

**CIVIL AVIATION AUTHORITY  
MINUTES OF THE 476th BOARD MEETING HELD ON  
WEDNESDAY, 16<sup>TH</sup> JULY 2014,  
AT CAA HOUSE**

**Present:**

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

**In Attendance:**

<b>Rt Hon Robert Goodwill M.P</b>	
<b>(Parliamentary Under-Secretary of State for Transport)</b>	<b>For items VI - VIII</b>
<b>Dr Stephen Rooney</b>	
<b>Mr Peter Gardiner</b>	
<b>Mr Stephen Baker</b>	<b>Minute taker</b>
<b>Mr Craig Griffiths, Department for Transport</b>	<b>For items VI - VIII</b>
<b>Mr Stephen Whyman, Department for Transport</b>	<b>For items VI - VIII</b>
<b>Mr Alex Philpott, Department for Transport</b>	<b>For items VI - VIII</b>
<b>Mr Peter Kirk</b>	<b>For item VI</b>
<b>Mr Keith Richards, CAA Consumer Panel Chair</b>	<b>For item XI</b>

**I Apologies**

1. There were no apologies.

## **II Previous Minutes and Matters Arising**

2. The minutes of the June Board meeting were approved subject to one amendment to paragraph 5.

## **III Chair's Update – by Dame Deirdre Hutton**

3. The Chair reported on her activities during the previous month, including the opening of the new Heathrow Terminal 2 building, a visit to East Midlands Airport and meetings with Sir Howard Davies, Chairman of the Airports Commission, and Peter Long, Chief Executive of TUI. She had also attended the Space Planes launch at the Farnborough Air Show.
4. The Chair briefed the Board on the arrangements being made for the external evaluation of the Board.

## **IV Chief Executive's Report - Doc 2014-080 by Andrew Haines**

5. Mr Haines briefed the Board on the increased security arrangements put in place by the DfT in relation to electronic devices at UK airports. He noted there had been some media misreporting of the extent of the heightened arrangements. Increased arrangements were a matter of DfT policy.
6. Mr Haines reported on the recent Terminal 5 baggage problems. Heathrow had already instigated a quick inquiry into the event and now a more thorough, medium term one would be conducted. The terms of reference of the latter had been approved by the CAA.
7. Mr Haines reported on the recent publication by the Transport Select Committee of its report on Offshore Helicopter Safety. Although the press release had been somewhat critical of the CAA the actual report had in fact praised CAA's regulatory work. The CAA would be responding to the specific recommendations where relevant to its work.

8. Mr Haines noted that EASA had circulated a draft Advance Notice of Proposed Amendment (A-NPA) to EC Member States for consultation on a number of suggestions for extending and enhancing EASA's remit, including aviation security and the environment. The A-NPA was being carefully studied by the CAA and comments and responses were being prepared for tabling before ExCo in August. Mr Haines agreed to circulate a copy of the CAA response to the non-executive Board members.

**Action: Mr Haines**

9. EASA had recently finished several standardisation audits of the CAA in both airworthiness and air traffic management/ air navigation services and he was pleased to report that EASA's findings were positive.
10. Mr Haines reported on the meeting of the UK Regulators' Network which he had attended on behalf of the CAA.
11. The Procurator Fiscal had applied to court for the release by the AAIB of the cockpit voice recorder and flight data recorder for the Sumburgh crash helicopter G-WNSB. Mrs Staples noted that the Scottish police had requested CAA expert advice to help it to analyse the data should the order be obtained. The matter raised delicate issues regarding the CAA's relationship with the AAIB, the police and industry and would need to be carefully handled. In view of the police request, the CAA could not decline to assist.

## **VI Board Awayday Output - Doc 2014-081 – by Iain Osborne**

12. Mr Osborne said that the paper summarised the results of the Board Awayday in June, outlined the next steps to be taken in developing the 2016 CAA Strategic Plan and gave an overview of the risk paper to be presented at the September Board meeting. The Board was requested to endorse the summary of the output from the Board risk workshop at the Awayday and note the planned approach to the development of the 2016 Strategic Plan, including the development of initial case studies on possible strategies for strategies, and the overview of the risk paper to be submitted to the September Board.

13. The Board commented on the paper. The concept of an 'entrepreneurial' regulator was discussed and it was noted that this was intended to mean an agile, forward-looking and innovative approach to regulation where appropriate. The Board also noted that the risk maps and registers developed as a result of the process outlined in the paper should be a living document that was regularly reviewed by the Board. The Board should be kept informed of risks as they materialised and crystallised and of the actions being taken to manage and mitigate them. The Board also considered that there needed to be a proper balance in the plan between risk and opportunity, possibly by the development of an opportunity register as well as a risk register. The Board noted that it would also be important to ensure that thought was given on how to integrate the approach to risk and opportunity into the management of the CAA and the properly and timely allocation of resources. Mr Haines and Mr Osborne were requested to consider mechanisms for these.

**Action: Mr Haines and Mr Osborne.**

14. The Board noted and endorsed the approach outlined in the paper.

## **VII Aviation Security Bi-Monthly Report- Doc 2014 – 082 by Peter Drissell**

15. Mr Drissell introduced his deputy, Peter Kirk, who presented the report to the Board.
16. Mr Kirk reported that phase 2 of the transition programme, which was financed by DfT under the section 16, was well underway. Phase 2 included the payroll transfer from DfT to CAA, which was causing some delays that were being resolved, although this would not happen before September. Aviation security staff were, however, being paid on time.
17. The CAA was conducting a 'lessons identified' exercise in relation to the recent enhanced security measures at UK airports. The implementation of the measures had not been helped by the news media's reporting although not too many passengers had been inconvenienced.
18. The transition programme was progressing IT enhancements to establish an interface between the government's 'gsi' network and the CAA one and also to provide a mobile IT capability for the aviation security inspectors.

19. Work was also continuing with the DfT on developing a framework and guidance for security management systems as a first step towards the integration of aviation security fully into the CAA.
20. The first EU inspection of the DfT as the 'appropriate authority' for aviation security since the transfer to the CAA was scheduled for September. The EU team would be spending some time with the CAA as part of the inspection.
21. Mr Kirk reported on the switch over of the national security vetting contractor to Defence Business Services.
22. Relations between the CAA aviation security team and the DfT were good and the CAA was working up Key Performance Indicators for the bi-annual report to the DfT.
23. The Board noted the report.

**VII Airports Commission Senior Delivery Group Report - Doc 2014-083 By Andrew Haines and Mark Swan**

24. Mr Haines noted that the report set out the scope of the Airport Commission Senior Delivery Group (SDG) optimisation and strategy delivery plan and was the first of four reports to be delivered over the next two years by the SDG, tracking the deployment of measures recommended by the Commission to optimise the use of runway and airspace capacity. The SDG had three main workstreams: operating to schedule; tactical responses to traffic overload and long term route infrastructure investment. The group was formed of industry, DfT and CAA representatives.
25. A number of the tactical measures would be pursued immediately as a result of a decision by DfT not to pursue measures requiring its approval until the Davies Commission final report was available and a parallel reluctance by Heathrow and Gatwick airport to consult on measures whilst the longer term choices for capacity were still undecided.

26. Mr Swan noted that transition altitude was at the heart of the long term route infrastructure, this being currently at 6,000 feet but with the plan to increase this to 18,000 feet by 2017.
27. Mr Haines said there was a good package of work to be getting on with even if the SDG's work was constrained by the need for ministerial consents for some measures, such as the night noise regime and noise preferential routes.
28. The Board noted the SDG's report, the progress made in developing an optimisation strategy and the need for government decisions for the deployment of critical changes.

#### **VIII Safety and Airspace Regulation Group Report – Doc 2014-084 – by Mark Swan**

29. Mr Swan reported on the progress of the Offshore Helicopter Review. He noted that the Transport Select Committee had issued its report on the offshore helicopter operations last week. The report had called for a public inquiry into industry pressures on operations and the CAA's regulation of these operations, a matter on which Mr Haines had already reported.
30. The Offshore Helicopter Review Safety Action Group, on which there was both industry and trade union representation, was making good progress with a number of matters. The emergency breathing system had now been approved and was likely to be deployed soon. Nine of the twenty one recommendations had already been completed.
31. In relation to the issue of commercial contracts placing pressures on the operators, the CAA had found no evidence that pilots were affected in their decision making in the cockpit. The CAA had also looked at the operators' safety audits and had concluded matters were not as acute as first thought. The CAA was looking at commercial constraints on operators to produce a standard operational model and to encourage the oil and gas industry to adopt these in their contracts. This should not affect competition.

32. The CAA was looking at the optimum way of evacuating different sized persons in an emergency given the increase in the average size of people and SARG was doing an evidence based study on the effects of body size in emergency evacuations.
33. Mr Swan noted that the attitude of the operators and industry to the operational problems had shifted during the workshop with British Airways and that there was now a much more open attitude. He was optimistic that this augured well for a more positive direction in offshore safety.
34. Mr Swan gave a report on the progress of the General Aviation, Air Navigation Order review. A DfT General Aviation Safety Board had been proposed by SARG.
35. Mr Swan noted the completion of the recent EASA standardisation audit and thanked members of the team who had been involved in this.
36. Mr Swan noted TUI had had requested the fully flexible use of its Boeing 787 fleet across four EU Member States. There were some risks associated with this, due to the possible loss of direct oversight, but there were potential benefits to the consumer in the form of cheaper flights and a more resilient service. CAA was leading on the required national aviation authority liaison arrangements.

## **IX Consumer Protection Group Annual Report - Doc 2014-085 by Richard Jackson**

37. Mr Jackson presented highlights from his report. CPG was making good progress with Project Luther with half of the department involved in the work. The consultation on a new regulatory model had been published, with CPG due to respond to representations by end November. There had been some opposition from members of the Association of Independent Tour Operators (AITO) to the proposed abolition of the Small Business ATOL although it was supported by other industry members. An ATOL information technology project formed part of the first part of the CAA transformation project and Mr Jackson reported he was satisfied with progress.
38. The drive toward increased resilience in the protection system was going well. The ATT now showed a surplus of £55 million, and Accredited Bodies were also proving their worth. All Accredited Bodies but one had CAA-approved Trust Accounts in

place. The failure of the On Holiday Group, with £19m of forward bookings, had been handled entirely by its Accredited Body, with no call on the ATT. This failure had been a substantial test of the resilience of the Accredited Body arrangements.

39. In respect of the proposed reform of the Package Travel Directive, there was still much uncertainty as to the scope of the reforms proposed by the European Commission (EC). The critical themes in the Package Travel Directive were scope of protected travel and the proposal that protection would be provided always by the Member State in which the travel business was established, potentially leading to a “race to the bottom” in terms of effective protection, These were being examined by the new Italian Presidency of the EC. The resolution of these issues would enable DfT to finalise its thinking on ATOL/ATT reform probably during 2015.
40. ATOL reform would be influenced by these factors but the DfT was also motivated by the desire to remove the ultimate financial responsibility for travel company failures from the Government balance sheet. Mr Jackson noted that travel insurance was not seen as a viable option given the opinion of the Association of British Insurers that there was a lack of capacity for such insurance in the market. Mr Jackson noted that in this respect a European Court of Justice ruling had decided that the State could be liable to pay compensation to consumers where it had failed to implement an EU Directive correctly.
41. Mr Jackson reported on market performance in 2014.
42. The Board thanked Mr Jackson for an excellent report and noted that it would need to look at the issues raised by him in relation to the development of the 2016-2021 Strategic Plan.

**X Safety and Airspace Regulation Group Annual Report - Doc 2014-086 by Mark Swan**

43. Mr Swan presented highlights from his annual report. He reported that the restructuring of SARG was proceeding well and that SARG integration with EASA through the Intelligence and Policy Strategy and Policy Programmes Teams, led by Padhraic Kelleher, was working effectively and was being well received by EASA. Mr

Swan noted that the State Safety Programme had been revised with more emphasis on human factors and this was being programmed into SARG business management tools.

44. The Group's approach to stakeholder engagement had, with assistance from Corporate Communications, been re-invigorated to ensure clear and consistent messaging both internally and externally and resources for this project had been ring-fenced. It was disappointing to note that there had been a few instances of negative messages being communicated to industry with regard to the restructuring from SARG colleagues. Mr Swan added that this was being monitored and addressed.
45. Mr Swan noted that the issue of European Community air carrier fleet interoperability was raising difficult oversight questions for national aviation authorities, arising from the right to freedom of establishment for Community air carriers within the EU single market and changing airline business models. SARG was grappling with industry and other EU authorities on this topic. TUI was being used as a pilot for the new cross-border oversight arrangements.
46. Looking to the future, Mr Swan said that a full safety assurance review of SARG would be conducted to ensure the Board had a good baseline for SARG's oversight performance and to ensure SARG was focusing on the most important safety issues and providing value for money.
47. The Chair thanked Mr Swan for an excellent report and invited comment from the Board.
48. The Board noted that the need to make rapid, risk based decisions was an issue for SARG. Mr Swan responded by observing that SARG was making progress towards this goal through performance based regulation but another nine months or so was still needed to get to that stage. He noted that EASA was also adapting to this regulatory mode.
49. The Board noted the importance of communicating the changes SARG was making to its own organisation and making the regulatory model clearer, given the evidence that

the middle tiers of management in industry were not always well informed of what these were.

50. Mr Swan identified the rise in mandatory occurrence reporting as being probably due to a greater incidence of incident reporting in the UK rather than a higher accident rate. MORs were driven by technical reporting criteria rather than human factors per se.

51. Mr Swan was asked to consider reinstating the risk and resource dashboard into the annual report. Mr Swan reported that Covalent and Q-Pulse were proving to be promising management tools for SARG. Mr Swan was requested to circulate a briefing note on these tools to the non-executive Members.

**Action: Mr Swan**

52. The Board confirmed it was content that SARG was moving firmly in the right direction.

#### **XI CAA Consumer Panel Annual Report - Doc 2014-087 – by Keith Richards**

53. Mr Richards presented the Consumer Panel annual report to the Board. He highlighted a number of matters of interest. He felt that the CAA had been slow to roll out information for consumers. He noted that technology was driving new business models in the travel industry and the CAA needed to take these into account when forming its policies.

54. He suggests that the CAA sometimes had adopted a narrow approach to the consumer interest, concentrating on specific policy areas rather than taking a broader view. He thought that the CAA could also do more to establish what it understood about the consumer's attitude to safety in air travel, its cost implications for the consumer, their appetite for risk and to consider its policies accordingly. The Board considered that this was a very difficult thing to do and the CAA had to be very careful when making assumptions about and decisions for consumers about what they wanted from air travel in these terms.

55. The Chair thanked Mr Richards for his report and summarised the debate by noting three broad themes had emerged from the report for the Board to consider:
- a. What the consumer understands by safety;
  - b. The benefits to be derived from a more robust information policy;
  - c. How changes in technology and business modes might impact on the consumer and how the CAA should adapt its policies accordingly.
56. The Board endorsed the Panel's plans for the coming year.

## **XII General Counsel's Quarterly Report - Doc 2014-088 by Kate Staples**

57. Mrs Staples reported that the Information Commissioner had decided in CAA's favour in the Rose Freedom of Information (FOI) complaint, concerning the CAA's application of the exemptions under section 27 of the FOI Act.
58. Mrs Staples reported that the filing of detailed CAA defence grounds, in the RAF Northolt judicial review case had been deferred until September.
59. Mrs Staples reported that Jet2 had lodged an appeal application in the Huzar vs Jet 2 case. The CAA had therefore lodged an application to intervene as an interested party, should the appeal be allowed, as the case raised a point of law of significant importance, in view of the difficulties of interpretation caused by the Court of Appeal decision in relation to article 5(3) of the EU Denied Boarding Regulation (extraordinary circumstances and reasonable measures).
60. The Board noted the report.

## **XIII ASSI Update – Doc 2014-089 by Mr Haines**

61. Mr Haines asked the Board to note two matters of interest: December Policy Information Exchange would look at article the Bermuda 83bis arrangements and responsibility for regulatory oversight of aviation security in the Overseas Territories would be transferred from DfT to Air Safety Support International next April.

62. The Board noted the report.

**XIV Report from the CAA Audit Committee – Doc 2014-090 by Graham Ward**

63. Mr Ward reported that an assessment of the CAA's compliance with the UK Corporate Compliance Code had been presented to the Committee and no issues had been raised. Mr Gray asked the Board to note that in item D.2.1 of Appendix 1 to the report on the code, the Secretary of State was not in fact responsible for all the functions of the Remuneration Committee.

64. Mr Ward reported that the external audit contract was due for renewal and a number of firms had been shortlisted for the tender.

65. The Board noted the report.

**XV Report from the Nominations Committee – Doc 2014-091 by the Chair**

66. The Chair advised that the report contained an error in relation to Mr Medicott's date of retirement as a non-executive which was 2016, not 2015. She noted that the maximum term of service for NEDs was 10 years.

67. The Chair reported on succession plans.

68. The Board noted the report.

**XVI Report from the Remunerations Committee – Doc 2014-092 by David Gray**

69. The item was taken as read and the Board noted the report.

**XVII Corporate Communications Quarterly Update – Doc 2014-093 by Stephen Rooney**

70. Dr Rooney reported on progress with the project for a new CAA website. He noted it was on course for completion by end 2014. The delivery platform was being selected

and an audit and cull of the more than 5,000 publications on the site was shortly to begin.

71. Dr Rooney mentioned that the initial results of the stakeholder engagement survey suggested that there was a clear preference for stakeholders to receive information digitally on-line. The results were still being analysed and a full report would be made to the November Board.

**Action: Dr Rooney**

72. The Board noted the report.

### **XVIII Financial Results for the 3 months to 30 June 2014 – Doc 2014-094 by Chris Jesnick**

73. Miss Jesnick presented the draft financial results for the period April to end June. She reported that SARG income and costs were both on budget although cumulative income and costs were somewhat below, with both SARG and Aviation Security down on staff numbers against budget. CAA International income was also down on budget due to the EASA and training contract and the delay in the Brunei contract signing. The company would be looking hard at the pipeline and keeping a close look on the figures.

74. Miss Jesnick reported that Mr Haines had signed the PPI systems integration procurement contract.

75. Miss Jesnick reported that a new format for the financial report would be presented to ExCo.

76. Miss Jesnick reported on plans for the appointment of a new independent chairman of the CAAPS trustees.

77. The Board noted the report.

### **XIX Live Issues and Monthly Reports**

78. a) *MCG Live Issues Update* – June 2014 – Doc 2014 – 095 by Mr Osborne

The Board approved the delegation to the Executive Steering Group of work to develop the charge control for the NERL Oceanic service in accordance with the report.

b) Mr Osborne briefed the Board on the UKRN project on the benefits of economic regulation. He was asked to circulate a note on the project to non-executive members.

**Action: Mr Osborne**

c) Mr Osborne drew the Board's attention to the Aviation Markets Monitor appended to the report.

79. *CPG Live Issues – Doc 2014-96* by Mr Jackson  
Taken as read.

80. *CCD: Live Issues – Doc 2014 – 097* by Dr Rooney  
Taken as read.

## **XX Any other Business & Forward Planning**

81. No matters were raised.

**Date and Time of Next Board Meeting: 17 September 2014, starting at 1130 in the Earhart Boardroom, CAA House London**