

CIVIL AVIATION AUTHORITY



FOR PUBLICATION

**CIVIL AVIATION AUTHORITY
MINUTES OF 444th BOARD MEETING HELD ON WEDNESDAY 20 JULY 2011 AT 11.30 AM**

Present:

Dame Deirdre Hutton

Chair

Mr Andrew Haines

Chief Executive

Dr Catherine Bell

Ms Gretchen Burrett

Mr David Gray

Mr Richard Jackson

Miss Chris Jesnick

Mr Michael Medicott

Mr Roger Mountford

Mr Iain Osborne

Mr Mark Swan

Capt Roger Whitefield

Mrs Kate Staples

Secretary & Legal Adviser

In Attendance:

Dr Stephen Rooney

Director of Corporate Communications

Mr Gerard Forlin QC

(for item I)

Mr Tim Williams

Head of Health, Safety & Environmental

(for items I, VII)

Mr Richard Moriarty

Director, Economic Regulation

(for item VI)

Ms Alex Craker

Development Director

(for item VI)

Mr Michael Smethers
Director, European & International Strategy

(for items IX - XI)

Mrs Anne-Marie Hopcroft
Minute Taker

I. Health & Safety Presentation

1. This presentation formed part of the Board's ongoing Health & Safety (H&S) development programme. Mark Swan introduced Gerard Forlin QC to the Board, who presented on a number of H&S strategic issues relating to corporate governance. In particular, the subjects of corporate manslaughter, the CAA's international activities, and Board responsibility for H&S were highlighted.
2. The Board thanked Gerard for a very interesting and informative presentation.
3. The Board agreed to continue their development programme over the coming year and felt it appropriate to take the opportunity to routinely review the H&S Leadership Checklist, published by the Institute of Directors and Health & Safety Commission.

II. Apologies

4. Apologies were received from AVM North.

III. Minutes of the Board Meeting held on 21 June 2011

5. Following discussion on the Annual Report & Accounts section of the minutes, it was requested that an amendment be made.

Post meeting note - The amended minutes were subsequently approved and signed.

IV. Chair's Opening Remarks

6. Dame Deirdre Hutton briefed the Board on recent meetings and visits. In particular, Dame Deirdre highlighted recent meetings with Eurocontrol, the Department for Transport (DfT), and British Airways. In addition, Dame Deirdre briefed on an interesting visit to BAA at Heathrow Airport, which included a presentation related to the planning for the London 2012 Olympic and Paralympic Games. The Board discussed the significant challenges that would be faced by the transport infrastructure, particularly Heathrow, as a result of the Olympics.
7. Dame Deirdre reported that the planned meeting with the Secretary of State had been cancelled but that efforts were underway to reschedule this for August.

V. CPG Annual Review – Doc 2011-92 by Richard Jackson

8. The paper highlighted the main activities and achievements for 2010/11, set in the context of CPG's strategic direction.
9. Richard Jackson made particular note of the ATOL reform, response to ATOL failures, and risk assessment activities that had been undertaken during 2010/11 and, looking forward, the work to achieve effective financial protection for consumers. Richard also highlighted the lessons learned with regard to the CPS project and claims management process. With regard to the latter, it was noted that a number of actions had been identified, and published, and progress against these actions was being

logged and would be reported to the Board through the CPG monthly report. It was agreed that the CPG risk register and ATOL reform timetable would be circulated to the Board for information.

Action: Richard Jackson

10. The Board noted the contents of the report.

VI. Q6 Setting Scene Consultation Document – Paper 2011-93 by Iain Osborne

11. The paper contained a draft of the consultation document that will serve to launch the separate Q6 price control reviews at Heathrow, Gatwick and Stansted. It was highlighted that the Q6 price control process would include key consideration of significant issues to be considered by the Board as a whole rather than solely through the use of a Panel.

12. Iain Osborne briefed the Board that it was presumed that Q6 could be carried out under proposed new legislation but there was flexibility for reversion to the Airports Act 1986 approach. The proposed introduction of licences was also discussed and it was noted that a licence approach could offer considerable flexibility in approach to price controls. Iain also updated the Board on the airport / airline discussions that have already been initiated.

13. The Board considered three key areas of interest within the document:

- *The CAA's approach to taking into account the interests of passengers* – The Board agreed that the hypothesis that airlines could in most instances be considered to best represent the interests of their passengers should be further explored through the consultation. The service quality section was further discussed and it was agreed that this could be expanded to provide further background as well as consider independent measurement of overall service quality and the service received by airlines as well as passengers. It was suggested that the constructive engagement approach could also be carried through to passenger interests and that there could be benefit from considering whether any of the passenger focused elements of the Begg Heathrow Winter Resilience Report could feed into the Q6 work.
- *Taking into account environmental issues* – The Board felt that economic regulation in this area could focus on sound asset management, which should extend to considering longer term environmental costs and benefits from capital programmes and operating approaches.
- *The CAA's role during constructive engagement* – The Board agreed that the CAA could have a role with regard to process governance and also the ability to intervene, within an appropriate set of operating principles, during constructive engagement and should reserve the right to review any commercial agreements to ensure that they are non-discriminatory and further consumer interest. The Board was content with the principles set out for intervention.

14. The Board considered that the document should recognise issues surrounding uncontrollable

costs, such as security costs, and structure of charges. It also requested a more detailed Q6 timeline to be provided when the summary of consultation responses came back to the Board at the end of 2011. It was noted that a log of issues raised by the Board during the Q6 process would be maintained.

15. The Board approved the consultation document, subject to the comments raised at the meeting, and delegated the final oversight of drafting changes prior to publication to the Group Director of Regulatory Policy.

VII. Health & Safety Quarterly Report – Doc 2011-94 by Mark Swan

16. The paper provided an overview of the current Health & Safety (H&S) performance across the CAA.

17. Mark Swan highlighted to the Board the positive impact that had been made on the closure rate of H&S audit findings as a result of the Board having a greater involvement of the oversight of H&S issues.

18. It was noted that updated policies on stress management and driving would be presented to the Board later in the year.

19. There was further consideration of the CAA's H&S duties with regard to its contractors and it was noted that this would be subject to a further review.

20. The Board noted the report and expressed their thanks to the H&S Committee, and to Tim and his team, for the improvements that had been made in this area.

VIII. Occupational Health Quarterly Report – Doc 2011-95 by Mark Swan

21. The paper outlined progress against the Occupational Health strategy.

22. Mark Swan briefed the Board on the activities being undertaken by Occupational Health and Human Resources with respect to making ill-health related absence management more effective.

23. The Board welcomed this initiative and supported the proposed Key Performance Indicator on long term sickness absence management.

IX. Air Safety Support International Update – Doc 2011-96 by Roger Whitefield

24. This paper provided the Board with an update on the key developments regarding the financial situation within Air Safety Support International (ASSI).

25. Roger Whitefield highlighted that there should be greater clarity at the end of July over the funding that will be available from the Overseas Territories (OTs). It was noted that the ASSI Board (on 21 July) would be considering a paper outlining what could be achieved for the proposed level of funding.

26. The liabilities associated with ASSI reducing, or ceasing, activity were outlined. The Board also discussed the areas of associated risk.

27. It was highlighted that the CAA's concerns regarding this matter had been discussed with the DfT.

X. External Audit Tender Update – Doc 2011-97 by Roger Mountford

28. The paper provided an overview of the recent Tender exercise to renew the CAA external Audit Contract.

29. The Board approved the award of the contract and the issuance of the Contract Award Report to the DfT.

XI. European & International Strategy Quarterly Report – Doc 2011-98 by Mike Smethers

30. The paper reported on the CAA's work in Europe and ICAO in the second quarter of 2011. In particular, the paper provided an update on the CAA's influencing strategy with regard to EASA.

31. Mike Smethers highlighted the International Engagement session that would be held at the December Policy & Information Exchange Forum.

32. It was suggested that an update on the CAA's overall European influencing strategy would be useful along the lines of that provided for safety. The Board also requested that an overview of the output of the International Engagement project be included as part of the next Quarterly Report.

Action: Mike Smethers

33. The Board noted the report

XII. Chief Executive's Report – Doc 2011-99 by Andrew Haines

34. The Chief Executive updated the Board on the publication of the South East Airports Taskforce (SEAT) Report, a section 41 complaint, the Bill, the security regulation consultation, the Trade Union discussions and the airspace restrictions relating to the 2012 Olympic Games.

35. The Board discussed the proposed Bill contents and it was agreed that the CAA's prioritisation of the Bill elements would be reviewed by the Board in September if that was necessary.

Action: Andrew Haines / Kate Staples

36. An update on the work arising from the latest Icelandic volcanic eruption was provided and it was agreed that a regular update would be provided to Non Executive Directors.

Action: Andrew Haines

37. The Board commended the contribution made to the SEAT work by Mark Swan in his capacity as Chair of the resilience sub-group. It was noted that Iain Osborne would be chairing the next phase of the work. The Board also recognised the significant contributions of Norma Hastings, Head of HR, as part of the Trade Union discussions, and also Dawn Lindsey, London 2012 Olympics Planner, as part of the changes to the Olympics airspace restrictions, which had been agreed by the Home Office.

38. The Board noted the report

XIII. Directors' Reports

Finance Report – 3 Months Ended 30 June 2011 - Doc 2011-100 by Chris Jesnick

39. The paper provided financial results for the three months to 30 June 2011. The operating profit was £1,699k compared to the budgeted profit of £1,266k. After accounting for net borrowing costs, the profit was £1,783k compared with a budgeted profit of £1,326k.

40. Chris Jesnick highlighted that the costs were likely to be understated in the month but, pending the outcome of TU discussions and any forthcoming capital and revenue spend as part of the Performance & Process Improvement project, meant that costs were likely to be on budget for the year.

41. It was noted that income levels were below budget and static when compared to last year. The Board recognised the difficult trading environment being faced by the industry.

42. The Board noted the report.

CPG – Doc 2011-101 by Richard Jackson

43. Richard Jackson briefed the Board on a developing situation and agreed to provide a further written brief.

Action: Richard Jackson

44. The Board noted the report.

RPG – Doc 2011-102 by Iain Osborne

45. Iain Osborne updated the Board on recent developments relating to the major disruption review work and it was anticipated that the report could be published in the near future.

46. The Board noted the report.

SRG – Doc 2011-103 by Gretchen Burrett

47. Gretchen Burrett drew the Board's attention to the item in her report relating to the EU / US Aviation Safety Bilateral Agreement, which took effect on 1 May. It was noted that a mechanism was being established to charge for the oversight of FAR-145 (US) repair stations located in the UK, which had transferred to the UK as part of the agreement. The implications of possible reciprocal arrangements were discussed.

48. Gretchen also briefed the Board on two recent mid air collisions: one at Duxford and one at Shoreham, which resulted in a fatality.

49. The Board noted the report

DAP – Doc 2011-104 by Mark Swan

50. The Board noted the report.

Corporate Communications – Doc 2011-105 by Stephen Rooney

51. Stephen Rooney introduced this new report to the Board schedule and invited feedback on the contents and format.

52. The Board noted and welcomed this new report.

XIV. General Counsel's Report – Doc 2011-106 by Kate Staples

53. Kate Staples drew the Board's attention to the authorisation required to delegate to the Office of Nuclear Regulation (ONR) functions that were currently the responsibility of the CAA. It was noted that it was the first time such delegation had been requested and highlighted that it would specify the

list of functions to be undertaken by ONR. Kate also sought the Board's approval for a number of amendments to the CAA Pension Scheme Trust Deed to reflect the newly reformed Committee structure.

54. The Report also contained the quarterly reports relating to Freedom of Information Act 2000 (FOIA) requests and Aviation Regulation Enforcement. Kate drew the Board's attention to the response to the FOIA request from the Tax Payers Alliance regarding credit card payments, which also reflected CAA International and ASSI activity as well as CAA. With regard to recent enforcement activity, there had been a number of lessons learned from a recent acquittal.

55. The Board noted the report and

- pursuant to paragraph 15 of Schedule 1 to the Civil Aviation Act 1982, agreed that a specific list of functions be delegated to the ONR to perform on behalf of the CAA
- authorised signature of the deed by which the changes would be made to the CAA Pension Scheme Trust Deed.

XV. Any Other Business

56. None raised.

The next meeting of the Authority will be on Wednesday 21 September 2011 at 11.30am