



CIVIL AVIATION AUTHORITY

FOR PUBLICATION

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MINUTES OF THE 474th BOARD MEETING HELD ON WEDNESDAY, 21st MAY 2014, AT CAA HOUSE, LONDON

Present:

Dame Deirdre Hutton

Chair

Mr Andrew Haines

Chief Executive

Mr Peter Drissell

Mr David Gray

Mr Richard Jackson

Miss Chris Jesnick

Mr David King

Mr Michael Medlicott

Mr Iain Osborne

Mr Mark Swan

Mrs Kate Staples

In Attendance:

Dr Stephen Rooney

Director, Corporate Communications

Dr Stephen Rooney

For item 10

Mrs Manisha Aatkar For item IX

Mrs Norma Hastings For item IX

Mr Peter Gardiner

Mr Stephen Baker Minute taker

I Apologies

Apologies were received from AVM Stringer.

II Minutes of the Previous Meetings and Matters Arising

1. The Minutes of the previous Board were held over.

III Chair's Update – by Dame Deirdre Hutton

2. The Chair reported on recent meetings and events she had attended since the last CAA Board meeting. These had included a visit to the CAA Hub at Aviation House, attendance at the Public Chairs Forum Conference, a meeting with Lucy Chadwick, DG IS&E¹ and a ramp check and briefing with Transport Minister Robert Goodwill, MP.

IV Chief Executive's Report - Doc 2014-040 by Andrew Haines

3. Mr Haines reported on a number of matters from his report, including the CAA's work for the Airports Commission and a meeting by members of the Board with representatives of the UK Oil & Gas industry. He noted that the latter meeting had discussed the industry's concerns over the timelines for certain actions and recommendations of the Offshore Helicopter Review (OHR) and the impact they might have on essential oil installation maintenance programmes. The CAA had considered the representations and accepted the need for the maintenance to be carried out, albeit it was not clear why there was such a backlog. Consequently it had been decided by the CAA OHR team that it was proportionate and reasonable to revise the timescales for actions 8 and 10 of the OHR (CAP 1145), so that whilst the introduction of seating restrictions pending introduction of Category A EBS² would be deferred from June to September 2014, the mandatory use of Cat A EBS would be brought forward to January 2015 from April 2016.
4. Notwithstanding this it was noted that the OHR actions otherwise remained on track and were fully supported by all stakeholders. It was also noted that research was being funded by the industry on a number of related matters, including the options for unmanned installations and helicopter seating arrangements, that the CAA was looking for reasonable and proportionate solutions to the issues raised by the OHR and that OHR airworthiness subgroups were being established, with manufacturer and industry representation, to look at instilling more rigour into offshore helicopter operations, one option being to extend ETOPS³ to helicopter operations.
5. The Chair reported that she had forwarded a letter from the oil and gas industry on the offshore maintenance backlog to the HSE⁴.
6. Mr Haines reported on the trial Gatwick SIDs⁵ being undertaken by NATS and its consultation plans.
7. In relation to the Airports Commission, Mr Haines reported that a small senior delivery group, consisting of the CAA, DfT, NATS airlines and airport operators, had been established to look at the Commission's interim recommendations and would table its first report before the summer recess.
8. Mr Haines reported on the progress made in establishing the launch of the CAA GA Unit. He noted that some underlying regulatory and legal issues were proving difficult to overcome in achieving the

¹ Director General International, Security & Environment

² Emergency Breathing System

³ Extended range twin engine operations

⁴ Health & Safety Executive

⁵ Standard instrument departure

delivery of certain things although he remained confident they would be delivered with support from DfT.

9. Mr Jackson reported on easyJet's ATOL application which he noted was on course to be completed by 1 June.

10. Miss Jesnick reported on the result of the CAAPS consultation on adopting CPI as the Scheme's inflationary index for pensions built up in the future. She noted the responses were somewhat mixed due to a number of factors and were currently being analysed, following which a proposal would be put to the Board as to whether to put a submission to the CAAPS trustees for adoption.

V Memoranda of Understanding between the CAA and CMA - Doc 2014 – 056 by Iain Osborne

11. Mr Osborne reminded the Board that with the demise of the OFT⁶, and the changes to the concurrency arrangements between the CMA⁷ and regulators under the Enterprise and Regulatory Reform Act, it had become necessary to review and renew the memoranda of understanding on the use of consumer protection powers and concurrent competition powers. The revised competition MoU was based on generic MoUs drafted by the CMA and sector regulators. Mr Osborne asked the Board to approve the two MoUs.

12. The Board considered and approved the MoUs.

VI Refreshed CAA Strategic Plan - Doc 2014-059 – by Andrew Haines

13. Mr Haines asked the Board to note that the proposed 'refresh' of the CAA 2011 – 2016 Strategic Plan was intended only as a light-touch refresh of the Plan, to cover the next two years, pending the publication of the CAA's responses to the public consultations on the CAA Safety Plan and Consumer and Environment Programmes and the working in to the Strategic Plan of these programmes. Mr Haines added that a timeline and efficiency targets would be added to the refresh of the Strategic Plan before it was published.

14. The Board reviewed the draft Plan and made a number of observations. It was noted that the plan did not have a moving time frame and that efficiency targets were to be included prior to publication. Mr Haines confirmed that it was the intention that the 2016 five year plan would be a 'rolling plan' refreshed each 12 months, the inclusion of efficiency measures was in hand and would be addressed by the corporate planning team (CPT) prior to publication. The Board sought assurance that the numbers referred to in the draft Plan remained accurate. Mr Haines replied that he was confident there were and Dr Rooney added that the CPT had verified the numbers. The Board also noted that the CAA had a good story to tell on Better Regulation, particularly in relation to the Hub, and that the Plan should fully reflect this.

15. Subject to these points, the Board approved the draft Plan. The Non-Executive Members also requested sight of the detailed programme papers mentioned in the report.

Action: Mr Haines

⁶ Office of Fair Trading

⁷ Competition and Markets Association

VII Safety and Airspace Regulation Group Report – Doc 2014-060 – by Mark Swan

16. Mr Swan prefaced his report by explaining that it adopted a forward looking approach to safety issues that could escalate in severity so the Board could see how these might develop. Further to this he highlighted a number of matters.

17. He was pleased to report that the Hub would be moving to E-Exams (from paper exams) next month.

18. The roll-out of performance based oversight had started in April; a conference with 160 industry attendees had been held in May and had been well received. Mr Swan was requested to circulate the conference programme to non-executive Board members for their information.

Action: Mr Swan

19. Mr Swan briefed the Board on the DHL Boeing 737 freighter accident at Nottingham East Midlands Airport, which had been operated by an Irish operator. He noted that the US Part 145 maintenance organization (MO) had gone into administration before the accident and there was a suggestion the organization may not have been able to complete the overhaul of the landing gear (which had collapsed). CAA was looking at the incident with the AAIB⁸, including the completeness of the maintenance paperwork and the issue of total system risk in relation to the failure of the maintenance organisation. Mr Swan advised that a further report on the accident would go to the next Board and that he would circulate a DHL organogram to non-executive Board members.

Action: Mr Swan

20. Mr Swan noted that an engineering safety review meeting had been held earlier in May, with representatives of the CAA, BA, UK North Sea operators and CHIRP to discuss, inter alia, the BA engine cowl incident and the Bond Offshore G-REDL case study. After some initial reservation by the offshore operators the meeting had been conducted in a spirit of openness and he thought had proved useful for all parties.

21. Mr Swan advised that a report on missing flight MA370 would be circulated to the next Board.

Action: Mr Swan

22. Mr Swan asked the Board to note that the reported incident involving an alleged infringement of Class A airspace by two microlights had in fact occurred in Class G airspace.

VIII Annual Corporate Communications Review - Doc 2014-061 – by Stephen Rooney

23. Dr Rooney gave a summary to the Board of his department's activities over the last year, noting that many of these had been unplanned and reactive to events happening at the time. Aside from these, however, there had been a number of successful planned projects, such as the launches of the Q6 airports economic regulation review and the offshore helicopter review, as well as multi-media campaigns for ATOL protection and Just Culture.

24. As regards internal communications, he regarded these as being on a much more secure footing although there remained much still to do, in terms of clear and consumer focused communications. Dr Rooney noted that the External Stakeholder Engagement programme would be

⁸ Air Accidents Investigation Branch

the main vehicle for tackling this and among its priorities would be an overhaul of the CAA website and online portal. In addition there would be work to deliver commitments in the CAA Disclosure Policy as well as active publication of relevant MOR data.

25. The Board agreed there had been a number of successful launches but that the website needed further, urgent improvement.

IX HR Quarterly Update - Doc 2014-062 – by Manisha Aatkar

26. Mrs Aatkar outlined the key points and areas of risk identified in her report.

27. She was re-structuring her department in order to centralize recruitment, including the recruitment of a new Head of Recruitment, and drive the Transformation programme, through changing entrenched cultural attitudes to risk and decision-making, particularly in SARG.

28. She noted that succession and business planning remained weak areas but was confident that through the business re-organisation there would be a better understanding of where the gaps were and how to fill these.

29. Her department was also leading the People Workstream across the Business Transformation Programme, split into two areas of communications and engagement and organization design. A team had been recruited to work on the former and she was looking to recruit people for the latter although OD resources were scarce and three posts remained unfilled. The new organisation structure would be flatter and more agile, with an emphasis on importing and developing talent and leveraging skills more effectively.

30. The performance management process was being revised to align group and local planning with PMR, formalization of empowerment skills and more training for managers to optimise the delivery of CAA service.

31. HR Operations were in transition to a single point of service delivery, possibly within the Hub.

32. In relation to pay arrangements for 2015, an external consultant had been hired to look at the reward options for new staff and the balance required between the types of expertise the CAA needed to attract and the incentives to retain them over the next three years. The Board would be consulted on the options in due course.

33. The greatest risk foreseen by Mrs Aatkar was of the Business Transformation Programme not being ready in time for the SI and service optimisation programmes.

34. The Board discussed the options presented in the paper, noting that industry appeared to expect CAA experts to remain up to date in terms of technology and how could this be reconciled with the need to contain costs. It was agreed the organisation's structure needed to be optimized, to ensure the appropriate expertise was retained and that redundant expertise was removed. The F5 programme should provide many of the answers to the problems over the next two years; industry secondment might be one solution, for example. The Board noted the danger of sending out inspectors who were too junior to inspect industry from the example of the past regulation of the financial services industry. In general, however, the Board agreed that there had been much progress. Miss Jesnick confirmed that the 2% one-off bonus payment should not impact the funding of the PPI programme.

X CAA International Bi-Annual Update Report – Doc 2014 - 063 - by Chris Jesnick

35. Miss Jesnick outlined highlights of her report on CAAI's 2013 financial year end results. Overall, she noted, CAAi had had an excellent set of results in all areas: gross turnover, operating profits and profit margins all exceeded budget, as did the CAAi contribution to the CAA. The Pipeline was also looking very strong.

36. The development and roll-out of E-exams was, she noted, a big plus for the company, with the CPL E-exam network launch (other than Perth, Australia) set for the beginning of June at Aviation House. 700 plus E-exams had already been successfully delivered to date via the pilot in Oxford Aviation College. The FCL database had also been purged.

37. Miss Jesnick noted there was a potential threat to CAAi income from the gradual taking back in-house by EASA of various certification and approval work previously done by CAA. The threat however could be overplayed: CAA remained a critical supplier to EASA and CAA had been promised further work.

38. The company had budgeted to utilize 45 FTEs but had actually used only 35. There were a number of reasons for the difference which the report explained and Miss Jesnick outlined the various means by which CAAi intended to address this. It was noted that the newer NEDs might benefit from a briefing from Miss Jesnick on the CAA/CAAI relationship and working model.

Action: Miss Jesnick

XI Aviation Security Report – Doc 2014-064-by Peter Drissell

39. Mr Drissell reported to the Board on the completion of the Phase 2 transfer from DfT to CAA of the Aviation Security team. The transfer had gone smoothly and, most importantly, seamlessly from industry's point of view. There had been issues with the IT transfer but these had largely been overcome thanks to CAA's IT team. A number of other issues had arisen: the payroll had not been transferred yet to CAA, and would not be so until CAA was ready, and the transfer of AvSec staff from DfT terms and conditions to CAA terms and conditions which had been delayed by DfT and this would now commence. These would be dealt with in Phase 2 which was planned to last for 3 months.

40. Mr Drissell reported that, as required by the Board, in order to retain proper connections to DfT policy, an Aviation Security Management Board, co-chaired by Director Aviation Security CAA and Head of Aviation Security DfT had been established, to ensure coherence between regulation and policy. Number of work streams had been developed, including a common risk register, the roll-out of the Security Management System and the revisiting of AvSec research and development post-transfer. Mr Drissell thanks his team for their efforts in achieving the transfer.

41. Mr Drissell noted that an aviation security management dashboard had been developed which would seek to develop better ways of quantifying performance than those previously used and which would be used with a more comprehensive risk register as an aid to planning. Both tools would be joint DfT/CAA tools. A first draft of the former was presented to the Board for comment. Industry compliance remained high. The statistics shown in the dashboard showed what was happening on the ground and plans were in hand to improve them.

42. Mr Drissell's next report to the Board would be in six months time, by which time the new inspectors should be in post and further, incremental improvements would then follow. A full, post-

project review exercise with DfT would also be held.

43. The Board noted the report and requested some explanatory text with the charts in the dashboard.

Action: Mr Drissell.

XII Change to CAA Investments – Doc 2014-057- by Chris Jesnick

44. Miss Jesnick asked the Board to approve the continuation of the use by the CAA of RBS Investment Funds (the facility), now sold to Goldman Sachs.

45. The Board approved the continuation of the use of the facility.

XIII Draft Financial Results for the 12 months to 31 March 2014 – Doc 2014-065 – by Chris Jesnick

46. Miss Jesnick presented the CAA's draft financial results to end March 2014. She advised that the statutory auditors had almost finished their audit and that she expected the accounts to be signed off by the auditors in early June.

47. The draft results were very good: manpower numbers were 918, slightly down on budget, the operating profit was above budget.

48. A draft annual report and business model in the new, statutory format was attached to the report for endorsement by the Board. The Board agreed the latter should place more emphasis on the CAA's international work. Miss Jesnick clarified how and where the statutory CAA efficiency statement would appear in the annual report.

Action: Miss Jesnick

49. The Board confirmed that it was generally content with the draft business model and for it to be remitted to the Audit Committee for its review subject to there being a description of what functions CAA performed in the business model and that the model should emphasise efficiency in the discharge of those functions rather than appearing to target any specific income number. The Board noted that it was hard to discern from Section 1 of the Commentary how the CAA was performing on an underlying basis (after any exceptional items had been stripped out). Miss Jesnick replied that apart from the PPI and Spectrum items, there were no such items but she would make a note to provide for this in future reports.

Action: Miss Jesnick

XIII Live Issues and Monthly Reports

50. *Markets and Consumers Group and Policy and Programmes Team – Doc 2014 – 066 by Iain Osborne.*

51. Mr Osborne reported on the progress of the review by the European Council of Regulation 261. Unfortunately agreement on the final draft of the text had been delayed due to various factors and it was not clear when the legislation would be made.

52. Mr Osborne reported Heathrow was anticipating a strike by security staff that might impact on the service quality regime at the airport. The airport had confirmed it would request an alleviation against the regime should the strike proceed, although it would consult with the airlines first.

53. *CPG Live Issues Update – May 2014 – Doc 2014 – 067 by Mr Jackson*

54. Mr Jackson reported that the finance director had left Monarch Group yesterday. Andrew Lavary had been appointed as interim GFD.

55. *CCD: Live Issues – Doc 2014 – 068 by Dr Rooney*

56. Dr Rooney reported on a recent CAA interview on 'You and Yours'.

XV Any Other Business & Forward Planning

57. None.

Date and Time of Next Board Meeting: 18 Jun 2014, starting at 1300 at Oakley Court Hotel, Windsor