

CIVIL AVIATION AUTHORITY



FOR PUBLICATION

CIVIL AVIATION AUTHORITY
 MINUTES OF 442nd BOARD MEETING HELD ON WEDNESDAY 18 MAY 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

Ms Alex Craker
Development Director

(for items IV-VII)

Mr Gary Downes
Development Team

(for item VI)

Mr Matt Claydon
European ATM Policy Coordinator

(for item VIII)

Rt Hon Theresa Villiers MP
Minister of State for Transport

(for item IX)

Ms Mary Tregunna
Assistant Private Secretary to Rt Hon Theresa Villiers MP

(for item IX)

Mr Michael Smethers
Director, European & International Strategy

(for item IX)

Mrs Anne-Marie Hopcroft
Minute Taker

I. Apologies

1. Apologies were received from AVM North and it was noted that Mr Mountford would have to leave the Board meeting early.

II. Minutes of the Board Meeting held on 20 April 2011

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

III. Chair's Opening Remarks

3. Dame Deirdre Hutton briefed the Board on recent meetings, visits and speeches. Particular note was made of an interesting visit to Gatwick Airport and it was suggested that an invitation be extended to the Airport to brief the Board as part of its ongoing stakeholder engagement programme.

4. Dame Deirdre reminded the Board of the in depth Governance Review undertaken in 2010, which resulted in a number of structural changes to the CAA's arrangements. In line with the UK Corporate Governance Code, it was proposed that a detailed external review should be undertaken on a three yearly cycle. However, the Code expects that Boards consider their effectiveness on an annual basis and this year the Chair proposed a facilitated internal review.

IV. Strategy for Enhancing Safety Performance – Doc 2011-67 by Gretchen Burrett

5. Phase 1 of the Strategic Review of Safety Regulation (SR2) recommended that the CAA take an enhanced approach to safety regulation. Subsequently, Phase 2 of SR2 had developed the approach and methodologies required for such an approach and identified how it should be implemented. The paper outlined a 'blueprint' of the new approach to safety regulation.

6. Gretchen Burrett highlighted how the SR2 work provided a performance-based approach and should be considered together with the UK State Safety Plan, CAA Safety Plan and the CAA's Process and Performance Improvement (PPI) project. The key next steps for these elements were outlined but it was noted that there are simple changes that can be implemented to start moving the organisation towards a performance-based regime. It was highlighted that this work was aligned with progress being made in Europe in this area.

7. The Board recognised the significant change that a performance-based approach would bring to the organisation and the associated risks were discussed. The importance was noted of ensuring safety oversight was maintained during the transition and the Board agreed that the executive should be ready to flex the pace of implementation to ensure that this was the case. The

measures of success were discussed and it was felt that an indication of success would be achieved through engagement with internal and external stakeholders.

8. The Board discussed how a performance-based approach may be received by industry and it was noted that it was welcomed by many stakeholders. The need for the changes to be communicated well both internally and externally was noted. In particular, the importance was noted of ensuring clarity of roles and responsibilities, and therefore accountability, to ensure that risks were owned and managed by the most appropriate party. It was noted that the CAA would have a clear role in helping industry to better understand and manage the risks.

9. The Board recognised that embedding the new approach to safety regulation within the organisation was likely to require structural changes to be made and the Board provided its support for this. The Board also recognised the clear links between the SR2 work and the PPI project.

10. The Board endorsed the approach being proposed by the paper.

V. Draft CAA Safety Plan – Doc 2011-68 by Gretchen Burrett

11. The paper presented the draft CAA Safety Plan, which aligned with the CAA Strategic Plan and the European Aviation Safety Plan. The Safety Plan set out the actions to be taken by CAA and Industry for key safety and capability issues, and to address sectoral issues (in the areas of Business Aviation, Large Public Transport Helicopters and General Aviation).

12. It was highlighted that the Plan was being amended to refer to the importance of continuing airworthiness oversight as no individual airworthiness trend was identified as a Significant seven issue yet it clearly remained a significant generic risk area.

13. The “Network of Analysts” concept was further discussed and it was suggested that the analyst role would benefit from professional status in order to encourage wider recognition across other sectors or countries. The concept of a single taxonomy across Europe was also raised and it was noted that there is a roadmap in place to take this activity forward. In doing so this will enable European states to exchange safety information in a common language.

14. The Board endorsed the publication of the CAA Safety Plan for consultation.

VI. Performance & Process Improvement Update – Doc 2011-69 by Chris Jesnick

15. The paper provided an update on the Performance and Process Improvement (PPI) Programme and covered the approach being followed, the design to ensure successful delivery, the aims and benefits of the programme, examples of the analysis delivered to date, a view of the potential delivery options and the next steps.

16. Chris Jesnick highlighted the excellent contributions that had been made by CAA colleagues in the development of this work and the close alignment required with the SR2 project. Chris also noted the balance to be achieved between improvements in effectiveness, quality and efficiency. It was emphasised that this project was focused on providing a better understanding of the organisation’s current processes and what these should be in future, before identifying any

solutions to address these. It was noted that, in many cases, there would be multiple solutions available, ranging in complexity and cost.

17. The Board recognised that it could be difficult for an organisation to accept where there are process improvements can be made but was encouraged that the organisation had embraced the need to identify where it could become more effective and efficient and the overall benefits this could have for the organisation both internally and for external stakeholders.

18. The pace at which solutions could be implemented was discussed. It was questioned whether the CAA could learn from similar experiences at other organisations. It was noted that the team leading this analysis had been selected for their experiences from other organisations and that an external assurance role had been established. However, it was agreed that consideration would be undertaken of the merit of external involvement from a governance perspective.

Action: Chris Jesnick

19. The Board welcomed the comprehensive analysis that had been undertaken and indicated its support for taking this work forward. It was anticipated that the Board would be provided with a further paper, outlining the options available to the organisation, most probably in October.

VII. RPG Strategic Report – Doc 2011-70 by Iain Osborne

20. The paper outlined the main strategic challenges and issues facing Regulatory Policy Group (RPG).

21. Iain Osborne highlighted that RPG had only been formed in March 2011 and was therefore keen to understand whether its role, as outlined in the paper, aligned with the Board's vision. It was noted that there were some substantial areas of work to be considered in the coming months and years related to consumer rights and competition in the airports and air navigation service provider markets. It was felt that the key themes were in the areas of the CAA taking a leadership role, collaborative working to produce benefits for the wider community and using information to drive behaviours.

22. The Board discussed how some of the concepts in the paper would come together to ensure that as a result of CAA action consumers saw improvements in levels of choice and fair treatment. The role of innovation, incentivisation and collaboration in this strategy was also discussed. The Board welcomed the more holistic approach that was being taken in this area and recognised the need to have a clear understanding of how markets work. It was also felt that building trust with stakeholders and ensuring there was a more informed debate would enhance the collaboration process.

23. The role of influencing in Europe with regard to the strategic issues contained in the paper was discussed and it was requested that the Board have greater awareness of this in future. The Board also raised questions regarding airport market power and it was agreed that the competition assessment work would be presented to the Board at a future date.

24. It was noted that the outputs of the South East Airports Task Force Sub Group were consistent with the direction being taken by RPG and the level of cross-CAA working in this area was highlighted.

25. The Board recognised the organisational changes that had taken place to establish RPG and the ongoing process being undertaken with other CAA Groups to drive whole-system thinking across the CAA.

26. The Board noted the report.

VIII. Annual DAP Review and National Performance Plan – Doc 2011-71 by Mark Swan

27. The Annual DAP Review outlined the key DAP activities for the year ending 31 March 2011 and provided a forward look of strategic matters. The paper also presented the National Performance Plan covering the first Reference Period (RP1) of the Single European Sky Performance Scheme, which runs from January 2012 to December 2014.

Annual DAP Review

28. Mark Swan presented the Review to the Board, in particular highlighting the significant steps that have been taken with respect to the Future Airspace Strategy as this moves closer towards implementation, which will be driven by industry within an appropriate governance structure. It was agreed that the Board would be provided with a briefing note on Transition Altitude.

Action: Mark Swan

29. The Board noted the report and in particular the range of activities being led by the Director and his team.

National Performance Plan

30. Mark Swan provided the background to the National Performance Plan (NPP), particularly highlighting the differences between the UK and EU targets. It was noted that the cost efficiency target had been affected by traffic downturn, additional pension costs and financial consequences of the complexity of airspace in the UK. The main themes from the consultation of the plan related to the adoption of NATS price control targets (CP3) at a time when the EU targets had not been adopted, lack of ambition for cost-efficiency and capacity targets, and concern whether pension and EUROCONTROL costs should be considered uncontrollable. Mark Swan explained how the Plan was being amended in order to address these comments and invited the Board to provide any further comments as necessary.

31. The risks, and mitigations, associated with the Plan were discussed. It was highlighted that the NPP is driving significant improvements, although measurement issues had complicated stakeholder discussion about some aspects. NPP2 will be prepared in collaboration with the Irish Aviation Authority to cover the UK / Ireland Functional Airspace Block (FAB). It was felt important to keep in close communications with the European Commission and other stakeholders, conveying the positive direction of travel highlighted by with the Plan.

32. The Board endorsed the submission of the NPP to Government.

IX. Influencing in Europe

33. The Chair welcomed the Minister to the Board meeting, highlighted the positive relationship between the CAA and the Department for Transport (DfT) and thanked the Minister for her support with the Aviation Bill and ATOL Reform. The Chair invited the Minister to draw on her previous experience as a Member of the European Parliament to indicate how the CAA may best influence in Europe. It was noted that early engagement can be key.

34. The Board took the opportunity to discuss with the Minister a number of strategic issues in Europe relating to consumer protection legislation, the UK / Ireland FAB, Cooperative Oversight and Flight Time Limitations.

35. The Chair thanked the Minister for taking the time to engage with the Board and it was agreed that it had been a useful opportunity to discuss some key issues.

X. Quarterly Key Performance Indicators Report & Way Forward – Doc 2011-78 by Andrew Haines

36. The paper provided the latest quarterly Key Performance Indicators and proposed a new approach to providing the Board with more insightful operational and strategic measures going forward.

37. Andrew Haines highlighted the work that had been undertaken to develop appropriate KPIs, the difficulties that had been faced and the need to take a pragmatic approach to selecting meaningful measures while keeping open minded to further refinement in future. It was noted that other regulators have faced similar difficulties in developing strategic measures.

38. It was noted that in addition to the KPIs, the Strategic Plan provided the essential context for establishing whether or not the CAA has achieved its long term outcomes. The potential to reflect the cost of strategic outcomes was discussed and, whilst it was not possible to currently produce this breakdown, it was agreed that this should be a longer term aim.

39. The Board considered that a combination of operational measures, strategic direction indicators and progress against milestones in the Strategic Plan would provide a pragmatic way forward although the Board wished to have a greater appreciation of the whole suite of measures available in the organisation.

Action: Andrew Haines

40. The Board noted the latest quarterly KPI report and approved the way forward for KPI reporting, subject to the comments raised at the meeting.

XI. Chief Executive's Report – Doc 2011-72 by Andrew Haines

41. Andrew Haines briefed the Board on developments with the Trade Union discussions and the forthcoming Management Conference.

42. The Board noted the report.

XII. Directors' Reports

CPG – Doc 2011-73 by Richard Jackson

43. Richard Jackson updated the Board on ATOL reform and it was noted that the DfT consultation would contain an Annex providing a high level indication of how the management of the ATOL system may have to change as a result of ATOL Reform. It was agreed that this document would be circulated to the Board.

Action: Richard Jackson

44. The Board noted the report.

RPG – Doc 2011-74 by Iain Osborne

45. Iain Osborne highlighted the progress that had been made with respect to the Aviation Bill.

46. A question relating to the implications of a recent complaint to Office of Fair Trading was raised and it was agreed that this would be further reviewed.

Action: Iain Osborne

47. NATS Licence terms and conditions were discussed with regard to licence extension and it was noted that DfT should be made aware of the associated issues.

48. The Board noted the report.

SRG – Doc 2011-75 by Gretchen Burrett

49. Gretchen Burrett drew the Board's attention to the update provided in her report on the July 2010 EASA standardisation audit of continued airworthiness activity. It was noted that further constructive discussions had been held, including a workshop with other European States, from which EASA will be producing a paper on how the approach to standardisation can be improved.

50. The Board noted the report

DAP – Doc 2011-76 by Mark Swan

51. Mark Swan highlighted the progress with Unmanned Aircraft Systems in UK airspace and the emerging need to be cognisant of Sub-Orbital Space Operations in his report.

52. The Board noted the report.

XIII. Legal Report – Doc 2011-77 by Kate Staples

53. The paper provided a litigation update. Particular note was made of the Order for sale application for an aircraft detained to secure payment of unpaid Eurocontrol charges, which was the first of its kind made by the CAA. It was noted that, should the application be successful and the aircraft sold, a lessons learned exercise will be undertaken to see whether the process needs to be modified.

54. Kate Staples also updated the Board on the work underway to review the CAA's performance with respect to the Equality Act and the need to revise the authorisations for CPG.

55. The Board noted the report and agreed, by way of resolution, to revised authorisations for CPG. The resolution is attached to the minutes.

56. The Board noted the report.

XIV. Any Other Business

57. Update on Transparency Actions – a correspondence paper had been circulated to Board Members, which provided an update on progress against the actions requested in response to the Board discussion of Doc 2010-132 Transparency at the CAA in October 2010. The Board welcomed the update.

The next meeting of the Authority will be on Tuesday 21 June 2011 at 10.00am