

CIVIL AVIATION AUTHORITY
MINUTES OF THE 527th BOARD MEETING HELD ON
WEDNESDAY 20 FEBRUARY 2019, CAA HOUSE

Present:

Dame Deirdre Hutton Chair
 Mr Richard Moriarty
 Ms Marykay Fuller
 Mr Peter Kirk (for Peter Drissell) until item V
 Ms Anne Lambert
 Mr David Gray
 AVM Gerry Mayhew
 Mr Michael Medlicott
 Mr Graham Ward
 Ms Kate Staples Secretary & General Counsel
 Mr Mark Swan
 Mr Chris Tingle

Apologies:

Mr David King
 Mr Peter Drissell
 Mr Paul Smith

In Attendance:

Mr Tim Johnson
 Mr Richard Stephenson Ms Sophie O’Sullivan for item IX
 Ms Angela Lynch minute taker Mr Rob Toal for item VII
 Mr Ed Weston Mr Andrew Walker for item VII
 Ms Julie Bryer for item VI
 Mr Jim Frampton for item V
 Mr Reiner Krammer for items I-V
 Mr Will Nathan for item VIII
 Mr David Oastler for item V

I. APOLOGIES AND INTRODUCTIONS

1. There were apologies from Mr King, Mr Drissell and Mr Smith.
2. Board members welcomed new Non-Executive Director Ms Lambert to her first formal Board meeting.

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

2. There were no new conflicts of interest declared.
3. The previous minutes were agreed, subject to minor corrections to the attendees list. Ms Staples explained that a redaction would be required in the published minutes to protect the identity of an individual.
4. Under matters arising, the Chair asked for an update on work under the CAA fitness policy. Mr Swan confirmed that the policy had been put in place and that the action related to the final amendments to associated documents would be completed as soon as resources allowed. On the basis of this response the Board agreed that the corresponding action should be marked closed.

III. CHAIR'S UPDATE

5. The Chair gave an update on recent meetings and events attended, including the latest meeting of the UK Regulators Network Chairs Group.
6. The Board noted the forthcoming publication of the Airline Insolvency Review, following its previous discussions on the topic (which included a Policy and Innovation Exchange session in December). Mr Moriarty confirmed that the CAA had provided support to the Airline Insolvency Review in the form of secretariat and technical advice but that it had not been directly involved in the policy proposals, as this was an issue for Peter Bucks. It was agreed that the outcomes of the review would be carefully considered.
7. The Board noted the update.

IV. CHIEF EXECUTIVE REPORT (DOC 2019-010) BY RICHARD MORIARTY

8. Mr Moriarty updated the Board on key meetings and live issues.
9. The Board accepted the NATS nomination to appoint Mr Bullock as an Employer Nominated Director (NATS) of CAAPS for the period 1 April 2019 to 31 March 2022.
10. Ms Staples gave an oral update on the Piper Malibu N264DB Accident on 21 January 2019. She confirmed that the safety investigation led by the AAIB was ongoing and clarified relevant aviation regulations and processes in response to questions from the Board.
11. Mr Moriarty briefed the Board on activity following FlyBMI's recent announcement that it had gone into administration. As the airline was not covered by the ATOL scheme, the CAA had no direct passenger assistance role. The team did, however, support DfT in providing technical advice and it published information aimed at those passengers affected.

12. The Board noted an update on engagement with Heathrow and its stakeholders on the expansion planning process.
13. Under the report's update on dangerous goods, Ms Staples confirmed that the decisions to ban dangerous goods from carriage by air fall under the purview of the Secretary of State. Mr Swan informed the Board of the current safety team review on rules relating to the transportation of lithium batteries. He confirmed that the findings would be discussed through the Safety Leadership Group and reported to the Board in due course. The Chair asked that the review be expanded to consider whether a ban of the carriage of lithium batteries in the holds of passenger aircraft would be desirable and if so, on what basis the CAA would want it to be implemented.

Action: Mr Swan

14. The RP3 consultation document has now been published, with the team now content that the document accurately and adequately describes the information provided by NATS.
15. Mr Moriarty highlighted the information in the report on airline and travel market financial results.
16. An update was given on the proposed acquisition of Flybe by Connect Airways. In line with standard CAA processes the team was carrying out work to assess the financial and ownership aspects of the process. Mr Krammer confirmed that the acquisition was also subject to European Commission approval.
17. Ms Staples responded to a question on the report on preparatory work for the ICAO audit in Bermuda. She confirmed that Air Safety Support International (ASSI) would be reviewing the results of the dry run and, where appropriate, would carry out its own actions in key areas. Mr Kirk noted that ASSI's remit now included security issues in UK Overseas Territories. Ms Staples confirmed that ASSI's governance structure dictates that it reports directly to the Secretary of State.
18. The Board noted the report.

V. CAA NO DEAL BREXIT READINESS REVIEW (DOC 2019-011) BY TIM JOHNSON

19. The Board welcomed Mr Oastler and Mr Frampton to the meeting.
20. Mr Johnson gave an update on Brexit-related developments since last month, which included positive confirmation yesterday from the European Commission that it would guarantee Third and Fourth Freedoms of the Air in the event of a no deal (subject to final parliamentary acceptance). The Board agreed that this was reassuring, reducing the severity of the risk to air connectivity agreements. In response to a question, Mr Johnson said that the UK's position on cabotage rights

would be decided by the Government, noting that the CAA would play an administrative role in accordance with the outcome (e.g. issuance of foreign permit licences).

21. The Board noted the details of the CAA's ongoing Brexit readiness preparations. These included almost 50 additional staff in the Shared Service Centre (SSC) to handle the much higher than forecast volumes of pilot and engineer licence transfer requests and applications. Mr Tingle confirmed that the team was making good progress, with applications received by the CAA's stated deadline of 1 January 2019 on track to be completed by the end of March. It was noted that Mr Swan was also leading engagement with European Member States to help to prevent delays on their side in completing the licence processing requests from UK-based licence transfers.
22. Mr Stephenson gave an update on communications issued in relation to licence processing. He confirmed that these were aimed at internal and external stakeholders, to ensure clarity and a coordinated CAA response to enquiries.
23. The Board asked to receive updates on the CAA's preparations if there were significant developments between Board meetings.

Action: Mr Johnson/ Chair and CEO's Office

24. The Board acknowledged the dedication of the CAA teams working on the licensing processing, particularly within the SSC. The Chair asked that this be formally recognised as a vital part in delivering Brexit preparations and that the Board's thanks be thus conveyed to the team.

Action: Mr Tingle

25. The Board noted the ongoing progress under the Bilateral Air Safety Agreements, including final drafting and the recent visit by the team to the US.
26. Under State of Design preparations, Mr Swan gave an update on the resourcing plan confirming the short-term need was on track to be in place in time for Brexit. Given the uncertainty of the Brexit outcome, new staff being brought in potentially to carry out this function were being dual-trained (to enable them to fill an alternative CAA function as needed).
27. Mr Johnson gave an update on the support the CAA was providing to the Government under its contingency plans.
28. The Board noted ongoing engagement with ICAO in relation to Brexit. Joint communications had been sent from the DfT and the CAA to inform ICAO Member States of the UK's plans relating to aviation.
29. Mr Johnson confirmed that the Internal Audit report on the CAA's Brexit programme had been received, with recommendations taken on board and other key points

noted. Mr Ward confirmed that the Audit Committee were satisfied with the report and reactions to it.

30. The Board briefly discussed the potential significance of Brexit on European aviation supply chains. Mr Johnson and Mr Moriarty confirmed that this topic had been raised as one of key importance by a number of airlines and that the CAA would note this again in conversation with the DfT.

Action: Mr Johnson

31. The Board agreed that the CAA had an important role to play in helping to bring clarity to the public and industry from now and during the initial period post-Brexit. Mr Stephenson confirmed that the communications plan for this was being stepped up, which included a coordinated approach between the DfT and CAA Communications' teams. It was noted that airlines have a particularly important role in ensuring their passengers are kept informed of any effects in the immediate post-Brexit period.
32. Mr Medicott asked whether CAA staff who are non-British UK nationals were being supported on a corporate level. Mr Moriarty confirmed that staff affected had been spoken to directly to confirm the CAA's commitment to them and that ongoing work was taking place to minimise disruption to staff in the UK and those on secondment to EASA.
33. The Board noted the report.

VI. PENSIONS UPDATE (DOC 2019-012) BY CHRIS TINGLE

34. Ms Staples declared her membership of the CAAPS trustee body. She would not participate in the discussions and in any event no decisions were to be taken at this stage.
35. The Board welcomed Ms Bryer to the meeting and noted the update on the CAA's two pension schemes: Defined Benefit (DB) and Defined Contribution (DC). The Board considered the possible outcomes for the current triennial valuation of the DB scheme and the limited range of tools available should there be a significant funding deficit. The Board also noted the update provided on the DC scheme. It was important that members of both schemes be treated fairly, along with charge payers.

VII. HEATHROW PRICE CONTROL REVIEW (H7) (DOC 2019-013) BY PAUL SMITH

36. The Board welcomed Mr Walker and Mr Toal to the meeting. Mr Walker provided the context to the CAA's Heathrow Price Control Review for the period after the current controls on charges and services expire (31 December 2019).

37. The Board noted key issues for the CAA to consider as part of this process. It endorsed that the plan should consult on: the Heathrow Airport Limited (HAL) commercial deal with airlines on Heathrow expansion; and proposed economic regulation framework changes.
38. The Board discussed the CAA's response to the proposed HAL commercial deal and endorsed the team's position to issue the consultation with a statement that the CAA was 'minded to' agree it. Mr Walker explained the factors considered by the team in determining this. He outlined the advantages and potential risks under the deal and that HAL's proposals were linked to the CAA's previous agreement on setting an interim price control period. It was confirmed that the consultation would be published at the end of February, with the Board agreeing to delegate final drafting of the consultation document to Mr Smith.
39. The Board discussed in detail the proposed changes to the HAL economic regulation framework. This included consideration of the team's approach to considering alternative arrangements for the Heathrow expansion and changes to HAL licensing obligations.
40. Under the CAA approach to considering alternative expansion arrangements, Mr Toal informed the Board of the key findings of the Arcadis review on the Arora Group proposals and subsequent considerations that had been taken into account. It was agreed that at present the Arora Group had not provided sufficient information to enable the CAA to carry out any substantive consideration of those proposals. Accordingly, the CAA would not establish a team to assess its proposal at this time. The team would continue to treat all potential DCO applicants fairly. The Board discussed the outline proposition for changes to the HAL licence obligations. Mr Walker confirmed that further detail would be added to these after the consultation responses had been received. Under proposed text for the consultation, Mr Gray asked that OGC test the wording in relation to the proposed licence condition (slide 13, sub-paragraph 3) to ensure that the outcome allowed sufficient flexibility for CAA actions, if required.

Action: Mr Walker/Ms Staples

41. Mr Moriarty confirmed that the DfT had been kept informed of conversations between the CAA and HAL relating to the proposed licencing modification.
42. The Board noted the report.

VIII. COMMUNICATIONS ANNUAL REPORT (DOC 2019-014) BY RICHARD STEPHENSON

43. Mr Nathan was welcomed to the Board. Mr Stephenson presented the highlights over the past 12 months and current challenges being addressed by the Communications directorate.
44. Mr Stephenson highlighted the strong performance of the team, thanking colleagues from across the CAA as well for helping to achieve improved coordination. This support has allowed the directorate to provide additional support, implement an increasing number of successful campaigns and enable better forward planning. Communications were now playing a strategically important role in broader work programmes. Mr Stephenson said the team would seek to build on these improvements over the next year.
45. The Chair recognised the improved outputs from the Communications team. She noted that a higher public profile did also however carry risks. Mr Moriarty agreed that it was a challenge as a regulator to provide enough communications to serve the public's need for information and guidance, without being perceived as too self-promoting. Mr Gray noted that, given the diverse functions of the CAA, he recognised that different types of communications approaches would be appropriate for different parts of the organisation.
46. The Chair suggested that, at a later date, a further discussion should be had on considering from a strategic viewpoint what type of regulator the CAA should position itself as. The points raised above in relation to communications should be considered as part of this and perhaps brought back to the June Board awayday.

Action: Mr Stephenson

47. The Board noted the report.

XI. SARG MONTHLY REPORT (DOC 2019-015) BY MARK SWAN

48. The Board welcomed Ms O'Sullivan to the meeting.
49. Mr Swan briefed the Board on recent safety events and oversight activities since the last meeting.
50. The Board noted the safety team's activities to support mitigation of the issue relating to incorrect take-off performance data. This topic is also the focus of an EASA Working Group and the introduction of a successful solution is expected to see improvement not only in the UK but also across the rest of the EU.
51. Mr Moriarty informed the Board of his and Mr Swan's recent meeting with Airbus Helicopters, as part of ongoing industry engagement.
52. Ms O'Sullivan briefed the Board on the CAA's Unmanned Aircraft Systems (UAS) Unit, whose remit includes permissions, oversight and safety regulation for drones. Since the Unit was established in August 2018 the team had taken on several new

projects and an extended remit. This was in response to both growing drone use and increased focus from the Government on drone management. The Board noted the high level of policy and regulatory change in this area, both in the UK and internationally.

53. Ms O'Sullivan informed the Board of the joined-up approach of the Unit, which works closely with other teams in SARG and across the CAA on key broader issues such as electronic conspicuity, airspace change and overall aviation safety risk management.
54. It is predicted that the use of drones will continue to grow, which will continue to raise expectations for the CAA to address related matters. Ms O'Sullivan outlined the different groups of stakeholders the Unit was engaging with, including those outside of traditional aviation circles and new entrants to the market. Ms O'Sullivan highlighted that different communications channels were being used to reach new and non-aviation stakeholders. Mr Moriarty added that these included a strong role for the CAA in raising awareness and educational campaigns.
55. A brief discussion was had on how the Unit is funded and what income streams were being considered for the future, to ensure its sustainability and resilience for responding to future demands. Ms O'Sullivan gave examples of existing projects and future work planned for the next two years.
56. The Board discussed the role of emerging technology as part of the Unit's development work and the broader questions it raised on complex issues, such as on future aviation traffic management. Mr Johnson confirmed that these issues were being worked on together with the Unit as part of the CAA's new Innovation capability, previously endorsed by the Board.
57. Under discussion of future drone technology, AVM Mayhew said that he would follow up with Ms O'Sullivan as appropriate to coordinate lessons learnt from military experiences.

Action: AVM Mayhew/Ms O'Sullivan

58. In response to a question on skills, Ms O'Sullivan confirmed that, because of the increasing pressure and rapid speed of technological developments, specialist skills beyond the current CAA capabilities were likely to be needed. It was noted that this was a cross sector issue but that it presented a risk to the UAS Unit as the required skills would be difficult to recruit and retain, in competition with the private sector.
59. Mr Johnson noted that the Board would receive a report in April with information on a UAS registration scheme charges consultation plan.

60. Mr Gray asked that Mr Swan provide a further update on the reported UAS incident at Gatwick in December at a future Board meeting or Policy and Innovation Exchange.

Action: Mr Swan

61. The Chair thanked Ms O'Sullivan for her clear presentation on this topic. She asked that future updates from the Unit include a risk map.

62. The Board noted the reports.

XII. FINANCIAL REPORT (DOC 2019-009) BY CHRIS TINGLE

63. Mr Tingle briefed the Board on the Group's latest financial results, which were below target for this month. Figures for the year continued to track ahead of budget and indications were that this would continue into next month. Mr Tingle reconfirmed that it was unlikely that the overdraft facilities would be required in this financial year.

64. The Board noted that the Scheme of Charges consultation responses for 2019/20 would be considered by the Executive Committee at the end of the month, before being reported to the Board in March.

XIII. AUDIT COMMITTEE REPORT

65. Mr Ward presented the latest Audit Committee report.

66. He highlighted the discussion had by the Committee on CAA Information Security Overview. He confirmed that the Committee was satisfied that appropriate work was in progress and had requested a further report on this in due course.

67. Mr Ward informed the Board of a required administrative process as a result of corporate ownership changes with Moore Stephens. He confirmed that the same team of auditors would remain in place once the legal requirements were completed. The Board authorised the Audit Committee to carry out the relevant administration on behalf of the CAA.

68. The Board noted the report.

XIV. ANY OTHER BUSINESS AND FORWARD AGENDA

69. The Chair highlighted that, owing to scheduling issues, the next Board dinner had been cancelled. An introductory dinner for the two new Non-Executive Directors with the Chair and CEO would, however, be arranged.

Action: Chair and CEO's office

70. The Chair informed the Board that the annual Board Effectiveness Survey had been drafted and that members would receive it automatically within the next two

weeks. She noted that the questions had been designed to challenge the members and that it would not be necessary for all of them to be completed in full. She told Ms Lambert and Ms Fuller that they would also receive a copy of the survey. They were not required to complete it but were welcome to submit any comments or input at the same time.

**Date of Next Board Meeting:
20 March 2019 at NATS Swanwick**