

**CIVIL AVIATION AUTHORITY
MINUTES OF THE 475th BOARD MEETING HELD ON
WEDNESDAY, 18TH JUNE 2014,
AT THE OAKLEY COURT WINDSOR**

Present:

Dame Deirdre Hutton	Chair
Mr Andrew Haines	Chief Executive
Mr Peter Drissell	
Mr David Gray	
Mr Richard Jackson	
Miss Chris Jesnick	
Dr David King	
Mr Michael Medicott	
Mr Iain Osborne	
AVM Edward Stringer	
Mr Mark Swan	
Mr Graham Ward	
Mrs Kate Staples	Secretary & General Counsel

In Attendance:

Dr Stephen Rooney	
Mr Peter Gardiner	Minute taker

I Apologies

1. Nil.

II Previous Minutes and Matters Arising

2. The minutes of both the April and May Board meetings were approved.
3. Mr Swan provided the Board with a verbal update on the subject of automation in aviation and reported that a number of CAA experts would be attending a Royal Aeronautical Society meeting on the matter in July. A paper on the subject would be provided to the September Policy and Information Exchange (PIE) meeting of the Executive Committee.

Action: Mr Swan

III Chair's Update – by Dame Deirdre Hutton

4. The Chair reported on her activities during the previous month, including a meeting with the CEO of Thomas Cook, Harriet Green. Other events included a visit to Robin Hood Airport (Doncaster-Sheffield) where she was apprised of the plans to establish a link road to the M18, which the owners hoped would stimulate growth at the airport. The Chair also attended a European Risk Summit in Athens and met with Egon Zehnder, a business consultancy and executive search firm, to discuss their interest in and approach to a review of the CAA Board.

IV CAA Annual Report and Accounts - Doc 2014-074 by Chris Jesnick

5. Mr Ward reported that the annual report and accounts had been thoroughly discussed by the audit committee. There were some finer points of detail and some editorial work still to be resolved and a couple of custodian reports relating to CAAPS still outstanding. Neither of these two matters would prevent adoption of the report and accounts. Once the annual report and accounts had been approved and signed by the Board, the document would be signed off by the external auditor, PricewaterhouseCoopers, before being laid before Parliament.
6. Miss Jesnick reported that PricewaterhouseCoopers had rigorously audited the accounts against the IS19 standards. The efficiency report had undergone some editorial changes, which were largely a matter of semantics, but there was a statement of opinion at the back of the report. The Board was informed that this was the first time a regulator would report on its efficiency and it was also the first time that an auditor had analysed a regulator under such a regime. She added that there was a need for a note to explain the changes in tax calculation to ensure transparency.
7. Mr. Gray reported that the Remuneration Committee had discussed the performance of the Executive Directors in 2013/14 using the evidence base put forward by the Chair in the case of the Chief Executive and by the Chief Executive, in respect of the other directors. The Remuneration Committee had agreed the bonus awards proposed by the Chair for the Chief Executive and by the Chief Executive for the Executive Directors.
8. The Board agreed that on the basis of the brief provided and the associated assurance letters that they were happy to adopt the annual report and accounts, subject to the small amendments stipulated. The Board authorised signature of the documentation by Mr Haines and Miss Jesnick. The Board authorised signature of the representation letter by Mr Haines and Mrs Staples.

V Chief Executive's Report - Doc 2014-069 by Andrew Haines

9. Mr Haines spoke about a number of issues in his report. He noted that, in the context of the possible Government response to the Airport's Commission interim report, the CAA's role in relation to aviation noise was still not clear and without such clarity, it was difficult to develop a work plan accordingly.
10. Mr Haines reported that the launch of the consultation on the regulation of general aviation had been well received. It had been launched at the Aeroexpo, Sywell and was supported by the attendance of Mr Robert Goodwill MP and Mr Grant Shapps MP.
11. Mr Jackson offered a short update to the Board on a recent High Court judgment regarding the Goldtrail failure. Goldtrail failed in July 2010 and the costs of the failure were substantial for the Air Travel Trust. He added that the judgment was still subject to potential appeal.
12. Mr Haines advised the board that the recent judgment in Jet2.com Ltd v Huzar, on the subject of the denied boarding regulation¹, could have wide ranging implications for the consumer and the airlines themselves. The judgment stated that ordinary technical faults were within the normal operation of an airline and could not, therefore, be classed as extraordinary circumstances such that compensation is not payable by airlines. The Board was informed that Jet2 were seeking leave to appeal and that the CAA might also wish to intervene in any such appeal, in order for the ramifications for both consumers and airlines to be explained fully.
13. In the interim, the CAA was producing guidance for consumers and had also written to airlines to inform them of the CAA's expectations in the light of the judgment. It was important to ensure that whilst waiting for any further appeal customers did not lose their rights or have their cases overlooked.

VI Chief Executive's Annual Report - Doc 2014 – 070 by Andrew Haines

14. Mr Haines presented his annual report. The report described the achievements of the past year and provided context for the year ahead, along with the CAA's ambition in the areas of safety, aviation security, the environment, consumer value and fair treatment, and the efficiency and effectiveness of the organisation.
15. The Board asked why the loss of Malaysian Flight MH370 was not included in the report and it was explained that this was because the CAA had no regulatory oversight of the airline, the aircraft itself or the geographical area within which it was lost.

¹ Regulation EC 261/2004

16. Mr Haines reported on the CAA's ambition to maximize the transparency of information provided by the authority. There were incremental improvements planned and the website would be transformed after the procurement of a new content management system in January 2015.
17. The Board expressed the view that there is a need for the CAA to not only have the correct mindset for its strategic work but also to be able to measure performance against outcomes. Mr Haines agreed that it was important to demonstrate what has been achieved rather than just report on activity.
18. The Board asked about the intent regarding the future for colleague reward after the expiration of the three year pay model. Mr Haines assured that Board that work had already commenced and that the team was looking at all the factors that might come into play, when considering the new strategy.
19. The Board enquired as to the expectations of the CAA in the field of aviation security with regard to passenger experience. It was explained that in its economic regulatory role the CAA regulates queuing times at Heathrow and Gatwick but not the quality of the customer experience either at those airports or elsewhere. The transfer of aviation security functions to the CAA in April 2014 has provided an opportunity to look at issues such as proportionality and customer experience and there was a clear intent to try and address such issues in the future.
20. Mr Haines elaborated on the work conducted with EASA over the past year and the improvement of worldwide safety outcomes. Although the subject of Volcanic Ash did not figure large in the report, good traction had been made over the year with entities such as easyJet and Rolls Royce and research and procurement had been conducted into technology such as the LIDAR² network. The Board expressed the view that it would be useful to have an update on volcanic ash issues in the future, including a brief on vulcanology developments.

Action: Mr Haines/Mr Swan

21. The Board noted the content of the report.

² Light detection and ranging. A remote sensing technology that measures distance by illuminating a target with a laser and analysing the reflected light

VII Annual CAA Business Assurance Report - Doc 2014-071 – by Iain Osborne

22. Mr Osborne reported that the document presented was a more detailed account of a sub-set of the Chief Executive's annual report. There had been a considerable number of achievements during the 2013/14 period, including some major outcomes that were not included in the business plan at the start of that period. The intent was to make the business plan a more flexible tool, able to absorb such unplanned work, and also to synchronise the plan with resource management.
23. The Board highlighted some areas where performance had not been so successful. It was explained that lack of progress in human resources was set against an ambitious programme and the major merger that the team had dealt with over the reporting period³. There was a wider acceptance that progress had been slow in other areas, particularly where the projects were reliant on internal resource. The environment programme had been the most difficult of the strategic objectives and the Board was informed that it had been recast to ensure that its elements are captured systematically in the business plan. On enhancing safety performance, the CAA was looking to fast track the entity performance tool with the newly appointed systems integrator.
24. Mr Osborne reported that a new tool, Covalent, had been introduced to support business planning and reporting and that individual colleagues' work would be tracked through the system and mapped against the strategic objectives. Nevertheless, the Board expressed the view that supporting documentation should be provided on why work had not been completed, including the strategies for resolution.

Action: Mr Osborne

25. The Board stated that there was a need for them to have clear visibility of the CAA's risk profile. This criticism was accepted and the Board was assured of its priority and that an update would be provided in September.

Action: Mr Osborne

VIII Safety and Airspace Regulation Group Report – Doc 2014-060 – by Mark Swan

26. Mr Swan commenced his report by informing the Board about the ongoing work related to the crew supply chain. He explained that the aim of the work was to link all upstream risks⁴, to ensure that all human performance factors were aggregated and managed in a single programme, where in the past, different work packages had been

³ Merger of SRG and DAP

⁴ Upstream risks are those that by mitigation can act as barriers before an event. Where the event is an actual flight, the upstream barriers are initial airworthiness, training, operational policies etc. Downstream risks include those experienced during the flight such as adverse weather, mechanical failure or other factors.

attempting to resolve safety issues such as loss of control, but without a holistic strategy. This work included the selection and training of pilots.

27. Mr Swan added that the 'bow tie' safety methodology would be crucial to improving performance in this area to assist in the identification and management of risk.
28. Mr Swan highlighted the temporal challenges to progress on the London Area Modernisation Programme (LAMP). There were a number of deadlines that needed to be met that were likely to come up against hurdles such as the Scottish referendum and the run up to the next General Election.
29. Mr Swan mentioned the ongoing infringement⁵ proceedings being taken against the UK by the European Commission in relation to the UK/Ireland Functional Airspace Block (FAB). He noted that there was no basis to extend SES over areas such as the North Atlantic, for which the UK had authority from ICAO.
30. Mr Swan introduced to the Board a new format for his reports and explained that there would be weekly meetings instigated at manager level, to pull together all applicable intelligence for the new reporting regime. He stated that hot topics would start to gain more relevance as they would be backed up by analytical information.
31. The Board was keen to understand how they could be assured that interventions were effective and that it was important that the detail was not sanitised too much before being presented.

Action: Mr Swan

IX CAA Information Strategy - Doc 2014-073 – by Kate Staples

32. The Board asked for the Information strategy paper to be deferred to the July meeting.
33. Mrs Staples gave a short resume of the intent of the strategy which was to transform the ways of working within the organisation, to ensure that work was correctly stored, tagged with appropriate meta data to enable easy retrieval and that there was one source of 'the truth'. This strategy would require a cultural and behavioral change by colleagues across the authority and it was suggested that the experiences of organisations such as the media or political campaign teams could be sought.

Action: Mrs Staples

X Update of the CAA Pension Scheme Indexation Consultation - Doc 2014-075 – by Chris Jesnick

⁵ http://ec.europa.eu/eu_law/infringements/infringements_en.htm

34. Miss Jesnick provided the Board with a resume of the results of the consultation on using CPI as the appropriate indexation for future service pension increases. There was no objective reason why the CAA scheme should not move to CPI and indeed this move was essential to keep the scheme sustainable. There had been almost complete objection to the move during the consultation process but no credible alternative offered. The Board accepted the argument provided but were clear that transparency was needed when explaining the rationale, by restating the sustainability message and the wider reward structure offered to colleagues.
35. The Board agreed to support the proposal for a change to CPI for future service indexation to go forward to the CAAPS trustees.

XI Live Issues and Monthly Reports

36. *CPG Live Issues Update – May 2014 – Doc 2014 – 078 by Mr Jackson*
37. Mr Jackson provided the Board with an overview of some matters of interest within the industry.
38. *CCD: Live Issues – Doc 2014 – 068 by Dr Rooney*
39. Dr Rooney reported two issues gaining interest in the media namely the provision of new emergency breathing apparatus in the offshore transportation environment (helicopters) and the outcome of the *Huzar* litigation.

XII Any Other Business & Forward Planning

40. The chair reported that the Undersecretary of State for Transport will be joining the board for their July meeting.

Date and Time of Next Board Meeting: 16 July 2014, starting at 1030 in the Earhart Boardroom, CAA House London