

**CIVIL AVIATION AUTHORITY
MINUTES OF THE 484th BOARD MEETING HELD ON
WEDNESDAY, 15 APRIL 2015,
EARHART ROOM, CAA HOUSE, LONDON**

This document contains sensitive information and should not be distributed further without the approval of Board members or the secretariat. Any printed copy should be kept secure.

Present:

Dame Deirdre Hutton	Chair
Mr Andrew Haines	
Mr David Gray	
Mr Michael Medlicott	
Mr Iain Osborne	
Mr Mark Swan	
Mr Richard Jackson	
Mr Graham Ward	
Mr David King	
AVM Richard Knighton	
Miss Chris Jesnick	
Mrs Kate Staples	Secretary & General Counsel

In Attendance:

Mr Peter Drissell	
Mr Richard Stephenson	
Ms Manisha Aatkar	
Mr Peter Gardiner	
Mr Ian Russell	Minute taker
Mr Geoff Parker	For item V
Dr Sally Evans	For item V
Mr Rob Bishton	For item V
Mrs Sarah Hill	For item VI
Mr Dan Edwards	For item VIII & X

Ms Panagiota Pantazopoulou	For item VIII
Mr Stephen Gifford	For item IX
Mr James Wynn-Evans	For item IX
Mr Rob Toal	For item IX
Mr Peter Fiddy	For item XIV
Mr David Elbourne	For item XIV
Mr Jeff Butler	For item XV
Mr Mike Webb (AON)	For item XV
Mr John Cockerton (Towers Watson)	For item XV

I Apologies

1. No apologies were received.

II Previous Minutes and Matters Arising

2. The minutes of the March Board meeting were approved.

III Chair's Update – by Dame Deirdre Hutton

3. On behalf of the Board the Chair extended her thanks to all those who worked tirelessly to get CAA House re-opened following the Holborn fire.
4. The Chair provided a synopsis of her attendance at an International Dialogue on Regulatory Excellence conference at Penn University. During the conference the Chair had delivered a keynote speech and reflected on how in North America similar community engagement issues are occurring in relation to fracking that the UK is seeing in relation to airspace change.
5. The chair briefed the Board on her meeting, along with Mr Haines and Mr Osborne, with John Kingman, second permanent secretary at HM Treasury. The Chair explained how common interests were found in relation to the importance of airspace modernisation and the financing of any future airport capacity.
6. The chair updated the Board on a meeting with Lucy Chadwick, Director General of International, Security and Environment Group of the DfT. The main matters discussed were how DfT will look for CAA input into their work following the publication of the Airports Commission final report.

IV. Chief Executive's Report - Doc 2015-036 by Andrew Haines

7. Mr Haines asked the Board for approval of a resolution detailing amendments to the Memorandum and Articles of Association of Air Safety Support International (ASSI). The changes consisted of: including security regulation functions in clause 3 (1) and (5) of ASSI's Memorandum of Association to take account of ASSI taking on responsibility for the oversight of aviation security in Overseas Territories; and in clause 4.1 of ASSI's Articles of Association substituting the requirement for six directors to five directors and removing the requirement for non-executive directors to consist of one nominated by the Secretary of State for Transport, one nominated by the Foreign Secretary and two nominated by the Governors of Overseas Territories (acting together). **The Board approved the resolution.**
8. Mr Haines updated the Board on changes to the staffing structure of DfT. This would see an additional director being appointed with responsibility for airport capacity expansion.
9. Mr Haines asked Mr Swan to provide a oral update on the latest situation regarding the G-SPAO – EC135 Glasgow helicopter incident following sight of the draft AAIB report submitted to the CAA. Mr Swan explained that the head of flight operations (Rob Bishton) had met with the AAIB and would provide a written report to the Board detailing the CAA response to the AAIB and the work programme the CAA is developing on onshore helicopter safety.

Action: Mr Swan
10. The Board asked for the latest position on Sherriff Payne's (Senior Coroner for Dorset) Prevention of Future Deaths (PFD) Report in to the death of Richard Westgate, a former British Airways pilot. Mrs Staples explained that at the first pre-inquest hearing on 25 March the CAA had invited the Coroner to withdraw his report because he had not sought the CAA's views before reaching his conclusions, which indicated that his decision was legally flawed. Although the Coroner did not withdraw the report, Mrs Staples explained that the Coroner stated that it would be acceptable for the CAA's response to the PFD report to reiterate the position outlined in its earlier correspondence to him.
11. In relation to the EASA commissioned research on cabin air quality, the Board asked what the timescale for reporting the findings will be. It was reported that findings should be available within 20 months.

12. Having not been a Board member when Remote Piloted Aircraft Systems were discussed by the Board, AVM Knighton requested a briefing on the subject.

Action: Mr Haines

13. The Board noted the status of the Transformation Programme and how elements of the programme's delivery had regressed. The Board requested that the overall programme status indicator be removed because this was not helpful in understanding programme status; and instead requested a monthly visual barometer of progress for each project to be included in Mr Haines' Board report.

Action: Mr Haines

V Update on Germanwings incident - Doc 2015-044 – by Mark Swan

14. The Chair explained to the Board the importance of waiting for the findings of the French accident investigator's report in to the Germanwings incident before reaching final conclusions. Mr Swan then provided an update on CAA action since the incident.
15. Mr Swan also updated the Board on the work being undertaken by the CAA to encourage drug and alcohol testing for safety critical aviation staff. Mr Swan explained that in Europe this was not mandatory, although some airlines do carry out their own testing regimes. Mr Haines also informed the Board that he would participate in an EASA working group, chaired by Patrick Ky (Executive Director of EASA), which would be looking at drug and alcohol testing across Europe. The Board welcomed this, and gave their support for action that would see the introduction of widespread drug and alcohol testing in the UK.
16. In this context, Dr Evans briefed the Board on the CAA oversight of Aero Medical Examiners. Mr Haines explained that there would be a further discussion at the Board on the outcome of the CAA's medical review consultation.
17. The Board welcomed the briefing and noted that from next month the current safety risks identified from the CAA Safety Advisory Group would be included in the SARG report. It was also agreed that a future PIE session could be used to focus on the key safety risks being identified across the CAA, as well as on those work areas where more work could be done to build the CAA's knowledge of safety risk.

VI International Regulatory Strategy and Engagement Annual Review of 2014/15 and prospects for 2015/16 – Doc 2015-044 by Iain Osborne

18. Mrs Hill presented a synopsis of the paper, which considered the work that had taken place on international regulatory strategy and engagement and the priorities for the year ahead. She highlighted how the last year had seen a number of changes in key institutions in the EU such as the European Parliament and EASA. She reported that progress had been slow on some of the key dossiers such as SES+2 and the Denied Boarding and Compensation Regulation. Mrs Hill explained that for the year ahead the key priorities that the CAA would need to exert influence upon would be: the Commission's Aviation Package, the changes to the EASA Basic Regulation, progressing the SES+2 proposal, reviewing the Denied Boarding and Compensation Regulation, the Commission's work plan on RPAS, and introducing performance based regulation to any EASA work on security and cyber security.
19. The Board discussed the skills base that the CAA possesses in terms of influencing on the international stage and concluded that on technical issues as well as at more senior negotiating level, the CAA has appropriate resource. Secondments to international institutions were noted by the Board as being useful in helping to engage internationally, but it was also noted that these are resource intensive.
20. The Board noted that there is no European wide forum for national aviation authorities to seek intelligence or to learn the negotiating positions of different states on key policies. Mrs Hill explained that many national aviation authorities are members of ECAC¹ - which consists of the Director Generals of each member state. In the UK the DfT is the nominated member, which limits the CAA's ability to make use of this very useful forum. The Board suggested that the CAA consider closer integration in to this group via a discussion with DfT.
21. The Board also requested a gap analysis of where the CAA has limited or no contact or engagement on key policy areas – to be included in the next annual report – as well as further consideration of how the CAA can better network across European states.

¹ European Civil Aviation Conference

Action: Tim Johnson

22. The Board approved the priority areas for engagement outlined by Mrs Hill for the year ahead.

VII. Draft CAA Group Budget 2015-16 – Doc 2015-048 by Chris Jesnick

23. Miss Jesnick outlined the salient points of the draft CAA Group Budget for the financial year 2015 – 16. She explained how the budget meets the key performance indicators set out in the CAA Strategic Plan for: rate of return; employment cost savings; positive reserves; and positive cash. However, Miss Jesnick briefed the Board that to remain within the draft budget, stringent management of the cost base and the benefits realised from the Transformation Programme would be required. She added that due to the challenges faced in the Transformation Programme some of the pressures on cash reserves might be alleviated if parts of the programme are delayed. It was also noted that the merger of CPG and MCG² which had not been accounted for in the draft budget, would also likely see a positive contribution to cash flow due to the efficiencies that merging two groups should bring.
24. The Board welcomed the draft budget and accepted that with major transformation underway accuracy of forecasting would be difficult. The Board asked which forecast assumptions were the most stretching. Miss Jesnick stated that pitching the realisation of benefits and transfer of staff to the Shared Service Centre; timing of CGI costs; and lag times on recruitment were the areas with the highest degree of uncertainty. The Board were also informed that the further FTE savings required in 2015/16 will need to be carefully managed to prevent any loss of service to customers.
25. The Board requested a phased cash flow be included in the monthly finance report.

Action: Miss Jesnick

26. **The Board approved the CAA Group Budget for 2014/15.**

² Consumer Protection Group & Markets and Consumers Group

VIII Strategic Plan 2016-21: Identifying our future goals – Doc 2015-039 by Iain Osborne

27. Mr Osborne described to the Board the process for creating the new CAA Strategic Plan for the period from 2016 to 2021. He steered the Board to consider two fundamental points: the need to get absolute clarity on whom the CAA should be protecting and the scope and extent of the CAA's international work. Mr Edwards presented the paper and described how the Plan would be developed by an iterative process, whereby the Board would have regular input to the direction that the Plan was taking.
28. The Board discussed whether the CAA could define a common purpose or whether the breadth and diversity of the CAA's responsibilities would make this too difficult to be of use. The Board advised that in the current paper the approach to defining what people want had merits. However, the Board recommend phrasing the issue as 'what's in the consumer's interest' because the CAA has a range of functions designed to protect the consumer even if they do not realise they need protection. The Board also suggested that under CVFT³ there was a missing need: the need for the absence of unfair competition.
29. In relation to the current suggested wording of the common vision, some of the Board members felt that without additional explanatory text, there could be a risk of lack of clarity amongst CAA colleagues. This was accepted, and attempts would be made by the project team to keep a succinct common purpose that was clear and required no further explanation.
30. As regards those whom the CAA protects, the Board requested that although the CAA have legal obligations to protect some consumers e.g. consumers in UK airports and airspace, it does not mean that there should not be an ambition to protect more fully such as UK consumers on non UK airlines. The Board requested that the Strategic Plan should include a hierarchy of ambition in relation to those the CAA aims to protect and use the risk principles to determine the level of ambition.

³ Choice, Value & Fair Treatment

31. On the draft tier 1 risks, the Board suggested re-ordering the risks, to include as the first risk the impact, then as a secondary risk the impact on consumer confidence if a risk is realised and becomes an issue. The Board also suggested that the financial effect from a risk being realised under CVFT should include both personal financial loss to the consumer as well as economic loss to the country. On the effect of the Environment risk, the Board recommended adding in poor decision making.
32. The Board agreed that the CAA cannot balance the needs of all users in relation to the environment, with that being a task for Government, because the CAA has no statutory environmental duty. However, the Board agreed that by performing its given functions the CAA could contribute to a sustainable aviation framework and that the wording of any environment objective should reflect this, including an advisory role.
33. The Board favoured a more thematic approach to the Better Regulation objective but asked for this to be reconsidered after the General Election to take account of the new Government's position on better regulation. This would ensure that the CAA is aligned with Government policy.
34. The Board requested that a more detailed conversation be held on the proposed revised wording of the safety objective to ensure that the level of ambition is appropriate.
35. The Board requested that more discussion was yet needed to articulate what the level of ambition should be in the Strategic Plan.

Action: Mr Osborne

36. Mr Edwards concluded by saying that the points made by the Board would be incorporated in revised documents and at the May Board meeting the Board would be asked to discuss papers on horizon scanning and the key themes and challenges to be included in the Strategic Plan.

IX Initial proposals on modifications to NATS (en route) plc licence in respect of governance and ring fencing – Doc 2015-040 by Iain Osborne

37. Mr Osborne briefed the Board on a proposal to consult on proposed changes to the NATS (En Route) plc (NERL) licence in relation to the governance and ring-fencing arrangements of the NERL Board. He outlined how the CAA was proposing to publish proposals in a six week consultation, with a number of

changes that would bring more clarity to NERL's governance arrangements, along the same lines as many other regulated entities. In relation to ring fencing, these changes would consist of a package of changes to procedures and rules for annual directors' resource certificates and statements, and the maintenance of an intervention plan to assist special administrators in the event of insolvency. On governance, the proposal would be to mandate the appointment of two independent directors to the NERL Board. However, this requirement could be suspended if the CAA were satisfied that broadly equivalent protections had been put in place by NERL. Mr Osborne advised the Board that if the proposed modifications were not agreed with NATS the matter could be referred to the Competition and Markets Authority for adjudication.

38. The Board agreed with the proposals on improving ring fencing. The Board also accepted that there was a need to bring the NERL governance arrangements up to current regulatory best practice so that the appropriate checks and balances can be made by the NERL Board. The Board were not content with the proposition that there could be equivalent protections offered in lieu of independent non-executive directors. Equivalent protections would be difficult to monitor and so would do little to provide the satisfactory assurance that the CAA is seeking. Therefore, the Board rejected this option and wanted the CAA to continue with a position of mandating the appointment of independent directors to the NERL Board. The Board questioned whether two independent directors would be enough, and agreed that this could be a matter to be consulted upon. The Board also recommended that the independent directors be given a direct line of communication to the CAA to raise any issues of concern. The Board approved the consultation subject to the changes discussed, and to appropriate briefing of DfT and HM Treasury.

X Risk Case Study: principles applied to a 'live' Board paper - Doc 2015-041 by Iain Osborne

39. Mr Edwards explained to the Board that following a series of risk case studies at previous Board meetings and at the Board's request, a case study had been developed applying the risk principles to a 'live' Board paper. He outlined how a decision tree had been developed to aid colleagues in applying the risk principles and that this had been used in the preparation of Board paper 2015-

040: Initial proposals on modifications to NATS (en route) plc licence in respect of governance and ring fencing.

40. The Board confirmed that the governance and ring fencing paper had been clearly set out with the risks clearly identified. It was noted that having the risks in place had enabled the Board to make a decision based on the options presented.
41. The Board also agreed that the application of risk principles would make it easier for colleagues to set out a clear problem statement in papers and gauge the degree of risk that their work seeks to minimise for consumers. This is difficult for colleagues working in more narrow, technical areas because they do not have the exposure to the broader political and strategic aviation landscape. The Board encouraged the Board secretariat to work with colleagues to ensure that clear problem statements are brought out in Board papers and that the Board are given the opportunity to shape these problem statements earlier in the development of work.
42. The Board requested an update on risk in six months time.

Action: Mr Osborne

XI Safety and Airspace Regulation Group (SARG) report – Doc 2015-043 by Mark Swan

43. Mr Swan explained to the Board that SARG were awaiting the final report from the AAIB on the incident involving a Loganair Saab 2000 aircraft in December 2014. Mr Swan then briefed the Board on the Loganair crew supply chain audit that the CAA had undertaken in February. Mr Swan informed the Board that he would provide a written update on the outcome of the full audit undertaken on Loganair between 24-26th March.

Action: Mr Swan

44. Mr Swan briefed the Board on the high attitude recovery simulator check that he was going to undertake in conjunction with easyJet, with a view to spread this good practice to other airlines via the Flight Operations Liaison Group. The Board discussed the current pilot training syllabus and whether it provides sufficient coverage of high attitude recovery.

45. Mr Swan reported that the Board would receive a further update at the May Board meeting on the EASA investigation into a lightning strike on a British Airways aircraft.
46. Mr Swan provided the Board with a summary of the General Aviation (GA) event held at Duxford. Despite an overall very positive set of discussions, he explained that there was considerable criticism of the current airspace change process and that it was perceived that the GA community were losing access to airspace. Mr Swan also explained that the airspace change process is being fundamentally reviewed and the Board would be engaged in due course on the matter.

XII Colleague engagement and culture - Doc 2015-045 by Manisha Aatkar

47. Ms Aatkar explained to the Board that this work was the follow up to the Board Effectiveness Review that recommended a separate culture survey be commissioned. Ms Aatkar explained that a number of questions had been included in the 2015 Colleague Engagement Survey and as a result of this the HR department had concluded that that a separate culture survey was not necessary and would create survey overload for colleagues. The Board agreed with this.

XIII Report from the CAA Audit Committee - Doc 2015-046 by Graham Ward

48. Mr Ward briefed the Board on the Audit Committee meeting held on 17th March. He outlined that the main points of discussion was the progress of the Transformation programme; the review of the Audit Committee activity and performance report; and the Deloitte Board review's impact on the Audit Committee's terms of reference.
49. In relation to the Deloitte Board Review recommendations, he outlined that the recommendation to operate a combined audit and risk committee was not accepted because risk remains the responsibility of the Board. However, he noted that the Audit Committee will continue to monitor risk, particularly tier 3 risks. The Board agreed with this position.
50. Mr Ward explained that there was a recommendation to share horizon scanning outcomes with major industry stakeholders, through a conference or forum. The Board agreed that the principle of this should be supported, but

determining the best way of undertaking this would need further consideration. The Board asked ExCo to consider further and bring back to the Board.

Action: Mr Haines

51. **The Board approved the Audit Committee activity and performance report.**

XIV AvSec Quarterly Report - Doc 2015-047 by Peter Drissell

52. Mr Drissell presented his report and brought to the Board's attention that AvSec had now been part of the CAA for one year. He explained that as agreed immediately after the transfer date, he had used the same reporting metrics to aid comparability.

53. The Board requested that for future reports more narrative be provided on live issues.

Action: Mr Drissell

XV Finance Report - Doc 2015-049 by Chris Jesnick

54. Miss Jesnick presented her report. She reported that the position on the CAA Group forecast loss of £379K was now looking more favourable and would be closer to break even.

55. Miss Jesnick reported to the Board that the CAAPS⁴ Trustees had approved the move from using the retail price index (RPI) to using the consumer price index (CPI) for indexation on future service, starting in June 2015. Staff would be notified on 20 April.

XVI Live issues and monthly reports

RPG Live Issues – Doc 2015-033 by Mr Osborne

56. The Board pointed out ambiguous drafting in the Aviation Market Monitor report that suggested Finnair was a subsidiary of US Airways, which is not the case. The report also referenced the Competition Act Investigation and the Board asked for an update on how this is being communicated to CAA staff and the public.

Action: Mr Osborne

CPG Live Issues – Doc 2015-023

57. The Board noted the report.

⁴ Civil Aviation Authority Pensions Scheme

CCD *Live Issues* – Doc 2015-024

58. Mr Stephenson brought to the Board's attention the publication of the CAA's decision to create an Alternative Disputes Resolution process.

XVII Any other Business & Forward Planning

59. There was no other business.

Date and Time of Next Board Meeting: 20 May 2015, at 09:30am, Conference Room 1, Aviation House, Gatwick