

CIVIL AVIATION AUTHORITY



FOR PUBLICATION

**CIVIL AVIATION AUTHORITY
MINUTES OF THE 450th BOARD MEETING HELD ON WEDNESDAY, 22 FEBRUARY 2012 at 11
AM**

Present:

Dame Deirdre Hutton

Mr Andrew Haines

Mrs Gretchen Haskins

Mr David Gray

Dr Catherine Bell

Mr Richard Jackson

Miss Chris Jesnick

Mr Michael Medicott

Mr Roger Mountford

AVM Barry North

Mr Iain Osborne

Mr Mark Swan

Capt. Roger Whitefield

Chair

Chief Executive

Mrs Kate Staples

Secretary & General Counsel

In Attendance:

**Dr Stephen Rooney
Director of Corporate Communications**

**Mr David Owen
Director, Human Resources**

Mr Chris Finnigan
Manager, Flight Ops Inspectorate (General Aviation)

(for Item IV)

Ms Alex Craker
Development Director

(for Informal Discussion items A & B)

Mr Adrian Brett
CAA Development Team

(for Informal Discussion item B)

Mrs Norma Hastings
Head of Human Resources

(for item XII)

Mr Stephen Baker
Minute Taker

I. Apologies

1. No apologies were received.

II. Minutes of the Board Meeting held on 18 January 2012

2. The minutes of the meeting were approved and signed.

III. Chair's Update

3. The Chair reported on the meeting she and Mr Haines had held with the Secretary of State, which had touched on aviation policy, the Civil Aviation Bill and volcanic ash, and also on meetings held with members of the Board of Gatwick airport and with the Met Office. Further matters to report included the Chair's attendance (with Mr Jackson) at the Transport Select Committee hearing, to give evidence on ATOL reform, and on her attendance, with other members of the Board, at the RAF Board dinner.

IV. General Aviation Briefing: Biggin Hill Aviation pre-brief – Doc 2012-20 by Mrs Gretchen Haskins

4. Mrs Haskins introduced the paper which contained a briefing on issues to be discussed with the General Aviation Strategic Forum Group (GASF) at the next Board meeting at Biggin Hill.

5. Mr Finnigan briefed the Board on the general aviation (GA) community in the UK and the issues proposed for discussion with the GASF, concerning business aviation matters, the concerns of AOPA regarding the impact of the CAA's new duty proposed under the Civil Aviation Bill on GA and sporting and recreational aviation, and invited the Board to note the suggested lines to take. The Board discussed the relevance of the Significant Seven to GA and safety initiatives that SRG was undertaking for GA and on the enforcement of the rules on public transport operations against foreign charters. The issue of slot allocation in relation to GA business aviation was discussed along with the CAA's general duties and role towards GA and how these might be impacted by the Bill. The Board agreed it would be useful to have an information note on the CAA's different statutory duties and how these applied to GA.

Action: Mr Osborne

6. The Chair thanked Mr Finnigan for his briefing and the Board noted the contents of the report.

V. Safety Issues report – Doc 2012-21 by Mrs Gretchen Haskins and Mr Mark Swan

7. Mrs Haskins briefed the Board on various matters, including the result of the Lyon Tech halon prosecution, the progress of the A380 wing crack inspection programme mandated by EASA where she believed the right approach was being taken and on the ongoing volcanic ash programme. She reported on the workshop held in January with the Turkish DGAC, which had identified some useful safety actions, and drew the Board's attention to the recent completion of the re-write by ICAO of the draft of Annex 19 (Safety Management and State safety Plan) which Hazel Courteney, the Head of Safety Strategy and Delivery had led, and which would go to the ICAO ANC in May.

8. The Board noted the contents of the report and expressed its appreciation of Dr Courteney's efforts.

VI. Finance Report – 10 Months Ended 31 January 2012 - Doc 2012-22 by Miss Chris Jesnick

9. Miss Jesnick reported on the financial results for the ten months to 31 January 2012. These included cumulative income of £94M, down somewhat against budget but partly offset by increases in AOC and En Route charges income, with employment costs below budget, mainly in CAAi, RPG and ASSI, and with Group staff numbers below budget. Miss Jesnick also gave a financial forecast, which now indicated a small profit for the Group, and also the figures for CAAi for the end of the month which were looking favourable.

10. Miss Jesnick reported on the loan repayment schedule for 2012 onwards and on the PIMS/MARS project, and the Chiller replacement project.

11. An update was provided by Miss Jesnick on the landlord of CAA's London office and she confirmed that the landlord had now signed the rent review memorandum following the successful conclusion of the rent review arbitration which had resulted in a nil increase award in relation to the annual rent for CAA House.

12. The Board noted the contents of the report.

VII Corporate Communications Update – Doc 2012-23 by Dr Stephen Rooney

13. The quarterly report by Dr Rooney highlighted internal and external communication issues and developments over the last month and the new and ongoing key initiatives for the coming months. The latter included consumer information promotion, in particular the publication of comparative tables of airline charges and fees on the RPG website, the Olympic 2012 airspace restrictions and the ATOL reform awareness campaign. With regard to the Olympics, Dr Rooney reported that considerable efforts had been made by Corporate Comms to communicate the planned restrictions to non-UK operators and other NAAs, with a joint NATS briefing for European GA media to be held in March.

14. Dr Rooney updated the Board on the development of the CAA's new social media communications plan.

15. The Board noted the contents of the report.

VIII Report from the Audit Committee – Doc 2012-24 by Mr Roger Mountford

16. Mr Mountford presented the quarterly report of the Audit Committee and drew the Board's attention to the item on Estimated Expenditure Reports. He reported that the CAA had been authorised to agree the appointment of its external auditors (to undertake work additional to the audit fee) without the consent of the DfT.

17. The Board noted the contents of the report.

IX CPG Strategic Report – Doc 2012-16 by Mr Richard Jackson

18. Mr Jackson reported on progress made by CPG against the goals set by the Strategic Plan. The reform of the ATOL system was now well underway, with the announcement by the DfT of the coming into force of the new regulations in 2012. The progressive elimination of the ATT deficit and reform of financial protection remained medium term strategic goals; the latter, by the delivery of a system of self-standing financial protection by the industry, would be pursued, via consultation, once ATOL reform had been implemented. Pre-consultation activities were being brought forward, however, and CPG had already started introducing accredited body schemes which would assist in progress towards this goal.

19. As part of the new risk-assessment model for regulation CPG had also, reflecting previous Board discussion, taken steps to strengthen the robustness of the travel industry, through requiring more capital injections before licence renewals and more use of blocked accounts as an alternative to bonds.

20. Among other matters discussed, Mr Jackson touched on discussions on the renewal of the ATT overdraft facility and on the renewal of the ATT insurance policy would start soon; the Bill, which would address the issues around airline holidays by UK airlines and agent for consumer sales; engagement with the PPI process which was proceeding well; and the second round of LDI in the CPG team which had been completed. The ongoing programme of reform had imposed considerable demands on CPG and the senior management team might require bolstering.

21. The Board discussed the development of Accredited Bodies under the new ATOL Regulations and the progress on the implementation of the recommendations of the Merricks Report, noting that the new ATOL certificate would address some of the Report's recommendations. The Board requested a report on progress of the implementation of the Merricks Report recommendations for the March Board.

Action: Mr Jackson

22. The Board thanked Mr Jackson for a useful and informative report.

X Olympics' Update – Doc 2012-17 by Mr Mark Swan

23. Mr Swan briefed the Board on the current status of the plans to introduce airspace restrictions for the Olympics 2012, on the extensive communication strategy adopted (with Corp Comms) to bring

the plans to the attention of both UK and non-UK pilots, operators and stakeholders, on the funnelling points in Class G airspace the restrictions were likely to cause and the mitigation measures to be adopted to address these, the LIVEX security exercises and on the proposed enforcement measures for pilots infringing the restricted airspace. A new DAP chart showing the restricted airspace had been developed and was presented by Mr Swan to the Board. The chart would be published in the next couple of weeks and Mr Swan thanked Corp Comms for its help in producing the chart.

24. The Board discussed the communication arrangements put in place to ensure foreign operators were made aware of the airspace restrictions, the Home Office security exercises for the Olympics, the impact of any re-occurrence of volcanic ash and slot allocation arrangements during the Olympics. Mrs Haskins informed the Board that guidelines for operators were being developed by SRG on fuel planning, alternative landing destinations and diversions.

25. The Board thanked Mr Swan for his presentation.

XI Chief Executive's Report – Doc 2012-14 by Mr Andrew Haines

26. Mr Haines presented key items from his report. These included the second reading of the Civil Aviation Bill and its progress to the committee stage, the National Audit Office, the progress of the NATS re-financing package, the BAA/airlines review of the arrangements for snowfall and the performance of airlines during the most recent snowfall and the latest meeting of the International Volcanic Ash Task Force. Mr Haines was requested to provide an update on the latter at the next Board meeting. In addition his report touched on the appointment of KPMG for the PPI implementation and the Operations Freedom Trial at Heathrow.

Action: Mr Haines

27. Mr Swan asked the Board to note the introduction of new Satellite Based Augmentation System approach procedures at Alderney.

XII Annual HR Review – Doc 2012-15 by Mr David Owen

28. Mr Owen reviewed the progress made during 2011 on implementing the People Plan and Strategy, a summary of which was outlined in the paper, noting that real progress had been made, and asked the Board to note his appreciation of the great efforts made by his department and, in particular, by Miss Jesnick and Mrs Hastings who had led the implementation of the Plan in 2011.

29. Looking ahead in 2012, Mr Owen outlined the HR plans for Talent Management, Colleague Engagement, Enabling Line Managers, HR Capability and Efficiency and Effectiveness which were to be rolled out during the year and the scope for 360° feedback, the pace at which the Plan could be rolled out and the scope for float. The board was asked to note the major progress made on the Plan in 2011 and to endorse the roll-out of the People Plan for 2012.

30. The Board discussed the implementation of the People Strategy in 2011 and noted the progress which had been made by HR. It was noted that the 2012 People Plan was a comprehensive and in depth plan and the Board endorsed it. Mr Owen was asked to provide the Board with a

quarterly update through the year on the progress made in implementing the Plan.

Action: Mr Owen

31. The Chair thanked Miss Jesnick and Mrs Hastings for their contributions to the implementation of the People Strategy in 2011.

XIII. Live Issues – CPG - Doc 2012-25, RPG – Doc 2012-27

32. Mr Jackson updated the Board on the current status of IAG's application to the Directorate General for Competition in the European Commission for approval of its proposed acquisition of the BMI Group from Lufthansa and on the Group's contingency plans in case such approval was not forthcoming by March.

33. Mr Haines briefed the Board on the result of the Project Laguna Review. The review had been carried out by David Stoplar from the Office of the General Counsel as a result of the so-called Project Laguna ATOL case last summer. A number of recommendations for reforming the handling of such ATOL cases had been made, which were outlined in the paper, and a working group drawn from CPG and Legal would be established to consider these, as well as the findings from the review of the Regulation 6 (SRG decisions) that had also recently been completed and the proposals tabled by BIS for reforms to decision-making by economic regulators.

Action: Mrs Staples

34. The Board were content with the proposed way forward, and noted Mr Medlicott's view that certain matters would need to be addressed urgently.

34. Mr Osborne drew the Board's attention to the Terms of Reference for the NATS ad hoc Board review group which had been previously circulated for comment. Comments had been received from Dr Bell. The Board indicated it was content with the terms of reference.

35. The Board noted the contents of the reports.

XIV. Any Other Business

38. None.

XV. Reflections and Forward Planning

39. The Board reflected on the meeting and how it had been conducted. The forward planning agenda was reviewed and noted.

The next meeting of the Authority will be held on Wednesday, 21 March 2012 at Biggin Hill.