

**CIVIL AVIATION AUTHORITY
MINUTES OF THE 482nd BOARD MEETING HELD ON
WEDNESDAY, 18 FEBRUARY 2015,
EARHART ROOM, CAA HOUSE, LONDON**

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Present:

Dame Deirdre Hutton	Chair
Mr Andrew Haines	
Miss Chris Jesnick	
Mr Peter Drissell	
Mr David Gray	
Mr Michael Medlicott	
Mr Iain Osborne	
Mr Mark Swan	
Mr Richard Jackson	
Mr Graham Ward	
Mr David King	
Mrs Kate Staples	Secretary & General Counsel

In Attendance:

Mr Peter Gardiner	
Mr Richard Stephenson	
Mrs Manisha Aatkar	
Mr Stephen Baker	Minute taker
Mr Ian Russell	Minute taker
Mrs Norma Hastings	For item VI
Mr Jonathan Sharratt	For item VII
Mr Stephen Gifford	For item VIII
Mr Ian McNicol	For item VIII
Mr Tim Johnson	For item IX

I Apologies

1. Apologies were received from AVM Richard Knighton.

II Previous Minutes and Matters Arising

2. The minutes of the January Board meeting were approved subject to an additional redaction of paragraph 28.
3. There were no matters arising.

III Chair's Update – by Dame Deirdre Hutton

4. The Chair reported on her activities during the previous 30 days.
5. The Chair reported on meeting with a number of chairs from other regulators and Government bodies. At the meeting with Lord Curry Chair of the Better Regulation Executive, the Chair had highlighted the work the CAA had done to reduce regulation and red-tape through the General Aviation Framework. The Chair also reported on her speech at an Aviation Club lunch.

IV. Chief Executive's Report - Doc 2015-013 by Andrew Haines

6. Mr Haines updated the Board on the process of appointing a new independent chairman of the Civil Aviation Authority Pension Scheme (CAAPS). He said that following a recruitment process the CAAPS Trustees had identified Capital Cranfield Pensions Trustees Ltd as the successful candidate (a corporate trustee company). As the principal employer of CAAPS, the trustees had asked the Board for approval to appoint the new independent chairman for a term commencing on 1 April 2015 and ending on 30 September 2017. **The Board approved this appointment.**
7. Mr Haines highlighted to the Board that the Airports Commission's consultation was now closed. The CAA had submitted their own response which had received comprehensive reporting in the media.
8. Mr Haines invited Mr Jackson to update the Board on the recent acquisition of a 9.9% shareholding in International Airlines Group by Qatar Airways. The Board agreed this should be discussed again following an update to the Board once Mr Jackson had met with the Chief Financial Officer of IAG.

Action: Mr Jackson

9. The Board thanked Mrs Staples for the update note that she had circulated on the result of the RAF Northolt Judicial Review. Mrs Staples gave a further update to the Board, outlining how the CAA was working through the implications of the judgment given on 23rd January 2015 by Mr Justice Popplewell. She noted that the judgment had not upheld any of the claimants' (Oxford and Biggin Hill airports) remedies but had affirmed that the CAA has responsibility for the safe operation of civil aircraft at military aerodromes. Mrs Staples stated that her team were considering what (if any) further information would be required from the MoD in relation to each military aerodrome that operated civil flights, because the court had stated that the CAA could properly approach its functions on the basis of information provided by the MoD/MAA and consequently the CAA might take a subsidiary role in practical terms. Mrs Staples explained further that Mr Justice Popplewell had held that the CAA was not obliged to apply CAP 168 (Licensing of Aerodromes) to military aerodromes but should identify appropriate standards and seek assurance as to the performance against those standards. Mrs Staples reported that Biggin Hill and MoD had issued unhelpful statements on the outcome of the judgment and the CAA would have a clear role in facilitating discussions between all parties. The Chair noted that although the dispute had been motivated by competition issues the CAA needed to ensure civilian safety and should be proactive in ensuring that these safety standards were maintained at military aerodromes where civilian air traffic operated.
10. With the near completion of the initial phase of Time Based Separation (TBS) trials at Heathrow the Board asked if there were any increased safety risks in operating this procedure. Mr Swan answered that the CAA required and would receive a full safety assurance case from NATS and if the CAA was not satisfied with the safety case it would not approve the roll-out. Mr Swan noted that a key element of undertaking TBS safely was NATS' air traffic controllers' experience and skill and that it was important to remember that TBS has been developed over a long period of time across Europe and was already in use there.
11. Mr Stephenson was asked by Mr Haines to describe the briefing session that Mr Stephenson had arranged for the Board on potential General Election

scenarios. Mr Stephenson described how the session would be delivered by Mr Collins and Mr Rahman from Bell Pottinger.

12. The Board noted there had been eight complaints concerning CAA service quality in January. Mr Haines noted that these tended to be about shortages of CAA resources at particular times but asked Mr Gardiner to provide a more detailed breakdown for inclusion in Mr Haines' March CEO report.

Action: Mr Gardiner

V Transformation Programme Overview - Doc 2015-014 – by Andrew Haines

13. Mr Haines explained that Mr Drissell had been appointed as the new Transformation Programme director with immediate effect and invited Mr Drissell to brief the Board on the current state of the Programme.
14. Mr Drissell informed the Board that he was undertaking an initial stock-take which had included: reviewing the current governance structure; re-focusing the programme to be business led (rather than IT led) to gain better business engagement; and ensuring programme management office discipline was maintained.
15. The Board asked what plans were in place to ensure that staff would use the new systems and processes created by the Transformation Programme. Mr Haines reported that introduction of the systems and processes into operation by CAA staff would need to be done incrementally, ensuring that staff members were given adequate information on the benefits from using the new systems. The introduction of QPulse in SARG provided a good example of how a new system could be incrementally embedded, despite initial teething problems.
16. The Board noted that the Information Strategy, a part of the Transformation Programme, would only be successful if all information that the CAA held was used and asked what steps had been taken to ensure this happened. Mrs Staples reported that information relationships were being mapped which had made the relationship between elements of the CAA's information much more visible and capable of being exploited fully. Storage of information using the correct protocols would be critical to its meaningful retrieval in the future and this would include emails. Many colleagues were asking how and when they would be able to or expected to use the new applications and tools rather than questioning the need for it. Mrs Staples said that this was very encouraging

because colleague buy-in to this project would be crucial. She noted that the look and feel of the new tools would be a key element of securing buy-in and that the new strategy would make greater use of Sharepoint and similar tools for the CRM¹. The need for a new strategy was also now accepted by the Employee Forum.

17. The Chair requested that the Board be kept up to date on the progress of Transformation Programme delivery. Mr Haines said he would arrange for the Board to see some of the new systems in operation in the visualisation room and keep Board members updated in his monthly CEO report of any material changes. He would also do another full update in six months time and would provide the Board with a summary of his meeting with CGI's UK president.

Action: Mr Haines

18. The Board noted that the Programme was broadly back on track but there still remained significant challenges in ensuring CGI performed to contract and would need to be closely monitored. The Board emphasised the importance of business engagement throughout the delivery of the Programme, as the tools being delivered must be of practical use to colleagues. The Board also emphasised the importance of ensuring that benefits were realised, and that the Programme costs must continue to be closely scrutinised and controlled.

VI HR Annual Review – Doc 2015-015 by Manisha Aatkar

19. Ms Aatkar explained that her annual review comprised three sections: firstly, a look at progress over the year; secondly, future delivery over the coming twelve months; and thirdly, HR delivery beyond 2016.
20. Ms Aatkar outlined a number of successes over the last twelve months. She was pleased with the transformation of the HR team, which was now focused on centres of excellence. The most significant change had been in HR's Organisational Design (OD) centre which was now working with the business and leadership teams to deliver the strategy. This included the creation of HR business managers. Mr Swan welcomed the new approach: whilst process mapping job descriptions against the strategy in a systemised way was a new approach for managing people and had been challenging, it had proved

¹ Customer Relationship Management tool

extremely beneficial for colleagues to see where they fitted in to the business, often helping them to realise what they had been doing needed re-direction, and to help them to re-orientate themselves accordingly.

21. Ms Aatkar described the development of the tactical talent strategy and noted that it consisted of focused development programmes at all levels of the business. Feedback from participants had been very positive to date but it is still early days before the true evaluation of affect is known. The next stage would be to determine how best to utilise the talent within the organisation and discussions were being held in ExCo to ensure that the CAA improved the way it nurtured talent.
22. Ms Aatkar briefed the Board on how a new competency had been introduced in to the competency framework on service excellence.
23. Ms Aatkar brought to the Board's attention the successful pay and reward negotiations with the trade unions resulting in an agreement that, along with rewarding good performance, also enabled a provision to be made for retaining key skills as well as rewarding high performance. A new staff recognition scheme had also been launched and 170 recognition entries on it had already been made.
24. In relation to recruitment, Ms Aatkar stated that a centralised model for consolidating temporary staff recruitment had been developed. This has a potential to already yield a considerable cost saving of some £400,000 per annum against the budget for temporary staff.
25. Ms Aatkar noted that the transfer of some HR functions to the Shared Services Centre had been delayed but would now occur in 2015/16 as there is recognition that there are other business capabilities that need to migrate to the SSC that will present better value for money and stakeholder engagement.
26. The Board asked what gaps had been identified in the review against the CAA's Target Operation Model. Ms Aatkar said the outcomes of this review were shortly to be discussed at ExCo, but it was unlikely to have any material gaps.
27. In relation to the definition of 'on track' and 'work in progress' the Board asked for greater clarity in the distinction between the two in future reports. Ms Aatkar said that 'on track' meant work was being delivered to schedule; whereas 'work in progress' related more to work that was being amended in its scope or where there was a pause for feedback.

28. Mr Medicott highlighted that the PESTLE analysis included in the HR Review suggested there could be cause for concern around gender issues given that the overall male/female ratio was 1:1 across the CAA but rose to 70% male staff in positions at Level 2 and above. Mr Osborne noted that he was the Chair of the Diversity and Equality Group. He advised that the Group was not aware of any evidence of prejudiced individual behaviour or unlawful discrimination. However, there were a number of structural factors contributing to unequal outcomes – some relating to career progression, where current HR plans could make a positive difference. Mr Osborne would provide Board members with a summary of the Diversity and Equality Group's work in this area. The Board overall felt that gender discrimination was not an issue but the Board should be kept informed and aware of any issues of diversity.

Action: Mr Osborne

29. It was generally felt by Board members that in part the higher ratio of men to women in more senior positions reflected the aviation sector as a whole, but more could be done to overcome this such as using more imaginative recruitment practices. It was also recognised that the CAA would face different challenges as new cohorts of colleagues developed in the future.
30. Mrs Hastings briefed the Board on the areas of main focus for the HR team in 2015/16.
31. Ms Aatkar also outlined to the Board some of the bigger issues likely to arise in the future. Of particular importance was to be clear what the CAA meant by technical skills. This would include getting a better understanding of how many and what levels and types of technical skills were required and when they would be needed. Ms Aatkar explained that the balance of technical skills in organisations affected the agility of an organisation and its capacity to respond to change. Accordingly the talent profile would inform the HR Strategy about organisational requirements. The Board noted, however, that the Strategic Plan should drive the CAA's talent needs. Ms Aatkar agreed but explained that due to lead-in times in securing the right skills and talent the CAA could not necessarily wait for the strategic plan to be finalised. Defining talent profiles in the interim would help to determine HR's strategy and policies and she would work closely with the team developing the 2016 – 2021 Strategic Plan.

32. The Chair concluded discussions by thanking Ms Aatkar for the paper and the progress made in 2014 and noted that the Board could see much more clarity in the work of HR compared with the previous year.

VII Risk Case Study: External Events – external expectations vs. our toolkit - Doc 2015-016 by Iain Osborne

33. Mr Sharratt updated the Board on the development of the risk principles that the Board discussed at the January 2015 Board meeting and presented a further case study on risk.
34. Mr Sharratt explained that changes had been made to the risk principles which included: being clearer under principle 2, as to what the CAA would not do under this principle; including the international nature of the CAA's work in principle 3; explaining how the CAA will deal with the balance of trade-offs between interests of the consumer and the general public; distinguishing more clearly what was essential for the CAA to do; and having a clearer definition around reputational risk.
35. The Board noted and were pleased with the revised risk principles. The Board however felt that the language of the wording on scope and severity should be further nuanced to make it clear that the CAA would not put safety behind other risk priorities. The Board also noted that there was no reference to international risks or risk proximity, e.g. the highest priority risk might not be the most likely risk to happen. International risks and risk proximity needed to be factored in to the principles. The Board also asked for references to reputational risk to be removed from principle 1, agreeing that the CAA should begin considering this at principle 2 instead. The Board approved the use of the risk principles subject to these changes.
36. Mr Sharratt explained that the risk case study focused on managing risks where there might be a difference between external expectations of the CAA's ability to intervene and what could be done in reality within the CAA's statutory powers. The examples included the Volcanic Ash Cloud (2010), heavy snowfall at Heathrow (2010), engine cowlings safety issue on a BA762 flight (2013), NATS voice system failure (2013), Gatwick flooding (2013), and NATS' system failure (2014). Mr Sharratt explained that in these events the impacts on consumers varied during and after the event, and in some cases different

consumers were treated differently. Mr Sharratt highlighted that in all cases the CAA had reviewed how it could handle such events. The Board were asked to consider four questions: a) what should determine the CAA's stance before, during and after a significant event? b) were there particular events that resulted in more damage to consumers and the CAA's credibility? c) what proactive measures could the CAA take to reduce this damage? d) what steps might the CAA want to take to align public expectations with its powers and regulatory toolkit?

37. The Board discussed the extent to which the CAA horizon scanned for new risks and whether this was done sufficiently often with Government. The Board agreed that rather than being unsighted to the chance of crises happening in the first place, the gap in capability related to how the CAA would respond to a crisis. The Board also agreed that it was important to have a strong relationship with Government in handling a crisis that had multiple players.
38. The Board reiterated that during a crisis maintaining the CAA's regulatory integrity was critical despite external pressures to act in a particular way although this could be extremely difficult to do. The Board explored how the CAA should respond during a crisis, such as: be principled in decision making; be prepared to initiate pre-worked contingency plans; use influence on other actors in the crisis, and be aware of the role and influence of the media. In all cases the Board acknowledged that building partnerships in a pragmatic manner would enable the CAA to have influence on other parties, such as Government and the media. Additionally, the influence the CAA had was based on the trust that had been earned by the CAA's strong reputation in this sector. The Board noted that risks to the damage of CAA's credibility could be reduced by looking back on lessons learned and being aware of what consumers wanted in a crisis: for the CAA to be determined and decisive. Mr Stephenson emphasised that once control of the agenda was lost to the media it was particularly hard to regain it. His department was developing a template to assist it in these circumstances. To be seen as a legitimate regulator the CAA therefore needed always to ensure clarity of purpose, transparency and competency in decision making. The Board noted that some benefit might lie in the CAA undertaking some work to appraise a post-election Government on the

powers that the CAA had, those powers it did not have and those powers it should be given.

39. The Chair confirmed that the Board would welcome the risk principles to be applied to an actual event for a future Board discussion.

Action: Mr Sharratt

VIII. Finalising our Policy on the Economic Regulation of new runway capacity - Doc 2015-017 by Iain Osborne

40. Mr Osborne invited Mr Gifford to introduce the paper and asked the Board to consider whether this was the right time to publish CAA policy on the economic regulation of new runway capacity.
41. Mr Gifford explained that stakeholders had been consulted on the draft policy and described the main points from the consultation. He explained that some consultees were concerned that the scope for commercial outcomes would be limited by the presence of substantial market power (SMP) at Heathrow and Gatwick and that the CAA approach was too theoretical and should not be too detailed so as to undermine or unduly affect commercial negotiations. Mr Gifford explained that stakeholders were broadly supportive of the CAA approach to allocate risk to those best able to manage it. He also stated that the CAA approach to Category C costs (construction costs) had been accepted, although responses to its proposed approach to Category A (Airports Commission costs) and Category B costs (planning costs) was mixed. Finally, Mr Gifford explained that the consultation saw contrasting representations on our approach to pre-funding, with airlines and airports having contrasting views.
42. In light of the consultation Mr Gifford explained to the Board that the language in the policy had been strengthened: to emphasise the potential value of commercial solutions even if SMP existed (while recognising the CAA's role in preventing SMP from distorting competition or harming users), to ensure that all parties should be involved in assessing and allocating risk (including greater clarity on Government's role) and on the benefits of pre-funding in relation to reducing risk and smoother pricing.
43. Mr Gifford explained that two streams of work were underway in relation to commercial solutions: the preparation and subsequent publication after an

Airports Commission decision, of a 'strawman' of what a commercial agreement might look like; and a progress report six months after a Government decision.

44. The Board discussed the revised draft policy and whether the policy should be published now or at a later date, after the publication of the Commission's recommendation. The Board felt that the policy had been improved as a result of responses received during the consultation. As regards publication, the Board noted that publication would enable stakeholders to understand the CAA's thinking at least to some extent. A finalised policy published before the general election might be superseded by any policy adopted by a new Government and might also be overtaken and overshadowed by publication of the Airports Commission recommendations and the Government's response. The Board noted that in any event, if the Government's policy changed, particularly in relation to the funding of any new capacity, the CAA's own thinking would have to evolve too. In such a case, a delay in publication would lead to a reduction in the time available to all relevant parties to consider the issues, engage in informed discussion and develop their ideas. On balance therefore the Board concluded that the finalised policy should be published in advance of the general election.
45. The Board asked if the concerns flagged by the Consumer Panel had been addressed. Mr Osborne explained that the Consumer Panel had flagged the risks to some consumers of pre-funding, which had been fully considered.
46. The Board approved the policy, confirmed that it should be published now rather than after the general election and approved the delegation of the approval of the final policy wording to Mr Osborne.

Action: Mr Osborne

IX. CAA Business Plan Quarterly Assurance report - Doc 2015-018 by Iain Osborne

47. Mr Osborne invited Mr Johnson to present the report. Mr Johnson outlined that in most cases work was running to schedule and good progress was being made in delivering the 2014/15 business plan. The biggest risk to delivering a major outcome was delay to the delivery of the NATS licence reform but he was confident that the risk was being managed. Mr Johnson also stated that some environmental projects had not been progressed due to capacity constraints

within ERCD². Mr Johnson said that while the work on civil sanctions was progressing, there was a material risk that the consultation on the proposed changes would not be published before the general election.

48. The Board were content with the progress being made in delivering the 2014/15 business plan.

X Safety and Airspace Regulation Group (SARG) Report including verbal update on Virgin and Air Asia incidents – Doc 2015-019 by Mark Swan

49. Mr Swan provided the Board with an update on Performance Based Oversight (PBO). A total of 213 entities have been identified as being suitable for performance based oversight and the PBO programme aimed to initiate PBO for those entities by the end of March 2016. The entities fell in to a range of categories, including Flight Operations (fixed wing and rotary), Aerodromes, Airworthiness, Air Training Organisations and Air Navigation Service Providers. The PBO programme would cease in June 2016. To move to PBO entities needed to complete four stages which included the initial audits, post audit review, accountable manager discussions and sign-off. To date: 151 entities had completed stage 1; 118 had completed stage 2; 76 had completed stage 3 and 47 had completed stage 4.
50. Mr Swan briefed the Board that the AAIB³ had still not received the full Air Asia flight recorder data from the air crash in Indonesian waters. No information had been received by the AAIB from Taiwanese air accidents investigators in relation to the TransAsia air crash on 4th February 2015.
51. Mr Swan briefed the Board on his intention to arrange a simulator session for Board members following the automation discussion scheduled for the PIE session on 4th March.
52. The Board asked what work the CAA had done to prevent laser attacks on pilots. Mr Swan stated that the CAA was providing safety risk analysis. There was a risk that this forum might continue to stall so the CAA would consider what else it could do in this area. Mr Swan noted, however, that there had been some prosecutions for laser attacks on aircraft. Whilst there were options for protecting aircrew on the market, such as protective lenses and screens, these

² Environmental Research and Consultancy Department

³ Air Accident Investigation Branch

were very expensive and raised issues of proportionality in relation to the risk. The Board suggested that Mr Swan could raise the possibility of laser licensing with the Home Office. Mr Swan agreed to report further on the progress of the Working Group.

XI Report from Audit Committee – Doc 2015-020 by Graham Ward

53. Mr Ward presented his report and raised the Board's attention to three key points. The Audit Committee had noted that the proposed external audit plan of CAA, CAAi and ASSI had not included overseas audit work and that the Malaysian audit returns had not been signed and cleared. PwC had been encouraged to rectify these matters. Mr Ward thanked Mr Haines for including a review of open audit committee actions at monthly ExCo meetings. Finally, Mr Ward highlighted that the Transformation Programme had been discussed in detail.
54. The Board noted the contents of the paper.

XII Finance Report – Doc 2015-021 by Chris Jesnick

55. Miss Jesnick tabled her report. She said that ExCo was taking a strong focus on the year-end financial position of the CAA. Currently the forecast loss was £379K although this might change due to various factors. Miss Jesnick said that for the March Board meeting she would provide a bridge profit diagram for CAAi. Miss Jesnick asked the Board to note that the CAA retained a strong control on cash collection and credit control.
56. Miss Jesnick briefed the Board on the listing of CAA House, including the Tower. This could have implications for the cost of dilapidations at the expiry of the lease in December 2019.
57. Miss Jesnick updated the Board on the outcome of the fees and charges consultation. Ten responses had been received and overall there was support for the proposed charges reductions.

XIII Live issues and monthly reports

RPG *Live Issues* – Doc 2015-022 by Mr Osborne

58. The Board noted the report.

59. The Board endorsed the proposal by Mr Osborne to modify HAL's licence to better reflect the CAA's policy intent on ensuring that transfer queuing times downstairs are included as part of the whole passenger journey.

CPG Live Issues – Doc 2015-023

60. Mr Jackson raised for the Board's attention that in January 2015 there had been a 16% rise in passenger numbers compared to the preceding year.

61. The Board noted the report.

CCD Live Issues – Doc 2015-024

62. The Board noted the report.

XII Any other Business & Forward Planning

63. Mrs Staples flagged for the Board's attention two inquests that the CAA had been invited to participate in. The first one related to the Vauxhall helicopter crash in 2013. The CAA would be expected to provide expert evidence. The second inquest related to the death of a pilot, Mr Westgate. It was alleged this was due to repeated exposure to poor cabin air quality. The CAA had been asked to provide evidence about what it was doing to prevent deaths from poor air cabin quality.

64. The Chair briefed the Board that she had been given permission by DfT to appoint an additional Non Executive Director. The process for how a candidate would be selected would be agreed before the general election with an expected appointment in the summer.

Date and Time of Next Board Meeting: 18 March 2015, at 09:30am, at Wycombe Airpark