

**CIVIL AVIATION AUTHORITY  
MINUTES OF THE 480th BOARD MEETING HELD ON  
WEDNESDAY, 17 DECEMBER 2014,  
EARHART ROOM, CAA HOUSE, LONDON**

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**Present:**

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

**In Attendance:**

<b>Dr Stephen Rooney</b>	<b>For items V - XIII</b>
<b>Mr Peter Gardiner</b>	
<b>Mr Stephen Baker</b>	<b>Minute taker</b>
<b>Mr John McColl</b>	<b>For item VI</b>
<b>Mr Graham Pickett, Deloitte</b>	<b>For item XIII</b>
<b>Mr Hans-Kristian Bryn, Deloitte</b>	<b>For item XIII</b>
<b>Mr Tim Johnson</b>	<b>For item XIII</b>
<b>Mr Ian Russell</b>	<b>For item XIII</b>

## **I Apologies**

1. Apologies were received from Andrew Haines. The Chair noted Mr Haines had to attend the House of Commons Transport Select Committee to give evidence on the NATS air traffic management systems failure at the weekend.

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

2. The minutes of the November Board meeting were approved subject to a number of editorial corrections.
3. On matters arising, item 68, it was noted that the year-end projection for professional fees as against budget would be deferred to the January 2015 Board meeting.

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

4. The Chair noted that AVM Stringer would shortly be moving to a new position within the MoD and that the January 2015 Board meeting would be his final one. AVM Stringer asked the Board to note that his successor as the MoD CAA Board member would be AVM Richard Knighton.
5. The Chair reported on her activities during the previous 30 days.
6. The Chair had attended the Regulatory Chairs Meeting. A number of topics had been discussed, including the benefits of economic regulation, and the difficulty of delivery had been considered. The Chair noted that the benefits topic was a CAA project and noted that the non-executive directors might wish to see a copy of the material currently available.

### **Action: Mr Osborne**

7. The Chair reported on her meeting with Sir Paul Golby, the new Chair of NATS.
8. The Chair reported that she and Mr Haines had attended the November meeting of the Consumer Panel. She noted that the Panel was adding value to the CAA and that a similar style of Consumer Panel was also now being adopted by the Office of Rail Regulation. The Chair noted that apart from the Chairman of the Panel, Panel members were not remunerated and that there was a possible case for making per diem payments to them.
9. The Chair reported that she had attended a quarterly meeting with the Parliamentary under Secretary of State for Transport, the Rt. Hon Robert Goodwill MP. A number of topics had been discussed, including the NATS

software failure last weekend, the limited nature of CAA's regulatory powers with regard to NATS and the joint CAA-NATS inquiry, the future of the Air Travel Trust and the ATOL scheme (and the possible options for these) and the limitations on the CAA's role in the regulating small, unmanned aerial vehicles except where they might interfere with other airspace users.

10. The Chair reported on the Board dinner the previous evening at which Colin Matthews, previous Chief Executive of Heathrow Airport and Jim French, previous Chair/Chief Executive of Flybe, gave their perspectives on the aviation industry. As well as the Executive Directors, the dinner had been attended by David Gray and AVM Stringer. The Chair invited Mr Gray to brief the Board on the conversation.

#### **IV. Chief Executive's Report - Doc 2014-145 by Andrew Haines, presented by Miss Jesnick, Mrs Staples and Mr Swan**

11. Miss Jesnick reported on the results of the negotiations with the trade unions on pay arrangements for CAA staff from April 2015. She reported that the unions had agreed to a pay increase of 2.3% for the vast majority of employees, with 0.3% reserved for pinch points, and a movement in the pay scales of 6.5 – 9%, based on market rates, with 0.15% reserved for targeted performance pay. The award would be communicated by Mr Haines to CAA staff later in the week and the unions would ballot their members in January next year. The new deal would result in four pay levels and seven 'job zones'.
12. Mrs Staples reported that the trustees of CAAPS had recently agreed that a deferred member of the Scheme could become a trustee which required a Deed of Amendment to change the definition of 'Members Pensioner Trustee' in clause 5.4 of the Trust Deed and Rules. A draft of the proposed deed was attached to the report and the Board was asked to approve the making of the amendment and to authorise her to execute the Deed on the CAA's behalf. **The Board approved the proposed amendments and authorised Mrs Staples to execute the Deed of Amendment on behalf of the CAA.**
13. Miss Jesnick asked the Board to note that a new Chairman of the CAAPS trustees had been selected to succeed Roger Mountford who was about to retire. The new Chairman, Joanne Matthews, would be provided by Capital Cranfield, a firm of independent pension's trustee providers. Ms Matthews

would take up her appointment next March. Miss Jesnick confirmed that the appointee held a number of other pension scheme trusteeships but her appointment would not present any conflicts of interest.

14. Mrs Staples noted that under Chapter 4 of the Transport Act 2000 the CAA was required to make Specifications for charges for air services and to publish them annually in the London, Belfast and Edinburgh Gazettes, to take effect on 1<sup>st</sup> January each year. The relevant Specifications were the CAA (Denmark and Iceland) Specifications 2015, the CAA (Eurocontrol) Specifications 2015 and the Civil Aviation (Navigation Services Charges) Specifications 2015. The Board was therefore requested to approve the draft Specifications presented to the Board (as appended to these Minutes as Appendix 1), so they could be published on 19 December. **The Board approved the Specifications at Appendix 1.**
15. Mr Swan informed the Board that a review of the regulation of drones and small, unmanned aerial vehicles in the UK would be conducted by the CAA, led by Alison Slater from OGC. In the meantime, given the continuing media interest in drones, the CAA would continue to give media interviews on the subject.
16. Mr Swan reported on the NATS software systems failure at the weekend. Mr Swan acknowledged the keen interest of the Secretary of State for Transport in the failure and his consequent desire to ensure that it was appropriately investigated. The failure had caused a substantial amount of work over the weekend in response and Mr Swan had been in communication with Richard Deakin, the CEO of NATS. An inquiry into the failure would be conducted by the CAA and NATS, with an independent Chairman who would appoint the inquiry panel members. One of the issues the inquiry would examine was the lack of resilience in NATS's systems and it was proposed that an expert from the MoD would be appointed to act as an expert to the panel on this.
17. Mr Swan reported on the meeting of the GA Star Chamber, chaired by the Minister without Portfolio, the Rt. Hon Grant Shapps M.P. The Minister had been pleased with the CAA's approach to the GA programme which comprised some one hundred and fifty strands of work. Tony Rapson, the Head of the General Aviation Unit, was meeting with the Minister today to tidy up a number

of loose ends in the programme. The Board agreed that the Unit had done a good piece of work.

18. Mr Swan reported that a number of cost-challenge options had been presented to the Transformation Programme Board, to bring down spending in financial year 2015/2016 to an affordable level and these were being refined for the Programme Board to look at again in 2015. He emphasised that the options would not affect functionality and that the Programme spend should be kept within both spending and liquidity limits. The Chair commented that the Board needed to be kept fully informed of the review.

**Action: Mr Haines**

**V Safety and Airspace Regulation Group Safety Issues Report - Doc 2014-146 – by Mark Swan**

19. Mr Swan gave a briefing to the Board on the diversion of a Flybe flight from Glasgow to Belfast City to Aldergrove airport, due to a fire in one of its engines. Preliminary reports indicated the fire might have been caused by a defective seal. Mr Swan said he would check to see if there was any link to the Pratt & Whitney 150 crack incident.

**Action: Mr Swan**

20. Mr Swan reported on a lithium battery (belonging to a passenger) fire incident on a British Airways flight. The incident was being investigated by BA and the CAA was waiting for the report.
21. Mr Swan reported that Blackpool Airport had re-opened, with Bond Helicopters as the main operator. CAA had liaised with the aerodrome operator to ensure licensing and certification requirements were met.
22. Mr Swan reported that a SAAB 2000 airliner had made an emergency landing at Aberdeen airport, following a lightning strike that had apparently disabled the elevator and caused the aircraft to go into a steep dive. The pilots had executed a good recovery and had performed very well. The incident was being investigated by the AAIB and the CAA was assisting. He noted that a lot of work had been done by the CAA on weather reports for pilots operating over the North Sea but lightening strikes could never be ruled out.

23. The Board discussed the fatal accident to a Norwegian operated Eurocopter AS350B over the Baltic Sea, noting the lack of survival suits on board, contrary to Norwegian operating regulations.
24. Mr Swan confirmed that the AAIB was not involved in the investigation of the Rolls Royce Trent 700 Fan Blade failure incident to a China Southern A330-200 aircraft. Rolls Royce was, however, assisting the Chinese air accident investigators. Mr Swan agreed that he would ask AAIB why they were not involved.

**Action: Mr Swan**

## **VI Review of Offshore Helicopter Operations – Progress Report - Doc 2014 – 147 by Mark Swan**

25. Mr Swan opened the report by remarking that he was the Chair of the Offshore Helicopter Safety Advisory Group (OHSAG) on which were represented all stakeholders in the offshore oil and gas industry, including the trade unions, helicopter operators, the oil and gas industry with a Scottish government observer also present. The CAA's review had wide support. The flight safety audit process for operators was not included in the scope of the review but work was underway on audit standardisation. HeliOffshore, the offshore helicopter trade association, had also been invited to look at standardising the operational requirements of the operators' commercial contracts.
26. Mr Swan said he would be meeting survivors and relatives of the deceased in January 2015 to share the progress report before its publication, as well as relevant UK and Scottish government Ministers. The CAA planned to publish the progress report at the end of January next year, subject to approval by the Board.
27. Mr Swan noted that EASA would be invited to OHSAG meetings as and when required. The attitude of Airbus had been very positive and the company was developing new training materials, as well as installing automation and replacing gear shafts on the EC225. Other manufacturers were following suit.
28. Mr Swan invited Mr McColl to present the progress report. Mr McColl remarked that the CAA had a good relationship with the manufacturers and that EASA had not tried to stand in CAA's way in engaging with them. Introducing design

changes through the EASA certification process was difficult, however, and could take up to 20 years to implement. Therefore the CAA was trying to persuade the manufacturers to make recommended modifications early and voluntarily as much as possible.

29. The Chair asked the Board for comments on the progress report. The Board noted that the status of some of the Actions in Appendix A, described as 'ongoing', was not particularly helpful and that it would be helpful to have a more meaningful, short progress report for each of these.

**Action: Mr Swan**

30. The Board noted the finding that the operators had different safety management systems (SMS) which addressed different requirements. Mr McColl confirmed that the CAA had not been aware of this before the review. The operators did share safety outcomes but not everything relating to their SMS was shared and he agreed that the CAA needed to be more active in this area. The Board asked for clarification of action 17 (the operators had committed to review their programmes): Mr McColl confirmed that CAA was monitoring the reviews and ensuring they were being implemented.
31. The Board agreed it was a very good piece of work although there were some editorial points that needed tidying up before publication. The Board agreed to send any further editorial points to Mr Swan and, subject to editorial cleaning, **approved** the report for publication next January.

## **VII ASSI Business Plan - Doc 2014-148 by Kate Staples**

32. Mrs Staples presented the draft ASSI Business Plan to the Board for discussion and comment, noting that it had already been approved by the ASSI Board and that it would be sent to the Secretary of State for approval next January. She further noted that ASSI would be responsible for the oversight of aviation security compliance in the Overseas Territories from next April and that a major project of work had been undertaken to get the company ready for this.
33. Mr Drissell asked the Board to note that he had offered support and validation from his department to ASSI in relation to the new area of responsibility it would be assuming, although this had been declined by ASSI. He remained however

willing to provide this, should ASSI wish to take up this offer, on a no-cross charge basis.

34. The Board discussed the draft Plan and gave comments to Mrs Staples. The Board suggested that the emphasis on aviation security in the Chairman's Statement, was not reflected in the main body of the text. It noted there was no going concern statement. The Board asked if the DfT grant was guaranteed. Miss Jesnick replied it was not.
35. The Chair asked Mrs Staples to pass on the Board's comments to the CEO of ASSI.

**Action: Mrs Staples**

**VIII. Report from the Remuneration Committee- Doc 2014 - 149 by David Gray**

36. **The Board approved** Appendix 1 of the report, as the amended Terms of Reference of the Remuneration Committee (appended as Appendix 2 to these Minutes), and noted the report.

**IX. Report from the Nominations Committee - Doc 2014-155 by Dame Deidre Hutton**

37. The Chair asked the Board to note that the Nominations Committee meeting would be expanded once per annum to include all non-Executive Board Members, to allow discussion of succession planning for retiring executive Board Members.
38. The Board noted the report.

**X Draft Financial Results for the 8 months to 30 November 2014 and Financial Results for the 7 months to 31 October 2014 – Doc 2014-150 by Chris Jesnick**

39. Miss Jesnick presented highlights from the CAA's draft financial results to 30 November and actual financial results to 31 October. She noted that group income was tracking at £2M under budget, mainly due to the shortfall in CAA International income. SARG income was holding up well, however, particularly in aircraft series certification work. The position of CAAi was improving over the 7 month reporting period and some new training contracts had recently been signed. In addition the relationship with and feedback from EASA was

improving. The impact of the shortfall in CAAi income on SARG was limited and finance colleagues were looking very closely at all areas of cost within CAAi apart from the e-exam project and marketing.

40. In terms of operating costs, staff costs and numbers continued to be below budget and the only area where costs had risen was on professional fees and the Transformation Programme. Miss Jesnick noted that ExCo was looking very hard at the CAA's spending plans, particularly in view of the reduction in required return on capital. Miss Jesnick said she would be working with PwC on the capitalisation of costs on the Programme without changing the capitalisation policy.
41. Miss Jesnick answered questions from the Board. She confirmed that the revaluation of total non-current assets in the balance sheet was a consequence of IFRS19. PwC had been consulted and have audited the results.
42. Mr Swan confirmed there were 30 fewer staff in SARG than budgeted, of which just under half had been in airworthiness. Mr Swan also noted that a number of flight operations inspectors had recently resigned in order to take up higher paid positions in industry. This had been offset, however, by efficiency gains realised by moving inspectors into the shared service hub. Mr Swan advised that Board that the reduction in numbers had not had an adverse impact on safety oversight.
43. The Board noted the report.

## **XI Live Issues and Monthly Reports**

44. MCG *Live Issues* – Doc 2014-151 by Mr Osborne

Mr Osborne asked the Board to note that the Compliance Report on information rights for persons with reduced mobility had been deferred to June 2015 whilst further information was obtained from the airlines operating from the UK.

45. CCD: *Live Issues* – Doc 2014 – 153 by Dr Rooney

The Chair noted that this was Dr. Rooney's last Board meeting before he left the CAA to pursue further studies. She invited him to provide some views on how corporate communications had changed over his period with the CAA. Dr Rooney said the main change over the past 15 years, since he had begun in this field, was the speed at which news now broke. The use of social media,

such as Twitter, meant that stories broke more quickly than in the past and it was easier to lose control of the story, therefore greater organisational agility was required. This had been exemplified by the Vauxhall accident in 2013. Social media also gave consumers a direct line to an organisation and allowed journalists to find out information much more quickly than in the past. The hardest events to control in communications terms were those where mainstream media interest coincided with direct consumer interest and political interest, such as had been shown in the Icelandic volcanic eruption of 2010, the Sumburgh and Vauxhall helicopter crashes and the recent flight disruption caused by the NATS software breakdown. Added to this was the challenge for regulators with no or inadequate power to address a particular situation. The Chair thanked Dr Rooney on behalf of the Board for his contributions to the CAA and wished him well for the future, noting that CAA communications were now at a completely new level compared to the past.

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

46. No matters were raised.

## **XIII Board Effectiveness Report – Doc 2014 – 154 by the Chair**

47. The Chair introduced Mr Pickett and Mr Bryn from Deloitte to the Board. She noted that Deloitte had been commissioned to review the Board's effectiveness and their report had made a number of recommendations, which had been discussed with the Chair, Mr Haines, PPT<sup>1</sup> and OGC<sup>2</sup> and the responses were now presented for discussion and agreement. The Chair invited Mr Pickett and Mr Bryn to present their report to the Board.

48. Mr Pickett opened the discussion by saying that the picture presented by the report was, overall, positive but there were some findings and recommendations reflecting a situation of increasing change. He asked Mr Bryn to present their findings.

49. Mr Bryn opened by saying the review had taken place over a period of seven weeks and had consisted of extensive interviews with Board members and CAA managers and a review of the CAA Board documentation. Deloitte had also

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<sup>1</sup> Policy Programmes team

<sup>2</sup> Office of General Counsel

attended a Board meeting. The main findings were positive and the Board was working well: engagement at meetings was high, with good dynamics and challenging interventions from Board Members, a strong Chair and a good balance of skills on the Board. Overall, therefore, the Board worked well; the challenge for the Board was how to move from good to great.

50. Four broad themes had been identified where there could be improvement. First, the Board oversight of risk, through an all encompassing risk agenda, could be brought in line with other best practice organisations and the FRC Code and Guidance. Second, the Board agenda could be better balanced between for information items and for decision items. Third, the Board documentation could be reviewed and improved in terms of their quantity, quality and presentation and the introduction of a KPIs dashboard. Fourth, there were multiple delegated Board authorisations and, for clarity, these should be consolidated into a single authorisation.
51. Mr Bryn gave a presentation to the Board highlighting details from these themes. The Chair summarised the main findings as ways of improving the Board process, improving the flow of information to the Board and moving the Board from 'good' to 'great'. She thought the report was very useful and informative and had made a number of useful recommendations regarding the Board process and the secretarial function, the role of the PIE<sup>3</sup> and the audit committee and a greater focus on strategy. The Chair invited comments from the Board on the report.
52. The Board agreed the report contained some useful recommendations and although there was an undue concentration on process, at the expense of risk and appetite for risk, nonetheless there were some improvements that could be made to the Board process. The Chair asked the Board to discuss the detailed recommendations.
53. With regard to recommendation 10, that a Senior Independent Director (SID) be appointed, the Board agreed that this would not be appropriate for a public organisation such as the CAA and would interfere in the relationship between the non-executive Board Members and the Chair and complicate the non-executive Members' relationship with the executive Board Members.

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<sup>3</sup> Policy Information Exchange

54. With regard to recommendation 13, the contribution of the executive Board Members, the Board noted this was a difficult area: the executives already participated fully through the PIE. The Board normally discussed issues that the Executive had already dealt with at ExCo and hence the focus of discussions revolved around the NEDs.
55. With regard to recommendation 11, prioritisation of commercial aviation, consumer and safety experience for future Board appointments, the Board agreed this should be further debated; in particular the re-activation of the current dormant NED vacancy could be discussed with the DfT. The Chair agreed this was something that she would discuss further with the NEDs before the next Board meeting.
56. With regard to recommendation 16, clarify individual and collective Board responsibilities for CAA's statutory functions, the Chair asked Mrs Staples to comment. Mrs Staples remarked that although it would be impracticable to provide a comprehensive list of all decisions and their implications for members of the Civil Aviation Authority she would be looking at the governance framework in the round in the first half of 2015. The Board took decisions collectively and where decision making panels were established the associated processes ensured due process for licensing decisions. The Board observed that a public authority should not be unduly concerned about, or scared of, judicial review, particularly where the decision was on a difficult matter.
57. With regard to recommendation 17, an annual culture survey, the Board wondered if this was necessary given the annual Engagement Survey and agreed it needed to think about, and discuss, this further. The Board requested a sample of a culture survey.

**Action: Mr Gardiner**

58. With regard to recommendation 19, consider providing 'for information' items outside the Board pack and in an alternative medium, the NEDs confirmed they would prefer if these were included in the Board pack. The Chair said she would discuss this further with the NEDs.
59. With regard to recommendation 31, Board should review the style of Board minutes, the Chair noted that the current style of Minutes struck a balance between overly detailed and being too brief and uninformative as to Board debate. The Board confirmed that it was broadly content with the current style.

60. The Chair observed that Board secretarial functions would in future be carried out by Mr Johnson and Mr Russell from PPT.

**Date and Time of Next Board Meeting: 21 January 2015, at 09.30 in CAA House**

*Appendix 1*

1. *The CAA (Denmark and Iceland) Specifications 2015, the CAA (Eurocontrol) Specifications 2015 and the Civil Aviation (Navigation Services Charges) Specifications 2015.*

*Appendix 2*

1. *Amended Terms of Reference of the Remuneration Committee.*