

**CIVIL AVIATION AUTHORITY
MINUTES OF THE 479th BOARD MEETING HELD ON
WEDNESDAY, 19 NOVEMBER 2014,
AT THE OFFICES OF THE AIR ACCIDENTS INVESTIGATION BRANCH,
FARNBOROUGH**

Present:

Dame Deirdre Hutton	Chair
Mr Andrew Haines	Chief Executive Officer
Mr Peter Drissell	
Mr David Gray	
Mr Michael Medlicott	
Mr Iain Osborne	
AVM Edward Stringer	
Mr Mark Swan	
Mr Richard Jackson	
Mr Graham Ward	
Mr David King	
Mrs Kate Staples	Secretary & General Counsel

In Attendance:

Dr Stephen Rooney	
Mr Peter Gardiner	
Mr Stephen Baker	Minute taker

I Apologies

Apologies were received from Chris Jesnick. The Chair noted Miss Jesnick was recovering from an operation and wished her a speedy recovery.

II Previous Minutes and Matters Arising

1. The minutes of the October Board meeting were approved.
2. On matters arising, item 3 (SARG Covalent system), Mr Medlicott asked if the same briefing note could be given to the trustees of the Air Travel Trust.

Action: Mr Gardiner

On item 76 (CAAI meeting with EASA to discuss EASA work programme) Mr Haines asked the Board to note that CAAI had not yet received definitive information from EASA on the programme and also that the Brunei government had now signed the contract with CAAI.

III Chair's Update – by Dame Deirdre Hutton

3. The Chair reported on her activities during the previous 30 days.
4. The Chair reported on her visit to Edinburgh Airport and on her meeting there with Gordon Dewar, the new CEO of the airport. She noted that the airport appeared to be benefitting from a more innovative approach by its new owners to the provision of airport services. She had also attended, with Mr Haines and Mr Swan, the BALPA Conference Dinner where she had met the Parliamentary Under Secretary of State for Transport, the Rt. Hon Robert Goodwill, M.P.
5. The Chair reported on a meeting with Lucy Chadwick, the Director General, International, Security and Environment Group of the Department for Transport (DfT). The discussion had mainly been about the Air Travel Trust.

IV. Chief Executive's Report - Doc 2014-132 by Andrew Haines

6. Mr Haines invited Mr Jackson to brief the Board on Monarch Airlines. Mr Jackson reported that the purchase of the airline's shares had finally been completed by Greybull and the Group's ATOL licences had been renewed. He was satisfied that the business plan submitted by the airline to the CAA was a realistic one for the next 15 months and he outlined some of the salient financial covenants entered into by the new airline. Mr Jackson said he was satisfied that it was proper for the CAA to grant the licences in the circumstances, based on the business plan and the funding the company had secured. In the circumstances Mr Jackson was satisfied this was the best position that could have been reached.
7. Mr Haines reported that a successor to Dr Rooney, who was shortly to leave the CAA, had been identified.
8. Mr Haines reported on the Airport Commission's consultation of the three shortlisted schemes for a new terminal in the South East of England.

9. Mr Haines reported on the volcanic ash dinner he had attended with Mr Swan. He said the discussions had been constructive and a number of actions had resulted, helped no doubt by the volcanic activity in Iceland since August, including the reactivation of the Volcanic Ash Advisory group. He noted the intention that the Meteorological Office Civil Contingency Aircraft contract should be renewed for a further three years although in the longer term the Met Office was looking to use UAVs¹.
10. The Board commented on Annex A (Transformation Programme status). The use of less acronyms and a more informative summary for certain items was requested for future reports.

Action: Mr Haines

11. The Board noted that the CAA should accelerate its thinking around the regulations of UAVs. Mr Haines replied that the issue was scheduled to be discussed at the December PIE and that he and the Chair were due to discuss the issue with the Minister in December. The European Commission and EASA were separately reviewing their relative roles on this subject. Currently, however, UAVs below 7kg in weight were not regulated. Mr Stringer noted that he was due to discuss the MoD's approach with Mr Swan and could provide some detail on this.

Action: Mr Stringer and Mr Swan

V The ADR Directive and the future of complaints handling in aviation- Doc 2014-133 – by Iain Osborne

12. Mr Osborne explained that now that the UK was implementing the European Directive on Alternative Dispute Resolution (ADR), the CAA could become competent authority for ADR schemes in the UK aviation sector and end its complaint handling role via PACT². Board approval to CAA becoming a competent authority for this purpose was therefore sought. In addition, the Board was asked to approve three key aspects of CAA policy on complaints handling and ADR, to be set out in a draft policy statement for publication by way of consultation before Christmas.
13. These were, in summary, the following.

¹ Unmanned aerial vehicles

² The Passenger Advice and Complaints Team

- a. The adoption of criteria for the certification of ADR schemes that went beyond the minimum required by the Directive. These included requiring schemes to make decision binding on businesses but not consumers, covering legal as well as contractual disputes, setting maximum fees for consumers and restricting fees for complaints involving claims for fixed sum compensation, such as for cancelled and delayed flights.
 - b. That CAA would consider various fallback options if not enough of the industry participates, including legislation to mandate ADR schemes, procuring a scheme from an independent ADR provider, providing funding for technical expertise for the Government's residual ADR scheme and assisting consumers to take court action against airlines who did not join the ADR scheme.
14. The Board, in discussion, noted there would be risks if an ADR scheme failed to meet expectations, which could arise for a variety of reasons. Mr Osborne commented that the CAA would have enforcement powers as Competent Authority should the ADR provider be deemed to be failing and could retain some residual capacity to scale back up so as to handle complaints if this was required. Closing down PACT would, he noted, save industry charge payers up to £1,000,000 per annum.
15. The Board approved the decision to become a competent authority for ADR in the aviation sector and approved the three key policy aspects mentioned at 17 above.

VI Safety and Airspace Regulation Group (SARG) Safety Issues Report - Doc 2014 – 134 by Mark Swan

16. Mr Swan reported on a number of matters.
17. In relation to the Thomson Airways Boeing 787 in-flight engine shutdown, the cause had been identified as a combustor, which feeds the fuel-air mix to the engine, moving out of alignment by 10 – 15 degrees. A similar problem had been identified in eight engines worldwide. The controlling software was being re-written to address the problem. GE, the manufacturer, was confident it could detect the problem within 40 cycles and react accordingly. SARG was therefore confident therefore that the problem had been addressed.

18. Mr Swan reported that SARG was waiting for the US National Transportation Safety Board's initial report on the Virgin Galactic space plane accident, although the cause of the accident appeared to be premature deployment of the boom-arming lever. SARG was in discussions with the FAA about the space plane programme but it did not look as if it would be materially affected.
19. A comprehensive safety audit of the Scilly Isles airport had been conducted in September. The airport was being retained in special measures until January 2015 when its status would be re-considered.
20. Mr Swan reported that complaints about the London Heathrow Departure Enhancement trials had reduced somewhat.
21. Mr Swan said he would clarify an item concerning the Aircrew Regulation (examination of student pilots by the examiner even when they have acted as their instructor).

Action: Mr Swan

VII CAA Business Assurance Report to October 2014 - Doc 2014-135 by Iain Osborne

22. Mr Osborne noted that the paper summarised progress made on key business targets and provided the Board with assurance against the CAA Business Plan. He reported that progress was being made on various key business objectives, summarised at Annex A, although a number of targets had been revised or were at risk, as summarised at Annex B.
23. The Policy Programmes Team was continuing to work on the GA Policy Framework although Mr Osborne noted that it was still a challenge for people to think differently in relation to regulation.
24. The integration of risk information into the business planning process had now been deferred to Spring 2015. Mr Osborne noted that the resource allocation for this would sit outside the Covalent system as that system could not deal with this and, in time, CAA would probably move to a corporate risk management system.
25. Mr Swan reported that a draft interim report on the PBR Offshore Helicopter Review deliverables was now ready to go to ExCo and, afterwards, the Board in

December. The actions taken by SARG as a result of the Review had, in the meantime, stabilised the safety position on offshore operations.

VIII. Aviation Security Bi-Monthly Report - Doc 2014 - 136 by Peter Drissell

26. Mr Drissell reported on the progress made on the post-AvSec transfer, consequential actions. He noted that improved secure mobile telephone communications had been secured by using modified iPhones. Egress Switch, an encryption platform, had been purchased to enable secure, encrypted communications to industry. Problems still remained however, with the interface between the CAA's systems and the AvSec gsi system which required a number of less than optimal workarounds, delaying business integration.
27. Mr Drissell was encouraged to note that 22 of the 56 AvSec staff who had transferred to the CAA had now agreed to transfer to CAA employment terms and conditions.
28. The Transfer Post Project Review had been completed in August. DfT were invited to participate in it but declined. DfT had, however, been sent a copy of the report.
29. The Board noted the report.

IX. Corporate Communications - Doc 2014-137 by Stephen Rooney

30. Dr Rooney gave a summary of his department's activities over the previous six months. A major stakeholder research survey had been conducted with 1,500 responses and 44 in-depth interviews, to help to inform the stakeholder engagement framework. The key message coming from the survey had been the need to target information more effectively. Dr Rooney noted that while some of the recommendations were being taken forward by existing projects, others are significant pieces of work that would require additional resource.
31. Dr Rooney reported that the CAA website was being re-designed, using an external agency, with an improved, clearer layout and that its launch was planned for March 2015.
32. On groundhandling, the campaign to promote safety occurrence reporting continued and a second phase was in planning, focusing on minimising loading errors.

33. A new, computer-based training package had been launched as part of the Airspace and Safety Initiative, which included a video tutorial as a potential alternative to enforcement action for airspace infringements.
34. Currently, remotely piloted aircraft systems were the biggest issue that the press office was dealing with. A number of broadcast interviews on the subject had been given. Airspace issues and noise were the biggest issue for CAA on Twitter.
35. Dr Rooney reported an increasing volume of Freedom of Information Requests. The Board asked if more information could be published on the CAA website, to reduce the need for such requests. Mr Swan replied that his department was looking at this, for instance in relation to accident reporting data, as part of an incremental programme to release information but more could be done. Mr Swan noted that his department had a briefing document on safety data that might be useful for Board colleagues.

Action: Mr Swan

36. The Board asked Dr Rooney how well his department was served by colleagues for media interviews. Dr Rooney replied that it was well served at a senior level and for consumer policy interviews; on the safety side, however, it was patchier, with just a few confident and trained spokespeople available. The Board asked if using social media to communicate complicated issues was always wise. Dr Rooney replied that his department actively monitored social media activity and responded as appropriate, but that frequently – especially with Twitter – it was more helpful to point people to more detailed published information.
37. The Board thanked Dr Rooney for his report.

X. CAA International Quarterly Report – Doc 2014-138 – by Chris Jesnick, presented by Andrew Haines

38. Mr Haines reported that the consultancy contract with the Government of Brunei had been signed.
39. The Board discussed the below budget revenue streams. Mr Haines said he did not think this was linked to the internalisation of CAAi. He noted that the SAFA and residential post contracts in Brunei and Mauritius were progressing well and on budget. The new PBR service offering and MoD contract bid could

perhaps bridge the gap, although lack of capacity in PBR constrained CAA's ability to contribute to CAAi at the moment. CAAi performed well over the last two years and its current performance might reflect a return to a more normal set of results. The Board requested an update on the CAAi 2014/15 forecast outturn in the December finance report.

Action: Mr Haines

40. Mr Haines noted that CAAi added value to CAA in three ways: the net contribution it made to the CAA's profit and loss account; it was the biggest partner for EASA; and through positive safety interventions in other States. Over the next six to twelve months the CAA needed to look again at CAAi, in time for when the new CAAi service offerings were ready.
41. Mr Haines confirmed that whilst the forecast CAAi contribution to CAA revenue was approximately £1,000,000 under budget, at £6,100,000, this should not have an impact on the Transformation Programme.
42. Mr Haines noted the report erroneously stated the Malaysian office was closing; in fact it was the Singapore office, mainly due to the taking back by EASA of survey work.
43. The Board noted the report.

X 2015/2016 CAA Charging Proposals - Doc 2014-139 – by Chris Jesnick, presented by Andrew Haines

44. Mr Haines invited Mr Osborne to brief the Board on the result of the presentation of the charging options to the Financial Advisory Committee. Mr Osborne said a decision had been made to charge for air operating certificates at cost. The reduction in the required rate of return agreed by HM Treasury would reduce CAA income by approximately £1,000,000 and this would first enable the elimination of the cross-subsidy and then would be spread evenly across the various safety schemes.
45. Mr Haines confirmed that the proposed reduction in the charge applicable to aircraft type certificates was deliberate.
46. The Board discussed the proposed increase in the NERL licence fee and made a number of editorial suggestions in relation to the draft consultation document.
47. The Board approved the charging proposals for 2014/2015 subject to final editing by Mr Haines.

XII CAA Eurocontrol Unit Rate 2015 – Doc 2014 – 140 by Chris Jesnick, presented by Andrew Haines

48. Mr Haines asked the Board to approve the proposed CAA Eurocontrol unit rate for 2015 of £1.40 per service unit in accordance with the CAA's Determined Costs contained in the UK-Ireland FAB³ Performance Plan.
49. The Board approved the proposed unit rate.

XIII Draft Financial Results for the 7 months to 31 October 2014 and Financial Results for the 6 months to 30 September 2014 – Doc 2014-141 by Chris Jesnick, presented by Andrew Haines

50. Mr Haines presented the CAA's financial results to the Board. He noted that the operating results were holding up well and were ahead of budget, although the forecast was that these would be adversely impacted by the end of the financial year due to a number of factors. These factors were: a lower income forecast by year end, a projected increase in spends on the CAA's Transformation Programme and a proposed transfer of £1,000,000 from Capex account to Revenue account on the Transformation Programme. Mr Haines confirmed that the last item would be discussed and agreed with the CAA's auditors.
51. Aircraft series certification and export income was, he noted, above budget but this was offset by below budget licensing income.
52. Mr Haines also noted that the reduction on regulatory return on capital employed would be accrued from April 2016 and this would have an eventual impact on £1,000,000 of cash-flow.
53. Mr Haines noted that the increase in professional fees was explained by day rate contractors and agency uplifts on the Transformation Programme and actuarial fees for CAAPS. The CAA was looking at whether the former could be reduced through the Government Framework Contract. The Board requested a full year end projection for professional fees as against budget.

Action: Mr Haines

54. The Board noted the report.

³ Functional Airspace Block

XIV Live Issues and Monthly Reports

55. MCG *Live Issues* – Doc 2014-142 by Mr Osborne

55.1 The Board approved the delegation of decisions concerning the approval of modifications to NATS licence, to implement the RP2 Performance Plan from 1 January 2015, and their promulgation in the Gazette, to Mr Haines, Mrs Staples and Mr Osborne.

55.2 Mr Osborne reported on the result of the Huzar appeal. He noted that the Supreme Court had refused leave to appeal from the Court of Appeal's decision concerning technical problems. As a result airlines would have to pay compensation to passengers whose cases had been deferred pending the result of the appeal. Mr Osborne noted that most airlines were making arrangements to settle claims covered by the ruling, but three airlines (Jet2, Ryanair and Wizz) were refusing to pay, citing another, unrelated foreign case on the same issue which was still progressing through courts in Europe. The CAA was considering what action it could take against the three airlines although this might cause the other airlines to defer paying compensation pending the result of the action.

56. CCD: *Live Issues* – Doc 2014 – 144 by Dr Rooney

56.1 Dr Rooney reported on a matter regarding the proposed use of a drone to fly mistletoe above the heads of diners in a restaurant. The restaurant had been advised about the proposal and the legal requirements in place.

XV Any other Business & Forward Planning

57. No matters were raised.

**Date and Time of Next Board Meeting: 17th December 2014, starting at 9.30 am
in Earhart Room CAA House London**