

CIVIL AVIATION AUTHORITY



FOR PUBLICATION

CIVIL AVIATION AUTHORITY  
MINUTES OF 452<sup>nd</sup> BOARD MEETING HELD ON WEDNESDAY 18<sup>th</sup> APRIL 2012 at 11.30 AM

**Present:**

**Dame Deirdre Hutton**

**Chair**

**Mr Andrew Haines**

**Chief Executive**

**Dr Catherine Bell**

**Mr David Gray**

**Mrs Gretchen Haskins**

**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**

**Secretary & General Counsel**

**In Attendance:**

**Dr Stephen Rooney**  
**Director of Corporate Communications**

**Mr David Owen**  
**Director, Human Resources**

**Mr Stephen Baker**  
**Minute Taker**

**Mr Matt Buffey and Ms Miranda King**  
**Senior economic & policy adviser and**  
**Consumer policy adviser RPG respectively**

**For item 6**

**Mr Nigel Coules**  
**CEO, CAA International Limited**

**For item 7**

**Mr Adrian Brett**  
**Aviation Security Transfer Team**

**For item 8**

**Mr Richard Moriarty,**  
**Director, Economic Regulation**

**For item 9**

**Mr Paul Merrick**  
**Safety Quality and Risk**

**For item 11**

#### **I. Apologies**

1. No apologies were received.

#### **II. Minutes of the Board Meeting held on 21st March 2012**

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

#### **III. Chair's Update**

3. The Chair briefed the Board on the meeting she and Mr Haines had held with the Minister of State at which the subject of noise regulation had been discussed. The Chair noted that she had participated in the interviews for the appointment of the new head of the CAA Consumer Panel and invited Mr Osborne to give the Board an update. Mr Osborne reported that a candidate had been identified and that he hoped to announce an appointment shortly.

4. The Chair also reported on a recent meeting of Lord Curry's Better Regulation Stakeholder Group at BIS which she had attended and which had provided an interesting take on different approaches to regulation, and on a lecture on regulation which she had given at the City & Guilds recently.

#### **IV. Chief Executive's Report – Doc 2012-45 by Mr Andrew Haines**

5. Mr Andrew Haines updated the Board on progress of the Civil Aviation Bill. Mr Osborne was invited to and did brief the Board on the implications of and possible timings for an Airports Act price review should the Secretary of State decide not to direct CAA not to refer the price control review to the Competition Commission.

6. Mr Haines also reported on discussions he had held with DfT and NATS concerning preparations for possible air traffic disruption during the Olympics and discussions held with DfT concerning the ONS's review of the proposed re-classification of the APC, as well as the DG Comp's recent clearance of the proposed take-over by IAG of BMI and Virgin Airline's announcement that it would be appealing the decision.

7. A meeting with the No.10 Policy Unit had been held by Mr Haines at which the Aviation Policy Framework and capacity alleviation measures had been discussed. Mr Swan was preparing

an information note to non-executive Board members on mixed mode operations, a subject which had received recent press attention.

8. Mr Haines invited Mr Jackson to brief the Board on an ongoing airline licensing matter.

9. Mr Haines informed the Board that he had been notified that BALPA would be writing to Board members concerning EASA's proposals for requirements relating to Flight Time Limitations (FTL). Mrs Haskins reported on a recent Air Canada incident, allegedly involving crew fatigue. She said that SRG were satisfied that flight time limitations did not appear to be a contributory factor in the incident given the relevant duty lengths and reaffirmed that the requirements for training and fatigue management in the proposed arrangements will enable more effective monitoring of compliance with FTL.

10. The Board noted the report.

**V. Annual corporate communications review – Doc 2012-46 by Dr Stephen Rooney**

11. Dr Rooney presented the annual review and said that progress was being made on adopting a more integrated, campaign based approach to external corporate communications, using new forms of communications, such as Twitter, as seen in the CAA's ATOL reform and Olympics airspace restrictions communication campaigns, and that corporate communications was now being regarded internally as an important part of the means of delivery of the CAA's functions and objectives. Nonetheless, there were still significant challenges and it was important that his department build on the progress made to date to advance the CAA's communications strategy.

12. The review contained the recent stakeholder review report on the CAA which would be shared internally in CAA shortly. The Board was asked to note the paper and comment on the proposed objectives and strategy for 2012/2013.

13. Comments were invited by the Chair.

14. The Board thought the paper was very helpful, that it identified the key objectives and risks and noted that the results of the stakeholder review were generally positive, whilst also noting, nonetheless, that there were significant challenges ahead for the CAA in its communications strategy, particularly on the consumer focus and the environment and the expectations of PPI. The Board ought perhaps to be thinking ahead to issues likely to arise right through the CAA Corporate Plan period to 2016 and how these might shape the CAA, possibly at the Board away day or PIE. The issue of internal communications was discussed and Dr Rooney briefed that this was a major part of the PPI process and that line managers would be empowered to communicate more effectively with their staff.

15. The Board noted the contents of the paper.

**VI. Review of non-designated airports – Doc 2012-47 by Mr Iain Osborne**

16. Mr Osborne gave the Board a briefing on the findings and conclusions of the review of the non-designated airports. The review had not found any evidence of additional environmental, financial or safety risks posed to consumers by such airports other than, in some cases, the levying of compulsory airport development fees, an issue previously identified and actively managed. In particular, there was no general correlation between an airport's finances and environmental or safety issues or increased financial harm to consumers at these airports. Some airports were under significant financial pressure and it was not inconceivable that some might close but this was not a ground for intervention by the CAA given its limited remit. As RPG had a number of regulatory tools available to address such matters as consumer abuse at NDAs, given the level of resource the review had required, and the CAA's limited remit, it was proposed that the exercise under the current review would not be repeated, and that there would be an annual report to the Board on the sector in general, rather than on particular airports.

17. Comments from the Board were received. The paper gave an excellent overview of the NDAs and the risks posed to the consumer. It was noted that it was generally unusual for a regulator to seek out actively evidence of market abuse in the absence of complaints. Whilst there was no evidence of deterioration in safety due to financial constraints, other areas of the passenger experience might suffer as a result. Given the CAA's limited remit and resources in this area, the Board concluded that an annual report on the sector would suffice in future, whilst the CAA should continue to retain an eye on those NDAs which might acquire significant market power and ensure that safety was not degraded due to financial constraints and pressures on airports, through close liaison of RPG and SRG.

**VII. CAAi Business Plan, Tiger Team Review & Budget 2012-13 – Doc 2012-48 by Miss Chris Jesnick**

18. Miss Jesnick reminded the Board that the Chair had requested an independent review of the underlying assumptions, strategic direction and financial targets underpinning the CAAi business plan before it was tabled for discussion at the CAA Board. Mr Haines had sponsored the review and Mr Owen had been a member of the review team, along with Geraldine Peacock CBE, former Chair of the Charity Commission, and Andy Sayers, a partner at KPMG.

19. To assist the Board in its deliberations on the Plan and Review, Miss Jesnick tabled a short discussion paper identifying relevant issues, drew the Board's attention to the strategic findings of the Review which the Board was asked to consider and invited Mr Coules, CEO of CAAi, to present the Business Plan and Budget.

20. Mr Coules gave the Board a resume of CAAi's history and development as a subsidiary company to date and outlined the progress made by the company in developing its business since the Board's review of the company's last Business Plan in 2006.

21. The Chair thanked Mr Coules for his presentation and invited comments from the Board.
22. The Board agreed the Plan set ambitious targets for the next 5 years.
23. The Board approved the CAAi 2012 Budget and the CAAi Business Plan for the financial years 2012 – 2014, subject to Miss Jesnick and Mr Haines resolving the issues raised during the discussion.

**Action:**

**Miss Jesnick**

24. The three strategic issues, numbers 4, 5 and 6, identified by Miss Jesnick in her discussion paper, are to be discussed further at the May Board with a paper from Miss Jesnick. Other issues covered in her strategic note will be considered at the PIE scheduled for late autumn.

**Action:**

**Miss Jesnick**

### **VIII. CAA Regulatory Enforcement Policy – Doc 2012-49 by Mrs Kate Staples**

25. Mrs Staples explained to the Board the reasons for the development of the proposed policy and its methodology and outlined the next steps in the project, including, in particular, the proposed publication of the policy. The Board was asked to approve the policy and to endorse its proposed implementation.
26. The Chair thanked Mrs Staples and asked the Board for any comments.
27. Comments were received from the Board, along with some editorial suggestions which Mrs Staples was asked to consider and incorporate. Mrs Staples clarified certain aspects of the policy and its implementation and the process for the production of guidance material.
28. The Board approved the CAA Regulatory Enforcement Policy for publication (subject to the editorial matters referred to above) and the approach proposed for its implementation.

### **IX. Q6 – Economic regulation of airports update – Doc 2012-50 by Mr Iain Osborne**

29. Mr Osborne presented this paper, noting that the Board's approval was sought for publication of the Q6 Policy Update by end April for consultation with industry, partly as a means of guiding Constructive Engagement discussions with the airports, subject however to confirmation from DfT, in response to the letter from Mr Haines, on the Secretary of State's intentions with regard to the issue of whether she intends to make a direction not to refer the price control to the Competition Commission under section 40 of the Airports Act.
30. There was a considerable body of evidence about what passengers wanted from airports. On balance using airlines to provide an integrated approach to market demand was felt to offer better scope for determining the consumer interest than relying solely on direct passenger feedback, for example via passenger surveys given the difficulty of determining how representative of the market such responses were.
31. The covering paper outlined a number of other risks to the process, including the uncertainty

over the sale of Stansted airport.

32. Mr Osborne advised that stakeholders had been briefed on, and were to a large extent aware, of the ideas in the paper and the thinking behind it. The next steps in the process were described.

33. The Chair invited the Board to comment.

34. Mr Osborne was asked to bring a further paper to the Board covering the measures intended to seek source information from parties representing the consumer other than airlines. The Board noted that RPG would probably want to issue a minded to paper on Stansted in late 2012, subject to progress of the Bill and taking into account the views of the DfT.

**Action: Mr Osborne.**

35. The Board approved the publication of the Q6 Policy Update on 30 April subject to the changes requested and resolution of the Competition Commission issue.

36. The Chair thanked Mr Osborne and Mr Moriarty for an excellent paper.

**X. Progress on the delivery of our strategy – Doc 2012-51 by Mr Andrew Haines**

37. Mr Haines asked the Board to note that this was the first of the twice yearly reports to the Board on the progress of the delivery of the strategy and whether the CAA was on track in meeting its goals in the 2012/2013 Corporate Business Plan. A copy of the Plan was attached to the report for information. The report contained at annex 2 an integrated report on the progress being made against the milestones, the interdependencies between the main elements of the Plan, a summary of the resources used in delivery, matrices of the Tier 1 (consumers and the public) and Tier 2 (strategic) risks and an evaluation of progress on matters classed as Leadership Beyond Authority.

38. A Business Assurance Process had been initiated to monitor and manage the delivery of the Plan which involved monthly assurance conversations within Groups and Programme teams and reports to ExCo and to the Board. A Risk Management Process had also been developed following the Board discussion in February which had led to the establishment of the set of Tier 1 and 2 risks. Work was underway in managing these risks as well as identifying new, emerging ones, aligning risks to milestones and improving the understanding of the impacts of particular risks and their prioritisation which would be included in future reports. It was proposed that annual RMP reports would be given to the Board and that the Tier 1 and 2 risks would be reviewed by the Board twice yearly.

39. There would be reports on the quarterly milestones, including the Enterprise architecture project, ATOL reform and HR work streams.

40. The Board discussed the new format of the report, the approach to risk management and the Plan. It was agreed the new integrated approach was a significant advance although it was felt that for future reports a high level commentary and overview would be beneficial and that the risk of an aviation accident through loss of control or runway incursion should be included in Tier 1 risks.

**Action: Mr Haines**

41. The Board noted how the Corporate Business Plan drives the CAA strategy and the Plan's

structure and content, noted the revised approach to risk management and assurance and approved the integrated structure of the report.

**XI. 2012 CAA annual oversight report on ASSI – Doc 2012-52 by Mrs Gretchen Haskins**

42. Mrs Haskins invited Mr Merrick to brief the Board.

43. Mr Merrick briefed the Board on the annual oversight of ASSI. He reported that there were no new findings, that ASSI appeared to be coping well with a difficult financial situation and was continuing to develop a safety system risk approach and to meet the difficult challenges it faced through more effective use of its resources. There remained, however, a number of the ICAO USOAP findings still open, mainly for reasons beyond ASSI's control, due to lack of resources and failure to respond by some OTAAs. The report contained a number of recommendations.

44. Mr Merrick reported that in future it was intended to update and align the 5 year oversight programme with ASSI's remit under the Directions from the Secretary of State, through a rolling 5 year oversight programme which would focus each year on a specific technical area, as outlined in the appendix to the report. The Board's approval of the change was sought. In addition it was proposed to restructure the CAA oversight team to align with the proportionate level and approach of CAA's oversight activities.

45. The Board's approval of these changes and of the report's recommendations was sought.

46. The Board endorsed the report and its recommendations, accepted the scheduling change for the annual oversight report to better align with ASSI's functional activities and the ASSI business planning process and accepted the amended oversight programme and team structure described in appendix A of the report.

47. The Board thanked Mr Merrick for his report.

**XII. Finance report – 12 months ended 31 March 2012 – Doc 2012-53 by Miss Chris Jesnick**

48. Miss Jesnick reported on the draft financial results for the 12 months ending 31 March 2012, noting that the reported figures were very close to forecast, with revenue coming in at within 0.6% of budget. The Board was asked to note that there could be some adjustments for end of year accruals and the outcome of the external audit which was due to begin soon.

49. The Board noted the report and congratulated Miss Jesnick on an excellent set of figures.

**XIII Current safety issues – Doc 2012-54 by Mr Mark Swan and Mrs Gretchen Haskins**

50. Mrs Haskins reported on a recent bilateral agreement concluded between the US and the EU which had led to the transfer of oversight of 160 UK based FAA approved maintenance organisations to the CAA. CAA would be able to charge for the work it would be carrying out.

51. Mrs Haskins also reported on the recent Virgin aircraft incident at Gatwick airport. Preliminary reports indicated that the evacuation had been handled professionally although the AAIB investigation was ongoing. Mrs Haskins was asked to brief on how long an evacuation was required.

**Action: Mrs Haskins**

52. Mrs Haskins briefed the Board on the Volcanic Ash Programme and the safety case accepted for the operations of the Met Office Civil Contingencies Aircraft.

#### **XIV Health & safety quarterly report – Doc 2012-55**

##### **Occupational health report – Doc 2012- 56 by Mr Mark Swan**

53 Mr Swan referred the Board to his reports, which gave an overview of the health and safety and occupational health performance across the CAA for 2011-2012, and reported on the implementation of the health and safety strategy, noting that there had been a significant increase in the Corporate Health and Safety Performance Index and no RIDDOR reportable incidents, putting CAA in the top quartile of public sector companies, and that overall the CAA was well placed.

54. It was proposed that the health and safety report would in future be presented to the Board twice yearly for noting and twice yearly for discussion. It would continue to be discussed at ExCo on a monthly basis. The Board agreed.

55. The Board endorsed the reports.

#### **XV Live issues – CPG – Doc 2012-57, DAP – Doc 2012-58, RPG - Doc 2012-59, OGC- – Doc 2012-60 and External Issues & Developments – Doc 2012-61**

56. CPG – Mr Jackson briefed the Board.

57. RPG - Mr Osborne briefed the Board on the latest developments with respect to the NATS refinancing.

58. OGC – The Board approved the appointment of Mr Troy Preston to the Board of CAA International Limited for a term of 3 years from 18 April 2012.

#### **XVI. Any Other Business**

59. Mr Haines circulated a Strawman list of suggested topics for the Board Away day in June and requested comments from Board members.

#### **XVII. Reflections and Forward Planning**

60. Mrs Staples was asked to reflect on the Board meeting. She noted how discussion on some papers had been more constructive than on others and suggested more preparatory conversations prior to the Board meeting might have helped with some papers, both through ExCo as a means of establishing clearer positions on certain items and a two phase approach to presenting papers to the Board with approval only sought on the second such occasion.

61. The Chair thought it was important that the Board was able to exchange views in a forthright but constructive way without descending into acrimony and this indicated a well-functioning board.

62. The Board reviewed the forward agenda.

**The next meeting of the Authority will be on Wednesday on 16 May 2012 at 10.30 am in K705 CAA House.**

