

**CIVIL AVIATION AUTHORITY
MINUTES OF THE 494th BOARD MEETING HELD ON
WEDNESDAY 17th FEBRUARY 2016,
CAA HOUSE, LONDON**

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	
Mrs Kate Staples	Secretary & General Counsel

In Attendance:

Ms Manisha Aatkar	
Mr Peter Drissell	
Mr Tim Johnson	
Mr Richard Stephenson	
Mr Robert Toal	(for item V)
Mr Jonathan Berlusconi	(for item VI)
Mr Ben Alcott	(for item VII)
Mr Joji Waites	(for item VIII)
Mr Rick Newson	(for item VIII)
Mr Sean Parker	(for item XIV)
Mr Peter Mee	Minute taker

I Apologies

1. Apologies were received from AVM Richard Knighton.

II Previous Minutes and Matters Arising

2. The Chair stated that the proposed redaction of paragraph 18 of the previous minutes, relating to the Air Display Review Action Report, was not necessary.
3. Subject to this change, the January 2015 minutes were approved.
4. Mrs Staples highlighted Board Actions 44 and 34, relating to the development of a CAA Fitness Policy, and a review of the important role of the Accountable Manager in safety regulation. These strands of work required reinvigoration, with the development of a solid policy framework to ensure consistency. Mr Swan noted that some progress had been made on these, but agreed that more remained to be done. They will be taken up again in partnership with OGC.

III Chair's Update – by Dame Deirdre Hutton

5. The Chair informed the Board of her recent meetings. She attended the ADS Annual Dinner, the Flybe yearly review meeting with Saad Hammad and Philip de Klerk, the Cranfield Airspace Management Breakfast, and a CAA Recognition Lunch for quarterly certificate winners.
6. The Chair met with Jo Valentine and Richard Dilks of London First. The discussion focused on the wider airspace issues and the proposed Independent Aviation Noise Authority.
7. The Chair also met with Lucy Chadwick of the DfT, covering a wide range of issues including new runway capacity, airspace change, drones, security issues, and lasers. On a new runway, the Chair emphasised to Mrs Chadwick the importance of clarity on the construct of economic regulation.

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

8. The Board approved the re-appointment of Colin Chisholm as a NATS Section MND of CAAPS for the three year period commencing 1 April 2016 and ending 31 March 2019.
9. Mr Haines highlighted the following key items of his report for discussion: the letter from HMT; meeting with the Secretary of State; an update on the Shoreham accident; and an update on Project Earnest.

10. The letter from HMT summarised the CAA settlement, reforms and measures for the spending review 2015. HMT agreed that, from 2016-17 onwards they would no longer negotiate a settlement with the CAA in recognition of the CAA's independent status as a public corporation. This is a good result for the CAA.
11. Mr Haines and Mr Moriarty met with the Secretary of State, the Rt Hon Patrick McLoughlin MP, to discuss a runway decision and the process and challenges post-decision. They had emphasised the importance of having a role in the process and being willing to accept the outcome. Mr Moriarty noted the potential risk of shareholders in the chosen airport attempting to extract further concessions once a decision had been made. Some shareholders may have unreasonable expectations concerning potential returns; this would need to be carefully managed.
12. On Project Ernest, there was a clear pathway to meeting savings for the 2015/16 and 2016/17 budgets. This was due to a combination of the Expression of Wish proposals, addressing poor performance, and organisational design initiatives. HR had worked very hard in supporting this process. The headcount savings were in addition to those planned under the Transformation Programme. The Board queried how those colleagues whose Expression of Wish application had been rejected would be addressed. Mr Haines noted that there needed to be a business saving, and that some colleagues had withdrawn their applications anyway. There would be an on-going dialogue with those whose application was rejected so as to re-engage them. The Board queried whether there was a challenge in balancing financial demands with resource to task. Mr Haines noted that very few Expressions of Wish had been accepted in safety critical roles in SARG, such as Airworthiness and Flight Operations, and confirmed that such roles would not be left vacant.
13. As regards Shoreham, Mrs Staples explained the order in which investigations and enquiries would be taken: a criminal enquiry, if required, would have priority over a Coroner's inquest, which would then be followed by any civil proceedings. Significant investigatory activity is still required by the Police and at this stage it appeared unlikely to be concluded by mid-year.
14. Mr Haines informed the Board that for the review of economic regulators, the Officials Challenge Panel would be attended by Mr Moriarty and Mr Johnson. He noted that many of the review questions related to larger economic

regulators, as opposed to smaller, multi-purpose regulators like the CAA. Mr Gray noted that there was a clear impression that HMG will mandate regulators to share back-office services. The Board queried Mr Haines whether the Air Travel Trust had been considered in the context of potential rationalisation of CAA regulatory activity. Mr Haines noted that this had been discussed with the DfT. Ultimately this was their call given that they were responsible for submission of appropriate 'offers' to deregulate. Mr Haines also confirmed that HMT did not appear interested in creating one transport regulator, especially given looming transport infrastructure challenges. The Chair emphasised the importance of linking the relationship between economic factors, regulation, and safety.

15. The Board noted the report.

V CAA's Review of Heathrow Airport Limited's Price Control ('H7'): Discussion Document on Strategic Themes – Doc 2016-016 by Richard Moriarty

16. The Board welcomed Mr Toal to the meeting. Mr Moriarty introduced the paper, which related to the periodic price review at Heathrow airport, and noted that the current arrangements were due to expire in 2018. The paper outlined the intended strategic themes for the H7 period. Mr Moriarty highlighted for the Board three key points: uncertainty around runway capacity; the intention to make regulation more consumer-focused; and the likely tension between the CAA, airports, and airlines during the review. This document was shorter, for discussion, as opposed to a formal consultation document. The Chair identified three key discussion points: the review process; themes; and risks.
17. The Board considered the role of airlines within the review process. Mr Moriarty noted that it would be important to work closely with airlines to ensure that they do not feel that decisions are bypassing them. The discussion document did not assume, however, that airline interests can be seen as a proxy for the consumer interest; instead, airlines will be expected to provide evidence on how their submissions would further users interests. Airline involvement remained essential, but the review was focused on furthering the user interest, including future users. The proposed Consumer Challenge Forum would be established

- in consultation with airlines, but needed to be independent. The Consumer Panel would also have a role in identifying and furthering the consumer interest.
18. The Board queried the definition of 'users' in the document. Mr Moriarty noted that we had used the word 'consumers' to refer to both passengers and cargo owners, but agreed that this needed to be more clearly defined up-front in the report. Mr Gray noted moving to focusing on furthering the consumer interest, as opposed to focusing on consumer outcomes, was a new approach. Other regulators took the latter approach, though they did not have the same consumer representative bodies as aviation.
 19. The Board considered means by which consumer interests might be measured. Mr Moriarty noted that the existing granular metrics on this point may not reflect the preferences of consumers. The Board suggested a survey of consumers on the airport experience, to use this as a starting point for determining consumer interest. Mr Moriarty explained that we will expect the industry to lead this work and we will gain assurance on these issues from the Consumer Challenge Forum.
 20. The Board suggested a potential fifth strategic theme: the legitimacy of the airport in the community. This related to community engagement on issues of noise and compensation. The Board considered whether this was part of economic regulation, and noted that it seemed particularly relevant given the new runway issue. Mrs Staples noted there was a specific article in the Civil Aviation Act 2012 that required consideration of environmental conflict. Ultimately, the issue came down to requiring Heathrow to engage with its community in a manner consistent with a business that did not have monopoly status, focused on all stakeholders and not just the regulator. Mr Moriarty noted the importance of not coming into conflict with DfT/HMG policy on this issue.
 21. The Board identified planning blight as the biggest risk concerning runway capacity and surface access.
 22. Provided the above issues were addressed, the Board approved the themes and risks identified in the discussion document, and approved publication.

VI Shared Service Centre (SSC) Update – Doc 2016-017 by Chris Tingle

23. Mr Berlusconi introduced the paper, outlining three key points: quality; backlogs; and morale. On the quality of SSC work, it was important to balance resource with turnaround times. Backlogs were improving, as there had been a concerted effort to reduce them. There was a problem in relation to the Mandatory Occurrence Reporting (MOR) backlog, which was due to a European IT system not being online and on reports from organisations coinciding with reduced headcount. This was being remedied with an Operational Excellence manager and Recovery Plan in place. Finally on morale there had been significant progress, with new team managers proving very effective. The MOR/Safety Data team were being physically moved to help with integration. The recent reorganisation consequent on the financial challenge, however, could have a negative impact on morale.
24. The Board queried whether SSC had sufficient physical space to accommodate its teams. The layout was important so that certain teams, such as Safety Data, did not feel cut-off from the rest of the department. Mr Berlusconi noted that he was working to rationalise space and there was enough room for all SSC teams.
25. The Board expressed concern at the backlog in MORs, which were crucial to safety reporting. It queried how long was required to fix this, and whether there was a safety risk that now existed. Mr Berlusconi noted that he had identified the cause of the problem, which included poor working practices, which were being addressed. Mr Swan assured the Board that the priority safety reports were immediately triaged and elevated to the appropriate level (GDSAR or Capability Head); the backlog related to the lower-level reports. Further, crucial safety reports were not reported solely via MORs, but via multiple channels. The safety risk was therefore very minor, though the processing of backlogs may be impacting on identification of safety trends. The Board agreed that the identification of trends and the wider safety issues was important and the MOR backlog should be addressed.
26. The Board reviewed Appendix 1: The 'Hunt for Mid-October' activity and the note concerning 200 lost licences. Mr Berlusconi noted that these were not 'lost' as such, but were the opportunity cost of the relevant IT system being down and delaying the issue of licences.

27. Mr Tingle noted that for the future the SSC would develop a 'scorecard': consistent KPI's that can be updated to identify trends. This report would be a baseline for this work, as much of the management data had only just begun to be available. Mr Tingle would be responsible for this report in future.
28. The Board welcomed the report but added that in future it should not assume knowledge of much of SSC's work. Further information was required on what was working well, what wasn't, and the significance of any given level of performance from a Board perspective. The Board also felt that the distinction between work conducted by specialists in a Capability Team and the generalists in SSC for a specific sector, such as Flight Operations, needed to be clearer.
29. The Board queried whether SSC was ready to undergo benchmarking given the backlog and re-organisation issues. Mr Berlusconi agreed that this would be premature, as he had struggled to find good measures. The Board suggested that comparison with other Shared Service Centres would be useful. It was agreed to come back to benchmarking in a year's time.
30. Mr Berlusconi noted the improving relationships with the SARG Capability teams. This had not always been the case, but issues had been worked through and responsibilities clarified. There was staff movement between SARG and SSC, which was not always appreciated by those affected. Mr Haines noted that many processes conducted by the CAA had been broken for many years, and were only now being improved. CAA transactional activity had not previously been prioritised or necessarily respected by staff, but is a critical part of our work. Mr Berlusconi noted opportunities for SSC to expand into ATOL licensing and as a crisis call centre, though he acknowledged the current financial challenge.
31. The Board thanked Mr Berlusconi for his update, and expressed their appreciation for an honest report.
32. The Board noted the report.

VII International Directorate Update & Saïd Business School Project – Doc 2016-018 by Andrew Haines

33. The Board welcomed Mr Alcott to the meeting. He identified the top three strategic challenges to the success of the International Directorate (ID) as: (1)

funding the ambition of the ID; (2) culture change, both the identity of the ID itself and the CAA supporting it; and (3) resourcing, with the most obvious challenge being the movement of resource between CAAi and SARG. This would require a balancing of risk to opportunity. Mr Alcott requested Board feedback on the strategic context and ambition; business model and design principles; funding; and the ID culture.

34. The Board noted the resource question would be particularly challenging as always, and suggested the possibility of secondments of at least a year to help on a rotational basis, which would have benefits for both ID and the wider CAA. The Board also considered the seemingly low margins involved in the CAAi consulting work. The traditional issue of movement of staff between SARG and CAAi would be lessened under the ID, which would have a smaller number of projects and more of those being longer-term. This would assist with resilience. Mr Alcott added that resourcing work had already been begun to address some of these issues.
35. The Board considered the main competitors to the work of the nascent ID. Mr Alcott noted this was primarily the French and Spanish National Aviation Authorities (NAAs), and aviation consultancies in the private sector. Mr Haines noted that 88% of EASA outsourced activity was contracted to the UK and France. On opportunities to work with the World Bank and European Investment Bank, the Board encouraged the ID to build relationships with project leads within these organisations.
36. The Board acknowledged the ambition of the ID plan, which may come up against resource constraints. SARG's resilience would be tested further by the need to resource the ID. The Board also challenged the implication that international aviation work was of the same importance as UK legislative obligations. Mr Alcott explained that this meant in terms of delivering on commitments once made and in resourcing them properly; it did not put international work ahead of the CAA's statutory functions.
37. Mr Alcott assured the Board that the SARG technical liaison with EASA would not be inhibited by the ID engagement with EASA, which was at a more strategic level.
38. The Board noted the challenges of bringing the three strands of CAA international work together, and queried whether the international engagement

and policy work would be funded from commercial activity. Mr Alcott explained that policy liaison would continue to be funded via charges schemes, though wider work with other states (such as Turkey) would be funded from the commercial arm. Mr Haines noted that DfT had agreed funding to support development of the ID.

39. Mr Swan informed the Board that Mr Alcott would sit on the State Safety Programme Board, which would develop an accreditation scheme for keeping staff. He noted that the global pool of people with the necessary skills for CAAi was limited.
40. The Board was pleased with the report and looked forward to the next iteration, which they requested to provide greater detail on resourcing and the ambition of deliverables. The Board acknowledged the importance of EASA work, as well as managing the potential culture clash between the policy liaison function and commercial work. An organisational chart would be useful for the future report. The Board requested the next paper for July 2016.

Action: Mr Haines / Mr Alcott

41. Mr Alcott provided a brief update on the Saïd Business School Project. He noted this had benefited him greatly in understanding organisational change. He identified the key learning point as the absolute necessity of investing time in understanding how these changes impact on employees, and the most effective way of securing change in an expert culture.
42. The Board noted the paper.

VIII Safety and Airspace Regulation Group (SARG) Report – Doc 2016-019 by Mark Swan

43. The Board welcomed Mr Waites and Mr Newson to the meeting. Mr Swan noted four elements of the report: the regular Safety Issues report; the Safety Performance Overview on UK Business/Charter and Emergency Helicopters; an update from Mr Newson on the Flight Ops focusing on Onshore Helicopter Operations; and then an update from Mr Swan on the use of management information in the Flight Ops unit.
44. Mr Swan provided an update on Loganair.
45. Mr Swan also provided an update on the Air Display Review. The report had been delayed, and the Review Business Manager Philip Clarke would be

speaking with Board members individually. This delay would allow the CAA to respond to issues raised by the latest AAIB Bulletin, and publish the CAA report after this. Formation and night flying actions will not be completed in time for the publication of the report. There will be no major risk with this, as it is a specialist activity undertaken by a limited number of experienced operators.

46. The Board noted that the Gatwick Airport Independent Arrivals Review report had been published with recommendations. The Board agreed that it was important that robust evidence be used to justify airspace changes that had safety benefit, but also community impacts.
47. Mr Waites provided the Board with his update on the safety performance of UK Business/Charter and Emergency Helicopters. There was on average, one High Severity Occurrence a month for this sector, though none for 2015 or 2016 to date. In the wake of Norfolk, Vauxhall and Glasgow accidents there was a particular focus on flying in degraded environments. The fatality and accident rate was broadly comparable to that in Europe, taking into account the better reporting culture in the UK.
48. The Board queried a previous AAIB recommendation relating to the Lord Ballyedmond accident which appeared not to have been followed up. Mr Swan explained that this recommendation had been included in work with EASA, which had been subsequently delayed. The AAIB, however, had not been informed that the recommendation was being addressed in that way. The Board emphasised the importance of communicating with the AAIB on our follow-up of their recommendations.
49. The Board thanked Mr Waites for his update.
50. Mr Newson provided an update from the Flight Operations unit, with a focus on Onshore Helicopter Operations. This is a very diverse sector, and the CAA is working closely with the AAIB and Corporate Aviation Safety Executive (CASE) to improve the safety culture. A CASE safety survey identified the top three factors in accidents in this sector: poor weather; night flying; and client pressure.
51. The Board considered how client pressure might impact on accidents. Culture change in the sector would be difficult, given that there were many private operations and pilots would be reluctant to report their own failure to stay in command. Mr Newson noted actions coming out of fatal accident enquiries that

may help. Mr Swan informed the Board that the CAA will be providing expert testimony on pilot performance for these enquiries.

52. The Board considered the importance of helicopter design on safety, and queried where the key areas for improvement might be. Mr Newson identified the importance of the pilot interface with equipment, such as displays and automation. Manufacturers have been developing more comprehensive operations manuals. New helicopters are very complex, and can be challenging for inexperienced pilots to handle in difficult conditions. This was exacerbated by some pilots flying multiple aircraft types. The longer-term goal was to achieve design equivalence with fixed wing aircraft. EASA recognises this, but given the long rule-making process the current focus was on pilot performance and particularly pilot interaction with technology. The Board agreed that the sector appeared to be at a crossover point, in which the technology was sound but human factors in interaction with the technology were not.
53. The Board thanked Mr Newson for his update.
54. Mr Swan provided an update on the use of management information in the Flight Operations unit. QPulse had been rolled out to the unit in 2014 and been embraced as a useful tool. Data on 'Audits Started' versus 'Audits Scheduled' allowed managers to see progress and intervene if targets were not being met. It also allowed consideration of the best audit activities, such as focusing more on in-cockpit activity and training. Overall, management data was letting capability teams identify their level of audit activity and the findings being generated as a result.
55. The Board queried the 'response rejected' information related to CAA findings. Mr Swan explained that this meant that the CAA had rejected the industry response to a finding and requested that further work be done.
56. The Board thanked Mr Swan for his update and noted the report. In the light of the discussion, the Board requested a strategic consideration of the interaction of automation and pilot performance.

Action: Mr Swan

IX Whistleblowing and the CAA – Doc 2016-020 by Mark Swan

57. The Board welcomed Mr Parker to the meeting. Mr Swan informed the Board that the backlog in investigation of whistle-blowing (WB) reports by the General

Aviation Unit (GAU) had previously not been reported to the SARG LT. This had now been addressed with a new reporting process; however a more in-depth consideration was required of the framework and resource committed to ensuring that WB reports were addressed in a timely manner.

58. The Board expressed concern at the number of unclosed WB reports, particularly in the GAU. Mr Parker noted that WB represented only a small part of aviation safety reporting, and tended to be from people not as involved in the industry. The value of these reports was sometimes difficult to determine, which is why prompt initial action was taken to categorise and prioritise any report received. The obviously higher-risk reports are investigated promptly, while the rest are resolved later.
59. The Board felt that delaying investigation of WB reports, even those of a seemingly minor safety risk, was concerning and emphasised that the activity should be appropriately supported, with appropriate action taken in response to all reports received.
60. The Board emphasised the importance of communicating with all identifiable whistleblowers to ensure that their report was acknowledged.
61. The Board requested a closer look at this issue.

Action: Mark Swan

62. The Board endorsed the recommendations in the paper.

X Office of General Counsel: Annual Review – Doc 2016-021 by Kate Staples

63. Mrs Staples introduced the paper. OGC had been very busy for 2015, and had offered considerable intellectual challenge and the opportunity to work very closely with various parts of the CAA. Mrs Staples invited Board comment on the annual review.
64. The Board commended Mrs Staples for a well-written and honest paper.
65. Mr Swan noted that 2015 had been a ‘game changer’ for SARG, and highlighted the importance of a new regulatory model that has OGC integrated within it. A significant amount of regulatory work should begin with an early consideration of the legal and communications implications. Mrs Staples agreed, and supported OGC integration by design as opposed to by accident. This working model needed to be in place before events escalated to litigation. It was also important for colleagues in OGC to focus on the wider CAA business

interest. It was conceivable that less OGC resource would be required under this integrated model, which would employ different skills and move away from litigation and closer to regulatory design.

66. The Board cautioned that this proposed integrated model would need to be explained to external stakeholders, to ease any concern about greater legal input on their relationship with CAA. This should be communicated as the CAA way of operating, not a defensive posture.
67. The Board queried whether this integrated model, if implemented, would have prevented some of the litigation work required in 2015. Mrs Staples felt that some would have possibly been prevented, as OGC could have helped to ensure a well-designed regulatory system, but there would always be work derived from 'pop-up' events.
68. Mr Johnson noted that in the policy area, OGC had been instrumental in enabling good results. Mrs Staples agreed and saw this as an important role for OGC: helping colleagues achieve outcomes rather than being perceived as a barrier. The Board queried whether policy had a similar integral role as legal and communications in safety regulation. Mr Swan noted the role of the ISP unit for safety policy, but agreed that this was worth further consideration.
69. The Board noted the report.

XI Report from CAA Audit Committee – Doc 2016-022 by Graham Ward

70. The Chair noted that there are new European regulations concerning consultancy work and audit function. The DfT had confirmed that the CAA does not need to comply with these regulations, as the CAA is not within scope.
71. The Board noted the report.

XII Finance Report – Doc 2016-024 by Chris Tingle

72. Mr Tingle introduced the report and noted that he intended to change the presentation of the report in the future, so that it was more focused on financial performance compared to the previous month and the forward forecast. The Board were supportive of a change in the format of the report and looked forward to seeing the new version.
73. The Board queried the addition of redundancy costs to the forecast loss. Mr Tingle noted that this was budgeted for £400k, but that this amount did not

include some of the pending costs. Overall, the forecast year-end result was looking considerably better when exceptional items were excluded.

74. The Board noted the report.

XIII Live issues and monthly reports

Consumers and Markets Group *Live Issues* – Doc 2016-025 by Mr Moriarty

75. Mr Moriarty noted that British Airways had failed to respond with a plan for ensuring that disrupted passengers receive information on their rights. The CAA would now be engaging with passengers directly to discern if they were informed of their rights, and thus establishing whether or not there is a need for an enforcement action against BA.

76. The Board noted the report.

PPT *Live Issues* – Doc 2016-026 by Mr Johnson

77. Mr Johnson informed the Board that issues were still being worked through with DfT on complaint handling and Alternate Dispute Resolution (ADR). The CAA was working to get a common policy position agreed with the DfT.

78. The Board noted the report.

CCD *Live Issues* – Doc 2016-027 by Mr Stephenson

79. Mr Stephenson noted that ITV had expressed interest on the cabin air quality issue, and may approach Board members for comment.

80. The Board noted the report.

AvSec *Live Issues* – Doc 2016-028 by Mr Drissell

81. The Board noted the report.

XIV Any other Business & Forward Planning

82. Mr Haines noted that the next Board meeting would be at Marshall Aerospace and Defence Group in Cambridge.

83. Mr Swan informed the Board that he had examples of increases in air display charges that he could provide for Board members who were interested.

**Date and Time of Next Board Meeting: 16 March 2016, at 1pm, Marshall
Aerospace and Defence Group, Room TBD, Cambridge Airport**