

CIVIL AVIATION AUTHORITY
MINUTES OF THE 514th BOARD MEETING HELD ON
WEDNESDAY 20 DECEMBER 2017, CAA HOUSE

Present:

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

In Attendance:

Mr Tim Johnson
Mr Richard Stephenson
Mr Matt Buffey For item VI
Mr Peter Hammond For item V
Ms Angela Lynch Minute taker
Mr John McColl For item VIII
Mr David Oastler For item VII
Mr Pedro Pinheiro For item VIII
Mr Ed Weston

I. APOLOGIES

1. There were no apologies.

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 Board meeting were approved, subject to a minor correction in paragraph 69.

4. There were no matters arising.

III. CHAIR'S UPDATE

5. The Chair informed the Board of recent meetings and key events, including update meetings with DfT Permanent Secretary Bernadette Kelly, Minister for Aviation Baroness Sugg and Lucy Chadwick (DfT). Topics discussed included insolvency legislation, ongoing HAL investor discussions, and compensation enforcement powers.
6. Baroness Sugg would spend a half day at CAA House at the end of next month, providing the Chair and other colleagues with a good opportunity to brief her more thoroughly on key issues.
7. The Chair reported on her recent meeting with Which?

IV. CHIEF EXECUTIVE REPORT (DOC 2017-087) BY ANDREW HAINES

8. Mr Haines updated the Board on key meetings and live issues.
9. The Board approved the specifications for air navigation services as circulated in the report and in accordance with the provisions of Chapter 4 of the Transport Act 2000.
10. The Board noted the ASSI Business Plan and Budget. Ms Staples confirmed that interviews for the new ASSI Chair had now been completed with a potential candidate identified.
11. The Board noted the report on NERL service resilience obligations and agreed to delegate final sign-off of the licence modification to Mr Haines.
12. Mr Moriarty and Mr Haines reported on the recent HAL stakeholder dinner. Cost of Capital dominated the discussion with some attendees raising the concern that the CAA's range, as set out in its consultation document was too low.
13. The Board thanked Mr Ward and Mr Gray for their further work in relation to Monarch related hearings.
14. The Board discussed DG MOVE's response to the Monarch slots sale, which DfT would formally respond.
15. Ms Staples provided a brief update on Shoreham work, which GAU colleagues were supporting well. Several workstreams were underway, including consideration of potential regulatory action.
16. Ms Staples confirmed that the inquest hearing was expected to take place in September 2018 and a further update would be provided to the Board in February.
17. Mr Haines noted that Portfolio Delivery work was beginning to see an increase in tangible results. Significant progress had been made with the launches of AvStats,

Windows 365, e-licensing and the online ATOL platform. The Board will receive a full update in January.

18. Mr Haines gave an update on the Voluntary Industry Resilience Group, which had been set up to address key issues relating to network congestion and will publish a report on its work early next year. Overall the CAA found the group's members in agreement on taking some action but it is still uncertain how heavily they will be willing to invest in more comprehensive moves. Suggestions of creating centralised functions to manage issues (e.g. a single systems operator) were not welcomed by the Group though they recognised that such roles might be inevitable if punctuality deteriorated quickly.
19. The Board noted last week's snowfall at HAL, which although handled relatively well had resulted in considerable delays for Terminal 5. DfT has noted a general shortage of de-icing fluid nationwide (not limited to aviation) and is investigating the issue further. AVM Wigston confirmed the RAF has also been checking their contingency plans and readiness to deal with related issues.
20. The Board noted with concern the Which? Report findings that ranked BA poorly for customer service, given its previous high performance.
21. The Board congratulated Mr Stephenson and his team for their recent successes at several prominent communications awards events for work done on drone education and Monarch campaigns.
22. The Board noted the report.

V. CAA 2020 ACCOMMODATION PROJECT UPDATE (DOC 2017-088) BY CHRIS TINGLE

23. The Board welcomed Mr Hammond to the meeting. Mr Tingle provided an overview of progress made, including completion of phase one of the staff consultation and the creation of a shortlist of properties.
24. The Board noted that the staff survey on working preferences had achieved a high rate of response and that they had generally expressed positive views regarding considering new flexible ways of working. Redundancy expectations arising from the relocation were low and there is no risk perceived to CAA critical functions. Directors are aware of staff that could be affected and are working directly with individuals and HR to consider options.
25. Mr King remarked on the findings of the survey, which indicated some lack of trust with management. This had been noted elsewhere in response to similar broader comments.

26. Mr Hammond briefed the Board on the process of creating the final shortlist of properties, describing how they compared against the criteria approved by the Board in July. The team had ranked the shortlisted properties based on this assessment. It was noted that, owing to external considerations the amount of space required had been increased, which had ruled out one of the earlier proposed property options.
27. Mr Hammond confirmed that the team had received property market advice from external experts to inform their choices and the process. The team's strong preference was to have signed Heads of Terms by January. Mr Tingle confirmed he had allowed for only a small amount of slippage within the timeline, in line with commitments made to inform staff of a decision by the end of March 2018 and the timescales to complete an orderly exit from CAA House. From the perspective of space, contingency plans would allow for a short-term reallocation of London based staff to Gatwick if no property were found, but it would be very sub-optimal. The Board agreed to the proposed timeline.
28. It was agreed that a "minded to" decision on location would be agreed by the CEO Designate (Mr Moriarty) and the Chair, who would circulate it to the Board. The Board would be given a short turnaround time to provide their comments and reach final agreement.

Action: Mr Moriarty / Chair

29. The Board noted the report.

VI. ANNUAL REVIEWS FOR THE CONSUMERS AND MARKETS GROUP AND CONSUMER ISSUES PANEL (DOC 2017-089) BY RICHARD MORIARTY

30. The Board welcomed Mr Buffey to the meeting. Mr Moriarty reported on the performance and key projects carried out by the CMG directorate over the past 12 months as detailed in the report.
31. Mr Moriarty briefed the Board on the key challenges the group had experienced including embedding the new ATOL online platform, which would continue into the New Year. He reported that the work was now being much better coordinated between the project team and CMG team members.
32. Under ATOL insolvency protection and airline licensing activities, Mr Moriarty highlighted that contingency plans were being reviewed. They would be updated, incorporating lessons learnt from the Monarch programme. It was noted that the success of the Monarch programme should not cloud the risks associated with repatriation following major airline failures.

33. Mr Moriarty told the Board that a chair for the Government's Review of airline insolvency was expected to be named in the New Year.
34. Mr Moriarty briefed the Board on the main strengths, weaknesses and opportunities for CMG. He noted that there were opportunities to develop the responsibilities of existing staff and to work more closely with other departments on cross-cutting issues relating to consumer rights.
35. The Board discussed non-compliance of airlines relating to consumer rights. The CAA had been exploring a range of innovative ways of addressing non-compliance including ongoing use of a reputational regulation. This had been successful in several cases but had not succeeded with Emirates or with some smaller, online price comparison sites. The Board noted the comments regarding Emirates with concern. It agreed generally that where it was in consumers' interests, it was appropriate for the CAA to take increased action as necessary.
36. Mr Moriarty informed the Board of input he had received from colleagues within the group. Colleagues were confident in being able to speak up but there were still concerns about prioritisation of work, which required more discipline from the leadership to set clear parameters of what could and should be achieved for a good outcome. Mr Moriarty also noted a request from staff for more diversity across the group, to reflect the make-up of industry and more different working approaches. As a result, all interviewers within the group had attended unconscious bias training and diversity of working approaches would be incorporated under the next phase of the Accommodation Project.
37. In response to a question from the Chair, Mr Moriarty said that good progress had been made over recent years in integrating the consumer and economic regulation sides of the group. Although more remained to be done, the group was on a solid footing with a much more proactive view of enforcement action in relation to consumer issues when required. Mr Buffey added that some more internal work could be done on linking approaches to relevant consumer and safety issues, such as cabin air quality.
38. Mr Medlicott asked about progress with the Package Travel Directive. Mr Moriarty confirmed it was being finalised under the Government's leadership but would likely be completed at short notice, leaving industry with limited time to manage the required changes. The team recognises the need for a proportionate enforcement strategy over the initial period. Ms Staples added that to reflect the added complexity of the arrangements, it was anticipated that a broader range of enforcement powers would become available. Mr Moriarty agreed to circulate a one-pager to the Board describing the PTD changes. He was asked to include a

top line description statement and clarification of the difference between ATOL and ABTA.

Action: Mr Moriarty

39. Mr Moriarty confirmed that since last year efforts had been made to bring in specific economic regulation skills in-house. There was, however, still a challenge in how to do this whilst ensuring that the team was not increased before the work had been guaranteed.
40. In relation to consumer protection, Mr Buffey noted successful actions taken both publicly and through direct one-to-one interactions. HAL was cited as a good example of an organisation that had been influenced by the CAA's identification of specific issues. As a result, they had prioritised improvement in PRM services, leading to real and beneficial change.
41. Mr Buffey gave an update on the CAA's work seeking information from 30 airlines on how they meet their obligation to offer passengers the choice of a refund for re-routing. He said the initial responses had not been as useful as hoped and they were now following up to gather more meaningful data.
42. Mr Buffey told Board members that provision of services for passengers with hidden disabilities was a key focus with a report due to be released in January 2018. The CAA has already provided guidance on training and the correct handling of passenger needs in this area.
43. Mr Buffey noted that the team was working with the support of the OGC to take effective action relating to ATOL non-compliance or misleading practices. He highlighted that the DfT was open to the idea of financial penalties being introduced but that an appropriate legislative vehicle was still being looked for.
44. Mr Buffey gave an overview of the PRMs survey findings for 2016/17. The data had allowed the team to do a deep-dive to identify initial trends, which in future will be developed further.
45. The Board discussed the Which? survey released that week, which had found a low level of understanding of ATOL rights. Mr Buffey highlighted that the level of financial disclosure about the scheme provided by ATOL holders was good, but was passed on to the passenger only when they make the booking. The CAA is continuing to work to ensure that education of ATOL schemes improves for the industry and passengers.
46. The Board approved of the team's proactive approach to influencing improvements in the consumer space, highlighting it as an important role for the CAA. Where necessary it was right that cases should go through the relevant legal channels to ensure a fair outcome for all involved.

47. The Chair praised the team for getting a high satisfaction rating from respondents (77% 'extremely' or 'very' clear) to the recent ADR survey.
48. The Board noted the reports.

VII. QUARTERLY BREXIT UPDATE (DOC 2017-090) BY TIM JOHNSON

49. The Board welcomed Mr Oastler to the meeting. Mr Johnson gave a brief update on key wider issues related to recent Brexit announcements and informed the Board of the team's work on supporting legislative drafting for the Withdrawal Bill, negotiating new BASAs where needed, identifying risks and contingency plans, and targeted intelligence and information gathering.
50. Under the drafting activities, Mr Johnson clarified that these included requirements to consider any additional functions the CAA could be required to take on. Thus far this had been limited to an additional function covering Airline Computer Reservation Systems, which is viewed as being within the CAA's current capabilities to deliver. Mr Johnson reported that he was content with the current criteria indicated to DfT as the CAA's 'in principle' willingness to take on new functions, subject to final Government decisions.
51. In response to a question from the Chair, Mr Johnson confirmed that there had been no indications from Government that there was anything specific in the current EU acquis relating to aviation which they or industry were strongly against.
52. The Board noted that discussions of technical details relating to the FAA proposed BASA were well-advanced with a smaller number of more complex issues continuing to be discussed but should be completed ahead of the final checking and sign-off expected in November 2018.
53. Mr Johnson confirmed that work was being done on identifying key relationships with monthly assessment being carried out by the Brexit working group of recent engagement and developments.
54. The Board discussed the potential risk of losing CAA staff to European agencies like EASA. It was agreed this was not a likely outcome and that given that the CAA was keen to maintain existing links, continuing secondments or exchanges with EASA were more of a benefit than a risk.
55. Mr King asked that a briefing session be set up for the Board to hear from its EU Network on how their engagement on behalf of the CAA was progressing. Mr Johnson agreed that this should be scheduled for around April.

Action: Secretariat/ Mr Oastler

56. Mr Johnson updated the Board on the CAA's contingency plans relating to 2018/19 charging proposals, as discussed previously with the Board. Mr Johnson

highlighted that the ability of the CAA to recruit these individuals was still a risk. The Chair stated that there would need to be careful communication of the recruitment requirements.

57. Mr Haines noted that in addition to increased work for the CAA, it was recognised that there was the potential for increased work by the industry.
58. Mr Medicott asked whether Brexit would also create decremental work for the CAA in some areas. Mr Johnson confirmed this had been considered and it was felt that there may be changes to volume in some areas, but very little in terms of functions would be lost. Reduction of turnover for CAAi was a potential risk that had been captured. It might, however, in turn produce the upside of enabling the existing resource to be reallocated to other areas of the organisation.
59. The Board noted that there was a placeholder on the January Board agenda for further discussion on the CAA's 2018/2019 Brexit charges consultation, which was dependent on the outcome of ongoing discussions with the DfT.
60. The Board noted the report.

VIII. SAFETY AND AIRSPACE REGULATION GROUP (SARG) REPORT (DOC 2017-091) BY MR MARK SWAN

61. The Board welcomed Mr McColl and Mr Pinheiro to the meeting.
62. Mr Swan provided an update on key safety issues raised since the last meeting. Under key risks, he highlighted the topic of electronic conspicuity, reporting that the Mid-Air Collision Programme to develop the introduction of ADS-B had progressed well, with the technology development advancing. The programme includes plans for a communications campaign and working with NATS to encourage them to include the widespread introduction of the technology as part of their broader airspace infrastructure project.
63. Mr Swan reported that the cost of the hardware at the present pre-production phase was around \$450, but once rolled out across the industry it would be expected to fall further. Mr Swan confirmed that a paper would be brought to the Board over the coming months with further details on this topic. AVM Wigston agreed that this programme was of great interest also in demonstrating the UK's leadership in aerospace innovation.
64. Mr Swan briefed the Board on the recent fatal mid-air collision, which was still subject to an ongoing investigation.
65. Mr McColl provided an update on Super Puma helicopter operations, confirming that industry had not put any 225s back into service following the lifting of the ban as reported previously. As a result, a higher number of S92s were operating in the

- UK. He noted that the team was continuing to monitor work being completed under the relevant EASA directive.
66. Mr McColl provided a short brief on an incident reported in Japan related to an AS332L Super Puma. He confirmed that this aircraft type was not currently flying in the UK.
 67. Mr McColl provided an update on Trent 1000 engines, as previously reported to the Board. He confirmed that the team was continuing to monitor the situation to assess any knock-on effects for the stakeholders involved.
 68. The Board noted the recent announcement that Airbus and Rolls Royce had confirmed that they plan to run their EFan-X project based in the UK.
 69. Mr Pinheiro gave an update on the latest analysis of MoRs data. In response to Board requests for more detailed information, the team had expanded their analysis, including across time periods of 5, 10, and 15 years. He highlighted that around 45% of the MoRs fell under the category of airworthiness.
 70. The Board noted that the analysis carried out by the team was continuing to progress and had already been useful in identifying an issue relating to a specific aircraft enabling early action to be taken. Mr Pinheiro and Mr Swan highlighted that the manual analysis of MoRs data required a high level of resource, making it unsustainable in its current form. The Big Data programme is expected to offer solutions to this.
 71. Using the analysis, the team had introduced a more products-based approach linked to PBR. This was creating a more systematic approach to auditing specific aircraft components. The Chair commented that it was important to get the balance between system risks and specific component oversight right.
 72. The Board noted that although there was still further work to be done in optimising the CAA's data intelligence functions, real progress had been made. The Chair commended the team for their work so far.
 73. In response to a question from Mr King, Ms Staples confirmed that the Safety and Business Assurance team was reviewing cabin air quality matters. The purpose of the review is to ensure that the CAA provides a valuable and up-to-date source of information on cabin air quality, a contentious subject that generates strong feelings.
 74. The Board noted that under the airworthiness MoRs, the number of reports relating to cargo compartment had grown the most in real terms. This was felt most likely to be due to changes made to ground handling reporting procedures. Mr McColl confirmed that he would check on this to confirm it was the case.

75. Mr McColl briefed the Board on changes to analysing the airworthiness MoRs findings and new processes that were being adopted to create a more manageable list of top MoRs. Mr Swan added that managers have been given more responsibility for MoRs, increasing their understanding and visibility. They have also been incorporated into the performance and risk management system to enable easier tracking. Mr Swan confirmed that the increased reporting had been largely positively responded to by industry, recognising that it drives efficiency.
76. Mr Swan reported that there were still several vacancies within the airworthiness team with retention challenges cited as one of the causes. He confirmed that a paper proposing measures to tackle this would be presented to the Executive Committee at the beginning of next year.
77. The Chair recognised that, although there was more to be done, the transformation that had taken place across SARG and in Airworthiness in particular was significant. It had created a much better mechanism for using information, producing more effective data and more positive communication approaches.
78. The Board noted the report.

IX. FINANCE REPORT (DOC 2017-092) BY CHRIS TINGLE

79. Mr Tingle gave an overview of the finance report for October, which continued the trend of positive results ahead of budget.
80. He noted that there was likely to be a slow-down on the current ahead of budget figures, due to expected Transformation Programme costs and predicted lower rates of income from CMG and AvSec.
81. Mr Tingle informed the Board that discussion relating to S.16 funding was ongoing with the DfT.
82. The Board noted there was a risk that some CAAi projects would not be received by year end, as they were currently due in January and February.
83. The Board briefly discussed the recent CAAi management meeting and current issues being addressed, such as the working business model between CAAi and SARG. It was noted that alongside these challenges, progress had been made in creating a clearer link between CAAi and the rest of the CAA, with recent achievements including the new MOU signed with ICAO.
84. Mr Ward suggested that Mr Tingle consider tagging items that give rise to variables in subsequent finance reports to highlight those which were systematic costs, one-off costs or phased costs.
85. The Board noted the report.

X. REMCO REPORT (DOC 2017-093) BY DAVID GRAY

86. Mr Gray gave an update on the latest quarterly meeting of the Remuneration Committee, which had included its mid-year review. The proposed minor changes to the ToRs were approved by the Board.

87. The Board noted the report.

XI. NOMCO REPORT (DOC 2017-094) BY THE CHAIR

88. The Chair gave an update on the latest meeting of the Nominations Committee.

89. The Board approved the proposed addition to the ToRs.

90. The Board noted the report.

XII. ANY OTHER BUSINESS AND FORWARD PLANNING

Board Evaluation 2017

91. The Chair briefed the Board on the proposal for the Board evaluation, which as required would be carried out by an external consultant with a focus on long-term goals and transition arrangements for the Board. The Board agreed the proposal and the work was expected to begin in January 2018 for completion by the end of the financial year.

92. Mr Stephenson noted that the Laser Misuse Bill had been introduced to parliament this week.

Date and Time of Next Board Meeting:

17 January 2018 at CAA House