

CIVIL AVIATION AUTHORITY



FOR PUBLICATION

**CIVIL AVIATION AUTHORITY
MINUTES OF 449th BOARD MEETING HELD ON WEDNESDAY 18 JANUARY 2012 at 9.30 AM**

Present:

Dame Deirdre Hutton

Chair

Mr Andrew Haines

Chief Executive

Mrs Gretchen Haskins

Mr David Gray

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 Nick Perry
Secretary of the CAA Pension Scheme**

(for item I)

**Mr John Emyl
Investment Director**

(for item I)

**Mr Martin Bird
Consultant, AONHewitt**

(for item I)

Ms Alex Craker

(for item IV)

Development Director

Mr Gary Downes (for item IV)
Development Team Member

Mr Peter Tait (for item V)
**Chief Executive, Confidential Human factors
 Incident Reporting Programme (CHIRP)**

Mr Tim Williams (for item IX)
Head of Health, Safety & Environment

Dr Ewan Hutchinson (for item X)
**Head of Aeromedical Centre and Occupational
 Health**

Dr Nigel Dowdall (for item XII)
Head of Aviation Health Unit

Mr Andrew Knill (for item XIII)
Head of Surveillance and Spectrum Management

Mrs Anne-Marie Hopcroft
Minute Taker

I. Pensions**Pension Trustees Presentation**

1. This presentation provided the Board with an annual update from the Pension Trustees. Mr Mountford, Mr Perry and Mr Emly provided details of the Scheme's membership and funding positions, investment performance and its key objectives for 2012, which related to Scheme structure and benefits, investment strategy and governance matters including risk.
2. Given that the CAA Pension Scheme has a CAA and a NATS section, the potential for conflicts of interest was discussed. It was agreed that the ad hoc group that is being established to consider NATS strategic issues should explore whether conflicts of interest existed, which could impact on the National Performance Plan for Reference Period 2. The merits of continuing to support a joint CAA / NATS scheme should also be considered further, taking into account the suggestions that Industrial Relation concerns would have significant relevance on the NATS side.

Action: Mr Haines / Mr Osborne

3. It was considered that that the sale of NATS would not have conflict of interest issues for the CAA although it was felt that the Trustees would be concerned if this resulted in a weaker covenant from NATS or a change in the actuarial assumptions.

Longevity De-Risking in the CAA Section – Doc 2012-13 by Mr Roger Mountford and

Miss Chris Jesnick

4. Mr Martin Bird outlined the project that had been initiated to assess the level of longevity risk in

the CAA Section of the Pension Scheme and the options for mitigating the risk. It was noted that two mitigations were considered: an insurance buy-in and longevity swaps.

5. The Board considered the two options with regard to the flexibility and risks associated with each. The underlying assumptions behind the longevity risk assessment were also discussed.
6. The Board recognised that the Pension Trustees would take the final decision as to which option should be selected to address the longevity risk. However, the Board endorsed the further exploration by the Trustees of the longevity swaps option as providing potentially a more attractive cost benefit solution.

II. Apologies

7. Apologies were received from Dr Catherine Bell and Mr Richard Jackson.

III. Minutes of the Board Meeting held on 21 December 2011

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

IV. Performance & Process Improvement (P&PI) Options – Doc 2012-01 by Miss Chris Jesnick

9. The paper outlined the options that had been identified to allow the CAA to deliver the ambitions and strategic objectives set out in the Strategic Plan and to place consumer interest at the heart of the CAA's operations.
10. Miss Chris Jesnick introduced the paper, highlighting the contributions that had been made to this project by a large number of CAA colleagues and the in-depth consideration of the options that had been undertaken by the Executive Committee. It was noted that the project had focussed on the need to improve business processes, which could then be supported by an appropriate IT infrastructure.
11. The Board considered each of the six options that had been proposed by the P&PI Programme Board; the options provided a range of approaches with different levels of ambition, and leadership and management challenge. It was noted that an independent evaluation of the approaches had been undertaken and that further refinement of the costs of the chosen option would be undertaken as part of the business case process.
12. The impact that transferring aviation security regulation to the CAA would have on this project was discussed. It was noted that the primary issue was data security and this was an area being further assessed.
13. The implementation of a fully integrated "Enterprise Resource Planning" option was discussed. It was recognised that there could be constraints in terms of finance and appetite for change. It was noted that these constraints could be addressed through the phasing of implementation, which it was felt should be designed on a cost benefit basis, taking into account the resilience of current systems, the appropriate pace of change and appropriate contingency measures. It was however also considered important to maintain the momentum of the change process and acknowledged that the

wider organisational involvement in the project to date would serve to benefit the implementation process. Business process re-engineering would also provide a valuable opportunity to further test appetite and opportunity for change before any final commitment was made.

14. The risks associated with implementation were further discussed and it was recognised that these primarily related to the pace of change, the capability and capacity of the organisation to implement change, the need to ensure collective implementation to benefit the organisation as a whole and the potential impact on the CAA's financial performance. It was noted that the business process re-engineering phase would be important to generate capacity, and identify capability, within the organisation to implement changes, and identify where additional support was required. It was noted that there would also need to be longer term plans to build capability to respond to the organisational changes. The potential impact on the CAA's financial performance was further discussed and the importance of establishing robust finance metrics in the business case was agreed, particularly to illustrate where savings have been made and to provide a better understanding of the cash flow over the life of the project.

Action: Miss Jesnick

15. The importance of communication with regard to implementation was noted. It was recognised that a comprehensive internal and external communications plan was required and this should highlight the benefits of working for, and engaging with, the CAA post-implementation.

Action: Dr Rooney / Miss Jesnick

16. The Board requested further clarity regarding the governance structures that would be required and the timing of key decisions for the Board. It was agreed that the Board would be asked for final approval before any implementation contracts are let and, in the interim, updates would be provided through the Chief Executive's monthly report to the Board.

Action: Mr Haines

17. The Board concluded that a robust process had been used to identify the proposed options and that there was general support for taking forward Option 1 (Full Enterprise), which would provide the CAA with a fully integrated Enterprise Resource Planning solution. The Board were very supportive of the work that had been undertaken to date on this project and recognised the potential benefits that could be realised through the preferred Full Enterprise solution. The Board were conscious however of the challenges of implementing this solution.

V. Confidential Human factors Incident Reporting Programme (CHIRP) Presentation

18. Mrs Gretchen Haskins highlighted the different reporting mechanisms that existed for industry and consumers to bring matters to the CAA's attention and the important role that confidential reporting provided in this system.

19. Mr Peter Tait provided some background regarding CHIRP, which was started in 1982 and became a charitable trust in 1996. Mr Tait presented further information regarding the UK programme,

the relationship between confidentiality and immunity, and the role of confidential reporting. It was noted that one of the key challenges is to identify the appropriateness of placing information into the public domain. It was recognised that CHIRP has built a high level of integrity based on the trust of those who report through the programme, which could be damaged if information was inappropriately disseminated.

20. During discussion, it was noted that CHIRP's focus on human performance issues provides a valuable additional data source compared with other reporting mechanisms, such as the Mandatory Occurrence Reporting Scheme (MORS), which mainly contains events of a technical and operational nature. It was highlighted that CHIRP receives reports from the UK and Irish air transport industry.

21. It was noted that CHIRP engages with both airlines and the CAA to highlight issues of concern. Given increasing financial pressures on airlines, where there are concerns over any commercial trade-offs with safety, these tend to result in confidential reporting through CHIRP rather than more explicit reporting through mechanisms such as MORS.

22. Establishing trends with the CHIRP data was discussed and it was felt that these could be established particularly when combined with other data sources. It was noted that work was underway to consider the feasibility of sharing data between CHIRP and CAA. Mr Tait also highlighted the Maintenance Error Management System analysis that is undertaken by CHIRP to better understand maintenance engineer human errors.

23. The Board highlighted its support for the work of CHIRP and thanked Mr Tait for an informative presentation and for his personal contribution to the effectiveness of the scheme.

VI. Chair's Update

24. Dame Deirdre Hutton welcomed Mr David Owen to his first Board meeting.

VII. Chief Executive's Report – Doc 2012-02 by Mr Andrew Haines

25. Mr Andrew Haines updated the Board on recent developments relating to ATOL Reform and work related to the Aviation Policy Framework and volcanic ash.

26. During discussion on volcanic ash, the continuing industry inertia relating to improving engine tolerance levels was noted. It was highlighted that ICAO safety case guidance had been subject to some significant revisions following bilateral discussions, which was disappointing given the work that had been undertaken internationally to develop this guidance. This matter would be raised during an International Volcanic Ash Task Force meeting. It was also noted that the Met Office Civil Contingencies Aircraft had been granted an Air Operator's Certificate but residual issues regarding training could potentially impact crew availability. It was highlighted that resilience with regard to the provision of technical data during any future volcanic ash incidents was one of a number of issues that remained unresolved and it was agreed that these issues would be raised with the Secretary of State for Transport at a forthcoming meeting.

Action: Chair / Mr Haines

27. The Board also took the opportunity to discuss Olympic airspace issues and AVM North updated the Board on plans for a live exercise. It was noted that the CAA, MoD and Metropolitan Police's communication teams were in close contact to respond to any enquiries that resulted from this exercise.

28. The Board noted the contents of the report

VIII. Current Safety Issues – Doc 2012-03 by Mrs Gretchen Haskins

29. Mrs Gretchen Haskins introduced this new report to the Board, which was designed to bring safety issues to the Board's attention. Safety issues would include safety-related matters arising from regulatory, airspace and international perspectives.

30. Mrs Haskins briefed the Board on a recent development where by EASA were planning to issue an Airworthiness Directive in response to cracks that had been discovered in Airbus A380 wings, which would require additional inspections to be undertaken. The Board discussed the CAA's role in relation to this development given that EASA has responsibility for the certification of the design and oversight of production, although the CAA does carry out oversight of Airbus' Broughton facility under contract to EASA. It was clarified that the CAA does have a responsibility to assure itself that adequate oversight is being undertaken and to inform EASA of any concerns. It was noted that there has been a good flow of information between the CAA and EASA on this matter and Mrs Haskins was requested to monitor the situation and provide further information to the Board on the key risks, actions being taken and CAA's involvement.

Action: Mrs Haskins

31. Mrs Haskins also highlighted issues surrounding plans to consolidate Police Air Services under a single organisation and Police Air Operator's Certificate. The issues primarily relate to safety accountabilities, the use of generic operations manuals and the challenging timescales that have been set to establish this single police service. It was noted that the CAA is working closely with the Home Office on this matter. A number of potential avenues for raising awareness of these issues were suggested during discussion.

Action: Dr Rooney / Mrs Haskins

32. The Board noted the contents of the report.

IX. Health & Safety Quarterly Report – Doc 2012-04 by Mr Mark Swan

33. The paper provided an overview of the current health and safety (H&S) performance across the CAA.

34. Mr Mark Swan highlighted in particular the work of the H&S Committee to review the H&S risk register and the consideration that had been given to the recent Lofsted governmental report on simplifying H&S for business.

35. Mr Tim Williams drew the Board's attention to other key areas in his report, in particular the evacuation that had been undertaken in response to a suspect package. It was noted that immediate

lessons had already been learned from this evacuation but that a further assessment would be undertaken. This led to a wider discussion about the visibility of the CAA's plans in respect of disaster recovery and it was agreed that the Board would be briefed on the significant business resilience work that had been undertaken, particularly in the lead up to the Olympics.

Action: Miss Jesnick / Mr Haines

36. The Board endorsed the report.

X. Occupational Health Report – Doc 2012-05 by Mr Mark Swan

37. The paper provided an update on progress against the Occupational Health (OH) Strategy actions endorsed by the Board in December 2010.

38. Dr Ewan Hutchinson highlighted that the key OH strategy actions had mainly been completed with outstanding activity required in the area of manager and new employee training courses (which will be taken forward in 2012).

39. The Board recognised the costs associated with poor health and discussed how to measure the cost benefit of the OH programme. It was noted that metrics regarding availability to work were being developed, which would provide a useful insight.

40. The Board noted the contents of the report and supported the work that was being undertaken in this area.

XI. Finance Report – 9 Months Ended 31 December 2011 - Doc 2012-08 by Miss Chris Jesnick

41. The paper provided financial results for the nine months to 31 December 2011. The operating profit was £3,787k compared to the budgeted profit of £986k. After accounting for net borrowing costs, the profit was £3,374k compared with a budgeted profit of £1,165k.

42. Miss Chris Jesnick updated the Board on recent developments regarding the financial status of the landlord of CAA's London office and any potential impacts on recent rent review arbitration.

43. Miss Jesnick briefed the Board on responses that had been received following the consultation on the CAA Scheme of Charges for 2012/13, including discussions at a recent Finance Advisory Committee meeting. It was noted that a supporting narrative was being produced to accompany the publication of the consultation response document.

44. The Board noted the contents of the report and approved the publication of the Scheme of Charges.

XII. Cabin Air Quality Update – Doc 2012-06 by Mrs Gretchen Haskins

45. The paper provided an overview of the area of cabin air quality, the health concerns linked to alleged contamination of cabin air, and the CAA's role in current and future research into these areas.

46. Mrs Gretchen Haskins provided a history of the Aviation Health Unit (AHU) and Dr Nigel Dowdall briefed the Board on the background to cabin air quality questions and the research that had been undertaken to date. Mr Dowdall noted that appropriate flight crew procedures were in place to

mitigate against any fume or contamination event causing an adverse impact on safe operations.

47. The Board discussed the differences in design philosophy that are being used with newer generation aircraft with respect to environmental control systems. It was noted that the latest cabin air quality research was eagerly anticipated.

48. It was highlighted that the issue of cabin air quality can be very emotive with significant lobbying by interest groups. It was suggested that greater transparency over the research results and methodology, when available, may provide the best way forward to engage with interested parties.

49. The Board noted the contents of the report and supported the continued lead role being taken by the AHU as a focal point in addressing cabin air quality issues.

XIII. Windfarm Presentation – Doc 2012-07 by Mr Mark Swan

50. Mr Andrew Knill briefed the Board on the history of the CAA's involvement with windfarm developments and the issues relating to aerodrome safeguarding and provision of Communication, Navigation and Surveillance (CNS) services. Mr Knill highlighted that the CAA's role in this activity has moved from providing impartial advice to Local Planning Authorities to a broader facilitation role in ensuring that aviation interests are properly represented to all involved parties.

51. The Board discussed the Renewable Energy Project Officer post that had, until recently, been fully funded by the Department of Energy and Climate Change (DECC). Due to the need to reduce governmental spending, DECC had offered to provide 50% funding for this post for the next three years. The risks associated with losing this post were recognised and the CAA would look to industry to support this role.

52. The Board also discussed the CNS issues and potential mitigations, particularly with respect to carriage of transponders and technological solutions. There was also consideration of whether lessons could be drawn from European experience of windfarms.

53. The Board thanked Mr Knill for a very useful and interesting briefing.

XIV. Live Issues – CPG - Doc 2012-10, RPG – Doc 2012-11 and General Counsel – Doc 2012-12

54. Dame Deirdre Hutton briefed the Board on this new standing agenda item, which would provide an opportunity for briefing on emerging issues and explore topics highlighted in monthly and quarterly reports from Executive Directors.

55. Mr Iain Osborne updated the Board on the latest situation with regard to NATS refinancing and highlighted that an advertisement for the Chair of the new CAA Consumer Panel would be placed shortly. It was also noted that commercial opportunities for RPG's aviation intelligence activities were being explored. In addition, the RPG team were commended on the work that had been undertaken as part of the pricing transparency project.

56. Mr Andrew Haines briefed the Board on the Transport Select Committee's Pre-Legislative Scrutiny report, which was due to be published on 19 January.

XV. Any Other Business

57. Fatal accident: Mrs Gretchen Haskins briefed the Board regarding an accident involving a Piper PA31 near Welshpool, which had occurred during the afternoon and resulted in two fatalities.

58. Airline Licensing Review: Mr Andrew Haines briefed the Board on an internal review that would be taking place regarding a licensing decision that had taken place in late 2011. The results of the internal review would be brought to the Board's attention when the review had concluded, with an aim that recommendations be implemented, where possible, for the Spring 2012 licensing round.

Action: Mrs Staples / Mr Haines / Mr Jackson

XVI. Reflections and Forward Planning

59. The Board reflected on the day's meeting, particularly given the amendments to the format that had been introduced for this meeting. The P&PI item was highlighted as an example of good practice where the Board had been sufficiently pre-briefed on the issues in advance which significantly aided the discussion at the meeting. It was suggested that similar approaches be used for other complex issues.

60. The Board reviewed the Forward Agenda and noted the busy schedule of Board matters in the coming months. It was agreed that the situation would be reviewed in six months.

The next meeting of the Authority will be on Wednesday 22 February 2012 at 11.00 am