

CIVIL AVIATION AUTHORITY
MINUTES OF THE 523rd BOARD MEETING HELD ON
WEDNESDAY 17 OCTOBER 2018, AVIATION HOUSE



Present:

Dame Deirdre Hutton Chair
Mr Richard Moriarty
Mr David King
AVM Gerry Mayhew
Mr Michael Medlicott
Mr Graham Ward
Mr Paul Smith
Mr Mark Swan
Mr Chris Tingle
Ms Kate Staples Secretary & General Counsel

Apologies:

Mr David Gray

In Attendance:

Mr Peter Drissell
Mr Tim Johnson
Mr Richard Stephenson
Ms Angela Lynch minute taker
Mr Ed Weston
Mr Ben Alcott for items VII and VIII
Mr Peter Kirk for item IX
Mr John McColl for item X
Mr David Oastler for item VI
Mr Andrew Walker for item V

I. APOLOGIES AND INTRODUCTIONS

1. There were apologies from Mr Gray due to illness. Mr Gray had sent comments on item V in advance which the Chair introduced into the discussion.

II. CONFLICTS OF INTEREST, PREVIOUS MINUTES, AND MATTERS ARISING

2. No new conflicts of interest were declared.

3. The minutes of the last meeting were agreed subject to the addition of an action point.
4. Under matters arising, Mr Swan confirmed the draft report of the Helios review on the governance of air displays (referred to at last month's meeting) had been shared with the team. A paper encompassing the response to it would be presented to the Board in November under the monthly safety report.

Action: Mr Swan

5. The Board discussed the redaction process for Board minutes, which is based on the principle of transparency except where commercial or personal details are concerned. Ms Staples said that she would circulate exact details on the process to the Board.

Action: Ms Staples

III. CHAIR'S UPDATE

6. The Chair gave an update on recent meetings and events, including recent UK Regulators Network (UKRN) engagement. She highlighted that the CEO-level group was currently discussing the appointment of a new Chair and that the UKRN had been approached by Government to consider work that could support its review of UK regulatory bodies.
7. The Chair gave a summary of the recent meeting she and Mr Moriarty had had with the Consumer Council (Northern Ireland). The meeting was productive with relevant consumer issues discussed, including complaint handling and Belfast International Airport.
8. The Chair gave an update on the Non-Executive Director (NED) recruitment process. She confirmed that a strong shortlist of candidates had been drawn up and that the process was on track to deliver two new Board members by the end of the year. The Chair also informed members that she had accepted the Secretary of State's request to extend her term until August 2020. Board members welcomed this decision, agreeing it would help to provide stability during a potentially challenging time.
9. The Chair highlighted the CAA/DfT win at the recent National Transport Awards under the category 'Transport Team/Partnership of the Year', for their work together on the Monarch repatriation programme.

IV. CHIEF EXECUTIVE REPORT (DOC 2018-80) BY RICHARD MORIARTY

10. Mr Moriarty updated the Board on key meetings and live issues.
11. The Board approved the request to open a foreign currency bank account in connection with a specific CAA International (CAAi) contract agreement and as an exception to the CAA's policy of transacting business in sterling.
12. The Board approved the addition of Dan Cattermole as a new Senior Business Partner to the CAA's bank mandate (as an "A" signatory).
13. The Board consented to the removal of incorrect text from the 'ASSI Memorandum & Articles of Association' as detailed by Ms Staples in the report.
14. The Board supported the replacement of departing ASSI Board member Eirik Pitkethly with DfT-nominated member Catherine Adams.
15. The Board discussed the topic of Flight Time Limitations, recognised as an important safety issue. Mr King highlighted the risk that pilot shortages could cause more frequent recourse to discretionary use, which in turn could lead to more breaches.
16. Mr Moriarty noted his recent meeting with Surinder Arora in relation to the Heathrow expansion.
17. Mr Moriarty highlighted the welcome focus on long-term airspace reform from the DfT. The Board noted some key issues on airspace would be covered during November's Board meeting.
18. Mr Moriarty gave an overview of his key observations from the recent ICAO Air Navigation Conference, where he had the opportunity to engage in productive discussions with global partners on a range of topics. He observed the growing interest from safety regulators to respond to new technologies and several stakeholders had expressed particular interest in the CAA's Innovation Programme (being established through the Government's Regulators' Pioneer Fund). The Chair noted this point and asked that international opportunities be considered as part of the Programme's development.

Action: Mr Johnson

19. Mr Smith asked the Board to note two current CMA cases: Investigation of the Atlantic Joint Business Agreement; and Aer Lingus Limited / Cityjet Designated Activity Company merger inquiry. The CAA had been informed of these cases as part of ongoing CMA-CAA cooperation and it was confirmed that there was no statutory involvement in them from the CAA.
20. Following last month's update, Ms Staples confirmed that a note on the Edinburgh Airspace Change proposal had been circulated to members for information. The Board considered the airspace change process more broadly and reflected on the

internal lessons learnt in transitioning from the old approach to the new one. Ms Staples also provided an update on the latest developments and their potential consequences.

21. Mr Moriarty reported that the ATOL e-licensing system had gone live last month and although it would take time to become fully embedded, initial reports were positive.
22. The Board noted the continuing challenge the Shared Services Centre had in processing increased volumes of flight crew licenses and Mr Tingle updated the Board on the measures being implemented to address this. It was noted that current demand is 40% above the level seen last year.
23. Mr Moriarty informed the Board of the recent consumer roundtable co-hosted by the CAA's Consumer Panel and the Minister for Aviation. The event was well-attended by consumer groups and there was agreement from the DfT on several areas for incremental improvement. Mr Moriarty praised Consumer Panel Chair, Jenny Willott, for her significant role in the session. Mr Johnson added that the DfT's willingness to support consumer policy changes was also reflected in its decision to include the topic under its forthcoming Aviation Strategy.
24. The Board noted the report.

V. UPDATE: ECONOMIC REGULATION PROGRAMME FOR CAPACITY EXPANSION AT HEATHROW AIRPORT (DOC 2018-081) BY PAUL SMITH

25. The Board welcomed Mr Walker to the meeting. Mr Smith gave an overview of the paper and provided context around the latest engagement and planning discussions for the Heathrow expansion.
26. Mr Smith confirmed that Heathrow Airport (HAL) was still working to a timeline of submitting its final DCO application in 2020, for final agreement in 2021. He highlighted that this was a challenge and the team would closely monitor HAL's progress. Delay beyond this would likely require the team to reopen its assumptions on the price control and cost of capital, to ensure adequate consumer protection.
27. Following discussion of the different options and potential risks, the Board agreed to retain the current approach for the interim price control measures, based on a two-year arrangement (2020 and 2021), with the flexibility to add a third year (2022). The Chair asked that the articulation of the advantages of this approach explicitly state that consumer interest was central to it.

Action: Mr Walker

28. Mr Walker outlined a proposed new licence condition on Heathrow to promote efficiency in its activities. In response to a question, he confirmed the driver for the condition was to provide additional assurance about how Heathrow would operate the existing airport and develop expansion. The Chair asked that specific language be used to make this intent clear.

Action: Mr Walker

29. The Board discussed Heathrow's engagement with airlines. Mr Medicott asked for clarification of how the proposed licence condition would help to encourage Heathrow to continue to improve in this area. Mr Walker and Mr Smith responded that it would make it clearer when failures occurred and would underpin the fact that not all behaviours can be covered by financial incentives.

30. The Board endorsed the proposed licence condition for consultation. It noted that, if the condition were agreed, it would be introduced at the end of 2019 alongside the new interim price control arrangements.

31. Mr Walker outlined the proposed approach to surface access matters, which aimed to bring CAA policy more in line with the obligations laid out in the National Policy Statement. Mr Walker confirmed that the DCO process would crystallise how those obligations would be delivered. The Board noted that future challenges could arise when decisions were made on which aspects of the programme were classed as essential, versus those that were 'nice to have'.

32. Mr Medicott asked that under surface access travel arrangements, infrastructure to support on-foot arrival also be included. He raised the point of foreign airlines' participation in the discussion process and Mr Smith confirmed that they were part of the ongoing engagement process. For example, through BAR UK and the Heathrow Airport Consultative Committee.

33. Ms Staples confirmed that she had set up a meeting to discuss legal options if multiple DCO applications were submitted and Mr Walker confirmed that the DfT was also giving thought to the risks/opportunities of multiple DCO applicants.

34. Subject to the requested changes, the Board approved the publication of the consultation paper. It delegated approval of the final document to Mr Smith and Mr Moriarty.

VI. CAA BREXIT READINESS PLANNING: UPDATE (DOC 2018-082) BY TIM JOHNSON

35. The Board welcomed Mr Oastler to the meeting.

36. Mr Johnson noted recent engagement with European counterparts over the UK's wish to remain a member of EASA after Brexit, and ongoing Government-led discussions on bilateral air services agreements.

37. Mr Johnson updated the Board on recent Brexit Programme activity, under the strategy previously agreed by the Board. He noted contingency planning following the publication of the Government's Technical Notices for aviation and EASA's information for Third Country approvals, published on 2 October.
38. Mr Johnson confirmed that the volumes of licensing requests expected as a result of Brexit were still uncertain. Mr Tingle confirmed, however, that several resourcing options were being considered to mitigate this, including staff reallocation and re-prioritisation of activities. It was noted that Foreign Carrier Permits' processing were expected to be supported through the introduction of a new IT system. Mr Smith confirmed that a fall-back manual process was also available if there were delays with the system.
39. AVM Mayhew highlighted that contingency planning was being done by the RAF and MAA, including looking at licensing requirements. The Chair suggested further consideration be given to whether a briefing session with the CAA should be set up.

Action: Chair's office/ AVM Mayhew

40. Mr Moriarty noted the positive working relationship between the CAA and the DfT in relation to Brexit preparations.
41. The Board noted the report.

VII. INTERNATIONAL GROUP ANNUAL REPORT (DOC 2018-083) BY BEN ALCOTT

42. The Board welcomed Mr Alcott to the meeting who presented the report on the International Group and its key projects.
43. In relation to CAA International (CAAi), Mr Alcott confirmed that colleagues were on track to meet their targets for the year and the subsidiary was continuing to cement its reputation worldwide. He noted, however, that competition was increasing, which, along with Brexit uncertainty, meant that there were considerable challenges being faced. The team was looking at ways of addressing these through: development of new products and services; greater utilisation of existing and new (internal and external) relationships; and more precise consideration of customer wants. The Board welcomed the further consideration of these developments and CAAi's forward-looking approach. In particular, the Chair supported Mr Alcott and Mr Johnson's commitment to consider opportunities for linking CAAi with the CAA's development of a regulatory sandbox (under the Innovation Programme).

44. Mr Moriarty highlighted that the establishment of CAAi as a social enterprise and its rebranding had been positively received in international forums and feedback from training course participants was impressive.

45. Mr Ward asked for more details on the effects limited resources were having on the CAAi's growth, such as the number of tenders not pursued and which areas these covered.

Action: Mr Alcott

46. Mr Moriarty raised the point that given the significant external changes to the environments that CAAi was operating in, it may be appropriate to review previous decisions made by the Board on the CAAi business model and its commercial limits. The Board acknowledged this point and agreed that constraints should be reviewed, including considering loss leading business approaches, maximising contributions to SARG, and further exploration of ICAO channels. The Chair asked Mr Alcott, with input from Mr Medicott, to identify key considerations, options and a roadmap for CAAi to address future challenges through commercial means.

Action: Mr Alcott

47. Mr Alcott gave a brief overview of recent State Safety Partnership (SSP) and International Engagement work. On the former, he highlighted that the DfT had signalled its growing support for developing the programme and the team had received recognition from other regulators for its work. It was acknowledged that new customers could be difficult to find due to reluctance to admit to safety failings, but this was countered by the solid evidence-based approach that the team took. The Chair suggested that increased communications activity on the safety benefits of the SSP could be considered.

Action: Mr Stephenson

48. The Board noted the report.

VIII. TARGET BUDGET 2019/20 (DOC 2018-084) BY CHRIS TINGLE

49. The Board discussed the target budget 2019/20 assumptions, incorporating the outcomes from the Executive Committee's discussions. Mr Tingle outlined the timeline for completing the target budget, which included sharing the principles with the Finance Advisory Committee (FAC) on 9 November and presenting the final consultation document version for approval to the Board on 21 November.

50. Mr Tingle noted specific challenges for next year's budget, arising from expectations for lower rates of revenue growth and increased CAA headcount.

51. The Board noted new charges proposals covering airspace change, airspace modernisation and cyber, as well as re-instated charges for Part-G licences. Mr

Tingle confirmed the effects of the accommodation move and depreciation charges associated with the Transformation Programme returns.

52. Members discussed considerations around headcount management, risks and opportunities to the base case budget, and funding options.
53. The Board noted the potential effects of different Brexit scenarios on CAAi. The Board agreed that it was right that the consultation on Brexit take place with industry now rather than later. Members also endorsed Mr Moriarty's approach under a 'no deal scenario', to consider short term prudency measures to address financial impacts of Brexit, to help better secure mainstream financial sustainability over the next 3 years.
54. Ms Staples clarified the legal costs identified as part of the target budget.
55. The Board endorsed the base assumptions for inclusion within the 2019/20 Schemes of Charges consultation document. The Chair thanked the Finance team for their work to prepare this.

IX. AVSEC QUARTERLY REPORT (DOC 2018-085) BY PETER DRISSELL

56. The Board welcomed Mr Kirk to the meeting and discussed the latest performance metrics for Aviation Security (AvSec). Members noted that these included their previous suggestions and confirmed they were satisfied with the format of the report.
57. Mr Drissell briefed the Board on matters arising, including planned EU changes to security vetting processes and the introduction of automated screening for IFS in the UK.
58. Following last month's update, the Board discussed the British Airways (BA) decision to award its catering contracts to Do & Co and it was agreed that Mr Drissell would discuss the decision with BA senior management to understand their transition plan for the new services.

Action: Mr Drissell

59. The Board noted that since Do & Co will be setting up a completely new facility, this will provide an opportunity for AvSec to work with the company to ensure that the most up to date security driven technology resources are included.
60. The Board noted an update on the progress being made in developing Quality Assurance Framework for Aviation Security training. Mr Drissell informed the Board of focussed changes made to the CAA's recruitment of auditors, which has seen improvement in the quality of applicants in general and had improved the ratio of female applicants. He highlighted that the team and HR were now also looking at ways of improving ethnic diversity of applicants. Mr Moriarty agreed that this was

a good example for the organisation to consider in future and the Chair noted that small changes to work environment would similarly set a good example for retaining staff.

61. The Board noted the UK's compliance performance by sector and against EC standards. It welcomed the increasing number of tests as the outcome of a recent testing review, which would also enable the creation of more statistically-reliable data for trend analysis.
62. The Board noted the report.

X. SARG MONTHLY REPORT (DOC 2018-086) BY MARK SWAN

63. The Board welcomed Mr McColl to the meeting.
64. Mr Swan briefed the Board on recent safety events and oversight activities since the last meeting. He informed members of an escalation of his top safety risk in relation to Flight Operations and take off performance measurement. The Board agreed to support the team to address this. The initial step would be to sign a letter to Original Equipment Manufacturers (OEMs) to ask them to come up with a technical solution to the problem of inaccurate performance calculation data. Mr Swan confirmed that other routes such as training and education had already been explored and that Flight Operations inspectors were also raising the issue directly as part of their oversight practices. In addition to the letter, it was also agreed that the FAA, EASA and other relevant institutions, should also be contacted and asked to add their support.
65. Mr Swan briefed the Board on a regulatory issue that the CAA has been discussing in relation to Standardised European Rules of the Air (SERA). He confirmed that CAA 'lines to take' were being developed and the topic had been raised with DfT.
66. Mr Swan flagged a paper that would be coming to the Executive Committee and then the Board in November on the topic of Programme Making and Special Events.
67. Mr McColl briefed the Board on the performance of the CAA's airworthiness capability and key events over recent months. Following previous discussions with the Board, he updated members on ongoing focussed oversight of Trent 1000 and 700 engines, and on the team's findings in relation to the recent Korean Helicopter accident.
68. In relation to internal management of the team, he confirmed that new processes had been put in place to rotate individuals oversight of entities (avoiding regulatory capture). This had proved effective in increasing the quality of inspections and had received positive feedback.

69. Mr McColl informed the Board that resourcing and retention was a key priority in the team, including in the context of Brexit where initial processes were in progress. In relation to State of Design capabilities, he confirmed that the ability existed amongst staff but there were still cultural issues to address, to complete the Brexit contingency planning in this area.
70. The Board noted that the information from the onshore helicopter safety review previously discussed with the Board was being compiled. Mr McColl confirmed that it indicated different trends and issues compared to the offshore review and the Board would be briefed more fully.

Action: Mr McColl

71. Mr McColl informed the Board of changes to improve the processing of Mandatory Occurrence Reports (MoRs) by the team. He confirmed that he was also continuing to work with the Intelligence team to further develop the safety data and intelligence processes.
72. A brief discussion was held on the global issue relating to air traffic controller shortages, whose effects were being considered by the CAA as well as other key stakeholders such as NATS. Ways of minimising the effects of the shortage were being investigated.
73. The Board noted the reports.

XI. FINANCE REPORT (DOC 2018-087) BY CHRIS TINGLE

74. Mr Tingle reported the financial results to the end of August, which were tracking ahead of budget, due to steady revenue. He noted that more in-depth forecasting for headcount and related costs was being undertaken by the team.
75. The Board noted the report.

XII. AUDIT COMMITTEE REPORT (DOC 2018-088) BY GRAHAM WARD

76. The Board noted the latest report from the Audit Committee. Mr Ward clarified the wording in relation to whistleblowing reporting (paragraph 5c of the report). It was agreed that whistleblowing issues would continue to be reported on a regular basis to the Executive Committee (through a monthly dashboard). Members of the Executive Committee would escalate relevant issues to the Board (through the CEO Report) as required.

XIII. ANY OTHER BUSINESS AND FORWARD AGENDA

77. Mr Johnson gave a brief overview of the planned Board sessions with Cranfield University representatives next month. Mr Swan informed the Board of the work

the team was doing with Cranfield University to establish a new aviation safety qualification. He would provide an update in due course.

Action: Mr Swan

78. The Board noted the agenda for the next Policy and Innovation Exchange (PIE) and the Chair confirmed that a short brief would be provided beforehand.
79. The Chair thanked Mr Medicott for his recent work on ATT in relation to Monarch Aircraft Engineering Ltd.

**Date and Time of Next Board Meeting:
21 November 2018, Cranfield University**