

**CIVIL AVIATION AUTHORITY**  
**MINUTES OF THE 532<sup>nd</sup> BOARD MEETING HELD ON**  
**WEDNESDAY 17 JULY 2019, AVIATION HOUSE**

**Present:**

Dame Deirdre Hutton                      Chair  
Mr Richard Moriarty  
Ms Katherine Corich  
Ms Marykay Fuller  
Mr David Gray  
Mr David King  
Ms Anne Lambert  
Mr Michael Medicott  
Mr Paul Smith  
Ms Kate Staples                      Secretary and General Counsel  
Mr Mark Swan  
Mr Chris Tingle  
Mr Graham Ward

**Apologies:**

AVM Ian Gale

**In Attendance:**

Mr Peter Drissell		Ms Elly Shafran	for item VI
Mr Tim Johnson		Mr Ray Forster	for item VIII
Mr Richard Stephenson		Mr Troy Preston	for item IX
Ms Barbara Perata-Smith	Minute taker	Mr Peter Gardiner	for item X
Mr Ed Weston		Mr Rory Kidger	for item XI
Mr Jon Round	for item IV	Mr Ameen Khan	for item XII
Mr Andrew Walker	for items V, VI	Ms Jenny Willott	for item XIII
Mr Matt Claydon	for item V	Ms Helen Swanbury	for item XIII

**I. APOLOGIES AND INTRODUCTIONS**

1. There were apologies from AVM Ian Gale.

## **II. CONFLICTS OF INTEREST, PREVIOUS MINUTES, AND MATTERS ARISING**

3. There were no new conflicts of interest declared.
4. The previous minutes were agreed, subject to a minor addition and some typographical corrections.

## **III. CHAIR'S UPDATE**

6. The Chair gave an update on recent meetings and events she had attended. These included a lunch with Roger Hopkinson, Chair of the General Business Aviation Strategic Forum and a session with the Care Quality Commission, where the discussion had centred on the safety culture in the aviation industry and ways in which this could be replicated in the health service.
7. The Chair related that the Share the Air Conference, which some of the Board members had attended, had been a success and that electronic conspicuity had been promoted at the event.
8. The Board noted the update.

## **IV. CHIEF EXECUTIVE REPORT (DOC 2019-050) BY RICHARD MORIARTY**

### **Approvals**

9. The Board was asked to endorse the summary paper of the Board Awayday as a fair reflection of the event that could be used to shape the strategy refresh work programme, in the lead up to the next Board discussion in November.
10. The Board was asked to approve the amended statement of what the CAA values meant in a Board context, which now included a specific reference to the CSPL seven principles for public life. Once approved, the statement would be available on the relevant intranet page and to new Board members and regular attendees as part of their induction.
11. The Board endorsed the summary paper and approved the values statement.

### **Key live issues**

12. Mr Johnson gave a brief update on Brexit, following an industry roundtable with Baroness Vere and James Cleverly MP. He commented that although industry did not express concerns with the CAA's contingency plans, the CAA would redouble our efforts to ensure effective measures were in place in the event of a no deal, focusing particularly on maintaining safety standards and consumer protection.
13. Although Brexit seemed to have had little impact on holiday bookings to March, the biggest area of risk for the CAA was its relationship with EASA, which could be affected by the negotiations that would follow once the new PM was in place.

14. Mr Moriarty reassured the Board that should there be significant developments in the summer, a note would be circulated with an update before the September Board meeting.
15. Mr Moriarty then gave a summary of the latest developments, including the Heathrow expansion timetable and the potential addition of UK spaceflight regulation to CAA's remit, which had been discussed at a recent ExCo session. The Board was supportive of the addition, providing clarity on the policy rationale was achieved and a detailed transition plan was in place, including issues on capability, resource bandwidth, financing, risk tolerance and effective government sponsorship. The subject would be discussed again at the October board meeting.
16. The Board welcomed Mr Round to the meeting to provide a brief update on recent developments in the oversight of air traffic management and aerodromes. These had resulted in three ANSPs and an airport being subject to safety findings that warranted the organisations being put 'on notice'. The entities now had a corrective action plan in place and would be subject to increased oversight by CAA. An open dialogue with the airports' senior leadership was also going to ensure a focused approach to the plans.
17. The Board enquired whether a graduated process should be introduced to make the removal of an operating licence a last resort. Ms Staples explained that CAA had previously consulted on introducing civil sanctions to aid such an approach, but that an issue in the parent legislation had delayed the implementation.
18. Ms Corich commented that there seemed to be an issue of culture between aviation entities, where safety is paramount, and commercial entities where speed of action, for example when shipping goods, took priority. The Chair encouraged Ms Corich and Mr Round to discuss this issue in more detail.

**ACTION: Mr Round / Ms Corich**

19. Mr Round confirmed that a further update on this topic would follow at the next Board meeting.
20. The Board enquired about the Malibu Piper N264DB accident and the CAA's approach to tackling illegal public transport. Ms Staples commented that CAA had an open and trustful relationship with the AAIB whose investigation into the accident continued. In the meantime, steps were being taken to bolster existing means of combating illegal public transport.
21. The Board discussed safety in terms of public perception, following conversations at the Awayday, and considering the economic fallout of large accidents that have a global impact, such as the Boeing 737 Max 8. The Chair suggested engaging a

think tank to conduct some research on how the public looked at safety, to generate insightful, in-depth data and provide a steer.

**ACTION: Mr Stephenson to make initial contact**

#### **Internal news**

22. Mr Tingle informed the Board that the new HQ for CAA had now been transferred to Aviation House and that the office at Westferry was fully occupied. The project had been a success in all aspects, including cost, overcoming technical challenges, encouraging smarter ways of working and setting up a space that people seemed happy to work in. Mr Swan added that the transition to Aviation House had also been successful and that flexible working practices had aided employee retention.
23. The Board noted the report.

#### **V. REVISED RP3 PERFORMANCE PLAN (DOC 2019-051) BY PAUL SMITH**

24. Mr Swan recused himself from the meeting and the Board welcomed Mr Walker and Mr Claydon.
25. Mr Smith and Mr Claydon reminded the Board of the development of the final proposals, which were set out in detail in the Board paper. Mr Smith highlighted the proposed revisions already made following consultation with stakeholders, including comments from NERL. These included an amended efficiency challenge to NERL's business plan and a clearer and stronger incentive for programme delivery, including of the airspace modernisation strategy, with a financial penalty for non-delivery. Mr Smith and Mr Claydon explained the need to secure ongoing performance of existing services for the early years of RP3 and that as the period continued airspace modernisation would become increasingly important. It was noted that in RP2 NERL had not delivered the original investment plan expected and action was required to address the risk that it may not deliver its plan for RP3, except where changes to the original plan are agreed with airlines and/ or the CAA. Mr Smith added that early engagement with NERL's senior leadership indicated there was a significant risk that NERL would reject the proposals set out in the paper. The outcome of a refusal would be a referral to the CMA.
26. The Board was keen to understand how the proposed settlement would enable the delivery of the airspace modernisation strategy (AMS), which is a large and complex programme of work, as well as the consequences of a referral to the CMA in terms of impact to CAA resources. The Board emphasised that a combination of meaningful delivery incentives to unlock airspace modernisation and an appropriate level of opex to ensure ongoing performance was necessary. The Board also

- emphasised that, based on the evidence available to them, there was no justification for making any further adjustments that would increase the settlement.
27. In summarising the discussions, the Chair highlighted three key factors underlying the decision: first, the delivery of the AMS, second, the CAA's desire to ensure the efficiency of NATS, and third the CAA's desire to enable all parties to focus on delivery. The final proposals had struck a reasonable balance and were in accordance with the statutory framework.
  28. The Board agreed that appropriate licence modifications to implement their Performance Plan and Oceanic decisions should be prepared and consulted upon in the usual way.
  29. The Board approved the delegation of sign-off of the drafting to Mr Smith and Mr Moriarty for submission to the DfT by 28 August 2019.

## **VI. ECONOMIC REGULATION AT HEATHROW AIRPORT (DOC 2019-052) BY PAUL SMITH**

30. Mr Walker remained at the meeting and the Board welcomed Ms Shafran.
31. Ms Shafran introduced the paper seeking endorsement from the Board on the CAA's proposed interim price control arrangements at Heathrow and for a new licence condition promoting efficiency and economy in the development, operations and maintenance by Heathrow Airport Limited (HAL) of the airport. The interim arrangements would apply in 2020 and 2021.
32. Mr Walker explained that it was unlikely that the interim status of the price control would be extended again and that it had originally been made so with a desire to align the price control for the airport with that of the runway.
33. The Board endorsed the proposal for the interim price control arrangements at Heathrow on the grounds that the commercial deal negotiated by HAL with airlines representing the majority of passengers using the airport was in the interest of consumers.
34. The Board approved the delegation of final sign off to Mr Smith and Mr Walker for the statutory consultation on the modifications to HAL's licence that would articulate HAL's commercial deal with airlines for the interim period.
35. Mr Walker then introduced the second part of the paper, which focused on the proposal for a new licence condition requiring HAL to operate, maintain and develop the airport in an economical, efficient and timely manner.
36. The Board enquired as to the practical purpose of the condition and Mr Smith explained that it was designed to address instances where there was a gap in the regulatory incentives for HAL and its decisions may be detrimental to consumers,

including, for example, where it would likely be difficult to identify a specific diminution in service quality or impact on consumers. The condition would be generic enough to prevent having to identify in HAL's licence every single example of unacceptable conduct and specific enough to allow the CAA to secure rectification where required.

37. The Board endorsed the new licence condition and approved delegation of final sign off to Mr Smith and Mr Walker for its implementation.

## **VII. CAAPS 2018 ACTUARIAL VALUATION (DOC 2019-053) BY CHRIS TINGLE**

38. Ms Staples declared a conflict of interest as Trustee of the CAA pension scheme and confirmed she would not participate in the discussion.
39. Mr Tingle provided an update of the draft results of the 2018 actuarial valuation of the CAA pension scheme (CAAPS) and asked for the Board's endorsement on the preferred option for the valuation, to agree with employees and the scheme Trustees, and on an enhanced cash alternative offer for the DB scheme.
40. Mr Tingle described the proposed two options and the issues associated with each, as outlined in the paper. He added that the CAAPS rules were strict, did not allow changes without consulting its members, and that he had exhausted what could be achieved within the confines of the scheme rules. Furthermore, consideration of the wider financial pressure, for example coming from Brexit, was paramount to ensure cash costs were stable and a de-risking approach was applied.
41. The options proposed allowed the CAA to address the sustainability of the scheme in the long term without increasing the CAA's contribution and resolve the concerns highlighted, such as the inequality between the DB and DC membership. In particular, option B had been designed to reduce the deficit and the impact on future accruals by introducing a CPI cap to salaries and CPI dynamization, as well as other changes to assumptions.
42. Mr Tingle explained that the cash alternative for DB members could be improved and restrictions to the conditions on Cash Equivalent Transfer Value (CETV) and transfer between schemes could be relaxed. Coupled with recent legislation amending annual and lifetime tax limits, the above factors could render the proposal attractive to members wishing to exit the scheme and could contribute towards the CAA's long-term strategy for the scheme.
43. After some discussion, the Board approved the preferred option, option B, proposing the introduction of a CPI cap, dynamization and related assumptions, and approved the enhanced cash alternative offer for those in the DB scheme.

44. The next step would be for a representative from CAAPS to attend a session outlining these proposals with the pension working group, before proposing to the actuaries and the Trustees.
45. The Board noted the report.

#### **VIII. ANNUAL SAFETY RISKS UPDATE (DOC 2019-054) BY MARK SWAN**

46. The Board welcomed Mr Forster to the meeting.
47. Mr Swan introduced the topic and highlighted the two key benefits of the Regulatory Safety Management System (RSMS): first, it delivered to the whole Board a map of the top safety risks; second, it illustrated how we would view the total aviation risks across the sectors, using a PBR approach by considering risks systematically to identify trends. Mr Swan pointed out that if the RSMS fulfilled its aim, there should not be anything in the report with which the Board was not familiar.
48. Comments on specific aspects of the report followed from the Board, particularly on the interface between a pilot and IT, a topic that had also featured in the Board Awayday. Ms Corich commented that there was some evidence of a disconnect between pilot performance and the ability to translate that into the code necessary to replicate those scenarios in a simulator. If that was not done well, the consequences upstream could be severe. The CAA should assume a leadership role and encourage different ways of thinking about these issues, for example on how to build capability, which would be welcome at international level.
49. Mr King stated that these conversations were of a philosophical nature and related to the kind of regulator we currently were and the one we aspired to be, rather than the practical issues generally featured on a risk heat map. However, a paper exploring the concept of regulating in a digital world and on how best to regulate technology would be useful.

**ACTION: Mr Swan to initiate in the Autumn**

50. The Board noted the report.

#### **IX. SARG MONTHLY SAFETY ISSUES REPORT (DOC 2019-060) MARK SWAN**

51. The Board welcomed Mr Preston to the meeting.
52. Mr Swan provided an overview of the key occurrences, starting with an update on the Boeing 737 Max 8. The CAA, FAA and other NAAs were actively contributing to the EASA review, focusing particularly on the software design changes, safety and certification. CAA had been working with airlines to understand the training requirements for the crew to prepare for the aircraft returning to service and our

approach seemed to be fully aligned with EASA's. Conversations were ongoing on a proposed return to service date.

53. Mr Swan reported on developments regarding the H175 helicopter type. CAA would continue to monitor progress.
54. Mr Preston briefed the Board on the Future Safety team's focus for this year and on its strategic direction going forward. The key piece of work continued to be the State Safety Strategy, which the team had worked on with DfT to refresh, with efforts now directed to embedding the programme. Other important areas of focus included work on international and European policy, safety culture, safety management systems and human factors training. The team was now better structured and strengthened and able to face challenges such as Brexit which could cause diverted resources and reprioritisation of work.
55. The Board noted the report.

#### **X. SAFETY ASSURANCE REPORT (DOC 2019-058) MARK SWAN**

56. Mr Preston remained at the meeting and the Board welcomed Mr Gardiner.
57. Mr Gardiner provided an overview of the safety assurance report, commenting that, although there were several areas that had been recorded as yellow in the RAYG rating (Red, Amber, Yellow, Green), the overall picture was improving as there were controls in place. These should demonstrate effectiveness in the next report.
58. There had been progress in compliance management and the safety culture across SARG was positive, aided by the support of the leadership team. The Safety Assurance team was well considered in the organisation, as people understood the value of its work and actively asked for advice on how to resolve issues.
59. A discussion followed where the Board commented on various aspects of the report, including the challenge of being able to use data produced by different parts of the organisation in a systemic way to build a more insightful picture. Currently the team relied on a system underpinned by MORs, which worked well, but the Big Data programme was underway and was likely to improve the process in due course.
60. Mr Gardiner explained that, although, the report had quite a few areas rated as yellow, it had been generated using evidence and clear governance. Mr Tingle commented that the ratings should be more granular, allowing for subtler recording of improvements, for example 1-10. The Chair supported this view and requested that Mr Gardiner should explore the suggestion further.

**ACTION: Mr Gardiner**

61. The Board noted the report.

## **XI. PORTFOLIO DELIVERY UPDATE (DOC 2019-057)**

62. Mr Swan left the meeting. The Board welcomed Mr Kidger to the meeting.
63. Mr Kidger provided an overview of progress in portfolio delivery, focusing on the highlights of the last six months, targets for the next six months, and a forward look beyond the year.
64. Among the projects successfully delivered or making good progress were the accommodation, the drone registration scheme, ATOL, Centreline and some Brexit-related work. This was thanks to good succession planning in the team, better prioritisation and an increase in the submission of business cases. Mr Kidger added that the challenge was going to be continuing delivery in October, when several internal pieces of work reached completion at the same time, while Brexit would be taking place externally.
65. The Board enquired about the Big Data project and Mr Kidger explained that it was still at the foundational level but took an action to liaise with Mr Gardiner and ensure the project moved forward.

### **ACTION: Mr Kidger**

66. The Board discussed the key risks highlighted in the report, particularly the fact that Brexit had increased the number of strategic projects being carried out outside of Portfolio Delivery governance. Mr Kidger commented that, to properly resource work, it was essential that Portfolio Delivery had a common view of the organisation so that each project could be included in the business plan and properly funded. However, for the few instances where external delivery was justified, the team had designed a toolkit, which did not replace the professional capability of a project manager but helped those who needed to manage projects.
67. The Board noted the report.

## **XII. UK DRONE REGISTRATION AND EDUCATION SCHEME (DOC 2019-056)**

68. The Board welcomed Mr Khan to the meeting.
69. Mr Johnson provided a summary of the responses to the consultation on the drone registration scheme and the options going forward. Mr Johnson explained that the recommended option was to set the registration cost at £14 per year, £2 below what was initially proposed in the consultation. A cost of £14 would strike an appropriate balance between a lower cost for users, thus encouraging higher levels of registration, the scope for future improvements and the legal requirement for the CAA to recover its costs.
70. Mr Johnson stated that the consultation highlighted a number of conflicting views on the requirement to register and to pay for registration: commercial drone

operators already had to do both; leisure users would like to see their charges subsidised by the commercial operators; and model aeroplane associations had been vocal in asserting that they should not pay at all. Government had been clear in its position, however it was worth remembering that a change of government could bring a different view, which could change the financial assumption made and impact on the decision agreed by the Board today.

71. The Board discussed the three options proposed, considering cost, estimated user volumes, education, a possible discount for early registration (which Mr Khan advised will be applicable at the renewal stage), and the need to encourage registration. The Board endorsed option C which set the registration fee at £14, sharing the benefits of lower costs equally between the headline price and a lower volume assumption of 130k users, resulting in a break-even financial outcome for CAA over 18 months.
72. The Chair congratulated Mr Khan for successful delivery of a complex project thus far and asked him to circulate a link for the beta version of the system to the Board for comments.

**ACTION: Mr Khan**

### **XIII. CONSUMER PANEL ANNUAL REPORT (DOC 2019-059)**

73. The Board welcomed Ms Willott and Ms Swanbury to the meeting.
74. Mr Johnson provided an overview of the Consumer Panel and its aims. Ms Willott continued by summarising this year's successes, including the vulnerability project – now handed back to the policy team to develop further - the consumer aspects of the Aviation Strategy and the Passenger Charter and an extensive look at passenger complaints throughout the whole journey and up to ADR, which was now complete with recommendations. Ms Willott added that the Panel's focus for the next year was going to be on exploring how technology has changed the consumer experience and how the Panel could work with CAA to map the data that was currently available to inform consumer choice, as well as providing recommendations on what other data could be made available.
75. Ms Willott commented that the relationship between the Panel and CAA was very positive and that teams had been helpful in providing teachings and briefings to the new members, for example on economic regulation.
76. The Board enquired whether the Panel was getting enough traction with the recommendations it proposed. Ms Willott replied that this was the case, for example in the vulnerability project where there was a clear narrative explaining the impact of their work, and in the Panel's position on ADR, which was included in the

response to the Aviation Strategy consultation. The Panel was also in the process of identifying ways to capture impacts and outcomes more clearly.

77. The Chair explained that the Board wanted to commission research to explore the public's perception of safety and enquired as to Ms Willott's view. Ms Willott explained that such research had not been carried out based on the fact that safety needed to be a given, but that it had potential to be insightful.
78. The Chair thanked Ms Willott and the Panel for the work carried out to date.
79. The Board noted the report.

#### **XIV. AVIATION SECURITY QUARTERLY UPDATE (DOC 2019-055)**

80. Mr Drissell introduced the paper which summarised activities within Aviation Security in the period April to June 2019.
81. Mr Drissell noted that there had been a concerted effort to raise standards of performance among entities and focus on those whose performance could be better, following on from the approach adopted by PBR. The CAA was being more demanding in its testing regime, which had resulted initially in a dip in performance scores but, by focusing on operator training, improvements should materialise in the next six months.
82. Other points of interest from the report focused on the assurance process for Known Consignor sites, which from 1 July was going to be undertaken by the CAA's own auditors rather than by external parties, bringing validation fully in the AvSec QA process. Mr Drissell added that clearance for airlines and crew ID card holders would be subject to enhanced background checks from January 2021. Furthermore, the Quality Assurance Framework for aviation security trainers had gone live on 1 April for airports, with airlines, cargo and in-flight suppliers to follow in July.
83. The Board noted the report.

#### **XV. FINANCE REPORT: TWO MONTHS TO MAY 2019 (DOC 2019-061)**

84. Mr Tingle provided a summary of the CAA Group's financial results for the two months to 31 May 2019. He commented that the overall operating result for the year to date showed a small loss with a favourable variance.
85. Mr Tingle added that the finance team had used Centreline for the first time to run the report and continued to work through classification and coding changes.
86. The Board noted the report.

## **XVI. AUDIT COMMITTEE REPORT (DOC 2019-062)**

87. Mr Ward confirmed with the Board that he would take the Audit Committee Report as read and highlighted two points of interest. First, under the GDPR heading, Mr Ward recommended that the CAA should take a similar approach to managing GDPR as it does with risk management.
88. Second, Mr Ward updated the Board on recruitment and commented that this was in progress and that the Head of Internal Audit would be in place by the Autumn.
89. The Board noted the report.

## **XVII. ANY OTHER BUSINESS**

90. **Heathrow Airport strike:** Mr Moriarty provided an update on the strike due to take place at Heathrow Airport on Saturday 20 July and commented that, although the CAA had no role in preventing or dealing with the event, security and safety should be closely monitored.
91. **John McColl's replacement:** Mr King enquired whether Mr McColl's replacement had been identified, following his imminent retirement, and Mr Moriarty explained that David Malins had been appointed as a successor.
92. **Whitehall & Industry events:** Mr Stephenson stated that he had secured an invite for interested Board members to the 35<sup>th</sup> anniversary of WIG and added that if Board members wanted to attend other events to let him know.
93. Ms Lambert and Mr Ward recused from the meeting and Mr Moriarty and Mr Smith provided an update on Project Matterhorn.

**Date and Time of Next Board Meeting:  
18 September, 11:30 hours, Aviation House**