



**CIVIL AVIATION AUTHORITY**  
**MINUTES OF THE 512<sup>th</sup> BOARD MEETING HELD ON**  
**WEDNESDAY 18 OCTOBER 2017,**  
**BRISTOW HELICOPTERS, ABERDEEN**

**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  
Ms Kate Staples                Secretary & General Counsel  
Mr Peter Drissell

**Apologies:**

AVM Mike Wigston

**In Attendance:**

Mr Tim Johnson  
Mr Richard Stephenson  
Mr Keith Richards              for item 5  
Mr Ed Weston  
Ms Angela Lynch                Minute taker

**I. APOLOGIES**

1. There were apologies from AVM Mike Wigston due to prior commitments.

**CONFLICTS OF INTEREST, PREVIOUS MINUTES, AND MATTERS ARISING**

2. Mr Gray and Mr Ward recused themselves from any discussion relating to Monarch and the Board agreed they would step out of the meeting for the relevant part of the Chief Executive's update.
3. The minutes of the last Board meeting were approved with no matters arising.

## **II. CHAIR'S UPDATE**

4. The Chair informed the Board of recent key activity, which focussed on the repatriation of Monarch passengers.
5. The Chair gave a brief update on her latest meeting with Lord Deighton, Chair of HAL where the key topics discussed included HAL's delivery priorities and the ongoing dialogue with airlines regarding the scheme design and costs for additional runway capacity.

## **III. CHIEF EXECUTIVE REPORT (DOC 2017-074) BY ANDREW HAINES**

6. Mr Haines updated the Board on key meetings and live issues. The Board noted the recent media coverage relating to the CAA's response to Ryanair and subsequent monitoring that was being done to ensure its continued compliance with requirements. Mr Swan stated that as previously observed, he was unaware of any current safety concerns and the team was continuing to engage with the relevant authority and business representatives as appropriate. Mr Swan confirmed that the IAA's monitoring of the situation included ensuring pilot shortages did not have knock on effects, such as leading to premature promotion of pilots.
7. The Board noted the Court of Appeal's recent ruling against Emirates regarding passenger compensation rights.
8. Mr Haines highlighted the work carried out by CAAi to improve safety standards in Thailand. The Board formally commended the International Group for the highly significant success of the work. It was hoped this will lead to further opportunities to do good work in the region.
9. Mr Johnson updated the Board on the final stage of the major review of airspace change process, highlighting that the final version of the consultation had been updated following feedback from stakeholders. On the back of this and to provide maximum clarity, tailored versions would be distributed to the relevant parties. The final guidance would be published in November with the interim portal expected to go live from January.
10. The Board received an update on the process being followed in relation to each of Monarch's licences. As the aviation regulator the CAA was required to decide what should be done in relation to Monarch's licences, in particular the Operating Licence and the AOC, both of which were necessary in order to operate an airline. It was noted that with regards to its slots, all decisions would be made independently by the ACL.

11. Mr Swan updated the Board on a series of partial fan blade failure events, which had been noted by the safety team, leading to a 'deep dive' exercise. The results of this would be reported to the Board in due course.
12. Mr Swan noted there was an ongoing investigation relating to engine icing events, which would be reported on in further detail next month.
13. In response to a question from the Board, Mr Swan confirmed that current resourcing levels in SARG were felt to be adequate and that the contingency time factored into individuals' workload at the start of the year was helping to ensure core activity was maintained, whilst also allowing them to be better able to deal with pop ups.
14. Relating to CAAi's overseas work, Mr Haines confirmed that outstanding payments would be received for work done before substantive new projects with the same client would be undertaken.
15. Mr Tingle noted that work was progressing under the Resource Scheduling project, with four out of five of the live testing periods ('Sprints') having been completed.
16. The Board noted the report.

#### **IV. CONSUMER PANEL ANNUAL REPORT (DOC 2017-075) BY THE CONSUMER PANEL**

17. The Board welcomed the Consumer Panel Chair, Mr Richards, to present the Panel's annual report for 2016/17.
18. Mr Richards informed the Board that the Panel had observed a growing amount of public trust in the CAA's role to protect consumer rights. He cited recent high profile topics which had underlined this role, such as the Monarch repatriation programme and CAA's response to Ryanair's position on compliance with consumer law.
19. The Panel welcomed the CAA's recent work both on the Committee on Standards in Public Life's report on regulatory independence and on establishing its new Ethics Policy, which had been completed well and in a timely manner. As the CAA had acknowledged, this work was necessary but not sufficient to guarantee the CAA's independence from those it regulates. Mr Richards confirmed that the Panel had no evidence that the CAA was not demonstrating its regulatory independence, but this was an issue that all regulators had to keep under constant review. The Panel would like the CAA to consider whether any further steps in this area are justified including, for example, how to communicate its understanding of the consumer's 'voice' and how the CAA makes decisions on consumer issues. Mr Richards noted that the Panel and CAA research teams would be able to help with this.
20. The Panel commended the CAA's high profile reporting of the extent to which airports were complying with Passenger Reduced Mobility (PRM) requirements. In particular,

Mr Richards expressed support for the contribution the work had made to increasing standards in the sector; and which was based on a real understanding of passenger experiences.

21. Mr Richards highlighted the 2012 Civil Aviation Act information duties as one of the areas where the CAA could be much bolder by taking further steps to ensure more information is placed in the public domain that would help consumers make informed choices.
22. On the subject of resourcing of safety regulatory activity, the Board noted that the CAA ring-fenced core regulatory activity and could demonstrate how it allocated resource on the basis of risk. The CAA undertook frequent examination of this allocation with individual staff 'costed out' as part of the annual budget and scheme of charges process. Mr King noted that the Board regularly discussed resourcing, ensuring that this topic was kept under review by the Board as well as relevant senior management.
23. Mr Richards emphasised that the Panel had not reviewed the resourcing of CAA's safety regulation function, and that the Panel's annual report would make this clear. It had noted that a proportion of consumers had previously said they would like to receive more information on safety. Mr Swan advised Mr Richards that this was a request the team was aware of and that the CAA's annual safety report would be released shortly that would help to achieve this.
24. In response to a question from the Board as to what the Panel would like to see the CAA do next year, Mr Richards said it would like increased level of regulator-consumer contact on topics beyond consumer protection. Following the successful introduction of ADR, it would support further work to explore other regulatory approaches to promoting consumer interests beyond what is set out in legislation. He suggested the Board might consider appointing one of the existing non-executive members as a 'champion' for consumer issues. This has been done by other regulators and would support the work of the Chair, who was already showing considerable leadership in this area.
25. The Chair thanked Mr Richards for his service to the Panel, recognising that this would be his final appearance before the Board, and wished him success in his future endeavours.

#### **V. ECONOMIC REGULATION OF CAPACITY EXPANSION AT HEATHROW (DOC 2017-076) BY RICHARD MORIARTY**

26. Mr Moriarty introduced the paper that outlined how the CAA would initially approach developing its thinking on the cost of capital and the approach to financeability. It

included a draft report completed by external consultants setting out some preliminary thoughts on the cost of capital.

27. The Board discussed the importance of this topic for the delivery of capacity expansion and the twin aims of achieving a package that is both commercially financeable and affordable. It was also important for the CAA to think very carefully about how it approached this issue publicly given its sensitivity.
28. The Chair noted that different stakeholder interests would mean that there was unlikely to be an agreement on the figures, and was right for the CAA to show the range given the uncertainty involved at this early stage. It was noted that the numbers would likely change given final decisions were not required for some time. This presented a handling risk; but this risk needed to be set against the need to have initial views to start the conversation with the industry and inform the CAA's final section 16 work for the Secretary of State. On balance the Board favoured the approach recommended which is to start the discussion by issuing the external consultant's report between December 2017 and February 2018. The Board delegated final decision on when to release the report to Mr Haines and Mr Moriarty.
29. The Board noted that this topic was also being explored by other economic regulators and the CAA was willing to work with them in future where this was possible. Support for this collaborative approach is in line with previous requests from investors and HMT. The CAA has already asked Ofwat colleagues to undertake a peer review of the external consultant's report in line with the UKRN practice. It would also ask UKRN's retained cost of capital/finance adviser to review the report.
30. The Board requested that the final paper acknowledge the key importance of the cost of capital figures to this project, the reason for this and the robustness of CAA processes to reach a satisfactory conclusion.
31. The Board discussed the use of RPI within the report. Although it was acknowledged that some regulators had chosen to move away from this measurement, it remains a valid approach for this report with the UK's RPI-linked debt market well-established.
32. The Chair highlighted the importance of the CAA continuing to use a variety of assurance types to mitigate the risk of aligning itself to any one approach before all options had been explored. She approved the inclusion of a clear statement on the link between financeability and cost of capital, and asked that the foreword include a stronger emphasis on the fact that the figures would change as the project developed (not least due to external market factors).

**Action: Mr Walker/ Mr Moriarty**

33. The Board approved the report.

## **VI. SAFETY AND AIRSPACE REGULATORY GROUP (SARG) SAFETY ISSUES REPORT (DOC 2017-071) BY MARK SWAN**

34. Mr Swan provided an update on safety issues, informing the Board of key live issues and recent events since the last meeting.
35. On the topic of resourcing (briefly mentioned earlier in the meeting) Mr Swan confirmed that the department was on track, including in the area of Flight Ops.
36. He highlighted that although not a new topic, there was a significant interest in wind turbines and that the CAA would keep working with industry to follow up on developments.
37. Mr Swan briefed the Board on the application that had been received from Martin-Baker for permission to create a safety case for resuming live firing of ejection seats on their UK range (they currently perform testing overseas). The decision would be made purely on the basis of safety operations, although it was recognised there were wider considerations being discussed in the community and in line with business interests. Mr Swan would visit the local area in order to establish a full picture.
38. In advance of next month's discussion, Mr Swan provided a short brief on the safety assurance session with Cranfield University. He confirmed that members would receive the draft report as soon as it was available for circulation, to enable the Board to properly digest it. Mr Haines confirmed that the final version would be distributed widely across the organisation to enable staff to use it as a tool for learning. Mr Swan said that the topics covered by the draft report were largely as expected and that it included areas where considerable work had already been carried out.

**Action: Mr Swan**

## **VII. REPORT FROM THE AUDIT COMMITTEE (DOC2017-078) BY GRAHAM WARD**

39. Mr Ward reported on the key issues covered in the latest report from the Audit Committee.
40. He confirmed that it was too early to report on the new external auditors' work but that the Board would receive an update in due course.
41. The Board noted the report.

## **VIII. FINANCE REPORT (DOC2017-079) BY CHRIS TINGLE**

42. Mr Tingle reported on the findings for the first five months of the financial year, which showed the CAA to be ahead of budget. He commented that there were risks relating to CAAi income and from the recent Monarch repatriation work, but the overall outlook was generally good. So far the CAA had met its vacancy factor target and had benefited from upside factors, such as the successful sublet of space in CAA House.

43. Mr Moriarty confirmed that cross charges relating to Monarch repatriation flights were being worked out with the DfT, ensuring all costs incurred were correctly accounted for. Mr Haines confirmed that although the staff's temporary need to focus on Monarch had caused a knock-on delay to some of the CAA's non-core activities, no real budgetary hit was expected to arise as a result.
44. Mr Tingle confirmed that more detailed conversations were taking place on asset life (depreciation) following initial review of ATOL and CRM systems.
45. The Board noted that a scheme of charges discussion would take place next month and ahead of that the Financial Advisory Committee would meet to give industry a first look at costs for next year.
46. The Board noted the report.

**IX. ANY OTHER BUSINESS AND FORWARD PLANNING**

47. The Chair asked Board members to note that the November meeting would include a Meet the Board session with CAA staff, as well as engagement with representatives from the Community Discussion Forum.

**Date and Time of Next Board Meeting:  
15 November 2017 at Aviation House, Gatwick**