

**CIVIL AVIATION AUTHORITY
MINUTES OF THE 499th BOARD MEETING HELD ON
WEDNESDAY 20th JULY 2016,
CAA HOUSE, LONDON**

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should be kept secure.**

Present:

Dame Deirdre Hutton	Chair
Mr Andrew Haines	Arriving 12:30
Mr David Gray	Except for item XV
Mr David King	
AVM Richard Knighton	
Mr Michael Medlicott	Arriving 11:45
Mr Richard Moriarty	Arriving 12:30
Dr Ashley Steel	
Mr Chris Tingle	
Mr Graham Ward	Except for item XV
Mrs Kate Staples	Secretary & General Counsel

In Attendance:

Mr Peter Drissell	
Mr Tim Johnson	
Mr Richard Stephenson	
Mr Peter Gardiner	
Mr Keith Richards	(for item IV)
Mr James Tallack	(for item IV)
Mr Matt Buffey	(for item V)
Mr Rob Bishton	(for item VII)
Mr Joji Waites	(for item VII)
Mr Stephen Gifford	(for item VIII)
Mr Rob Toal	(for item VIII)
Mr Ben Alcott	(for item XI)

I Apologies

1. Apologies were received from Mark Swan, who was on annual leave. Mr Haines was at an Eversholt Board meeting and was due back at 12.30. Mr Moriarty was at a COBR meeting and was due back at 12.30. Mr Medlicott was arriving at 11:45 due to another commitment.

II Previous Minutes and Matters Arising

2. The Board approved the minutes from the Board meeting in June.
3. On Matters Arising, the Chair noted the SARG paper on Helicopter Safety appended to the actions list.

III Chair's Update – by Dame Deirdre Hutton

4. The Chair informed the Board of her recent meetings. These included visits to Glasgow International, Prestwick and Carlisle airports, and the NATS Prestwick office. She had also attended the Corporate Jet Seminar, where she received feedback on the service quality of the Shared Service Centre. Other meetings included Sharon White of OfCom, Gatwick Airport, and Lucy Anderson MEP.

IV Consumer Panel Annual Report 2015/16 and Review of Terms of Reference - Doc 2016-072 by Tim Johnson

5. The Board welcomed Mr Richards and Mr Tallack to the meeting. Mr Johnson noted that the Consumer Panel ('the Panel') had been formed four years ago and had contributed considerably to making the CAA a more consumer-centric organisation. The next steps were to prioritise the work of the Panel in relation to consumer choice, value and fair treatment.
6. Mr Richards highlighted key points, noting the Panel's very positive view of the CAA's culture change to become more consumer-oriented. The Consumer Tracker Survey was an incredibly important tool, providing the evidence base for the CAA's consumer actions and insights into unique issues, such as Passengers with Reduced Mobility (PRM). The CAA was working well on the economic regulation of Heathrow airport, including ensuring that the airport took responsibility for consumer engagement. The Panel was also supportive of the move away from the assumption that airline interests are aligned with consumers.

7. Mr Richards noted that, on surface access, the Panel was looking for the CAA to look more widely at all consumer interests. On Alternative Dispute Resolution, the CAA had made good initial progress but the Panel preferred there to be a compulsory requirement. It was important that the CAA advocated for the consumer interest in any Brexit discussions. More generally, the CAA had a role in empowering consumers to use all the relevant and available information.
8. The Board acknowledged the importance of identifying different segments of consumers, such as PRM or cargo/freight operators, and the role of the Panel in this. The Board considered how to measure CAA effectiveness in improving consumer engagement. Mr Stephenson noted the success of the ATOL awareness campaign 'Peace of Mind', but that awareness did not necessarily equate to understanding. There was a danger that some consumers thought they were covered when they were not. This issue could be picked up in the next tracker survey.
9. The Board considered the proposed new Terms of Reference for the Panel. These brought the Panel's focus and work programme closer in line with the CAA's statutory duties. The Board endorsed the new Terms of Reference.
10. The Board thanked Mr Richards and the Panel for their good work in helping the CAA to become more consumer-focused, with the next step focusing on identifying and escalating specific consumer issues.

V CAA's Consumer Issue Panel Annual Report – Doc 2016-073 by Richard Moriarty

11. The Board welcomed Mr Buffey to the meeting. Mr Buffey noted that it had been an encouraging year, continuing the active and proportionate, approach to compliance and enforcement. Mr Buffey noted the increased use of reputational regulation in getting businesses to comply. This had been effective in securing results, such as action against Ryanair with regard to compensation for flight delay. This approach has been extended for airports, with the soon-to-be published results of a recently implemented performance framework for helping disabled passengers. With regard to European Commission Regulation 261/2004, the team had been driving the embedding of a stronger compliance culture within airlines, with positive results. The 'ripple effect' of these

interventions was now encouraging organisations to engage proactively with the CAA.

12. The Board noted the effectiveness of the reputational regulation approach. It was important that this approach treated all airlines similarly in similar situations, and that the CAA was disciplined in its deadlines for escalating action. Where possible and appropriate, the Non-Executive Directors could be a useful avenue for ensuring that airlines were aware of their obligations to consumers, clear on the CAA's approach to enforcement and able to encourage compliance. The Board also considered the work of the new ATOL compliance team. It was agreed that the ATOL brand should stand for 'trading fairly' in addition to financial protection.
13. The Board noted the report.

VI Communications Department Annual Report – Doc 2016-086 by Richard Stephenson

14. Mr Stephenson highlighted that the report outlined the diversity of work of the Communications Department (CD), as well as some insights and challenges. The CD had made some progress in the last year in moving from reactive communications to proactive campaigns. Particular areas in which to be more proactive included cancellations, delays and denied boarding. Areas of improved performance included the rejuvenated Communications Directors Forum (CDF), crisis preparedness and improved responsiveness to drone incidents. A Communications Strategy was also in preparedness, informed by an external review of the team and its capabilities. In terms of lessons learnt, Mr Stephenson noted the importance of balancing ambition with capability, improving prioritisation and the planning of CD work and the need for enhanced organisational preparedness with identified spokespeople and media training. For the next year, the priority focus was embedding the CD Business Partnering model, completing the Communications Strategy, reviewing and maintaining the development of communications channels and development, and gaining a better understanding of the external environment.
15. The Board noted the excellent work of the CD, with some particularly difficult incidents over the past year. There was an inherent difficulty in measuring the performance of the communication team's work. Mr Stephenson noted that

evaluative measures were being developed. The current stakeholder map would be expanded further, and the Board suggested that the Transport Select Committee and relevant parliamentary groups were included as part of this.

16. The Board queried the resource and skill shortages described in the annual report. Mr Stephenson explained that while the CD was very good at business-as-usual tasks, more strategic communications required a stronger framework and skill set, particularly in analysing the external environment and stakeholder engagement. The Board emphasised the importance of aligning communications strategy with the priorities in the CAA Strategic Plan, and of staying connected with EASA communications.
17. The Board noted the report.

VII Safety and Airspace Regulation Group (SARG) Report – Doc 2016-075 by Mark Swan

18. The Board welcomed Mr Bishton and Mr Waites to the meeting. Mr Bishton highlighted three key points of the report: management of Safety Programmes work; the Flight Operations capability team update and safety performance overview for UK Large CAT Aeroplanes.
19. On Safety Programmes, the ISP team owned the State Safety Plan (SSP). Mr Bishton explained that the promulgation by EASA of safety tasks made it difficult for the team to manage resources and proactively undertake other work. Current resourcing was roughly 20% deficient and improved prioritisation was therefore necessary. The Board emphasised the importance of clarity on which activities the CAA should fund itself and which should be funded by others. Longer-term funding agreements with the DfT would help with prioritisation and resource management.
20. The Board queried the future of co-operative regulatory oversight. Mr Bishton advised that the UK had been leading on this work, and that the EASA Basic Regulation codified co-operative oversight. The Board recognised, however, that the impact of the referendum meant that there was some uncertainty on the UK's ability to influence its future direction.
21. Mr Bishton provided an update on the Flight Operations team's work. New systems and tools were in place, with improved management data helping to drive change. The team now focused on a 3-5 year plan to improve resource

commitment and prioritisation. Current organisational oversight and auditing was improving, with a goal of improving influencing skills. This required a new skill-set and culture change, with a fresh approach needed for resourcing competent, credible regulators. Pilot performance was an area where a new approach could be most effective. The Board endorsed the principle and asked that, given the importance of the issue, once any new approach had been fully considered by ExCo, proposals should be presented to the Board for consideration and discussion.

Action: Mr Swan / Mr Bishton

22. The Board noted that pilot performance remained a priority issue, particularly the interface of flight technology and the pilot. The risk of regulatory capture also remained important to manage.
23. The Board considered the issue of challenges of sourcing experienced flight crew and how this may impact negatively on smaller operators. Mr Bishton noted that this issue was becoming more acute and greater oversight of Approved Training Organisations would be necessary to ensure good quality training. The Board asked for an update on the resourcing risks in aviation, with a broader scope beyond just flight crew, including other personnel such as engineers.

Action: Mr Swan / Mr Bishton

24. Mr Waites provided the latest Safety Performance Overview, focused on the UK Large CAT Aeroplanes. The high-severity occurrence rate was very low on a per-flight basis. There were no obvious correlations in the location of the incidents. The analysis had revealed an already-identified issue of pilot performance, which SARG was currently addressing. The Board was pleased with the data and level of analysis on the pre-cursors to events, which gave a fuller risk picture. They considered the rate of high severity incidents and the options for regulatory intervention.
25. The Board noted that this was the last Board meeting at which Mr Waites would present, as he was leaving the CAA. They thanked him for his excellent reports, which had been hugely helpful to the Board in understanding safety risk.
26. The Board noted the report.

VIII Heathrow Airport Ltd's Economic Licence: Extending the Current Price Control – Doc 2016-074

27. The Board welcomed Mr Gifford and Mr Toal to the meeting. Mr Moriarty noted that given the uncertainty concerning a possible new runway, key stakeholders were reluctant to engage fully in the dialogue necessary to ensure that the current timetable for the Heathrow price review could be met. It was proposed, therefore, to rollover the current price control, though still continuing with some of the consumer-centric proposals (such as a Consumer Challenge Forum). Airports and airlines were both supportive of this approach. It was conceivable that a second extension would be necessary in the future, but this was impossible to predict at this stage.
28. The Board considered that another option was available: extending the current arrangement but considering it as the first year of a new price control, with a 'tune-up' in the following year. This could be a useful approach if a second extension were necessary. While the proposed approach in the paper was the preferable solution, this other option was a helpful contingency if consultation and discussions with airports and airlines were not productive.
29. The Board endorsed the proposals set out in the paper.

IX Chief Executive Report – Doc 2016-076

30. Mr Haines provided an update on the following items: the new Minister; alleged cabin air toxicity; the Shoreham accident report; and Brexit. The new Aviation Minister was Lord Ahmad of Wimbledon. There appeared to be some optimism around decisions relating to key infrastructure issues. The final report on the Shoreham accident was not due to be published before September 2016, with the CAA to be provided with a version for comment by the end of July. Given the change of leadership at the AAIB, publication of the final report might be delayed further.
31. Since the referendum, many in the aviation sector have made clear their desire for early certainty about the UK's relationship with the European aviation system. The CAA's early work would focus on identifying best outcomes for airline consumers from the UK's EU Exit process, including those elements of the current European framework that provide most consumer benefits and opportunities for change could deliver significant improvements.

32. The Board noted the update on the EC225 Helicopter accident, particularly the reference to the difficulty in detecting the fatigue fracture on the planetary gears. This was currently being investigated to see if the issue related to the particular part, or was a wider manufacturing issue.
33. The Board noted the report.

X Annual Report from the Chief Executive – Doc 2016-077 by Andrew Haines

34. Mr Haines outlined some of the key activities of the year, noting the heavy organisational workload. The Shoreham accident had been the most significant event of the year and the consequences of this would likely continue to be felt for many more years to come. The Board noted the impact of ‘pop-up’ events, which the organisation appeared to have handled well, though possibly to the detriment of longer-term strategic work. This emphasised the importance of clarity on strategic priorities and embedding these in the organisation.
35. On the challenges of 2016/17, Mr Haines noted that organisational culture remained an issue. Further work was required in developing a systemic identification of hidden risks to limit the rate of unexpected incidents. The most pressing risks may or may not be those identified by these incidents. Mr Haines noted the improved risk-based oversight in SARG, and the commitment to developing this capability further so as to look more broadly and deeply at potential risks. The CAA had a unique perspective on sector risks and could play a meaningful role in helping industry manage its risks without transferring accountability.
36. On lessons learned from the previous year, Mr Haines highlighted drones, where clarity on CAA responsibilities, funding and necessary actions should have been delivered earlier. The financial context remained challenging, and clear compelling cases needed to be made for funding important programmes. It was important to build further resilience and flexibility in resource. In the political arena, decision-making concerning Brexit for aviation was a crucial consideration, though the expansion of runway capacity also remained important. Brexit would impact on the CAA internationally, where there remained strong demand for CAAi services. Improving the airspace change process was proceeding well, but Government policy on airspace was necessary for its success.

37. For the coming year, the Board queried the intention to bring forward plans on SESAR deployment and whether this was possible in the current uncertain international environment. Mr Haines explained that implementation of SESAR was on a national level, though access to European funding was uncertain.
38. The Board noted the report.

XI Update on the International Directorate – Doc 2016-078 by Andrew Haines

39. Mr Alcott reminded the Board of his previous update in April. The ID strategy had been developed from cross-CAA engagement, with three key sub-strategies identified: (1) removal of cross-subsidy from CAAi to SARG and creation of an investment fund; (2) developing the resourcing model; and (3) branding and positioning of the ID.
40. A four point plan had been developed for sub-strategy (1): a cap on the current cash contribution rate; leveraging funds such as the World Bank and others; engaging the ID budgeting process earlier; and finally working toward a managed contribution reduction by FY2018/19. On sub-strategy (2), work was underway to move from a structure with a large proportion of high-value technical resource to a more balanced resource structure. This included developing a mechanism for departing staff to become CAAi associates. Finally, for sub-strategy (3), the intention was to continue with the CAA and CAAi brand, given these had a good reputation and the latter was respected as a professional consultancy.
41. Next steps for the ID were integrating further with the rest of the CAA, advancing an ID 'Development Strategy', and finalising the secondment strategy and organisational design. Work to date had gone well, with CAAi very supportive of the process and a good cross-fertilisation of ideas between teams. The impact of Brexit was a key uncertainty, particularly in the longer-term as the two-year pipeline of work remained strong.
42. Mr Alcott noted that other than finances, which should be more appropriately defined, the ID was to be more integrated into the CAA, with CAAi to be more in tune with the wider CAA Strategy.
43. The Board thanked Mr Alcott for a clear strategy and were pleased with the progress of the ID. They considered the opportunities that might exist outside of Europe, such as with the FAA or Commonwealth countries. The Board queried whether the industry was clear on the nature of the cross-subsidy between CAAi

and SARG, and how this was intended to change. Mr Alcott advised that he, Mr Haines and some of the ID team were engaging informally with the industry, who appeared to be supportive of this change provided that there was transparency on charges.

44. The Board noted the paper.

XII Audit Committee Report – Doc 2016-087 by Graham Ward

45. Mr Ward noted the topics discussed at the recent Audit Committee meetings: Annual Report and Accounts; CAA Corporate Governance Code Compliance; Annual Head of Internal Audit opinion on risk, internal control and governance; and the status of open management audit actions.

46. The Board noted the report.

XIII Nominations Committee Report – Doc 2016-079 by Deirdre Hutton

47. The Board noted the report.

XIV Finance Report – Doc 2016-080 by Chris Tingle

48. Mr Tingle noted that for the current year the CAA was ahead of budget by £384k profit. It was slightly down on forecast revenue due to lower than expected income from licensing, aircraft registration, and CAAi. Costs were better than budget, due to the level of vacancies.

49. The Board noted the report.

XV Live issues and monthly reports

CMG Live Issues – Doc 2016-081 by Mr Moriarty

50. Mr Moriarty informed the Board of actions that HAL were taking against the ORR on the Heathrow Rail Spur. The CAA would remain neutral.

51. Mr Moriarty provided an oral update on Project Selkirk.

52. The Board noted the report.

PPT Live Issues – Doc 2016-082 by Mr Johnson

53. The Board noted the report.

CCD Live Issues – Doc 2016-083 by Mr Stephenson

54. The Board noted the report.

AvSec Live Issues – Doc 2016-084 by Mr Drissell

55. The Board noted the report.

XVI Any Other Business & Forward Planning

56. The Chair noted that this was the final Board meeting of Mr Mee, who was leaving the CAA. The Board thanked Mr Mee for his work over the past year.

Date and Time of Next Board Meeting:

21 September 2016 at 11.30am, K5 Earhart, CAA House, London