

**CIVIL AVIATION AUTHORITY**  
**MINUTES OF THE 493<sup>rd</sup> BOARD MEETING HELD ON**  
**WEDNESDAY 20<sup>th</sup> JANUARY 2016,**  
**CAA HOUSE, LONDON**

**Present:**

<b>Dame Deirdre Hutton</b>	<b>Chair</b>
<b>Mr Andrew Haines</b>	
<b>Mr David Gray</b>	
<b>Mr David King</b>	
<b>Mr Michael Medlicott</b>	
<b>Mr Richard Moriarty</b>	
<b>Dr Ashley Steel</b>	
<b>Mr Mark Swan</b>	
<b>Mr Graham Ward</b>	
<b>Mrs Kate Staples</b>	<b>Secretary &amp; General Counsel</b>

**In Attendance:**

<b>Mr Peter Drissell</b>	
<b>Mr Tim Johnson</b>	
<b>Mr Richard Stephenson</b>	
<b>Mr Philip Clarke</b>	<b>(for item V)</b>
<b>Mr Tony Rapson</b>	<b>(for item V)</b>
<b>Mr Joji Waites</b>	<b>(for item VI)</b>
<b>Mr John McColl</b>	<b>(for item VI)</b>
<b>Mr Jeff Butler</b>	<b>(for item VII)</b>
<b>Ms Joanna Mathews</b>	<b>(for item VII)</b>
<b>Mr Peter Fiddy</b>	<b>(for item X)</b>
<b>Mr Peter Kirk</b>	<b>(for item X)</b>
<b>Mr Simon Baker</b>	<b>(for item XI and XII)</b>
<b>Mr Peter Mee</b>	<b>Minute taker</b>

## **I Apologies**

1. Apologies were received from Mr Richard Jackson, Ms Chris Jesnick, AVM Richard Knighton and Ms Aatkar.

## **II Previous Minutes and Matters Arising**

2. The Chair asked for the minutes of the December Board meeting to be reviewed for removal of any unnecessary redactions. This specifically related to paragraph 19 in the Chief Executive's Report and elements of the Finance Report.

**Action: Mr Johnson**

3. The Chair asked for a more detailed update on Board Action 3 relating to the MOCOR framework.

**Action: Mr Johnson**

4. Pending these changes, the December 2015 minutes were approved.

## **III Chair's Update – by Dame Deirdre Hutton**

5. The Chair informed the Board about a number of recent meetings. She and Mr Haines met the CAA Consumer Panel and had discussed whether the CAA had a legitimate role in securing a better sharing of information with passengers when they are disrupted because of security related issues.

6. She also met Sir Roy McNulty of Gatwick Airport, and his Executive team, to discuss the potential decision on a new runway and airspace change issues.

7. The Chair attended the Regulatory Chairs Forum, which is led by Mr Gray. Discussion centred on the remit, size and scale of this group's activity. It was agreed that the Forum was primarily for information exchange, and was not a governance body for the UK Regulators Network (UKRN), although the UKRN may need to consider its governance, should it's activities grow. She noted that the Secretariat of the UKRN was moving from OfCom to the CAA, and asked for the Non-Executive Directors to be provided with an outline of the UKRN work programme and a for 6 monthly report on UKRN's activities to be presented to the Board.

**Action: Mr Johnson**

8. The Chair informed the Board of the annual Board Effectiveness Survey, which was to be circulated shortly after the meeting. This internal survey of the Board

was a follow-up action from the Deloitte review in December 2014 and part of best practice governance. The Chair asked Board members to complete the survey, the results of which would be reported at the March Board meeting.

#### **IV Chief Executive's Report - Doc 2016-001 by Andrew Haines**

9. Mr Haines noted a number of key items of his report for discussion: the Government's Star Chamber review of economic regulation; and economic regulation of new runway capacity.
10. The CAA will no longer be subject to a Minister chaired Star Chamber meeting but would still be subject to scrutiny through the review process. The scope of the review was likely to be extended by BIS to cover all CAA's activities. On the Functional Review of Regulation, sponsored by the Cabinet Office, UKRN would write to the Cabinet Office outlining the intended approach of members, including the CAA, to the Review. The Chair also informed the Board that through UKRN the CAA was working with OfGem, OfWat and the ORR on exploring opportunities at savings on back-office functions, primarily for IT.
11. Mr Haines updated the Board on the political interest in Loganair's punctuality performance.
12. Mrs Staples also updated the Board on the judicial review by Gatwick Obviously Not.
13. Mr Haines drew the Board's attention to the Annex on Economic Regulation. Mr Moriarty informed the Board that he was recommending a rescheduling of the publication of the CAA's consultation on the regulation of new runway capacity until after the Government decision, given that the nature of this decision could impact significantly on the CAA's ideas on regulatory architecture. The DfT was comfortable with this approach and the CAA would continue to work on regulatory architecture in the meantime.
14. The Board noted the CEO's report.

#### **V Air Display Review Action Report – Doc 2016-002 by Mark Swan**

15. The Board welcomed Mr Clarke and Mr Rapson to the meeting. Mr Swan noted that the Report sets out the changes the CAA would be implementing for the 2016 display season and was therefore being published at the earliest opportunity. The final report of the Air Display Review would be published by

the end of February. A further Air Accident Investigations Branch (AAIB) interim bulletin was also expected to be published in February.

16. Mr Rapson noted that the Action Report outlined the changes the CAA was making to Air Displays now. These were achievable for the 2016 season providing the CAA committed sufficient resource quickly to implementing them. Mr Clarke outlined the main areas of change, including a comprehensive increase in the documentation and competency requirements for Flight Display Directors (FDDs) and Event Organisers. FDDs and organisers were expected to 'own' and carry out detailed risk assessment of displays.
17. The Board considered the risk of flight displays being undertaken in close proximity of busy roads, and the extent to which mitigations could be put in place to prevent distractions to motorists. As an example, Mr Swan noted that the Farnborough Air Show's current risk assessment already considered risks to the local area and infrastructure, and that organisers worked closely with the local police and authorities to take precautionary measures. Mr Clarke noted that a number of Event Organisers already work with Highways England and other groups to manage these issues, and Action 2 will require direct evidence of this engagement.
18. Mr Rapson used the example of the Clifton Suspension Bridge, where a specific request to film a flying suit jump had been made, to illustrate the CAA's understanding of the approach taken by the police and highways authorities. The local police had advised that the road did not need to be closed, because they deemed drivers themselves to be responsible for driving safely at all times, such that they should not allow themselves to become distracted. The Board asked that this example be examined further for any lessons that might be incorporated into future thinking.

**Action: Mr Swan**

19. The Board asked that the report make clear which actions were new requirements and which a restatement of current best practice.
20. The Board considered whether, on the basis of the proposed actions, the regulatory framework prior to the Shoreham accident had been appropriate. The regulatory framework reflected best known practice and was similar to that used in other states. The public safety record at UK air displays was very good but further enhancements could be made.

21. The Board queried how the CAA would assess whether a pilot or FDD was 'fit and proper'. Mrs Staples noted that there was no clear legal statement of requirements in the current framework. The CAA was, therefore, continuing its work to develop a system and using proxy measures to help with this assessment.
22. Mr Swan noted that the actions were about formalising and systemising much of the regulatory oversight provided in this area by the CAA. Mr Clarke agreed, noting that these were actions that *must* be completed, with a central focus on FDDs and formalising their processes, document and assessments. FDDs would also be accredited, starting with those organising the larger shows.
23. Mr Rapson noted that the CAA would 'own' the syllabus for the accreditation system, even though a third party, such as British Air Display Association, may conduct the training. The accreditation would involve a clear test of competence. The Board suggested a public register of accredited FDDs.
24. The Board queried the new competency requirements for pilots. Mr Swan explained that separate approvals would be required for each category of aircraft where aerobatics above the standard level are being performed. The effect of this could be that pilots performing such manoeuvres would specialise in a smaller number of aircraft types. The Board considered the impact this might have on the display pilot population. Mr Swan noted that display pilots had provided input to the review process; while there would be an impact, this was not expected to be substantial. This approach was part of ensuring a proportionate approach to air display regulation which required higher pilot competence the more complex the display and the more complex the aircraft.
25. Mr Clarke explained that by international comparison, the UK had a very similar regulatory framework to other states. Most European states followed the UK's lead and implemented a regime based on the CAA's CAP403. Other states, such as the United States, Canada and New Zealand had a similar approach to the UK, varied to reflect differences in geography and airspace use.
26. Mr Clarke highlighted the new requirements for Display Authorisation Evaluators (DAE), who will now have to attend a CAA organised seminar. In addition, the oversight regime would be strengthened.
27. Mr Swan noted that no CAA staff will be permitted to be an FDD or act as a DAE. This is an important separation of the regulator from the regulated

activity. The CAA will still provide an oversight role of DAE performance. The Board considered that ex-CAA staff should be required to have a 'buffer period' from the conclusion of their CAA employment before they are permitted to act as an FDD.

**Action: Mr Swan**

28. The Board suggested that the changes should be 'stress tested' against previous incidents to understand whether the changes would have prevented or made these events less likely. The Board also queried whether there was adequate resource in the CAA's General Aviation Unit to meet the commitments of the Action Report. Mr Swan noted it would be a challenge. Recruitment was already underway, with a particular focus on securing Flight Operations inspectors with air display experience.
29. Mr Stephenson provided an update on the plans for communicating the Action Report. He expected significant media interest and emphasised the importance of responding promptly to enquiries.
30. The Board noted the report.

**VI Safety and Airspace Regulation Group (SARG) Report – Doc 2016-003 by Mark Swan**

31. The Board welcomed Mr Waites and Mr McColl to the meeting. Mr Swan highlighted the three elements of the report: the regular Safety Issues report; the next Safety Performance Overview on UK Offshore Helicopters; and an overview of the CAA Airworthiness section and its future plans.
32. Mr Swan provided an update on LinksAir. Their AOC was currently suspended and the CAA was now in the process of revoking the AOC, which once complete would enable the Welsh Government to start a tender process for a new provider of this service. The CAA has made the Welsh Government aware of this action.
33. Mr Swan updated the Board on the situation at Loganair.
34. Mr Waites provided a Safety Performance Overview of UK Offshore Helicopters. He set out data for high severity occurrences and accident records. The occurrence rate was 1 incident every 5 months, which was considerably less than the equivalent measure for the Fixed Wing Category. The numbers may not be directly comparable, however, because there are

considerably more hours flown in Fixed Wing and reporting practice for the Offshore Helicopter sector may be less robust. The primary precursor was 'loss of control', and this often appeared to be driven by technical issues not human factors. Airborne conflicts were rarer.

35. The Board considered the reporting culture in this sector and opportunities to improve it. There had been very few, if any, whistle-blowing reports. The pilots and passengers often knew each other and worked together closely, which may not encourage open reporting. The CAA was working with offshore operators to improve reporting culture, emphasising their obligations and the importance of good data.
36. Mr Waites explained the work the CAA had underway with EASA to encourage EASA to raise the design standards for off-shore helicopters (Part 20) to be equivalent to those applying to Large Aeroplanes (Part 25 (Large Aeroplanes)). This issue was primarily a technical one and there was a strong safety argument for equivalence. There had been success in getting manufacturers and operators (such as oil companies) bought into this ambition, and working together to influence EASA. Voluntary uptake of improved safety practice and designs may be more successful in the short run. For international comparison, Mr Swan noted that the FAA appeared to be less enthusiastic about changes to design regulations. The Board encouraged the CAA to continue support to EASA in securing these changes, including the possibility of conducting an impact assessment on the changes.
37. The Board thanked Mr Waites for his update. He noted that next month's Safety Performance Overview would focus on UK Onshore and Emergency Services Helicopters.
38. Mr McColl provided an overview of CAA's Airworthiness Unit. The most pressing safety issue in this area related to engine cowlings. EASA had accepted this as the top UK risk, and that the solution was a change in aircraft design. Proposed modifications to engine cowlings were being implemented by British Airways and easyJet, with these likely to be completed by end-2016.
39. Other major issues included: rotorcraft critical parts; engine critical parts; Part 66 examinations; and MD900 helicopters. On Part 66 exams, fraudulent activity could be addressed by cutting accreditation of Part 147 organisations. It was a difficult area to enforce but EASA was keen to engage on the issue.

40. Mr McColl noted that the Airworthiness team was increasingly focusing its resource to risk, with larger, more complex organisations attracting the most focus.
41. The Board considered the level and focus of findings made by the CAA airworthiness team on the organisation it oversees, including in organisational quality systems and whether CAA staff had the skills to identify personnel issues. Mr McColl noted that about 16% of all findings were currently rejected and that reporting was becoming more risk-based, and risk focused. The Board queried the level of erroneous findings, the link between Mandatory Occurrence Reports and findings, and emphasised the importance of showing the usefulness of the links between these.
42. The Board thanked Mr McColl for his update and noted the SARG report.

## **VII Annual Pensions Presentation – by Jeff Butler & Joanna Mathews**

43. Ms Mathews outlined the three key pillars of the CAAPS management: affordability; funding strategy; and investment risk. These areas are inter-related. Ms Mathews emphasised the importance of CAAPS strategy aligning with the CAA's corporate strategy.
44. Mr Butler set out CAAPS membership levels. The CAAPS strategy was predicated on membership levels and numbers of active members which were expected to halve by 2024 (without taking into account external environment changes or any future decisions by the CAA on pension provision). Mr Butler outlined a number of long-term options for the scheme, including buy-in options from the insurance market and an eventual 'buy-out'.
45. Mr Butler said the recent Buy-in by Rothesay Life had reduced significantly risks to CAAPS through a process that had gone very smoothly. The main short-term issue now for the CAA Scheme was the level of cash contributions and the risk of these increasing due to external events. The solution to this risk involved the use of derivatives for hedging, which would mitigate the potential size of adverse outcomes from changes in inflation or interest rates. Mr Butler assured the Board that there was no significant cost to this approach outside of normal trading costs.
46. The Board noted that the biggest constraint on the ability to raise pension contributions was its ability to increase CAA's Fees and Charges.

Consideration needed to be given to a longer term strategy. Mr Butler noted that all of the issues raised in the presentation were dependent on the rate of changes to membership.

47. The Board thanked Mr Butler and Ms Mathews for their update.

#### **VIII PPT Annual Review – Doc 2016-004 by Tim Johnson**

48. Mr Johnson explained the purpose of the paper, which was both to look back at the last year and look ahead to PPT's priorities for 2016 and how the performance of the team could be improved. There was a need and opportunity to re-shape the team more to focus on a smaller number of more value adding projects and get a better mix of skills. In summary, the paper proposes a focus on a smaller number of key projects, namely: airspace policy and change process; network resilience; better regulation agenda; drones and cyber security, in collaboration with SARG; better use of intelligence across CAA and developing and implementing our strategic and risk planning.
49. The Board considered the PPT work programme, asking whether the scope included horizon scanning and aviation security. Mr Johnson explained that horizon scanning fell within PPT's remit and was already on the Board agenda for 2016. The implementation risk framework should systemise this work. On aviation security, Mr Johnson noted that the purpose of PPT was to address issues that were cross-cutting, novel or contentious, and that aviation security work did not neatly sit within this. Mr Drissell noted that much of the security work is intelligence-driven and at a top-secret level.
50. The Board noted the tone in the paper of being reactive on environmental issues, and queried whether, if the context changed, PPT would be able to move quickly to a proactive stance. Air quality issues, for example, could become significantly more important. Mr Johnson noted that on noise issues, PPT had a definite role, but on air quality the CAA had few powers, even considering its information duties in the 2012 Civil Aviation Act. If this situation were to change, resource in PPT and elsewhere would be re-allocated.
51. The Board considered other projects where PPT could be involved, such as on enhanced maintenance performance, to act as a fresh perspective. The Board acknowledged the limited PPT expertise on this particular issue, but felt there may be value in a more strategically minded skillset. More generally, there

would naturally be challenges in strategic/policy colleagues working alongside technical specialists, such as had been the case with the drones project. It was acknowledged that in this case, the approach had not initially delivered a coherent cross-CAA approach to drones, though this had now been addressed. There was value across all the key projects of some creative tension between technical experts and PPT's policy analysts. This was working particularly well on the PPT-led airspace change process project.

52. The Board asked whether there was sufficient flexibility in the CAA's resourcing model to enable colleagues to move easily between PPT and other parts of the CAA. Mr Swan noted that this was working well with SARG and Mr Johnson noted there had been less resource sharing with the other parts of the CAA.
53. The Board considered how PPT had improved the functioning of the CAA. Mr Haines noted that it was still a work in progress, but that there had been definite improvements in thinking on risk; the interface on Better Regulation and the Airport Commission; and as a source of flexible, capable resource. The team could, however, be working with a tighter structure and with a greater emphasis on measurable outcomes. Mr Johnson noted his intent to increase the emphasis on policy project delivery.
54. The Board suggested PPT consider opportunities to second staff to internal audit to provide more cross-organisational experience. It also suggested that PPT's consumer research programme should include less structured testing of customer attitudes and experience.
55. The Board noted the report.

## **IX CAA Risk Management Framework – Doc 2016-005 by Tim Johnson**

56. Mr Johnson introduced the paper, noting that the development of the framework had included a number of structured conversations with the Board in 2015. The proposed new framework was more rigorous than its predecessor. The Audit Committee had reviewed and provided good feedback on a number of issues, including CAA's role on security risks, risk categories, and levels of financial risk. PPT had hired a risk manager who would own and embed the risk framework, and would report back to the Board twice-yearly with risk updates.

57. Mr Ward, as Chair of the Audit Committee, endorsed the debate on the framework and was satisfied with the final product, recommending it to the Board.
58. The Board asked whether the Risk Appetite Statement was sufficiently detailed. The Risk Principles provided a high-level guide, but the Risk Appetite Statement was a more specific elaboration of the practical application of these. It was considered that the CAA was different to a commercial corporation, and it could not easily articulate in easily digestible or meaningful form levels of risk appetite across each of the CAA's statutory functions, particularly without the required context for each case. The Principles were a guide to policy development and operational practice. Mrs Staples suggested that Board papers make explicit the risk appetite and CAA position for each issue.
59. Mr Swan noted that the Safety Leadership Group (SLG) was meeting in March, and could test the application of the principles.
60. The Board agreed that, regardless of how it was written, the CAA should be clear about the trade-offs associated with any action and that these had Board visibility. While a risk appetite statement might be a good guide, it would not prevent the Board from taking the appropriate action in any situation, taking into the account context and all relevant factors. Ultimately, Board oversight and influencing of the organisation would be the most effective means of the CAA understanding the Board view of risk.
61. The Board agreed that the focus on corporate risk prompted by the Deloitte review had helped align the Board on risk appetite and highlighted some of the potential tradeoffs in CAA decisions.
62. The Board agreed to endorse the risk principles.

**X Aviation Security Quarterly Report – Doc 2016-006 by Peter Drissell**

63. The Board welcomed Mr Fiddy and Mr Kirk to the meeting. Mr Drissell noted that this report provided an overview of activity in the second half of the second year since Aviation Security (AvSec) had merged with the CAA, and was expected now to be operating in a 'steady state'.
64. The Board noted the report.

## **XI CAA Statutory Charging Proposals 2016/17 – Doc 2016-007 by Chris Jesnick**

65. The Board welcomed Mr Baker to the meeting who was presenting the paper in Ms Jesnick's absence. Mr Baker noted that the changes to the charging proposals would be effective from June 2016, three months later than usual. Most of the charges would be at a similar level to 2015, consistent with the commitments made to the DfT/Treasury as part of the Spending Review. The main changes were the introduction of the per complaint charge for passenger complaints (including ADE), new charges to cover airspace change activity and additional costs related to the economic regulation of any new runway capacity.
66. Mr Baker highlighted the key risks inherent in these charging proposals: the new Alternative Dispute Resolution (ADR) per complaint charge; shortfall in Air Display Charges if organisers apply before the new charges deadline of 1 June; Airport Review charge.
67. The Board considered the potential impact on the air display sector of new charges. It was noted that these would fall on the large displays, which could bear the cost. The Board agreed the consultation time could be reduced given this fact and that the sector was small. Mr Swan noted there was enough resource to conduct risk assessments this year, despite the risk of not recouping funds from organisers.
68. The Board approved the charging proposals and the consultation, on the basis that the air display element of the consultation was shortened.

## **XII Finance Report – Doc 2016-008 by Chris Jesnick**

69. The Finance report outlined the financial results for the 8 months to November 2015. Mr Baker noted that the operating profit for the eight months was £231k. Tight cost controls appeared to have had a significant impact on spending levels. Expenditure and vacancies control had helped; there were now more leavers than starters.
70. The Board queried the CAA House Dilapidations provision in the Budget Operating Profit. Mr Haines noted that CAA had signed an agreement to leave CAA House building in June 2019 and in return would avoid spending money on dilapidations.
71. The Board noted the report.

## **Live issues and monthly reports**

MCG *Live Issues* – Doc 2016-009 by Mr Moriarty

72. The Board queried what action would be undertaken on Regulation 261 Information Rights. Mr Moriarty noted the CAA would undertake its own survey of passengers to determine what enforcement action should be undertaken.

73. The Board noted the report.

PPT *Live Issues* – Doc 2016-010 by Mr Johnson

74. The Board noted the report.

CPG *Live Issues* – Doc 2016-011 by Mr Moriarty

75. Mr Moriarty noted that summer bookings were holding up to expectations.

76. The Board noted the report.

CCD *Live Issues* – Doc 2016-012 by Mr Stephenson

77. The Board noted the report.

AvSec *Live Issues* – Doc 2016-013 by Mr Drissell

78. The Board noted the report.

## **XII Any other Business & Forward Planning**

79. Mr Ward requested that the Board consider the External Audit Fees for 2016. The Audit Committee recommended these as necessary and reasonable costs for Board approval. The Board approved these.

80. The Chair noted that the Board away-day in June was to be focused on runway capacity.

81. The Board expressed their heartfelt thanks to Ms Jesnick for her more than 15 years service on the Board, and over 20 years with the CAA. The Chair highlighted some of her notable achievements, which included her excellent leadership during the recent evacuation of CAA House, her engagement with the Treasury on the Spending Review, her navigation of the Authority through the changes to the pension system and her leadership of the Employee Forum.

82. The Board also congratulated Mr Haines on his appointment as an Officer of the Order of the British Empire. This was a well-deserved recognition, which had widespread stakeholder support.

**Date and Time of Next Board Meeting: 17 February 2016, at 12:00pm, K5  
Earhart Room, CAA House, London**