to provide agreed SADIS products and services.
- 3.3 As far as ICAO and participating States are concerned, the only change will be to the billing arrangements as, with effect from 2007, invoices will be raised by the Met Office instead of the CAA.

#### **4. The SADIS Agreement**

- 4.1 With two exceptions, all obligations placed on the UK refer to the UK as provider State and to not specifically mention the CAA. The exceptions are as follows:

##### **Article XIX – Termination**

This Agreement may be terminated on 31 December in any year by Parties other than the **Civil Aviation Authority** of the United Kingdom responsible for assessments in the aggregate of not less than two-thirds of the limit determined pursuant to the provisions of Article X by notice in writing given to the Secretary General not later than 1 January of that year.

##### **Annex III – Financial Issues**

###### **Chargeable Costs**

###### **1(e) Interest on temporary cash surplus or deficit**

Article XII, paragraph 5 of the Agreement stipulates that the United Kingdom shall maintain a separate bank account specifically for handling all payments received and payments made with regard to the services covered under this Agreement. Any interest accruing on that account shall be considered a collective property of the Parties and shall be applied for a purpose deemed appropriate by the SCRAG, with the approval of the Parties. In the events of the funds in this bank account not being sufficient to cover the disbursements required for the services covered under this Agreement, the United Kingdom may charge interest on the shortfall during the period it lasts at that rate of interest that would be paid by **the UK-CAA** for short-term loans it may negotiate to finance its own operations.

- 4.2 The Annexes to the SADIS Agreement can be amended by the SCRAG (amendments to the Agreement itself require the agreement of two thirds of the States). As Article XIX, dealing with termination of the Agreement, stipulates that the Agreement *cannot* be terminated by the UK Civil Aviation Authority (i.e. it can only be terminated with the agreement of the majority of States), there is no need to amend this Article. The reference to the **UK CAA** in Annex III could be changed to the **UK Met Office** with the agreement of the SCRAG.

#### **5. Impact on Administration Costs**

- 5.1 The 2006 cost base includes estimated CAA administration costs of £20,000. The 2005 actual costs were £15,007. This figure includes the cost of billing, credit control, accounting for SADIS costs and receipts, the preparation of

SCRAG working papers and the attendance of two CAA observers at the annual SCRAG meeting.

- 5.2 The transfer of these functions to the Met Office is not expected to lead to a significant change in the administration costs of SADIS. There will be a reduction in the costs of travel and related expenses as the CAA's Financial Services Manager will no longer attend the annual SCRAG meeting. Mr A Wells, CAA Met Authority, will continue to provide technical advice to the SCRAG.

**6. Action by the Group**

6.1 The SCRAG is invite to:

- a) Note the information provided in this working paper
- b) Consider an amendment to Annex III as detailed in para 4.2
- c) Seek clarification of any other issues in relation to the revised billing arrangements

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