

CIVIL AVIATION AUTHORITY
MINUTES OF THE 541st BOARD MEETING HELD
ON WEDNESDAY 20 MAY 2020, 11:30, BY SKYPE

Present:

Dame Deirdre Hutton

Richard Moriarty

Rob Bishton

Katherine Corich

Marykay Fuller

AVM Ian Gale

David King

Anne Lambert

Graham Ward

Paul Smith

Kate Staples

Chris Tingle

Chair

from 12:40

Secretary and General Counsel

Apologies:

None

In Attendance:

Peter Drissell

Tim Johnson

Richard Stephenson

Ben Alcott

Jane Cosgrove

Sir Stephen Hillier

Philip Clarke

Barbara Perata-Smith

from 12:40

observer

Minute-taker

Andrew Walker

Robert Toal

John Clyne

Freya Whiteman

Phil Dykins

Roisin Edington

Peter Fiddy

Glenn Bradley

for item 4

for item 4

for item 4

for item 4

for item 5

for item 5

for item 5

for item 7

Nic Stevenson	for item 7
Iain Libretto	for item 8
Julie Bryer	for item 9
Louise Stone	for item 9
Andrew Broadhead	for item 10

I. APOLOGIES AND INTRODUCTIONS

1. No apologies were received.
2. The Chair welcomed Sir Stephen Hillier, who was attending as an observer. Subject to the outcome of the pre-appointment hearing to be conducted by the Transport Select Committee (TSC), Sir Stephen would take up the role of CAA Chair on 1 August 2020, replacing Dame Deirdre Hutton.
3. The Chair also noted a number of changes to the running order of the agenda, as Richard Moriarty and Richard Stephenson were both at the Transport Select Committee (TSC) and would not be able to join until that had ended.

II. CONFLICTS OF INTEREST, PREVIOUS MINUTES AND MATTERS ARISING

4. No new conflicts of interest were declared.
5. The minutes for the April 2020 meeting were approved and would be published in due course.
6. The matters arising from previous meetings were noted.

III. CHAIR'S UPDATE

7. The Chair commented that she had had no face-to-face meetings recently, due to the lockdown restrictions but had had many on line meetings. She had dialled into the CAA Gold Command meetings once a week to keep abreast of developments.
8. Other meetings included the CAA's Consumer Panel meeting to discuss its work programme for next year; a session with Huw Merriman MP, the Chair of the TSC, to discuss the remit of the CAA and the impact of the virus on industry; a plenary with the UKRN Chairs; and a conversation with Cranfield University. The latter was focused on research being carried out by the University to model and test how Covid-19 may travel in the airflows of an aircraft's cabin.
9. The Chair had also had a call with the Chair of Which? to discuss refunds and the stance of the CAA on enforcement. Paul Smith confirmed that he had arranged a follow-up call on this matter.
10. The Board noted the update.

IV. ECONOMIC REGULATION OF HEATHROW AIRPORT LIMITED: PROGRAMME UPDATE (DOC 2020-41) BY PAUL SMITH

11. The Board welcomed Andrew Walker, Robert Toal, John Clyne and Freya Whiteman to the meeting. Paul Smith confirmed that the airlines and the airport were still keen to continue the work to set the new price control, which would be applicable from 2022, but wanted to design a process that recognised the current uncertainty.
12. Mr Smith added that today the team would be seeking a steer from the Board on how to treat the early costs that Heathrow had incurred on planning of Runway 3 and confirmation that the direction of travel taken on the cost of capital and financeability were acceptable. Mr Toal commented that the next steps were to publish a consultation document in June following the earlier consultation in April 2020.
13. Early costs: Mr Toal explained that this area had generated debate in the past. Subject to consultation, the present intention was to follow the CAA's already established policy and allow Heathrow to recover the efficient costs it had incurred on Runway 3 through an adjust to the Regulated Asset Base. The Development Consent Order process for Runway 3 was currently on hold pending the outcome of the appeal process. The Board supported the approach but emphasised that the team needed to ensure the test on efficient spending was thorough and that the airlines had sufficient opportunities to discuss the issues through the process. Mr Smith confirmed the latter was the case.
14. Cost of Capital and Financeability: Mr Toal explained that these were complex issues. The team had carried out a significant quantity of work on the Weighted Average Cost of Capital before the crisis, and the analysis would need to be kept under review. The Chair enquired whether the Flint Report would be published. Mr Smith confirmed that was the team's intention, highlighting the fact that it should be treated as a piece of research that aided the CAA's thinking. The Chair added that the Board would support this as it was in favour of being transparent.
15. The Board approved the approach for both the early Runway 3 costs and the financeability and WACC issues and noted the report.
16. Mr Smith raised a matter regarding the Heathrow's Consumer Challenge Board (CCB). He explained that this had originally been set up to help hold Heathrow to account for how it reflected consumer's interests in its approach to business planning for Runway 3. Because of Covid-19 and the Court of Appeal's judgment, the Runway 3 project had been put on hold by HAL. Because of the delay and the

- fact that the CCB was funded by industry, the CAA had decided to stand down the CCB.
17. This decision had generated some disagreement with both the CCB and the CAA's Consumer Panel. Mr Smith admitted that, although he felt that the team made the right decision to disband the CCB, the outcome could have been communicated in a better way with both the Consumer Panel and the CCB. Discussions had taken place with both groups.
 18. The Chair confirmed that the Board was comfortable with the decision made and had written to both Panels to better articulate the rationale for the outcome, apologise for the poor communication and confirm that the CCB would be reinstated if applicable.
 19. Mr Smith raised another matter relating to the recent decision to transfer the Consumer Panel and its secretariat from the CAA Strategy and Policy group to the Consumer and Market Group. The Panel disagreed with the outcome as it felt the move had compromised its independence. The Chair said she had disagreed with the Panel's view but had offered a direct line with Kate Staples as a form of reassurance, should any issues arise, although there had been no feedback on the proposal yet. The Chair asked Mr Smith to emphasise to the Panel that the Board valued its role and believed it should continue to express its views freely.
 20. The Board noted the two issues raised.

V. AVIATION SECURITY ANNUAL REPORT (DOC 2020-43) BY PETER DRISSELL

21. The Board welcomed Phil Dykins, Peter Fiddy and Roisin Edington to the meeting. Peter Drissell highlighted two issues covered by the report: first, industry performance, and second a forward look to the future in the context of the current crisis and Brexit.
22. Industry performance: Mr Drissell said that the trend for the past year had indicated consistency in industry performance. Maintaining this performance and bringing it back up in the wake of Covid-19 would require diligence on the part of the sector.
23. Mr Drissell added that some five years ago the team had started to introduce a performance-based approach to regulation, which was bearing fruit. Gaps in technology that had been identified by audits had also been addressed.
24. Dave King praised Mr Drissell for his work and collaboration with the National Aviation Security Committee bringing CAA at the forefront of the work. The Chair added that since CAA had taken on responsibility for Aviation Security in 2014, performance had improved significantly thanks to a new approach to resource

- planning, introduction of performance-based oversight and reorganisation of the department.
25. Forward look: Mr Drissell explained that the AvSec team had grown, with the investment setting the department in good stead. The gender balance and part-time/full-time ratio were good, with continued focus on personal and professional development, for example by being encouraged to pursue Master's degrees.
 26. With regard to the regulatory framework, Security Management System (SeMS) was now becoming embedded in the sector. This was a positive development as a performance-based approach could only work if there was confidence in the quality assurance, which SeMS would provide. Mr Drissell added that all AvSec trainers were now required to hold a professional qualification and the approach to inspections had improved: an entity would not only be provided with a performance report highlighting areas for improvement, but it would also be supported in developing a remedial plan, with a six-monthly follow-up visit. As a result of this sharper process, most of industry now met the required standard.
 27. Mr Drissell asked the Board whether it was content for AvSec to continue pursuing this avenue with a view to make SeMS compulsory.
 28. The Board endorsed the request and the Chair praised Mr Drissell's excellent report.
 29. On Brexit, Mr Dykins said that the expectation was now for limited alignment with EU standards, bringing an opportunity to flexibly improve regulations and how they supported regulatory outcomes. SeMS would allow CAA to move to a more audit-based process, including remote assessments, which should be better for inspectors and industry alike.
 30. Mr King enquired how SeMS work could be taken forward as a professional qualification in the international landscape. Mr Drissell said that this could be done through ECAC, where the CAA played an active role. SeMS was an original UK concept and ICAO had requested formal training on this approach. CAAi now ran a training course on SeMS both online and in person. CAA would be keen to open up registration to beyond ICAO and make wider courses available through CAAi for the benefit of wider sector standards.
 31. Anne Lambert enquired whether there would be pressure to lower standards once the UK had departed from the EU. Mr Dykins said that the UK had been one of the parties driving for higher standards so there was a risk that without the UK, the EU would be pushed to lower the bar. The UK would continue to engage with ECAC and other bodies on international security standards.