

**SAFETY MANAGEMENT SYSTEMS CONFERENCE,  
13 SEPTEMBER 2011**

**KEYNOTE ADDRESS,  
DAME DEIRDRE HUTTON**

**Introduction**

Thank you, Gretchen, for your introduction.

I'd also like to echo Gretchen's thanks to all of you for attending today.

I can't emphasise enough how important these events are, particularly as we approach the EASA Implementing Rules deadline which will place SMS on a much more formal footing.

As I'm sure you are aware, this is a continuation from our Partnership in Safety conference last October.

Since then we've been working closely with some of the operators here today, including Easyjet, British Airways, Thomson Airways and Flybe and also many others at all levels of the industry. We want to share their experiences with you, and provide some lessons learnt.

Hence a large part of the programme is given over to operators. Not least, because I am quite sure you don't want a regulator preaching at you all day.

And also, as I hope their experiences will illustrate, because managing safety isn't something that you should do just because a regulator tells you to. You do it because your business depends on it.

We will certainly help you along the way, for example the useful SMS guide being distributed today, but you must embrace it because you believe in it for your business.

**Cadbury Experience**

Before I took over as Chair of the CAA, I chaired the Food Standards Agency.

But while the products are, clearly, incomparable – one cannot liken jets to jelly tots, for example – the principles of safety management, and the risks of not following them are actually the same.

Take the experience at Cadbury Schweppes.

In 2006, they were forced to recall over a million chocolate products, when forty-two people contracted salmonella after eating contaminated goods.

The recall alone cost the company £30 million. Fines for food safety breaches were another million. Add to that a substantial decline in sales in the months following – down 25% at one point.

It's well known that the problem occurred because of a leaking pipe. But behind that lay factors that are common to most food poisoning incidents, for example: lack of up-to-date knowledge; disconnect between experts on the ground and senior management; a degree of complacency, because nothing had gone wrong for ages. And the same types of failings can probably hold true for aviation as well.

Whether it is financial services (PPI), food (e-coli) or aviation, the impact on business of getting it wrong is enormous.

Just this summer we saw the effect the e-coli scare on the continent had on salad sales.

From an aviation perspective, we need only look at the Valuejet accident, and how quickly the Valuejet brand disappeared afterwards. A salutary lesson indeed.

To me, Safety Management Systems are all about dealing with these issues of colleague disconnect, complacency, information and supplier management on a day-to-day basis.

Because, let's face it, your safety risks are your business risks.

As Cadbury and Valuejet show, it's a no-brainer: managing safety makes good business sense.

It can enhance your reputation, remove inefficiencies, cut your insurance costs, and of course, help to maintain your market share.

And not just for you as a single operator, but for the industry as a whole. People make significant judgments on the safety of an industry in its entirety, not just on one service provider. Particularly for an industry like aviation where the majority of its customers have little knowledge of the way it works and are probably apprehensive even travelling by air.

The fact that an air accident in China makes the UK national news not only shows that these events are rare but also that the issue is of interest.

That is why I strongly believe that safety is not something our industry should be competitive about, you need to work together and share findings for the benefit of all.

SMS also dovetails with how we see our role as a safety regulator developing in the future, with our aim to move to more risk-based regulation.

I'll speak more on that later, but first I want to recap quickly on changes over the past few years, and how we got to the current position.

### **So, How Did We End Up Here?**

In aviation, there have been one or two players who saw early on the benefits SMS could bring, and were ahead of the game.

So, in 2007, we held a safety management conference, where the likes of Paul Bishop, the Managing Director of DHL; Gretchen, whom you just heard, who was then Director of Safety at NATS; and Danny Ho, Director of Flight Safety for Eva Air spoke about the significance of SMS, and the business benefits it had brought to their organisations.

Since then, ICAO and EASA have laid out requirements to mandate SMS. And at the CAA our own approach to regulation is starting to change.

We wanted to share these changes with you today. And also hear what you've been doing over the last twelve months or so.

Because I don't want to imply that the CAA is soaring ahead while industry digs in its heels and remains resolutely static. Many operators have grasped the nettle with some magnificent work to adopt and implement SMS ahead of the deadline. You must be applauded for this achievement.

I look forward to hearing how you've done it: what has worked, what hasn't, and why.

### **What is SMS?**

Let's quickly talk about the basic premise that we're here to discuss.

SMS is a totally integrated approach to safety throughout the industry – and that especially includes functions that are provided by subcontractors as these can be key elements that may not be under your day-to-day control but are vital to your business.

It is understanding the whole inter-linked process to know where the key risks are and managing them appropriately. What we as regulators are looking for is a real belief that any one company has gathered intelligence from across its organisation to enable it to address or manage the risks that are identified. The famous analogy of all the holes in the Swiss cheese lining up at the same time to create the million to one chance accident illustrates this point.

It's about knowing your operation, knowing where the weak links are and spending time and effort to remove them from your business. And it's also about monitoring your safety and your operations yourselves. Because a yearly CAA inspection is never going to be enough.

And it is not just about the pilot or the engineer – it is ground handling, cargo loading, maintenance suppliers, the interface with air traffic control - in fact your whole operation.

Every single person working to support an airline should have a comprehensive understanding of how they fit into the overall safety picture whether they load the aircraft or they are the Chief Executive.

While petrochemicals and nuclear power industries have had SMS in place for more than twenty years. In aviation we've done it differently and maintained high levels of safety by investigating and learning from a century of fatal accidents. We no longer believe that this is enough and in the future we need to be much more pro-active in managing our safety.

There are still those in the industry – maybe even a few of you here today – who question the value of SMS, or see it as a woolly minded concept and indeed wonder exactly what it does.

To those people I'd say that the introduction of SMS is one of the most significant regulatory changes to further aviation safety within the UK and globally.

Don't think of it as just another layer of regulation, but a business tool to help you manage your safety risks and make business decisions.

And remember, ultimately, safety is your responsibility.

As a regulator, the CAA can assist you in meeting your aims, and we will hold you to account in line with our primary duty to protect the public.

But we can't take responsibility for managing your risk, just as we can't take responsibility for your managing your profit line.

Both of them are down to you. And one depends very clearly on the other.

### **We Need a More Collaborative Partnership**

Which is why SMS requires a greater collaborative approach between everyone involved.

This includes the relationship we, the regulator, have with you, the industry. But also a greater partnership between yourselves as individual operators, and between yourselves and your sub-contractors.

Another reason why events like today are essential.

And one of the drivers behind recent changes in policy at the CAA, to encourage and embed more collaboration.

### **We're Changing Our Oversight**

As I mentioned earlier, as well as changes in how you look at your safety, we're also making significant changes in the way we work.

There will be more detail later today on our move towards performance-based regulation.

But, to summarise, ultimately we want to concentrate our resources and efforts where they're going to have the greatest effect. This means focusing more on your safety performance and how well you are managing the safety risks in your business, across the entire scope of your aviation activity.

Our assessment of this will, of course, include how effective we believe your Safety Management System is.

The risks you are exposed to in your operations will vary, but many of you have already worked with us to develop our Safety Plan, which identifies the 'Significant Seven' risks to be addressed across the aviation system – from runway incursion and ramp incidents to airborne conflict – and the need to improve competence in the areas of SMS and Human Factors.

This will be our starting point for our conversations with you on risk and the backbone of our new approach.

We won't be introducing these changes overnight, which is why we're running a number of 'pathfinder projects' with a group of volunteer organisations to make sure that we get it right, and that we don't jeopardise the UK's excellent safety record.

But we are committed to the principle of moving to a more performance-based approach, and we are determined to make it a success.

It will make better use of our resources and the unique skills of our experts while providing you with much more valuable input into how your safety business is performing.

It is our opportunity to make the next step change in aviation safety in the UK. Better for us at the CAA, better for passengers, and better for the industry: with fewer hoops to jump through for those of you who can demonstrate your risks are under control.

### **Conclusion – This Conference Is For You**

Because, while the CAA's remit is to protect passengers, to put them first, I want to make clear that I believe a thriving industry is essential to that aim. An operator bound by red tape is good for no-one, least of all consumers.

Ultimately, all the changes we make, like all the discussions today, are for your benefit.

We want to help you get your SMS right. And we hope that, by listening to some of our operators who have already started to establish SMS, you will embark on your own journey with valuable insight into what works and what doesn't for others; what might work for you; and what the benefits are – for your company, and for the industry as a whole.

As I said, in the UK we have an excellent safety record, but, as you will hear later today, there is more work to do. Safety is not something one can ever take for granted.

If we are to continue to improve, we need to adopt new, innovative ways of looking at safety and working together. I think today will help to achieve that aim.