

CIVIL AVIATION AUTHORITY
MINUTES OF THE 517th BOARD MEETING HELD ON
WEDNESDAY 21 MARCH 2018, IWM DUXFORD

Present:

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

Apologies:

AVM Mike Wigston

In Attendance:

Mr Tim Johnson
Mr Richard Stephenson
Ms Angela Lynch Minute taker

I. APOLOGIES

1. There were apologies from AVM Wigston.

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

2. No new or changed conflicts of interest were declared.
3. The minutes of the last meeting were approved, subject to a minor change to the wording in paragraph 33.
4. There were no matters arising.

III. CHAIR'S UPDATE

5. The Chair informed the Board of recent meetings, including with the DfT and with representatives from the European Commission during a recent visit to Brussels by the Chair, Mr Haines and Mr Moriarty.
6. The Chair briefed the Board on her participation in the CAA event 'Enabling Innovation in Aviation', which had been well-attended with an excellent line up of speakers. Mr Swan confirmed that it had provided the chance to learn more about new technology initiatives being developed in the UK. The Chair noted the importance of clearly communicating the CAA's role as the regulator, to maintain the correct balance between safety oversight and facilitating growth.
7. The Chair informed the Board of the recent briefing she received from Gatwick Airport on its plans for future incremental growth. She emphasised that any changes would require extensive and early engagement with stakeholders, in line with the Airspace Change Policy.

IV. CHIEF EXECUTIVE REPORT (DOC 2018-018) BY ANDREW HAINES

8. Mr Haines updated the Board on key meetings and live issues.
9. Ms Staples informed the Board of the latest developments relating to the Shoreham inquest and police investigation.
10. Mr Swan updated the Board on the DfT's progress in establishing its Independent Review on Air Displays and promised to circulate details on the review to the Board once they were available.

Action: Mr Swan

11. Mr Moriarty reported on the CAA Gender Pay Gap Report 2018, which was published this week. He informed the Board that the Executive Committee had agreed that the findings were not acceptable and had begun conversations with staff to develop initiatives aimed at addressing the core reasons behind the figures. The Board noted a number of aviation sector firms were reporting significant gender pay gaps, but that other complex regulators' results were more encouraging and suggested that further progress could be made by the CAA. Dr Steel advised that more stringent initiatives would need to be considered to achieve the level of change needed. She cited examples of action taken elsewhere and agreed to send further details to Mr Moriarty, particularly of software used to attract a better balance of male and female applicants.

Action: Dr Steel

12. Mr Moriarty welcomed this offer and noted that the HR department had already carried out some work in this area. The Board noted that a recent round of senior

level recruitment had encouragingly seen an equal number of male and female applicants in the final shortlist. Dr Steel asked that the Executive Committee consider setting targets to measure progress, which she felt would be vital for the success of the initiatives.

13. Mr Johnson briefed the Board on the transition to the new Airspace Change Policy and confirmed that the team were waiting for a Government decision in relation to a specific change request submitted using the old approach. Mr Johnson confirmed that this was the only case that had arisen. Stakeholders had largely been well-prepared due to the early notice given to the industry and the awareness raised through the public consultation process. It was agreed on this basis that there was no concern that the new process would be unfairly judged generally by reference to one case.
14. Mr Johnson updated the Board on the DfT's work to develop its policy changes to the Air Navigation Order (ANO), which included policy relating to UAS regulation and the DfT's decision to introduce a drone registration scheme. Mr Johnson outlined the CAA's work in supporting the DfT, including developing system procurement options for the scheme. Mr Johnson confirmed that funding for this work was provided under Section 16.
15. Mr Haines informed the Board of the DfT's work developing the Aviation Strategy and encouraged Non-Executive members to attend the CAA PIE meeting in May where Dan Micklethwaite would be presenting, in order to learn more about this topic. The Board noted that a green paper was due to be released in the autumn and that the CAA would discuss the topic from an internal perspective at its awayday in June.
16. The Board congratulated Mr Moriarty and his team for the good progress made in repaying the Monarch ATOL claims, which is of great importance to the repatriation programme's overall success.
17. In response to a question from Dr Steel, the Chair confirmed that the CAA had commissioned a case study exercise from Cass Business School to ensure that it had its own record of the process and to fully capture the lessons learnt. Mr Moriarty noted that the Independent Review being led by the DfT would pick up broader government considerations, such as future repatriation funding options.
18. Mr Haines updated the Board following last month's discussion of Jet2's comments on the ADR process.
19. The Board noted the Supreme Court's refusal to allow Emirates permission to appeal an earlier court ruling that the airline must pay passenger compensation in

certain circumstances. It is thought that payments are now starting to be made and Mr Moriarty agreed to check what the status is.

Action: Richard Moriarty

20. Mr Moriarty provided an update on confidential work relating to an airline.
21. Mr Drissell informed the Board of the 'no notice' European Commission inspection that was carried out at Gatwick Airport this week. There were no current issues to raise and he expected to receive further feedback tomorrow.
22. The Board noted the report.

V. CAA OVERDRAFT/ TEMPORARY BORROWING FACILITIES AND CAA TREASURY POLICY, PRINCIPLES AND PROCEDURES (DOC 2018-019) BY CHRIS TINGLE

23. Mr Tingle outlined his request to the Board in relation to the CAA's existing Overdraft and Treasury Policy.
24. He informed members of ongoing work to finalise next year's budget and advised that, on the basis of current predictions, it would be prudent for the overdraft facility to remain available.
25. The Board agreed to the renewal of the current overdraft facilities and to the recommended revised approach for investment of funds.
26. The Board agreed to the recommended revised CAA Treasury Policy, Principles and Procedures and to the confirmation that only 'Panel A' signatories will be authorised to use the Accounts Payable and T&RE automated BACS system. Mr Ward suggested that Mr Tingle also ensure that he receives notice when these payments are made.

Action: Mr Tingle

27. The Board noted the report.

VI. UPDATE ON THE ECONOMIC REGULATION PROGRAMME FOR HAL AND SECTION 16 REPORTING UPDATE (DOC 2018-020) BY RICHARD MORIARTY

28. Mr Moriarty gave an overview of the paper, providing an update on the economic regulation programme and a preview of some of the key issues that will be covered in more depth in a subsequent report at the Board meeting in April.
29. Mr Moriarty noted that the next steps in the runway planning process would be key for the CAA and confirmed that the team would be continuing to work with the DfT over the next few weeks to prepare the final section 16 (s16) report.

30. Under external factors linked to the programme, Mr Moriarty clarified the details of the 'letter of assurance' that DfT was expected to ask the CAA for as part of its preparations for the Cabinet Sub Committee on expansion.
31. The Board noted the significant cost uncertainty at this stage of the project. Mr Moriarty confirmed, and the Board agreed, that the current range of uncertainty would need to be significantly reduced before any formal regulatory decisions could be taken.
32. The Board discussed the need to maintain an investment grade credit rating and Mr Gray highlighted the critical role cost of capital would play for its overall affordability. Mr Moriarty confirmed that there were no current requirements under the licence agreement to maintain investment grade ratings. The Board asked that this point be explored and included as a requirement, if current rules allow it.
33. The Board agreed that they supported the continuation of enhanced arrangements for Airport:Airline dialogue, to be included in more detail in April's paper.
34. Although the airport sector is less affected than other regulated sectors, the Board acknowledged the ongoing discussion regarding transparency of financial structures and dividend payments, which should be considered as part of the broader context for any related issues.
35. Mr Gray commented that the range of options being explored under affordability were encouraging at this stage.
36. The Board noted the report.

VII. BREXIT QUARTERLY REPORT (DOC 2018-021) BY TIM JOHNSON

37. Mr Johnson gave an update on work that the CAA is doing in preparation for the EU withdrawal, in the context of broader developments on this topic, including recent mentions of EASA by Prime Minister Theresa May and the draft transition agreement terms.
38. The Board noted that the final transition agreement was not expected to be fully ratified until between October 2018 and the end of March 2019. The current message from the DfT was for the CAA to continue its contingency planning activities for both the transition and post transition period, against all eventualities.
39. A brief discussion was held on potential transition agreement outcomes and what this could mean for the CAA's participation in agency discussions and decision making.
40. The Board noted that the team was looking at all dimensions of the current CAA relationship with EASA, to consolidate tracking of CAA contributions and help

maximise opportunities for future engagement. Dr Steel noted that this work would also be important for creating an audit trail of activities and outcomes.

41. The Board agreed with the approach to continue its full engagement with EASA and to work with the Government to support preparations and negotiations for the EU withdrawal.
42. The Board noted the report.

VIII. SAFETY AND AIRSPACE REGULATION GROUP (SARG) REPORT (DOC 2018-022) BY MR MARK SWAN

43. Mr Swan provided an update on key safety issues raised and recent incidents since the last meeting.
44. Mr Swan briefed the Board on recent incidents involving the S92 helicopter type. As a consequence of the incidents, changes had been introduced to the MoRs reporting approach, and further improvements were expected following further work on four 'big data' initiatives. He confirmed that the team was continuing its engagement with all operators and EASA on the topic.
45. The Board discussed the issue of S92 safety at length and agreed that the current mitigations were adequate at present. The Board stated that the CAA should continue to urge EASA to strengthen accountability for specific airworthiness checks and to consider whether repeated intrusive checks on the airworthiness of an aircraft or helicopter may have unexpected adverse effects.
46. Mr King suggested that additional work be done to look at vulnerability points (due to distance from landing areas) for North Sea helicopter journey routes and the extent of scrutiny given to both particular items of concern and the broader context in which concerns arise.
47. In response to a question from the Chair on the long-term sustainability of the North Sea helicopter market, Mr Swan confirmed that new models were beginning to come in with expectations that operators would have refreshed their fleets over the next year or so. From his experience chairing the last OHSAG meeting, Mr Swan confirmed that there continued to be no appetite to bring the EC225 back into service in the UK.
48. Mr Swan gave an update on ongoing work in relation to Trent engines. In line with previous updates he confirmed there were no safety concerns to report.
49. The Board noted that 3D printing is used for the manufacture of certain parts, allowed under the EASA production approval system. Mr Swan confirmed that a report relating to this practice would be provided to the Board next month.

Action: Mr Swan

50. Mr Swan informed the Board that Edinburgh Airport has bought the primary radar previously leased by NATS.

51. The Board noted the CAA's work in promoting the establishment of European drug and alcohol testing measures. Mr Swan reference the role the CAA had played in ensuring the success of this work and establishing the UK as a key promoter of the policy.

52. Mr King raised the recent CAA reports on airline seating allocations. He noted that there was also an important safety risk that could emerge in the case of an emergency if family members had been split up. Mr Moriarty confirmed that he would ensure that this aspect was acknowledged as part of further work on the subject.

Action: Mr Moriarty

53. The Board noted that the Space Industry Act 2018 was passed into law this week.

54. The Board noted the report.

IX. FINANCE REPORT (DOC 2018-023) BY CHRIS TINGLE

55. Mr Tingle reported the financial results for the 10 months to 31 January 2018, which indicated an overall positive result for the end of year. He noted that the variables reported were mostly as expected and that the breakdown included additional expenditure relating to CAA legal costs (Monarch repatriation) and accounting adjustments to Transformation Programme spending.

56. Mr Tingle confirmed the expected cash balance for the end of the year.

57. The Board noted the report.

X. NOMCO COMMITTEE REPORT (DOC 2018-024) BY THE CHAIR

58. The Chair briefed the Board following the recent Nominations Committee meeting.

59. She informed the Board of the request made to the Cabinet Office to employ a head hunter to carry out the recruitment of the new Board members as previously discussed and using a panel approach.

60. The Board noted that there was a risk that the first two new Non-Executives would not be able to be appointed by September given the lengthy process.

61. The Board agreed with the Chair's recommendation to the DfT to ensure that a CAA Board member participate in the interviews for her successor.

62. The Board noted the report.

XI. REMCO COMMITTEE REPORT (DOC 2018-025) BY DAVID GRAY

63. Mr Gray reported on the recent meeting of the Remuneration Committee.

64. The Board noted the report.

XII. ANY OTHER BUSINESS AND FORWARD PLANNING

65. Mr Medicott noted a correction in the forward agenda that the Board meeting in November would take place on the 7th (not the 6th).

Action: Secretariat

66. The Chair thanked members for their participation in the recent Board Review, the findings of which would be reported to the Board in April.

Date and Time of Next Board Meeting:

09:30, 18 April 2018, Aviation House