

CIVIL AVIATION AUTHORITY



FOR PUBLICATION

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MINUTES OF THE 457th BOARD MEETING HELD ON WEDNESDAY 18 OCTOBER 2012 at 1.30 pm

Present:

Dame Deirdre Hutton

Mr Andrew Haines

Dr Catherine Bell

Mr David Gray

Mr Richard Jackson

Miss Chris Jesnick

Mr Michael Medicott

Mr Roger Mountford

AVM Barry North

Mr Iain Osborne

Mr Mark Swan

Capt Roger Whitefield

Mrs Kate Staples

Chair

Chief Executive

Secretary & General Counsel

In Attendance:

Mr David Owen

Director, Human Resources

Dr Stephen Rooney

Director of Corporate Communications

Mr Troy Preston

Head of Business Delivery, SRG for items V - VII

Mr Tim Williams

Head of Health, Safety & Environmental, Corp Centre for items X and XI

Mr Stephen Baker

Minute Taker

I. Apologies

1. Apologies were received from Mrs Gretchen Haskins.

II. Minutes of previous meetings and matters arising

2. The minutes of the Board meetings held on 18 July and 19 September 2012 were approved and signed.

III. Chair's Update

3. Dame Deidre Hutton briefed the Board on recent meetings and visits. These included meetings with the Chief Executive of TUI, Peter Long and separately with the BA executive team, both on 24 September, the latter together with Mr Haines, Mr Osborne and Mr Swan, and with Robert Madelin, the Director General for Information Society and Media at the European Commission, on 9 October. The Chair also briefed the Board on the ATOL Certificate reception with the Minister of State and Mr Jackson held on 26 September, and the Olympic 2012 dinner held on 3 October by Mr Haines, Mr Swan and Mrs Haskins to thank CAA colleagues who had made significant contributions during the Olympics. She reported that she, together with Mr Haines, had attended the NATS Board meeting on 4 October and she had visited Southampton Airport on 10 October and had met Jan Halliday, Director of Marketing and Communications, and Ian McDermott-Paine, Head of Airside & Fire.

4. The Chair drew the Board's attention to the CAA Governance briefing note which was provided with the papers for information and noted that the terms of reference for the NomCo would come back to the Board for approval.

IV. Chief Executive's Report – Doc-2012-126 by Mr Andrew Haines

5. Mr Haines briefed the Board on the recent announcement by the Secretary of State of the appointment of Howard Davies to lead an independent commission into reviewing options for maintaining the UK's status as a global aviation hub. The exact composition of the Commission was not yet fully known, nor was it clear what the links between the Commission's findings and the Aviation Policy Framework would be. However, an interim report was due to be published by the end of 2013 and a final report by the summer of 2015. The Board considered the role that the CAA might wish to take and that which it might be expected to perform in relation to the Commission.

6. Mr Haines invited Mr Swan to brief the Board on the Single European Sky Conference at Limasol in Cyprus, held earlier in the month. Mr Swan reported that the EC had been critical of member states in relation to the delivery of the Single Sky project and the operation of FABs and that the EC was also considering the creation of a single European aviation authority.

7. Mr Haines invited Mr Jackson to brief the Board on a recent ATOL renewal. Mr Jackson

briefed the Board on the process, which he noted had not been straight forward, and indicated that whilst trading conditions were challenging, he was confident that the company's senior management team would be able to improve the company's financial position and that the CAA would be monitoring the position carefully. The Chair asked Mr Jackson to pass on her congratulations to his team in completing the company's ATOL renewal.

8. Mr Haines invited Mr Owen to give the Board an update on the continuing negotiations with the trade unions over the CAA's pay and reward arrangements. Mr Owen briefed the Board on the current state of the negotiations. The Board indicated its approval of the CAA's position.

9. Mr Haines invited Mr Owen to brief the Board on the Performance and Process Improvement programme. Mr Owen reported that the Target Operating Model (TOM) had now been finalised and passed as 'fit for purpose' by the CAA's PPI advisers who had been impressed at its' sophistication. The TOM contained a stakeholder model, detailed all the service functions and had a capability map. It would now be presented to ExCo for final sign-off.

10. The Board noted the report.

V. Progress report on the Delivery of our Strategy – Doc 2012-128 by Mr Andrew Haines

11. Mr Haines gave a report to the Board on the progress made in delivering the CAA strategy, noting that assurance on delivery of the strategy was being built and was on track although the next 6 months would be critical and some issues remained which Mr Haines outlined.

12. Mr Haines said the business assurance report on the delivery of the strategy showed the progress made against the milestones in the corporate business plan and progress towards the 2013 March marker posts. The assurance process was driving robust planning, more dynamic risk and issues management and increased transparency in reporting. The report contained a 'roadmap' of high level initiatives and projects, which colleagues had requested at a recent leadership management conference.

13. The draft strategic and business risk registers had been developed following the work carried out with business leaders, ExCo and Board members. Risks were being analysed and rated, using the CAA 4x4 risk matrix categorisation and validated. Current strategic risks had been aligned to the business plan target outcomes they could impact upon which would improve an understanding of the impact of the risks. These would be discussed in quarterly business assurance conversations with ExCo. A risk management process, based on the three risk tiers (consumer strategic and business) had been developed and was being embedded. Business planning would in future be more risk-based and the identification of risks would be used to identify business plan activities in future.

14. Mr Haines outlined future developments. These included an expansion of the business assurance process to include strategic project oversight and elements of project reporting, development of project dependency and target outcomes matrices, both progressing to completion, and there were plans to align project and strategic risks which would allow sight of which project risks would impact on delivery of objectives and how strategic risks and mitigating actions might impact on

project work. A progress report on the delivery of the CAA strategy would be sent to the Board for discussion every six months.

15. It was noted that SRG had completed a number of project deliverables linked to the safety strategic objective and a future report on their impact would be welcomed.

Action: Mrs Gretchen Haskins

16. Mr Haines clarified an entry in the strategic risk register relating to the transfer of aviation security.

17. The Board noted how the Corporate Business Plan was driving the CAA strategy, the content of the assurance report and roadmap, the evolving approach to risk management, aligned with business assurance, and the proposed developments to be included in future Board updates.

18. The Board confirmed it was content with the corporate business plan, the assurance report and roadmap and the strategic and business risk registers.

VI. Eurocontrol unit rate – Doc 2012 – 129 by Miss Chris Jesnick

19. Miss Jesnick explained that the paper contained a summary of the CAA's 2013 en-route cost base which was consistent with the CAA's estimated en-route costs in the UK's National Performance Plan submitted to the Commission in June 2011. The unit rate was determined by dividing the CAA's determined en route costs of £14,285K by the forecast number of service units for 2013 (10,677k). The CAA's 2013 determined unit rate, before taking into account a small adjustment for the reimbursement of a small over-recovery in the final year of the cost recovery mechanism, would be £1.34 which represented a reduction of 1.5% on the 2012 determined unit rate. The unit rate, after taking the above-mentioned reimbursement into account, would be £1.29 per service unit.

20. The Board was asked to approve the proposed unit rate of £1.29 per service unit before they were included in the UK submission to Eurocontrol on 1st November, multilateral consultation at the Eurocontrol Route Charges Committee on 21st November, its endorsement of the proposed unit rate and publication in the Official Record, before coming into effect on 1st January 2013.

21. The Board approved the proposed unit rate of £1.29 per service unit.

VII. Current Safety Issues – Doc 2012 – 130 by Mrs Gretchen Haskins and Mr Mark Swan presented by Mr Troy Preston

22. Mr Preston informed the Board that the SRG review of very large balloon UK AOC operations, initiated following the fatal accidents in very large balloons in France and Slovenia, had been completed and indicated that there was a lower degree of risk in the UK than in France and Slovenia because commercial air transport operations in balloons in the UK required an AOC and CAT operations with over 19 passengers required a cabin attendant. In addition, the difficulty of access arrangements etcetera in rural areas meant there was little appetite amongst UK operators for such operations.

23. Mr Preston informed the Board of progress in the BAe 146 and AVRO 146-RJ aeroplane, rear fuselage crack checks which had been mandated by EASA. Eighty per cent of aircraft had been

inspected and the source of the problem had been traced to a sub-contractor's manufacturing process which had been corrected to meet the aircraft design criteria.

24. Mr Preston informed the Board that SRG continued to support EASA in relation to the implementation of the EASA airworthiness directive issued in respect of the Rolls Royce Trent 1000 engines. The co-ordination of the checks between SRG, which oversaw Rolls Royce's manufacturing standards, and EASA, which oversaw its design standards, had been challenging and SRG saw opportunities for improving the process. Rolls Royce had co-operated fully during the process. This was one of a number of ongoing interface risk issues between EASA and the NAAs which SRG would continue to pursue.

VIII. Corporate Comms Update – Doc 2012 – 131 by Dr Stephen Rooney

25. Dr Rooney presented highlights from his report which informed the Board of progress against the 2012/2013 CAA Communications Plan and summarised other key communications activities planned for the next few months.

26. Dr Rooney informed the Board of the core narrative and communications strategies being developed for the CAA's responses to the government's aviation policy framework and other aviation related inquiries and consultations and of the campaign being planned by CCD and CPGH to promote ATOL and the ATOL certificate. . The campaign would involve digital advertising (particularly weighted towards younger consumers) and additional PR and social media activity. The budget for this campaign would be at least £200,000 although this could be increased to £1M subject to government approval for the use of £800,000 of ATT funds and the campaign was therefore designed to be scalable up. An outside agency was being contracted to provide support for creative, media planning and media buying services and the campaign would start at the end of December.

27. A review of CAA's approach to the productions of its publications had been completed and implementation of the review's recommendations had begun. This would involve centralisation of CAA publications production in order to improve the production quality of CAA publications, ensure a consistent editorial approach and realise cost savings estimated at £120K per annum.

28. The Board noted the report.

IX. Finance Report – 6 months ended 30 September 2012 – Doc – 2012 – 132 by Miss Chris Jesnick

29. Miss Jesnick presented highlights from her report. She noted that CAA group income was below budget but holding up reasonably well, with quite strong growth in SRG's aircraft series registrations although this was partially offset by reduced personnel licensing revenues, caused by the adverse impact of the EASA-FCL transition. Operating costs were below budget, reflecting an improvement in cost controls. There had been minimal capital expenditure over the six month period and the costs incurred in related to the performance and process improvements project were expected to be transferred to capital expenditure towards the end of the year. Miss Jesnick asked the Board to note that a paper on CAA charges for 2013/2014 would be presented to the Board in November.

30. CAAi income was also below budget albeit improved against the position at the end of August, reflecting pipeline technical assistance opportunities not being converted into contracts yet but also the negative impact of the pushback of resource availability from CAA, especially in AWD, on revenue streams. The CAA resourcing issue was being worked through by the COO of CAAi and Mr Preston to try to address the issue. The Board noted the difficulties faced by CAAi and agreed that, notwithstanding that some staff might find it difficult to switch roles from regulatory to professional advisory, this was an unsatisfactory state of affairs which ought to be resolved.

31. Miss Jesnick asked the Board to note that the revenue forecast had been deferred to the November Board meeting, pending further discussion at ExCo. However, she observed that CAAi had secured several contracts recently which should assist the revenue figures. Finally Miss Jesnick informed the Board of the CAA's trade receivables position as at 30 September 2012.

32. The Board noted the report.

X. Health & Safety Quarterly Report – Doc 2012 – 133 by Mr Mark Swan

32. Mr Swan invited Mr Tim Williams to present the report.

33. Mr Williams asked the Board to note the following items from the report. Incident rates remained very low. The stress management strategy implementation continued, with the roll out of a CAA stress assessment survey, the results of which suggested most areas of the CAA, with the exception of a few pockets of the organisation, did not show the potential for workplace related stress. The roll out of core health and safety responsibility statements within the CAA had been variable: some areas had completed this on time whilst others still had not done so. Mr Swan however was satisfied that this reflected sensible local practice and the key next step would be to embed the statements within CAA management practices and then do an audit of their effectiveness.

34. It had been agreed that the employee health & safety consultative arrangements would be merged with the Health & Safety Committee in order to bring together the monitoring and development of health and safety policy with the statutory consultation requirements.

35. The closure of audit findings continued at a good pace, with all significant findings closed off within the agreed closure periods. Health and safety communications over the period had concentrated on the promotion of the stress survey and additional procedures for building safety.

36. The Board noted the report.

XI. Occupational Health Quarterly Report – Doc 2012 – 134 by Mr Mark Swan

37. Mr Swan invited Mr Williams to present the report.

38. Mr Williams reported that long-term absences appeared to have fallen by 19% for the period 1 July 2011 to 30 June 2012 compared to the period 1 January to 31 December 2011. Managers had, however, made more referrals for long-term absences in 2011 compared to 2010. The most common reasons for long-term absences appeared to be musculoskeletal disorders and mental ill-health or stress-related illness. Attempts were being made to address the former through early interventions,

using physiotherapy sessions and ensuring the correct set-up of work stations through the Nuffield Health Physiotherapist at Aviation House and the results had, so far, been very encouraging. The latter were being tackled through the CAA Stress Management Strategy and CAA health and safety events aimed at promoting wellbeing at work.

39. Mr Williams reported that following the large uptake of influenza vaccinations last year, CAA would again be offering them this year, starting in October.

40. The Board noted the report.

XII. Report from the Audit Committee – Doc 2012 – 135 by Mr Roger Mountford

41. Mr Mountford highlighted the Committee's annual review of an in-house audit team, consisting of ten CAA colleagues participating in the Internal Audit Secondment Programme. Mr Mountford said there had been positive feedback from internal stakeholders and that the colleagues participating in the Programme regarded their involvement as being a valuable experience. Mr Mountford thanked the Group Directors for their co-operation in the programme and noted that the all the results from the programme flowed back to the CAA and was a valuable audit tool.

42. The Board noted the report.

XIII. Live issues – Directors' Reports and Legal Quarterly Report

43. Regulatory Policy Group – Doc 2012 – 136 by Mr Iain Osborne

43.1 Mr Osborne reported on the London – Moscow scarce capacity hearing that had taken place on 1 and 2 October. All three applicants (BA, easyJet and Virgin) had attended and given oral evidence. The Panel had now made its decision as to the outcome of the hearing and the decision letter was being written. BA had been the only applicant for 21 services and the Panel had decided to grant the 14 services certificate to easyJet. Mr Osborne also briefed the Board on the ASQ Kuala Lumpur Airport audit.

44. CPG – Doc 2012 – 137 by M Richard Jackson

44.1 Mr Jackson briefed the Board on the Package Travel Directive Review by DG Justice. CPG had met Veronica Manfredi of DGJ, who was leading the review, and had impressed on her the need for a clear Directive that could be easily enforced. The review was not likely to be far reaching and DGJ had indicated it would want to include Flight Pluses in the new Directive.

44.2 Mr Jackson informed the Board that the ATT deficit had fallen to £10M.

45. DAP – Doc 2012 – 138 by Mr Mark Swan

45.1 Mr Swan briefed the Board on a proposal by NATS to make improvements to the Irish Sea airspace, following changes made to the Dublin Terminal Manoeuvring Area by the Irish Aviation Authority, and developed in accordance with the UK/Ireland Functional Airspace Block principles.

46. Corporate Communications – Doc 2012 – 139 by Dr Stephen Rooney

46.1 Dr Rooney briefed the Board on the media coverage of the EASA announcement of the flight time limitation proposals.

47. General Counsel's Report – Doc 2012 – 140 by Mrs Kate Staples

47.1 Mrs Staples briefed the Board on the review by CAA OGC of the Grampian Police's evidence following their investigation of the fatal aircraft accident involving G-REDL in 2009.

XIV. AOB

48. The Chair said she had spoken to Lucy Chadwick, the DG of DfT International, Strategy and Environment concerning the number of DfT requests recently for information concerning the CAA's governance arrangements. She and Mr Haines also proposed to speak to Kate Jennings, Head of Aviation Policy Implementation at DfT, about the issue. Mr Jackson was requested to update the Chair concerning his discussions with the DfT on the APC.

Action: Mr Jackson

49. The Chair asked the Board to note that AVM North would be taking up post as Director General of the MAA as of 28 March 2013 and that Lucy Chadwick would be attending the Board meeting in February 2013.

Date of next Board meeting: Wednesday, 21 November 2012, in Cardiff.