

**CIVIL AVIATION AUTHORITY**



**FOR PUBLICATION**

**CIVIL AVIATION AUTHORITY  
MINUTES OF 451st BOARD MEETING HELD ON WEDNESDAY 21 MARCH 2012 at 9.30 AM**

**Present:**

**Dame Deirdre Hutton**

**Mr Andrew Haines**

**Dr Catherine Bell**

**Mr David Gray**

**Mrs Gretchen Haskins**

**Mr Richard Jackson**

**Miss Chris Jesnick**

**Mr Roger Mountford**

**AVM Barry North**

**Mr Mark Swan**

**Chair**

**Chief Executive**

**Capt Roger Whitefield**

**Mrs Kate Staples**

**Secretary & General Counsel**

**In Attendance:**

**Dr Stephen Rooney  
Director of Corporate Communications**

**Mr David Owen  
Director, Human Resources**

**Mrs Anne-Marie Hopcroft  
Minute Taker**

## **I. Apologies**

1. Apologies were received from Mr Iain Osborne and Mr Michael Medlicott.

## **II. Minutes of the Board Meeting held on 22 February 2012**

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

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

3. Dame Deirdre Hutton briefed the Board on recent meetings with Ryanair and the Department for Transport's (DfT's) Director General International, Strategy & Environment, Mr Richard Hatfield and his successor, Ms Lucy Chadwick.

4. Dame Deirdre drew the Board's attention to the results of the recent Board Development survey, highlighting that this would provide a benchmark for future surveys.

## **IV. Chief Executive's Report – Doc 2012-30 by Mr Andrew Haines**

5. Mr Andrew Haines updated the Board on recent developments with the Civil Aviation Bill, proposals for Flight Time Limitation requirements, the Aviation Policy Framework, Olympics, and an Office of National Statistics (ONS) Review of Classifications. Mr Haines also drew the Board's attention to a number of approvals relating to CAA Pensions Scheme (CAAPS) reappointments and the Charges for Air Services Specification.

6. With regard to the Bill it was noted that discussions continued with officials with regard to the Bill's provisions in respect of the environment and the CAA's own efficiency but that those relating to remuneration payable to Members of the CAA were not under review. The potential for the CAA to be captured by requirements to review the capability of Arms Length Bodies was also discussed.

7. It was highlighted that the Chair had received in excess of 250 letters on the subject of EASA's proposals for requirements relating to Flight Time Limitations (FTL). It was noted that this subject had been reviewed by the Transport Select Committee who were also seeking inputs from EASA. The lack of robust scientific data in this area has led the CAA to apply a combination of scientific and operational expertise in providing input to the legislative process. It was noted that a number of detailed comments had been sent to EASA in response to its Comments Response Document (CRD) on this subject and considered that the CAA had a balanced and robust position. It was expected that EASA would review all responses to the CRD before publishing its Opinion. It was also noted that FTL was the topic of an informal discussion at the Council of Ministers meeting on 22 March.

8. Recent media coverage of concerns about Olympic travel disruption was discussed. Mr Haines was able to assure the Board that the CAA was working constructively with NATS to ensure that any disruption as a result of increased traffic, adverse weather and potential security measures was minimised.

9. The ONS review was further discussed and the potential implications of the ATOL Protection

Charge being classified as a tax were noted. In light of the ONS now considering the position of the CAA, it was agreed that a further briefing note would be circulated.

**Action: Mrs Kate Staples**

10. Mr Haines invited Mr Jackson to update the Board on an airline licensing matter.

11. The Board noted the contents of the report and approved:

- The following CAAPS reappointments:
  - Roger Mountford as Chairman and as a CAA Management Trustee
- The CAA (Navigation Services Charges) Specification 2012

#### **V. Draft CAA Group Budget 2012/13 – Doc 2012-31 by Miss Chris Jesnick**

12. The paper provided the draft 2012/13 CAA Group budget with a comparison to the Strategic Plan target.

13. Miss Chris Jesnick highlighted that the Strategic Plan target had not taken account of expenditure on Performance & Process Improvement (PPI). The draft budget for 2012/13 without PPI expenditure assumes an operating profit of approximately £1,500k, significantly better than the Strategic Plan forecast due to the considerable work that has been undertaken by CAA Groups to find savings in their financial position for 2012/13. When the PPI expenditure is included, the budget assumes an operating loss of approximately £1,100k.

14. Miss Jesnick also briefed the Board on the sensitivities that could affect the budget, in particular relating to potentially challenging pay and volume growth assumptions. It was noted that there would be further clarity regarding the figures following the benchmarking review and as the PPI work progresses. It was highlighted that the Board would be kept informed of how the budget would be modified as further information became available.

15. It was highlighted that the CAA International Business Plan would be presented to the Board in April after a peer review of the business has been concluded.

17. The Board approved the draft budget.

#### **VI. CAA Banking and Overdraft Facilities & CAA Treasury Policy, Principles and Procedures – Doc 2012-32 by Miss Chris Jesnick**

18. The paper provided the CAA Treasury Policy, Principles and Procedures, which were last reviewed by the Board in 2008, and details of the new overdraft facilities and other authorisations.

19. Miss Jesnick reported that the CAA's overdraft facility needed to be renegotiated because of HM Treasury's decision to no longer issue the CAA with a guarantee. The Board discussed the circumstances under which the organisation would need to call on the overdraft facility and it was agreed that the length of the overdraft be further considered beyond the 12 months proposed.

**Action: Miss Chris Jesnick**

20. The Board discussed the proposal to remove any limits to the amounts that can be paid by

debit or credit cards. It was noted that the charges associated with card payments would become part of the CAA's central overhead charges and partially offset by the associated reduction in cheques that require processing.

21. It was noted that the CAA regularly reviews its banking relationship and the next review would be undertaken in anticipation of the next overdraft renewal.

22. The current bank mandates were also discussed and it was suggested that further consideration be given to the governance implications of the proposals for the CAA's Brunei office.

**Action: Miss Chris Jesnick**

23. The Board approved:

- Revised payment authorisation limits on CAA Group bank accounts and bulk payments using BACS.
- The authority for CAAi and ASSI Boards to open and amend their own bank accounts.
- The revised approach for investing funds with the UK Debt Management Office and RBS Global Treasury Funds.
- The revised CAA Treasury Policy, Principles and Procedures.

**VII. RPG Strategic Report – Doc 2012-33 by Mr Iain Osborne (presented by Mr Andrew Haines in Mr Osborne's absence)**

24. The paper set out the main strategic challenges facing RPG and its response to these, as well as a number of key development issues.

25. Mr Andrew Haines drew the Board's attention the positive outcomes for the consumer being progressed via securing a primary duty to the consumer in the Aviation Bill and having passengers as the main focus in the Q6 price control process. The Board discussed the challenges of establishing the appropriate level of detail in the airport licences that would be established as a result of the Bill so that they drive the right behaviours in the interests of the consumer.

26. It was highlighted that an update on the Competition Assessment work would be presented to the Board in April. The Board noted the steps taken by BAA to appeal against the Competition Appeal Tribunal's judgement in February, which found in favour of the Competition Commission's assessment that BAA should sell Stansted Airport. It was highlighted that the implications of a potential sale during the development of Q6 were being considered.

27. The steps that had been taken by RPG to empower consumers and facilitate improvements in industry were discussed. It was noted that the steps taken with regard to consumer enforcement had illustrated CAA's commitment to seek improvements for consumers. The Board recognised that the CAA engages with those it regulates in a number of different modes (e.g. regulator, enforcer, service provider etc.) and it was therefore important to both understand and map how the organisation uses those modes with its stakeholders. The Board drew parallels with the

recent discussion in the Policy & Information Exchange Forum on the Maturity Of Cross Organisational Relationships framework. The importance was noted of clear communications on the CAA's roles and responsibilities both at a senior level and more generally to provide clarity both internally and externally. It was considered that the stakeholder mapping exercise would also flag up where to focus resource in this regard. The Board requested a better understanding of the key decisions over the next 3 years that would be role-defining and it was suggested that the PPI Target Operating Model work may be useful in this respect.

**Action: Mr Iain Osborne / Miss Chris Jesnick**

28. The empowering consumer work was further discussed and it was noted that the milestones over medium term would be reported through the existing strategic plan reporting mechanisms.

29. The Board noted the report, which was well received.

**VIII. Olympic Update – Doc 2012-34 by Mr Mark Swan**

30. Mr Mark Swan presented a number of slides to the Board providing an update on safety, communication, airspace and business resilience issues relating to the Olympics.

31. Mr Swan highlighted the risk and scenario based approach being taken to the CAA's preparations for the Olympics both in terms of its regulatory approach and its business resilience arrangements. Mr Swan also updated the Board on the latest situation with regard to expected movements and the take up of slots.

32. The Board discussed the plans for future security exercises and the security oversight arrangements in place for the Olympic period.

33. In terms of briefing events, particular note was made of a recent airspace restriction briefing for General Aviation held at the Royal Institute of Navigation attended by in excess of 200 interested parties.

34. The Board noted the report.

**IX. Current Safety Issues – Doc 2012-35 by Mrs Gretchen Haskins & Mr Mark Swan**

35. Mrs Gretchen Haskins updated the Board on the Airbus A380 wing cracks issue, noting that a temporary design fix had been introduced with further design solutions awaited. It was noted that the CAA is satisfied with the handling of this issue by both EASA and Airbus.

36. Mrs Haskins briefed the Board on work that has been carried out with industry to produce a Safety Notice on the carriage of electric mobility aids in preparation for an increase in the number of persons of reduced mobility anticipated during the Olympic and Paralympic Games. It was noted that the legislation in this area places the obligation for safe carriage of such equipment on the airport operator but yet, in the UK, the ground handling contractual arrangements are between airlines and ground handlers. It was therefore important that the Safety Notice is clear about responsibilities and accountabilities in this area.

37. Mrs Haskins also reported that the CAA has approved the safety case associated with the Met Office Civil Contingency Aircraft (MOCCA) operating in low and medium density volcanic ash. Approval of a MOCCA safety case for high density ash would require considerable further work. The Board also discussed the developments with the ICAO Volcanic Ash Task Force to restrict airspace on the basis of 'discernible ash', which is ash that can be detected by satellite or ground based detection systems. The Board welcomed the move towards an agreed approach by all Volcanic Ash Advisory Centres but recognised the challenges for those areas not served by ground based systems and where satellite coverage may not be available and understood that considerable further work was required before Discernible Ash could be a meaningful common term.

38. The Board noted the contents of the report.

**X. Finance Report – 11 Months Ended 29 February 2012 - Doc 2012-36 by Miss Chris Jesnick**

39. The paper provided financial results for the eleven months to 29 February 2012. The operating profit was £3,441k compared to the budgeted loss of £818k. After accounting for net borrowing costs, the profit was £2,588k compared with a budgeted loss of £599k.

40. Miss Chris Jesnick highlighted the savings that had been achieved by delaying project expenditure to align with PPI activity.

41. It was noted that the lease for CAA House had now been sold to Almacantar and that all space within CAA House and One Kemble Street were occupied.

42. The Board noted the contents of the report and recognised that the results would provide a good platform with which to start 2012/13.

**XI. Report from Remuneration Committee – Doc 2012-37 by Dr Catherine Bell**

43. The paper reported on the Remuneration Committee (RemCo) activity from the February meeting.

44. Dr Catherine Bell briefed the Board on the key matters arising at the last meeting, which related to the performance management and potential approach to reward of those within the remit of RemCo.

45. The Board noted the report and thanked Dr Bell for her chairing of RemCo.

**XII. Live Issues – RPG – Doc 2012-38, DAP – Doc 2012-39, CPG - Doc 2012-40, EIS – Doc 2012-41 and External Issues & Developments – Doc 2012-42**

46. RPG - Mr Andrew Haines briefed the Board on the latest developments with respect to operational freedoms, NATS refinancing and the draft EU ground handling regulation. With regard to the latter, it was noted that the CAA is content with the direction of travel and is keen for any safety elements to be taken forward by EASA rather than contained within economic regulation related legislation.

47. DAP – Mr Mark Swan highlighted the work that has been undertaken with the Ministry of

Defence to prepare for the Queen's Diamond Jubilee Flypast on 19 May. AVM North conveyed his appreciation of the support provided by the CAA with regard to this activity. It was noted that the Secretary of State for Transport had agreed a number of steps to minimise the overall impact of delays associated with the Flypast on Heathrow Airport. It was highlighted that an intensive communications programme will be undertaken to ensure that the flying community is aware of the airspace restrictions in place for this event. Mr Swan also highlighted the funding that has been approved by the DfT for the CAA to manage a feasibility study relating to the future release of spectrum in a way that benefits aviation and is consistent with the Future Airspace Strategy. It was also noted that a potential source of financing for windfarm related radar remediation work has been identified.

48. CPG – Mr Richard Jackson updated the Board on an ATOL related matter. The Board recognised the challenges being faced by CPG with resourcing a number of significant cases, ATOL Reform and an ATOL licensing round. Mr Jackson was able to assure the Board that this situation was currently manageable and he had the ability to draw on additional resource should it be required. The Board also discussed the potential impact of the increasing volatility in the Middle East on the travel industry and it was considered that no proactive measures were needed at this time.

### **XIII. Any Other Business**

49. ASSI Director: Mrs Staples requested the Board approve the appointment of SRG's Mr Ben Alcott to the ASSI Board to take the place of Mr Padhraic Kelleher when his term expires at the end of March 2012. The Board approved this request.

### **XIV. Reflections and Forward Planning**

50. The Board reflected on the challenges of managing the Board business at a shortened meeting associated with an external visit but considered that the agenda had worked effectively in this case. It was also recognised that discussions over a number of recent Board and PIE meetings had illustrated that a debate was required as to the future roles of the CAA and particularly how to convey this. The closer alignment between Board and PIE discussion was also recognised.

51. Mrs Gretchen Haskins updated the Board on developments since the last reflection session at the February Board. It was noted that a new format for the Group Annual Reviews would be trialled with SRG's paper in April and hoped that a standardised approach could be taken for future Reviews that could articulate to the Board how the CAA's strategy was being delivered and the key risks that were being identified, and mitigated.

**The next meeting of the Authority will be on Wednesday 18 April 2012 at 11.30 am**