



FOR PUBLICATION

CIVIL AVIATION AUTHORITY

**MINUTES OF 435th BOARD MEETING HELD ON
WEDNESDAY 20 OCTOBER 2010 AT 10.00 AM**

Present:

Dame Deirdre Hutton

Chair

Mr A Haines

Chief Executive

Dr C Bell

Ms G Burrett

Mr D Gray

Miss C Jesnick

Mr M Medicott

Mr R P Mountford

AVM B North

Capt R O 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)

Mr T Williams

Head of Health, Safety & Environmental

(for item IV)

Mrs L Rich

Corporate Services Manager

(for item IX)

Mr S Ridgway

Chief Executive, Virgin Atlantic Airlines

(for item X)

Mr R Krammer

Senior Financial Analyst

(for item XII)

Mrs A-M Hopcroft

Minute Taker

I. Minutes of the Board Meeting held on 15 September 2010

1. The minutes of the previous meeting were approved and signed.

II. Chair's Opening Remarks

2. The Chair welcomed Mrs Staples and Dr Rooney to their first CAA Board Meeting. The importance of having a Corporate Communications presence at the Board was recognised.

3. The Chair briefed the Board on a number of engagements that she had attended over the last month. Particular note was made of the SRG Partnership in Safety Conference, which was held on 7 October 2010. This was felt to have been an important and well-received conference and the SRG team were congratulated on its success.

III. Transparency at the Civil Aviation Authority – Doc 2010-132 by Mr Haines

4. The paper outlined an analysis of the nature of transparency, what transparency means for the CAA, how it could become a more transparent organisation and the associated costs and benefits.

5. The Board considered transparency from both a regulatory and governance perspectives, with the political drivers for increased transparency being acknowledged. It was agreed that there was an appetite for greater internal and external transparency at the CAA and that this is fundamentally a cultural issue.

6. The importance was noted of fully recognising the current degrees of transparency at the CAA both in terms of current stakeholder perception and current work in hand and having a clear idea of what should be achieved by increasing transparency. In this way, the organisation will be able to illustrate how it is becoming more transparent and measure its success. In terms of measurement, it was felt that stakeholder surveys would provide a significant opportunity but that other mechanisms could exist through, for example, monitoring enquiry levels and levels of understanding in industry of the top safety risks being faced.

7. It was questioned whether the level of requests under the Freedom of Information Act (FOIA) were monitored and noted that this formed part of the Key Performance Indicators paper (on the agenda as item as VIII). It was suggested that a note be circulated to the Board regarding the FOIA response process at the CAA.

Action: Miss Jesnick

8. CAA consultation practices were further discussed and it was recognised that consultation exercises and activities could be targeted so that they become more effective and efficient. It was felt that greater transparency in policy development would be beneficial but it was acknowledged that consultation had to be managed in a way that did not create an unacceptable burden on industry. It was felt important to establish a mechanism whereby both large and small industry organisations, and consumers, have an opportunity to contribute.

9. The CAA website was also further discussed and it was acknowledged that this provided a key transparency tool but it was recognised that there was significant work required to produce appropriate content for the website to support the redesign / restructuring work being undertaken.

10. The concept of open Board meetings was discussed and it was felt that, on balance, these would not be appropriate although it was felt that the Board could consider hosting an open Annual General Meeting once a year. Seeking a regional perspective was also discussed and it was recognised that the cost of holding Board meetings around the country would be prohibitive although it was felt that other mechanisms could be used, for example Board Member visits. It was noted that the Board were starting to receive more presentations from industry stakeholders and this should be continued with the addition of consumer representation bodies. It was also felt that the concept of a Knowledge Exchange should be pursued.

11. It was noted that the CAA engages with industry through a significant number of committees and working groups, and it was felt that these could be rationalised. During discussion on how widely the role of CAA is briefed to industry, it was suggested that an Open Day and DVD be offered as part of an industry induction programme.

Action: Dr Rooney

12. Concerns were raised about increasing the transparency of individual safety reports given that the information could be taken out of context and it was agreed that this was an area that required further thought. Similar concerns were raised regarding increasing the transparency of potentially commercially sensitive information. It was also felt that the Board would benefit from a better understanding of the CAA's assessment of the supporting culture on which occurrence reports are based and what the CAA's plans are to improve this in the future.

Action: Ms Burrett

The availability of information about airlines banned within the EU was also discussed and it was agreed that this would be further considered.

Action: Mrs Staples / Ms Burrett

13. The Board noted the contents of the paper and identified the ways in which it wished to increase transparency at the CAA, as outlined above.

IV. Health & Safety Quarterly Report – Doc 2010-134 by Miss Jesnick

14. The paper provided a summary of CAA annual incident statistics, monthly incident statistics, progress on the H&S Audit Programme, significant H&S risks and H&S Key Performance Indicators. Miss Jesnick reported that it was Health & Safety's intention to run a campaign to collect the near miss data to generate some better lead indicators for potential accidents and serious incidents.

15. Mr Williams provided a verbal update from the Health & Safety Committee, in particular highlighting an internal Health & Safety project being undertaken as part of the CAA's Management Excellence Programme and also the Occupational Health Strategy.

16. It was noted that the approach to Health & Safety in the CAA had improved in recent history

and Mr Williams was congratulated for efforts in this respect. Nevertheless, the importance of encouraging the reporting of near misses was recognised and use would be made of the lunchtime Board Question & Answer session with staff to reinforce this.

17. The Board noted the content of the paper.

V. Report from the Audit Committee – Doc 2010-135 by Mr Mountford

18. The paper outlined recent Audit Committee activity.

19. A number of recent Internal Audit reviews, specifically those relating to exams and staff leave arrangements were discussed in more depth, as were the risks that these areas posed to the CAA.

20. The Board further discussed issues relating to staff headcount and IT systems which had been cited as reasons for no action having been taken in relation to certain audit findings. Further, the Board noted that the CAA was operating below its funded staff establishment and that this had contributed to the positive budgetary position. In view of this, non-executive directors challenged the executive as to whether tighter budgets needed to be set going forward. It was acknowledged that recruitment churn means that a level of vacancy is inevitable and that total headcount is reduced over time. These issues will be part of the consideration for the five year plan but the Board also believed it was important to recognize the limits below which headcount should not fall, particularly bearing in mind that most of the losses arose in the safety regulation area. In relation to the IT strategy, it was noted that a business process review was underway and that this would form the basis of a new IT strategy. This should be available to the Board in April 2011. The present level of IT was considered to provide adequate controls for the current operation. However, the organizational and process improvements envisaged under the developing CAA strategy would require enhanced IT systems. In developing the IT strategy, the links should clearly be made between HR and IT.

21. The Board noted the contents of the paper.

VI. Eurocontrol Unit Rate 2011 – Doc 2010-136 by Miss Jesnick

22. The paper provided a summary of the CAA's en-route cost base and unit rate for 2011 and outlined a proposed unit rate of £0.72.

23. The Board agreed the proposed unit rate.

VII. Finance Report – 6 Months Ended 30 September 2010 and CAA International (CAAi) Quarterly Report – Doc 2010-137 by Miss Jesnick

24. This paper provided monthly financial results and a quarterly report for CAA International for the 6 months to 30 September 2010. The operating profit for CAA for this period was £3,700k compared to the budgeted profit of £1,064k. After accounting for net borrowing costs, the profit was £3,454k compared with a budgeted profit of £811k.

25. Miss Jesnick highlighted the continuing difficulties with the volume related income and the improved position with regard to trade receivables. It was noted that the current profit figures were unlikely to be maintained as costs from the Development Programme, Windows Office Refresh Project etc. would start to impact over the second half of the year just as the volume related income

also decreased over the winter season. In addition, it was noted that the below budget manpower figures had also contributed to the significantly favourable variance. It was also noted that reductions in DfT funding could also have a further impact on CAA's income.

26. The CAAi Quarterly Report was further discussed and it was acknowledged that this provided a clear illustration of the importance of CAAi to the organisation. It was highlighted that closer working relationships were being developed between Safety Regulation Group and CAAi in order for there to be greater clarity over the resourcing of CAAi projects.

27. The Board noted the report.

VIII. Key Performance Indicators (KPI) Quarterly Report – Doc 2010-138 by Mr Haines

28. The paper outlined industry trend data together with business delivery, stakeholder and operational (business transformation, finance and people) KPIs.

29. The Board noted the downward trend in the industry data, particularly Available Seat Kilometres and Arriving Passengers and welcomed the addition of Airport Service Quality data to the report. It was noted that an increase in customer satisfaction is typically associated with an increase in investment.

30. The increase in the number of complaints / enquiries to the Air Transport Users Council was noted and it was explained that this was driven by the volcanic ash crisis. It was noted that work was underway to establish KPIs relating to the time a complaint / enquiry is open and how many are handled per staff member.

31. The Board noted the contents of the paper.

IX. Chief Executive's Report – Doc 2010-125 by Mr Haines (Incorporating European & International Strategy Quarterly Report Doc 2010-133)

32. Arrangements to announce the airspace restrictions relating to the 2012 London Olympic Games were discussed and it was clarified that the Home Office take the lead on deciding these.

33. Ongoing work relating to volcanic ash was discussed and it was noted that a mobile radar has been loaned from the Italian authorities and will be located in Iceland ready to measure the height of any ash clouds, and therefore the amount of ash emitted.

34. Developments with regard to the Civil Aviation Bill were outlined and it was noted that a number of concerns would be raised with the Department for Transport at a high level meeting on 21 October.

35. A draft outline of the CAA's Strategic Plan was discussed and it was noted that the Board would have an opportunity to discuss the first draft of the document at the November Board. It was felt that the Plan should place greater emphasis on working on behalf of consumers and make reference to the need to consider future consumers. It was also suggested that further consideration be given to the CAA's ambition outside of the UK.

36. The European & International Strategy Report was discussed and it was noted that Messrs Haines and Smethers, and Ms Burrett would be meeting EASA's Executive Director, M. Goudou on

29 October and that Mr Haines and the Chair would be seeking to meet with M. Ruete, the Director General of DG MOVE (Mobility and Transport) at the European Commission. It was felt that key priorities for EASA should be focus on a risk based and proportionate approach to safety and standardisation with recognition that this work can be carried out more effectively as a partnership between EASA and National Aviation Authorities. It was considered that a number of other European authorities shared the CAA's views, particularly in respect of a greater focus on safety performance in regulations. It was noted that some UK industry stakeholders had indicated support for CAA continuing to influence EASA but were keen for this to be undertaken in a transparent manner. Mr Haines also briefed the Board on the ICAO Assembly.

37. The Board noted the contents of the report.

X. Presentation from Virgin Atlantic Airlines

38. The Chair welcomed Mr Ridgway to the Board as part of the continuing series of opening the Board up to industry stakeholders.

39. Mr Ridgway's presentation provided an update on how the airline has fared in the recent difficult economic conditions, and its position in respect of the volcanic ash crisis, Government aviation policy and passenger rights. Mr Ridgway also highlighted a number of points regarding airport regulation and the work that Virgin Atlantic Airlines has undertaken with regard to sustainability including working with two charities, The Travel Foundation and Free The Children, which support long term sustainable change in the destinations to which Virgin Atlantic Airlines flies.

40. The volcanic ash crisis and cost to the industry highlighted by Mr Ridgway was discussed and it was noted that the CAA is driving the work forward on an international front. The CAA is conscious that there could be further volcanic ash incidents in the future and is keen for necessary measures to be in place. It was also noted that work is underway to establish an internationally agreed framework for how to respond to volcanic ash and a key next step will be for airline safety cases to be built although it was recognised that in future this requires accuracy in the both measurement and identification of ash clouds. It was emphasised that there had to be consistent practices across airlines.

41. Government policy on aviation was further discussed and it was felt that the ash crisis highlighted the dependency of the economy on aviation. It was highlighted that, whilst the CAA does not have a remit to lobby Government on behalf of the UK aviation industry, it does take the opportunity to highlight the role and successes of industry where appropriate. Sustainability was also discussed and Mr Ridgway felt that there was a need to develop a Global Emissions Trading Scheme. The ICAO Assembly's outcome on Climate Change was noted.

42. With regard to passenger rights, the CAA was sympathetic to the need for a review at a European level. Mr Ridgway felt that there were market competition behaviours in existence to ensure that passenger rights were attended to.

43. Mr Ridgway advised that airlines continue to press for a right of appeal to the Competition

Commission over an airport price control decision, citing failures in the regime to date as the primary reason for this. Mr Haines noted that there were no parallels for this right in other industries, that the right of seeking a judicial review was available to airlines and questioned whether or not an appeal mechanism would deliver a different outcome given that there had anyway been automatic referral to the Competition Commission in the current regime.

44. The Board thanked Mr Ridgway for his presentation and the interesting discussion that this had created.

XI. Board Oversight of Risk – Doc 2010-140 by Mr Haines

45. The paper outlined the current arrangements for the management of risk, considered whether best practice exists and provided some guiding principles for future oversight. The paper recommended a number of changes to the current arrangements, particularly the creation of an ad-hoc committee, which would report back to the Board in six months to make recommendations on longer term arrangements.

46. The Board endorsed the proposal to create an ad-hoc committee and felt that any longer term arrangements should consider a more dynamic risk management process.

XII. Directors' Reports

ERG – Doc 2010-141

47. This paper was tabled in Dr Bush's absence.

48. It was noted that the NATS Price Control final decision had been published on 19 October.

49. The Board agreed to establish a Panel to hear an appeal regarding check in desk charges at Gatwick Airport, under the European Ground Handling Regulations. It was agreed that the panel would consist of the new Group Director Regulatory Policy, Mr Osborne, and Mr Gray.

50. The Board noted the contents of the paper

SRG – Doc 2010-142 by Ms Burrett

51. Ms Burrett briefed the Board on the recent Partnership in Safety Conference, hosted by the CAA. The strong industry participation in the event had been warmly welcomed and it was noted that the Safety Plan would reflect the issues raised. Other key messages from the conference were that Loss of Control and Runway Excursions were key safety risks, that a positive organisational culture can feed a good safety culture, that there should be more focus on the causes of accidents rather than the outcomes and that Safety Management Systems should be more joined up across the aviation disciplines. It was noted that Mr Charles Haddon-Cave QC had provided the key note speech and it was agreed that this speech would be circulated to Board Members.

Action: Chair

52. The Board also discussed a workshop that had been hosted by SRG to review the Haddon Cave report to see whether there were any lessons to be learnt for the CAA, the progress being on the EASA Flight Time Limitations Rulemaking Task, and recent EASA standardisation activity in the

UK.

53. The Board noted the contents of the paper

CPG – Doc 2010-144

54. This paper was tabled in Mr Jackson's absence.

55. Mr Krammer briefed the Board on the summary of results from the September 2010 Air Transport Operators Licence renewals. It was highlighted that further information relating to mid-size operators would be presented to the December Board meeting.

56. The Board noted the contents of the paper

DAP – Doc 2010-145

57. This paper was tabled in Mr Swan's absence.

58. The Board noted the contents of the paper.

XVI. Legal Report – Doc 2010-143 by Mrs Staples

59. The paper outlined recent prosecutions, civil litigation and other cases of interest.

60. The Board noted the contents of the report.

XVII. Any Other Business

61. Strategic Defence Review - AVM North took the opportunity to brief the Board on the key points of this Review. From an aviation standpoint, it was noted that Harriers and Nimrods would be removed from service, with reductions in the number of Tornados. In addition, there would be reductions in the rotary wing fleet although the multi engined transport fleet would be upgraded. It was noted that there would be further refinement of the Review outcomes both before and after the end of the year and that the implications of the Review, particularly the impact on the UK commercial aviation industry, would become more apparent over the coming months. AVM North committed to keeping the CAA informed of the emerging picture.

The next meeting of the Authority will be on Wednesday 17 November 2010 at 1pm at RAF Cranwell.