



CIVIL AVIATION AUTHORITY

FOR PUBLICATION

CIVIL AVIATION AUTHORITY

MINUTES OF 437th BOARD MEETING HELD ON WEDNESDAY 15 DECEMBER 2010 AT 11.30 AM

Present:

Dame Deirdre Hutton

Chair

Mr A Haines

Chief Executive

Dr C Bell

Ms G Burrett

Dr H Bush

Mr D Gray

Mr R T R Jackson

Miss C Jesnick

Mr M Medlicott

AVM B North

Mr M Swan

Capt R Whitefield

Mrs K Staples

Secretary & Legal Adviser

In Attendance:

Dr S Rooney

Director of Corporate Communications

Ms A Craker

Development Programme Director

(for item III)

Mrs N Hastings

Head Human Resources

(for item IV)

Mr Reiner Krammer

Senior Financial Analyst

(for item VIII)

Miss Lindsey Robinson

Financial Analyst

(for item VIII)

Mrs A-M Hopcroft

Minute Taker

Apologies for absence were received from Mr Mountford.

I. Minutes of the Extraordinary Board Meeting held on 6 October 2010 and Board Meeting held on 17 November 2010

1. The minutes of these meetings were approved with a minor amendment and signed.

II. Chair's Opening Remarks

2. The Chair highlighted that this was Dr Bush's last Board meeting and took the opportunity to outline the achievements and challenges that Dr Bush had faced whilst Group Director Economic Regulation. The Chair particularly thanked Dr Bush for the intellectual rigour and clarity that he had brought to Board matters. On behalf of the Board, the Chair gave Dr Bush a formal vote of thanks and wished him well for the future.

3. The Chair also briefed the Board on a recent meeting held with Mr Richard Hatfield.

III. Transfer of Transec Activities to CAA – Background and Issues – Doc 2010-158 by Mr Haines

4. The paper outlined the background to recent announcements from the DfT to transfer Transec aviation regulatory functions to the CAA and a number of associated potential issues. It was intended as a preliminary overview of the current position as understood by the CAA.

5. Ms Craker updated the Board on recent meetings and the latest status of the proposals. It was noted that DfT was expected to publish a consultation document in January.

6. The Board further discussed the transfer of security regulatory functions to the CAA.

7. It was noted that Transec were currently considering a change to their regulatory approach to a greater use of Security Management Systems.

8. The Board discussed a number of models for any potential security regulation role for the CAA.

9. It was highlighted that the CAA has established a strong reputation in its current capacity and adding security regulation could potentially change the way in which the CAA was perceived.

10. The Board concluded that it required further information and was advised that there would be further opportunities to discuss this subject at the January Board and at the February Policy & Information Exchange.

IV. CAA Development Programme Progress Report – Doc 2010-159 by Mr Haines

11. The paper outlined the organisational progress made during the Development Programme to date and included an update on the progress of the sub programmes.

12. Mr Haines highlighted the significant, often parallel, activities currently being undertaken within the Development Programme and noted that the next 2-4 months provided a key phase in the Programme, particularly with respect to the Performance & Process Improvement activity underway. It was noted that a more detailed 'Islands' report would be presented to the Board in February.

13. The Board felt that the progress report highlighted that the Programme had developed from a

list of activities into a coherent package with robust reporting processes. It was considered that appropriate Key Performance Indicators (KPI) should be developed and it was noted that this would be included as part of the quarterly KPI paper to the Board.

14. In response to a question regarding leadership development, it was noted that this was a critical activity and that an appropriate package was in the process of being selected. The Board recognised the importance of developing leadership capability to enable the CAA to address the challenges that it faced.

15. A number of observations regarding culture within the CAA were put forward and the Board concluded that any organisational changes needed appropriate 'buy in' at working level. It also concluded that the Development Programme reporting process should incorporate a bottom up view as well as a top down perspective. In addition, it was felt that the 'islands' and milestones should be reviewed periodically to ensure that they still reflected where the CAA wanted to be.

16. The Board noted the contents of the report.

V. People Strategy – Doc 2010-160 by Mr Haines

17. The paper outlined the revised People Strategy, which had been developed since it was last presented to the Board in June. The paper also noted the progress to date.

18. In response to a question regarding the impact of the CAA values on behaviours in the organisation, it was noted that these had already been incorporated into the Performance Management Review (PMR) process although it would be a greater challenge to embed them into day-to-day activities. It was noted that Executive Directors were considering how to address this issue and that it would be a key element of the leadership development programme.

19. The wider use of 360° feedback was discussed and it was felt that this could eventually form part of the PMR process. The Board concluded that it should also consider the use of 360° feedback for Board Members.

20. Mrs Hastings also briefed the Board on the main HR challenges facing the CAA. It was noted that an Annual HR Review would be presented to the Board in January, which would expand on a number of issues discussed and it was agreed that a high level outline of the content of the Review would be circulated to the Board.

Action: Mrs Hastings

21. The Board endorsed the revised People Strategy.

VI. Report from the Remuneration Committee – Doc 2010-161 by Dr Bell

22. The paper provided an update on the activity of the Remuneration Committee since the last update to the Board in September.

23. The Board noted the report.

VII. Strategic Property Review– Doc 2010-149 by Miss Jesnick

24. This paper had been deferred from the previous Board meeting. The paper outlined the

results of further work that had been undertaken to review the options that had been identified through the Strategic Property Review, which was carried out in 2009/10.

25. The Board noted the conclusion of the analysis, which demonstrated that there was currently no business case for the CAA to move as a whole to Aviation House, Gatwick before the end of the lease on CAA House. However, it was acknowledged that this would not preclude any smaller scale moves should this result in increased effectiveness and efficiency for the organisation.

26. The Board considered the appropriateness of taking a decision regarding the location of CAA offices when the eventual shape of the organisation was not yet known. However, it was concluded that providing staff with greater clarity as to the location of their workplace in the short term provided greater benefits.

27. Ms Burrett took the opportunity to brief the Board on the outcome of a Regional Office Review, which would see a move to a regional network of four multi-disciplined offices at Stirling, Manchester, Luton and Gatwick by 2016 and a closure of the CAA's five flight test centres.

28. While the Board was clear that there is currently no acceptable business case for a move to Gatwick, it agreed that the strategic property options would need to be addressed again prior to the end of the CAA House lease by which time there would be greater clarity over the shape of the organisation and available locations. It was agreed that further thought would be given as to when would be an appropriate time for the matter to come back to the Board.

Action: Miss Jesnick

29. The Board endorsed the proposal for the CAA to remain located in its two main offices in London and Gatwick and concluded that a recruitment policy should be developed to ensure that there was sufficient flexibility for new employees as to the future location of their role. It was recognised that this issue would have to be balanced with the CAA's attractiveness as an employer.

VIII. Review of Mid Tier Tour Operators– Doc 2010-163 by Mr Jackson

30. The paper outlined the results of a review of the financial position of Mid-Tier Air Travel Organiser Licence (ATOL) Holders, which are those that have a turnover of between £5m and £40m. The paper followed previous Board discussions about the exposure of consumers and the Air Travel Trust to financially weak businesses given the relatively low barriers to entry in the market place and the cash flow advantages for the operator.

31. Miss Robinson briefed the Board on the main conclusions of the Review, which related to concerns about financial transparency and governance and audit arrangements. It was agreed that these elements needed to be addressed in order to improve consumer protection.

34. The Board concluded that it would also like to see a more detailed outline of the various changes in approach to this sector. It was therefore agreed that the Board would be briefed on the ATOL reform consultation, CPG development and a communications plan.

Action: Mr Jackson

35. The Board thanked Mr Krammer and Miss Robinson for a very informative paper.

X. Chief Executive's Report – Doc 2010-166 by Mr Haines

40. Mr Haines updated the Board on the progress with the Aviation Bill and it was noted that the Board would have to take a decision in March regarding any extension to the Q5 Airport Price Control.

41. The Board noted the report

XI. Directors' Reports

Finance Report – 8 Months Ended 30 November 2010 – Doc 2010-167 by Miss Jesnick

42. This paper provided monthly financial results for the 8 months to 30 November 2010. The operating profit for CAA for this period was £3,499k compared to the budgeted profit of £147k. After accounting for net borrowing costs, the profit was £3,177k compared with a budgeted profit of £190k.

43. Miss Jesnick highlighted that the favourable profit figures could be directly attributable to the active steps taken by the CAA to minimise costs. It was particularly noted that capital expenditure projects had been deferred to date although work would have to be undertaken on the chiller units and lifts at Aviation House prior to the end of the financial year. It was also noted that the budget for 2010/11 had been set prior to the Business Review and therefore differences in actual costs and profit were to be expected.

44. The Board noted the report.

CPG – Doc 2010-168 by Mr Jackson

45. Mr Jackson drew the Board's attention to the item on ATOL Reform and issues relating to the application of the European Air Services Directive.

46. The Board noted the report.

ERG – Doc 2010-169 by Dr Bush

47. Dr Bush highlighted the work that had been undertaken with the Department for Transport (DfT) in preparation for an Aviation Policy scoping document, and issues surrounding Airport Development Fees, NATS unit rate, and the Air Services Regulation.

48. The Board noted the report.

SRG – Doc 2010-170 by Ms Burrett

49. Ms Burrett briefed the Board on a constructive dialogue at the EASA / National Aviation Authority Partnership meeting on 25 November with regard to the need to develop a risk based approach to safety regulation and it had been agreed to establish a group to generate the strategy to deliver this approach.

50. Ms Burrett also updated the Board on the progress of the Qantas Airbus A380 engine incident investigation. The importance was noted of ensuring that the CAA has the appropriate assurance over Rolls Royce through clear oversight. It was agreed that any lessons learned from a CAA perspective regarding the recent incident would be highlighted to the Board in January. The Board

also agreed that any issues that should be taken up with Rolls Royce should be addressed as appropriate.

Action Mrs Staples / Ms Burrett

51. The Board noted the report.

DAP – Doc 2010-171 by Mr Swan (incorporating Review of Health & Safety Management of CAA Pension Portfolio Properties – Doc 2010-165)

52. Mr Swan briefed the Board on an application that has been made to the DfT to specify an aerodrome under section 5 of the Civil Aviation Act such that it becomes the duty of the CAA to consider environmental factors pertaining to that aerodrome that might affect its operating conditions and ultimately its licence. Section 5 has not previously been used and the DfT will meet with the CAA in the New Year to discuss how this may be taken forward. The Board asked to be kept informed of progress.

53. The Board noted both reports.

XII. Legal Report – Doc 2010-173 by Mrs Staples

54. The paper requested approval from the Board for a number of Specifications of charges for air services and the appointment of a Responsible Officer to ensure compliance with the Medical Profession (Responsible Officers) Regulations 2010.

55. The Board approved the making of

- The CAA (Denmark and Iceland) Specification 2011, which introduces revised charges for air navigation services provided by the Governments of Denmark and Iceland and ICAO from 1 January 2011; and
- The CAA (Eurocontrol Charges) Specification 2011, which introduces revised Eurocontrol rates from 1 January 2011

The Specifications will be published in the London, Belfast and Edinburgh Gazettes as required by the Transport Act 2000.

Post meeting note: NATS has alerted the CAA to an inaccuracy in the UK unit rate and the ways in which this would be corrected. NATS is intending to alert charge payers to this issue through its customer website.

56. The Board also approved the appointment of Dr Sally Evans, the CAA's Chief Medical Officer, as Responsible Officer in accordance with the Medical Profession (Responsible Officers) Regulations 2010.

XIII. Format of the Annual Report – Doc 2010-162 by the Chair

57. The paper outlined proposals for the high level content of the Annual Report & Accounts as well as a range of options for its publication.

58. The Board considered the options available with regard to the publication of the Annual Report & Accounts and considered that a non-interactive web based version should be developed.

There was an ambition however that in future years, a more interactive version of the Annual Report & Accounts could be produced.

59. The Board also agreed to the production of an additional companion document to the Annual Report & Accounts, which could briefly outline the CAA's role, high level figures / statistics, key achievements and link to the Strategic Plan priorities.

XIV. Annual Report of the NLMCC – Doc 2010-172 by Dr Bush

60. The paper contained the NATS Licence Management Co-ordinating Committee (NLMCC) Annual Report 2009/10, which outlines the activities undertaken by this Committee during this period.

61. The Board noted the report

XV. Any Other Business

62. Chair's Draft Objectives – The Chair noted that she had received draft Objectives from the Department for Transport prior to their consideration by the Secretary of State and Board Members were invited to provide comments.

The next meeting of the Authority will be on Wednesday 19 January 2010 at 09.50am in K705, CAA House.