

**CIVIL AVIATION AUTHORITY
MINUTES OF THE 502nd BOARD MEETING HELD ON
TUESDAY 15TH NOVEMBER 2016,
CAA HOUSE, LONDON**

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should be kept secure.**

Present:

Dame Deirdre Hutton	Chair
Mr Andrew Haines	
Mr David Gray	
Mr David King	
Mr Michael Medlicott	
Mr Richard Moriarty	
Dr Ashley Steel	
Mr Mark Swan	
Mr Chris Tingle	
Mr Graham Ward	
Mrs Kate Staples	Secretary & General Counsel

In Attendance:

Mr Peter Drissell	
Mr Richard Stephenson	
Mr Peter Gardiner	
Mr Roger Hopkinson, GBASF	(for item I)
Mr Martin Robinson, GBASF	(for item I)
Mr Marc Bailey, GBASF	(for item I)
Mr Tony Rapson	(for items I to V)
Mr Stephen Gifford	(for item VI)
Mr Stuart Holder	(for item VI)
Mr Simon Baker	(for item VII)
Ms Sarah Doherty	(for item VIII)
Mr John McColl	(for item VIII)
Ms Lou Braham	(for item IX)
Mr Trevor Metson	Minute taker

I Discussion with General and Business Aviation Strategic Forum (GBASF) members

1. The Chair welcomed Roger Hopkinson, Martin Robinson and Marc Bailey from the GBASF, and congratulated Mr Hopkinson on his appointment as MBE. The Chair also welcomed Tony Rapson from the GA Unit to the meeting.
2. Mr Hopkinson asked whether the CAA was happy with the way GBASF was working. The Board commented that the main improvement had been to focus membership on the three GA representatives, while ensuring that those not present in any discussions, were still kept informed. This allowed much to be achieved. The forum had brought mutual understanding and this was key to future partnership.
3. Mr Hopkinson drew attention to the draft GBASF submission for the Government's Aviation Policy Framework and asked how aware the CAA Board was of the GA Strategy. The Chair explained that Mr Swan reported on GA issues three times a year. It was agreed to add details of those Board discussions to the following GBASF agenda.

Action: Mr Rapson

4. Mr Hopkinson ran through the 17 headline items of the GA strategy, noting that some were outside the CAA's remit. There was a discussion of recent developments in EASA. Mr Robinson and Mr Bailey expressed concern about how industry representatives were selected for EASA's stakeholder advisory body.
5. There was a discussion of airspace issues, the only item highlighted by GBASF as 'red'. Mr Hopkinson noted that there had not been much progress on Visual Flight Rules (VFR) in the Future Airspace Strategy and the FAS VFR Implementation Group was beginning to address this. Following the recent consultation, the CAA's proposals for a new airspace change process would bring much-needed transparency, although there were concerns about how much the new process would cost. The proposed Farnborough airspace change remained a big issue for one GA stakeholder in particular. Mr Swan noted that no decision had been made and that the application was still 'in process'.
6. Mr Moriarty asked how the UK's attractiveness for GA ranked against other countries. GBASF stated that the UK undoubtedly had a high reputation for quality but was also expensive. More could be done to enhance the UK's

reputation while making us more competitive through, for example, a strategy on education and VAT. The UK had an opportunity to increase its market share in aviation services generally. Mr Haines noted that the GA Strategy and GA's seedcorn role should now be nested within the Government's new Aviation Policy Framework.

7. There was further discussion of the importance of embedding performance-based regulation, particularly in smaller organisations, progress with the EASA Basic Regulation, Brexit, and the merits of apprenticeships.
8. The Chair thanked Mr Hopkinson, Mr Robinson and Mr Bailey for attending and for their valuable input to the forum.

II Apologies

9. There were apologies from AVM Richard Knighton and Tim Johnson.

III Previous Minutes and Matters Arising

10. The Board approved the previous minutes from the October Board meeting, subject to some minor editorial corrections.

IV Chair's Update – by Dame Deirdre Hutton

11. The Chair informed the Board of her recent meetings. She and the Chief Executive had met Lord Ahmad on 2 November and discussed a wide variety of topics. During the meeting she had provided a draft letter for him to send to Rolls Royce regarding volcanic ash. She had attended a BALPA industry dinner on 3 November.
12. The Chair had written to the Secretary of State about Project Selkirk and the policy decisions that were needed. His reply had commended the CAA on its handling of the project, as had letters from the Cabinet Office and the Chancellor.

V Chief Executive Report – Doc 2016-121 by Andrew Haines

13. Mr Haines provided an update on the following items: Heathrow third-runway financing; random drugs screening; spaceplanes; a Brexit briefing of aviation stakeholders by the Secretary of State for Exiting the European Union; a meeting with the new president of CGI; and recruiting independent assessors for the lessons learned exercise on Project Selkirk. The Chair and Chief Executive had

explained to Lord Ahmad the CAA's position in respect of governance of any new aviation noise body, and the need for clarity around the CAA's responsibilities.

14. The Board was updated on the latest developments relating to the Shoreham accident report. The CAA had until 25 November to make key its representations on the AAIB's draft findings, and would send any further comments as soon as possible after that date. The AAIB had also invited representations from 15 other parties.
15. The Board noted the report.

VI Economic Regulation: Review of Gatwick Airport Ltd's Commitments Framework – Doc 2016-122 by Richard Moriarty

16. The Board welcomed Mr Gifford and Mr Holder to the meeting. Mr Moriarty explained that the paper sought endorsement of the findings and draft conclusions of the review of the Gatwick Airport Ltd (GAL) commitments framework. This new regulatory framework was a significantly different approach introduced in 2014. The CAA had committed to a short and focused review of whether any aspect of the new framework acted against the passenger interest. The main headline was that there was a high degree of satisfaction from airlines and the local passenger consultative forum, both of whom preferred it to the previous regulatory approach. Airlines had expressed some concerns around GAL's investment programme, its poor on-time performance, and the sometimes difficult relationship between GAL and airlines, and wanted the CAA to continue monitoring.
17. The Board agreed that the CAA should continue its monitoring, since, for example, poor engagement with airline customers and consequent passenger detriment could be seen as a consequence of market power. Although charges were below the price ceiling, the ceiling was an average and GAL could therefore increase charges above it towards the end of the period.
18. The Board questioned whether the proposed approach was too binary (whether to continue with the current regime or not), and whether the CAA should be exploring other options that might give a better outcome. Mr Moriarty explained that there were essentially two issues: whether the current regime was better than the previous one, which it clearly was; and whether the CAA should impose

a licence condition to address any issues that had been or might in future be identified, something on which further work was needed.

19. The Board noted that on investment one remedy might be some supervision of GAL's capex programme. The Board was particularly concerned by GAL's record of on-time performance and the impact of that on consumers, noting that GAL apportioning blame to airlines appeared symptomatic of their relationship. The Board acknowledged that there was more work to do to establish the underlying cause. The Board also, however, took the view that it was appropriate to bring more pressure to bear on GAL and to put a stronger marker down that the CAA would consider intervention if the problems identified worsened. Otherwise there was a risk that GAL might gain the impression that the CAA was deferring action until the next regulatory period beyond 2021.
20. Subject to this, the Board approved the findings and draft conclusions of the review.

VII 2017/18 CAA Charging Proposals – Doc 2016-123 by Chris Tingle

21. The Board welcomed Mr Baker to the meeting. Mr Tingle explained that the Finance Advisory Committee had held a first discussion of the proposals on 20 October where the CAA had shared the detail of the budget and forthcoming challenges. There had been a further meeting on 11 November to discuss the draft consultation document. Given that CAA charges would rise for the first time for several years, the reaction at both meetings had been as good as could be expected, with the main pushback coming from NATS. The formal consultation would be published later in the week.
22. Mr Tingle circulated a slide showing key points in the proposals, to which he added aviation security. He drew the Board's attention to the CAA's financial performance in the year to date where forecast profit was higher than anticipated. The Board considered the options that might be available if that position continued and identified that its preference was that surplus would be retained to give the CAA some financial resilience.
23. Wording to this effect would be added to the consultation document. The Board also asked for some minor changes. A column should be added to the table of impacts, to show the percentage of the top 10 charge payers' overall business that CAA charges represented. More should be made of the reduction in

charges in real terms, given the challenges the CAA had faced. Some increases in the appendices needed explanation.

24. Subject to these changes the Board approved the charging proposals for 2017/18 and the draft consultation document.
25. Mr Tingle explained that the whole charging structure, including a focus on the large number of individual charges in some areas of the schemes, would be the subject of a session at February's Policy and Information Exchange. This would guide thinking on the schemes for 2018/19.

VIII Safety and Airspace Regulation Group (SARG) Report – Doc 2016-124 by Mark Swan

26. Mr Swan updated the Board on the investigation of the shipment of dangerous goods from China to Germany in August 2016. Apparently, China had no dangerous goods legislation covering shippers and that therefore no offence had been committed. Given the risk and the importance of securing strong co-operation from China, it was agreed that it would be appropriate to seek to pursue the matter through the ICAO universal safety oversight audit programme.

Action: Mr Swan

27. Mr King offered to share some information on a Cathay Pacific initiative arising from the lithium batteries issue.

Action: Mr King

28. The Board welcomed Ms Doherty and Mr McColl to the meeting to give a safety performance overview of UK offshore helicopters.
29. Ms Doherty reminded the Board that in the last 10 years there had been a number of high-profile offshore helicopter accidents, some with fatalities. Airworthiness issues identified in the initial years of this period, however, had largely been addressed. More recently, there had been two main issues: aircraft upset because of a technical malfunction (where the CAA worked with EASA on design issues), and aircraft upset because of a flightcrew error (where the CAA could more directly work on mitigations with operators).
30. Ms Doherty asked what information the Board would find most useful in these reports, given that much of the 10 years was history and there were more current issues to highlight in this dynamic environment. The Board agreed that the report format should distinguish between issues that were historical and had

been addressed, and those that raise questions about future concerns and how they might be tackled. Particularly important was whether the lessons from past events were being taken on board, i.e. whether an accident could have been prevented and how. An additional positioning slide with some explanatory text would be useful. The report focused on UK-registered aircraft and the Board would also be interested to see the global position.

Action: Ms Doherty

31. The Board noted the underlying question of whether the unique capabilities of rotary-wing aircraft for some tasks compared with fixed-wing meant that lower design standards should continue to be tolerated indefinitely, and whether EASA regulation should be pushed from what was achievable to what was desirable. Mr Swan explained that the CAA was already seeking to engage with EASA on this issue.
32. The Board noted the report.

IX Business Assurance Report Six-monthly Update – Doc 2016-125 by Chris Tingle

33. The Board welcomed Ms Braham to the meeting. Ms Braham explained that this was the first business assurance report since adoption of the new business-planning approach across the CAA. This involved business partnering to give a progressively better understanding across business areas and to facilitate appropriate governance at the individual group level. Not every core activity was listed in the business plan, the focus being on those where regulatory or other changes were being delivered against a timeline. Dependencies across the CAA had been captured but not validated.
34. The Board asked whether curtailment of any workstream in the plan – perhaps through lack of money – had caused greater risk or been damaging. Mr Tingle replied that it was more a lack of resource than of funding – for example licensing resource in the Shared Services Centre – that had caused issues.
35. The Board noted that in different areas of the CAA there was a similar picture: in SARG a pathfinder project in Airworthiness Division was being rolled out to improve the use of resources so as to achieve better safety outcomes with the same number of people. It was the ability to gear this up, however, rather than money that was holding things back. In CMG the challenge was securing the

right specialist people in the right roles. Moreover, there might be value in identifying a few critical key roles, and recruiting more resourceful people rather than more people resources. In Communications, resilience against events such as Project Selkirk was now provided by temporarily bolstering resources with trained and security-cleared consultants. OGC's workload required greater resources.

36. The Board noted that, given the year the CAA had experienced, the progress against the plan was reasonable. The Board concluded that while delays or curtailment of some activities had held up making efficiencies, there was nothing of serious concern, although there were some questions around whether resourcing was hampered by overly long recruitment processes or notice periods that were too short. Mr Tingle added that going forward the CAA was now in a better position to build bottom-up plans that had better alignment between the budget and core activities.

37. The Board noted the report.

X Financial Report for the Six Months to 30 September 2016 – Doc 2016-126 by Chris Tingle

38. Mr Tingle introduced the paper. He explained that the results for September were similar to the first five months of the year in showing a continuing positive variance on cost, but that revenue was also above budget. The operating result for the six months to September was £2.8m above the budgeted profit of £2.5m. The continuing budget efficiency factor meant that the surplus was expected to continue or increase further, unless offset by deferred costs arising later in the year, such as from the Transformation Programme. A better impression of the expected outturn for the year would be given in the financial report Mr Tingle would present to the Board in January 2017.

39. The Board noted the report.

XI Live Issues and Monthly Reports

CMG *Live Issues* – Doc 2016-127 by Mr Moriarty

40. The Board noted the report.

PPT *Live Issues* – Doc 2016-128 by Mr Johnson

41. The Board noted the report.

CD Live Issues – Doc 2016-129 by Mr Stephenson

42. The Board agreed that the CAA's advice to passengers on the Samsung Galaxy Note 7 mobile phone should be worded as reinforcing EASA advice.

Action: Mr Stephenson

43. The Board noted the report.

AvSec Live Issues – Doc 2016-084 by Mr Drissell

44. Mr Drissell updated the Board on current issues. The Board noted the report.

XII Any Other Business & Forward Planning

45. The Chair said that Mr Holland-Kaye had agreed to accommodate the Board at Heathrow Airport for its awayday in March 2017. The Board agreed and requested that this should be balanced with some appropriate face-to-face engagement with airlines.

Action: Chair/Mr Moriarty

Date and Time of Next Board Meeting:

21 December 2016 at 9.30am, K5 Earhart, CAA House, London