



CIVIL AVIATION AUTHORITY

FOR PUBLICATION

**CIVIL AVIATION AUTHORITY
MINUTES OF 440th BOARD MEETING HELD ON WEDNESDAY 16 MARCH 2011 AT 2.00 PM**

Present:

Dame Deirdre Hutton

Chair

Mr A Haines

Chief Executive

Dr C Bell

Ms G Burrett

Mr D Gray

Mr R T R Jackson

Miss C Jesnick

Mr M Medicott

Mr R P Mountford

AVM B North

Mr I Osborne

Mr M Swan

Capt R Whitefield

Mrs K Staples

Secretary & Legal Adviser

In Attendance:

Dr S Rooney

Director of Corporate Communications

Mr M Gadd

Continued Airworthiness Manager

(for item IV)

Mr C Gash

Manager Flight Operations Policy (Commercial)

(for item IV)

Mrs A-M Hopcroft

Minute Taker

I. Apologies

1. All Board Members were present.

II. Minutes of the Board Meeting held on 16 February 2011

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

III. Chair's Opening Remarks

3. The Chair briefed the Board on recent meetings with the Director General DG Mobility and Transport, Mr Matthias Ruete, the Department for Transport's (DfT) Director-General, International, Strategy and Environment, Mr Richard Hatfield and Ms Lin Homer, the DfT's Permanent Secretary. The Chair also reported on an interesting visit to Bournemouth Airport and a speech to the British Business and General Aviation Association conference.

4. Earlier in the day, the Board had toured Denham Aerodrome and learnt more about the challenges faced by the aerodrome and its resident organisations. The Board had also spent time discussing a number of issues with the General Aviation Strategic Forum (GASF). The Board noted their thanks to Miss Amy Paul, and her colleagues at Denham, and to GASF Members, for a very informative visit. The Board agreed that there should be Board Member level engagement with the GASF on an annual basis.

IV. Annual SRG Review – Doc 2011-34 by Ms Burrett

5. The paper provided a summary of the scope and range of activity undertaken by SRG.

6. The discussion focussed on the challenges facing SRG and the key next steps. Ms Burrett highlighted the aim for safety regulation to move from a tactical, reactive approach to a more outcome focussed risk-based approach.

7. The Board recognised the large programme of work being undertaken by SRG. Ms Burrett acknowledged the significant changes that were required, and challenges that this could present, but felt confident that SRG colleagues could make the necessary adjustments to the new approach. It was recognised that the fundamental challenge would be the pace at which changes could be made and that the pace would be partially dependent on risk appetite and budgetary constraints. It was noted that a Board view of the pace and the changes would form part of the Strategic Review of Safety Regulation (SR2) paper in May. It was felt important that the new approach to safety regulation should also reflect a greater level of cross-CAA working so as to provide a more holistic understanding of industry organisational behaviour issues. Where potential changes cannot be implemented, it was felt that there should be clarity regarding the reasons for this.

8. The Board noted the contents of the paper and welcomed the greater awareness of the scope and scale of issues being faced. The Board encouraged SRG to continue with the direction that is being taken and looked forward to receiving the SR2 paper in May.

9. The Annual SRG Review was accompanied by a number of safety related papers (Docs 2011-35 to 38) that were presented under the same agenda item. The Board welcomed the opportunity to focus on safety issues in this way and looked forward to this approach extending to other Groups, as appropriate.

Safety Performance – Doc 2011-35 by Ms Burrett

10. The paper presented high level safety performance indicators and included a background paper relating to the safety of commercial air transport aeroplanes.
11. Ms Burrett highlighted the work underway to develop additional leading indicators and the safety improvements that can be made through raising awareness of safety risks and taking appropriate mitigating actions.
12. The Board noted the contents of the paper

Occurrence Reporting, Safety Measurement and Transparency – Doc 2011-36 by Ms Burrett

13. The paper outlined the systems used by the CAA to measure safety performance and how this could be improved to enrich the information available.
14. It was noted that the current occurrence reporting system is based on open reporting and the resulting safety picture may therefore not be complete. The importance of a just culture for open reporting was also noted.
15. The Board discussed the need to transition to a more proactive use of aviation intelligence and acknowledged that data gathering provides an important cornerstone of SRG activity. It was recognised that data gathering and analysis could be undertaken more efficiently by focussing effort on the key safety risks. It was noted that any focus on improving the understanding of safety performance would also need to consider the CAA's research and analytical capability.
16. The Board noted the report and endorsed the approach being taken.

Recent Insights into Regulatory Philosophy – An Airworthiness Case Study – Doc 2011-37 by Ms Burrett

17. The paper provided an assessment of the features in the global safety assurance system that had been highlighted by the Qantas Airbus A380 incident in November 2010, and provided recommendations as to how these could be addressed.
18. It was noted that the Qantas Airbus A380 incident had highlighted some areas where increased clarity on reporting requirements to the CAA both from Industry and EASA would improve our oversight of potential issues. The links between the issues highlighted in this paper and the work being undertaken as part of the SR2 were noted, particularly with respect to how the CAA could carry out its safety assurance tasks more effectively.
19. It was felt that there is a need for the CAA to be engaged with EASA in advance of action being taken in response to an incident. However, it was noted that EASA had agreed to clarify existing roles and responsibilities, and develop a roadmap for how these could be transitioned over time to a situation that benefited the whole safety assurance system. It was considered that this would benefit from a gap analysis being undertaken.

Action: Ms Burrett

20. The Board noted the report and endorsed the recommendations as the appropriate approach for the CAA to take forward.

Review of EASA Notice of Proposed Amendment on Flight Time Limitations – Doc 2011-38 by Ms Burrett

21. The paper provided a background briefing on the current situation with respect to the EASA Notice of Proposed Amendment (NPA) on Flight Time Limitations (FTL), the areas of concern to the CAA and how these are being addressed.

22. Mr Gash outlined the main areas of concern to the CAA, which essentially related to the risk of cumulative fatigue. It was noted that the CAA's comments would be submitted by the consultation deadline on 20 March and EASA would have until the end of June to consider all comments received. It was noted that EASA had requested feedback on high level issues direct from Member State governments and that the UK Permanent Representation to the EU would respond based on input provided by the CAA.

23. The position of other European National Aviation Authorities with respect to the proposals was discussed. It was noted that social legislation is used to a greater extent in other EU countries although some concerns were raised about the dependence on such legislation in a safety critical environment.

24. The role of Fatigue Risk Management Systems (FRMS) was discussed. It was clarified that the obligation would be on the operator to assure itself that it was operating with a safe level of fatigue related risk. It was felt that the FRMS would need to be implemented within a mature Safety Management System in order to provide a good level of assurance.

25. The Board noted the contents of the paper and supported the approach being taken although requested to be kept informed of further developments.

Action: Ms Burrett

V. Managing Uncertainty of AER – Extending Price controls at Heathrow and Gatwick Airports – Doc 2011-39 by Mr Osborne

26. The paper outlined the reasons for extension as well as a summary of the responses to the CAA's consultation. In addition, the paper provided a proposed timetable as well as a summary of the risks of extension and potential mitigating actions.

27. Mr Osborne outlined the key areas of risk to an extension, which related to the ability of the CAA being able to deliver Q6 under new legislation and the mandatory reference to the Competition Commission. Recent developments had provided a level of mitigation to these risks, i.e. a Written Ministerial Statement on 3 March 2011 by the Secretary of State confirming the intention to introduce legislation early in the next Parliamentary session.

28. The consultation was discussed and it was noted that the overwhelming majority of responses supported an extension and that a number of airline and airport stakeholders were undertaking

commercial discussions regarding the technical elements of the terms. It was felt important that the CAA was assured that the resulting terms of the extension were in the consumer interest.

29. The Board thanked Mr Osborne and his team for the work undertaken to achieve this outcome and endorsed the recommendation to extend the current price controls at Heathrow and Gatwick airports by one year under March 2014 under section 40(7) of the Airports Act 1986. The Board also agreed to

- delegate authority to Regulatory Policy Group (RPG) to agree the necessary technical changes for the operation of the two price controls taking into account the airline / airport commercial discussions
- delegate to RPG, the preparation and publication of a CAA decision statement at the end of March although the Board agreed that this should make clear how consumer interests had been met. It was also agreed that RPG could prepare and publish a CAA decision statement on the consequential amendments to the Public Interest Conditions at the end of April.
- provide a response to the recent letter to the CAA Chair from the Secretary of State

VI. CAA Budget 2011/12 – Doc 2011-40 by Miss Jesnick

30. The paper outlined the proposed CAA Group budget.

31. Miss Jesnick highlighted that the improved loss situation will be very challenging for the organisation to achieve but that there was a commitment to achieve these figures. It was also noted that there are uncertainties still to be resolved, particularly surrounding the impact of the SR2 and Performance and Process Improvement (PPI) projects in terms of investment required and the time it will take to achieve savings.

32. With regard to the assumed pension costs, it was noted that a Schedule of Contributions has yet to be agreed by the CAA and the Pension Trustees but that constructive discussions were underway. It was also noted that the Board was being asked to approve the total project expenditure but that the individual projects could not be confirmed at this stage. It was agreed that the Board would approve the individual projects, as appropriate.

33. It was clarified that there were no provisions relating to the transfer of aviation security functions to the CAA in the 2011/12 budget.

34. The CAA's position with respect to surplus was further discussed. It was noted that there was a legal requirement on the CAA, through the Civil Aviation Act, to ensure that its income matches its expenditure "taking one year with another". Accordingly, although any surplus situation would need to be discussed at the Safety Regulation Finance Advisory Committee, stakeholders would need to understand the obligations on the CAA to maintain a balance between costs and income over time.

35. The manpower figures were further discussed and it was highlighted that these were an area still subject to uncertainty given the ongoing PPI project and Terms & Conditions (T&Cs) discussions. The Board requested that they be given a better understanding of the PPI work and it was agreed that this would be presented in May. With regard to T&Cs, it was emphasised that a systematic approach was being taken to modernise the current system and it would not be appropriate to prejudge the outcome of this review but that a clearer position should be available by July in time to consult on 2012/13 charges.

36. The Board recognised the uncertainty surrounding the budget and welcomed the further clarity that would be achieved through the presentation of the SR2 and PPI projects to the Board in May. With this in mind, the Board approved the CAA Budget 2011/12 although Mr Mountford placed a reservation on the Pension Cost element of the budget given his position as Chairman of the Trustees.

VII. CAA International Interim Business Plan & Budget – Doc 2011-41 by Miss Jesnick

37. The paper provided the CAA International (CAAi) Business Plan for Year 2 of the interim period and also the budget for 2011/12.

38. The Board discussed issues surrounding the resource implications for tendering for EASA contracts, the financial interdependencies of CAA and CAAi and additional risks for CAAi to consider.

39. It was agreed that a narrative, highlighting the varied and interesting work of CAAi, would be produced to promote the work of CAAi around the organisation.

Action: Miss Jesnick

40. The Board endorsed the CAAi Interim Business Plan and Budget for 2011/12.

VIII. CAA Overdraft / Temporary Borrowing Facilities – Doc 2011-42 by Miss Jesnick

41. The Board resolved to seek consent from the DfT and HM Treasury to extend the CAA's overdraft facility for the period 1 April 2011 to 31 March 2012. The resolution is attached to the minutes.

IX. Chief Executive's Report – Doc 2011-43 by Mr Haines

42. Mr Haines updated the Board on the negotiations with the Trade Unions and the discussions that are taking place with senior Personal Contract Staff representatives.

43. The Board noted the report

X. Report from Audit Committee – Doc 2011-44 by Mr Mountford

44. The paper provided a summary of the Audit Committee business discussed at its meeting of 8 February 2011, a revised Terms of Reference and the 2010/11 Audit Committee Activity Report.

45. Mr Mountford highlighted the Ministry of Justice's delay in publication of 'adequate procedures' guidance relating to the UK Bribery Act and noted the three month notice period for implementation of the Act that would subsequently result.

Post meeting note: The Ministry of Justice issued its guidance on 20 March 2011.

46. The Board noted the Reports of the Audit Committee and the 2010/11 Audit Committee Activity and approved the revised Terms of Reference.

XI. Report from Remuneration Committee – Doc 2011-45 by Dr Bell

47. The paper provided a summary of the Remuneration Committee business discussed at its February 2011 meeting.

48. The Board noted the report

XIII. Directors' Reports

Finance Report – 11 Months Ended 28 February – Doc 2011-46 by Miss Jesnick

49. The paper provided monthly financial results for the 11 months to 28 February 2011. The operating profit for CAA for this period was £2,617k compared to the budgeted loss of £2,021k. After accounting for net borrowing costs, the profit was £2,181k compared with a budgeted loss of £2,484k.

50. The Board noted the report.

CPG – Doc 2011-47 by Mr Jackson

51. Mr Jackson briefed the Board on the status of the renewal of the Air Travel Trust (ATT) insurance policy and the impact of the political disturbances in North Africa.

52. The Board recognised the excellent work undertaken by the Risk Analysis team with respect to the renewal of the ATT insurance policy and requested that the Board be informed when the renewal was completed.

Action: Mr Jackson

Post meeting note: The renewal was completed on 30 March 2011.

53. The Board noted the report.

RPG – Doc 2011-48 by Mr Osborne

54. Mr Osborne updated the Board on the latest situation with regard to pricing transparency cases and Section 41 complaints relating to the structure of charges at airports. With regard to the latter, Mr Osborne highlighted an intention to review the process used by the CAA to consider Section 41 complaints.

55. Mr Osborne also highlighted the recent changes to the Air Transport Users Council (AUC) to bring the AUC's complaints handling role within the CAA and create an Aviation Consumer Advocate Panel (ACAP). It was noted that the CAA will consult on ACAP's remit and Key Performance Indicators (KPIs). The Board agreed that appropriate KPIs for the complaints handling role were also required.

Action: Mr Osborne

56. The Board noted the report

SRG – Doc 2011-49 by Ms Burrett

57. Ms Burrett updated the Board on the latest developments with the EASA Standardisation Audit of the CAA, which took place in July 2010. The Audit raised a finding with regard to the CAA's level of resources but the CAA feels strongly that this finding does not take into account its transition to a risk based approach to safety regulation. It was noted that EASA are planning a high level pan-European workshop to discuss this issue.

58. In response to a question regarding the developments since the 2010 volcanic ash event, it was noted that engine manufacturers have not increased their ash tolerance levels since April 2010. The CAA has taken the opportunity to raise this issue both with the UK Government and European Officials. It was agreed that a further update would be provided at the next Board meeting.

Action: Mrs Burrett

59. The Board noted the report.

DAP – Doc 2011-50 by Mr Swan

60. Mr Swan updated the Board on developments with the National Performance Plan and the recent decision to reject an Airspace Change Proposal relating to the Clyde Transponder Mandatory Zone associated with a windfarm development in Scotland. Mr Swan also briefed the Board on a Future Airspace Strategy (FAS) stakeholder event, which had been well received. The Board recognised the efforts from Mr Swan and his team following the FAS consultation.

61. The Board noted the report.

XIII. Legal Report – Doc 2011-51 by Mrs Staples

62. The paper requested approval from the Board for a Specification of charges for air services for aircraft flying within the Shanwick Oceanic Control Area and for helicopter flights to North Sea vessels

or offshore installations, and the reappointment of a CAA management trustee for the CAA Pension Scheme (CAAPS).

63. The Board approved the CAA (Navigation and Service Charges) Specification 2011. The Specification will be published in the London, Belfast and Edinburgh Gazettes as required by the Transport Act 2000.

64. The Board also resolved to reappoint Mr Richard Jackson as a CAA management trustee for CAAPS for the period 1 April 2011 to 31 March 2014. The resolution is attached to the minutes.

65. The Board noted the report.

XIII. Any Other Business

66. **Japan** – AVM North and Mr Haines briefed the Board on the steps that had been undertaken as a result of the Fukushima nuclear plant situation.

The next meeting of the Authority will be on Wednesday 20 April 2011 at 10.45am in Conference Room 1, Aviation House, Gatwick.