

EXTRACT OF MINUTES OF THE 147TH BOARD MEETING OF HIGHLANDS AND ISLANDS AIRPORTS LIMITED HELD AT THE SCOTTISH EXECUTIVE, VICTORIA QUAY, EDINBURGH ON FRIDAY 28 APRIL 2006 AT 9.30 AM

Present:

Mr A Matheson	Chairman
Mr I Lyon	Managing Director
Dr A Goodlad	
Mr G Johnston	
Miss S MacLennan	
Mrs L Phipps	

In Attendance:

Mr K Crawford	Representing Scottish Ministers
Miss J Thornton	Financial Controller/Company Secretary

Item 1 – Apologies

Apologies for absence were received from Mr A Wilson. Mr K Crawford was representing the Scottish Ministers.

Item 2 – Approval of Minutes of 22 March 2006

The minutes of the previous meeting held on 22 March 2006 were approved and signed by the Chairman.

Item 3 – Matters Arising from the Minutes

5.10. *Air Discount Scheme*

Mrs Phipps asked whether HIAL has assessed the impact that the ADS might have on future traffic and infrastructure. Mr Lyon advised that the preparation of master plans for all our airports is being carried out and this will look at traffic forecasts and any constraints in terms of infrastructure. The draft master plan for Stornoway indicates that even the most optimistic forecasts will be able to be accommodated within existing infrastructure. The impact of the air discount scheme is not yet known but we will keep this under review once the scheme is implemented.

5.4. *PFMR*

Mr Crawford advised that it may now be possible for this to be carried out by the Scottish Executive during 2006. Mr Crawford would liaise with Miss MacLennan once this was in a position to be taken forward.

Item 4 – Finance

4.1. *Monthly Accounts, Outturn and Subsidy Provision*

The year to 31 March 2006 accounts are not yet ready for publication but the current intention is for these to be signed off at the Board meeting on 9 June.

4.2. *Traffic Statistics*

It was suggested that it would be helpful to include a narrative comment on all aspects of the statistics for each airport (for example passenger numbers to be

included in the narrative for Kirkwall and Stornoway) Mr Lyon explained that there is some cross-over between this statistics paper and the commercial and marketing update and he hoped to amalgamate the two papers.

4.3. *Audit Committee Report*

The Board noted the minutes of the Audit Committee meeting held on 22 March.

Internal Audit Report 2005/06

The internal audit report had already been considered by the Audit Committee. The Board reviewed the report and accepted the conclusions and management responses. In relation to the weaknesses in controls identified at the visits to Kirkwall and Sumburgh, Mr Lyon confirmed that over the last year we have made improvements to the efficiency of our systems and adherence to the controls therein. This is evidenced by the reduction in overtime costs. The Board approved the Internal Audit report for 2005/06.

Item 5 – Corporate

5.1. *Health and Safety*

The move to a quantitative rather than a qualitative basis for health and safety audits was welcomed as this would enable benchmarking and a mechanism to target remedial action towards areas of higher priority. This would remove any grey areas. The Board commented that the checklist was extremely thorough. The Board noted the update.

5.2. *Inverness Airport PFI*

Mr Lyon explained that we are now working through all the contracts within IATL with a view to improving performance.

The proposed hive up of IATL into HIAL is still under consideration and it was confirmed that there is no downside to the status quo remaining in the short term. The position was noted.

5.3. *Inverness Airport Business Park*

An IABP executive sub group has been established which meets between IABP Board meetings to discuss and progress operational aspects. There is an IABP Board meeting on 15 May at which the work of this group will be discussed. The position was noted.

5.4. *Inverness Airport Masterplan*

James Walton, Inverness Airport manager, Nat Anderson, PR manager and Jonathan Coulson, Turnberry Consulting joined the meeting to update the Board on progress in respect of the Inverness airport master plan since the last presentation to the Board in November 2004. The background is that the master plan is a DfT requirement for a land use plan. The broad conclusion is that the HIAL owned land at Inverness airport is likely to be sufficient to cope with future forecast demands. Public consultation on the plan was held back pending the outcome of the PFI negotiations due to the impact of passenger projections. The constraining factors in the next few years are the apron, which is already being addressed, the terminal building capacity and the landside and parking capacity. Mr Anderson outlined the key factors in formulating the passenger forecasts which have been agreed by DfT. We have also held consultation with all airline customers over the last 6 weeks. The airlines are broadly supportive of the plan and their key focus is turnaround times.

Mr Coulson outlined the stage 2 process undertaken to date which has involved studies on surface access, economic impact, noise and air quality and infrastructure and utility provision. The main infrastructure constraint is foul water drainage but that is an issue for the whole A96 corridor. The plan will now be updated to incorporate stage 2 and be presented to the Board in June for approval followed by a period of public consultation with a view to adoption in October. The Board felt it would be preferable to consult widely with the public and include a 12 week consultation period, despite the guidance from DfT that 6 weeks is acceptable.

Mr Crawford raised the issue of whether the master plan would have to be subject to an SEA and informed the Board that advice was being sought on this issue.

The chairman thanked James, Nat and Jonathan for their informative presentation. The Board was content with progress and noted the update.

5.5 *HIA Pension Scheme : Update*

Miss Thornton and Mr Lyon had met with Dundas & Wilson the previous day to consider the list of points it is suggested we might address when updating the HPS Rules for A-Day and age discrimination changes. The other main issue is the strain of ill-health retirements and many other local authority schemes are also addressing this. Firm proposals will be formulated for Board consideration on 9 June and HPS Trustees' consideration on 12 June with a view to opening consultations with the Trades Unions thereafter.

5.6. *Public Relations Brief*

Mr Goodlad asked about PR for the international service from Sumburgh to Faroe and it was confirmed that this was carried out when the route was announced and would also be reiterated when the route commences.

5.7. *Corporate Plan*

It was noted that in section 5.1, bullet point 2, the reference to north apron in brackets should be south apron. Mr Johnston felt that the table of statistics should more correctly show losses in brackets. The comment "Such business transformation is necessary to ensure that our form supports our function" was queried and it was confirmed that this is factually correct. The Board felt that the Mission Statement should continue to make reference to economic and social benefit and Mr Lyon would ensure this was incorporated.

The Board approved the Corporate Plan for 2006-2016

5.8. *Estates Quarterly Report*

It was confirmed that Tesco had obtained planning permission on 24th April for its store at Wick. The intention is for the capital receipt from the sale of that land to be used to develop other non-aviation related options at our airports. One possibility is that HIAL might act as facilitator and engage developers to take projects such as affordable housing forward.

5.9. *Stornoway Airport: Jetty and Fuel Tanks 6 monthly update*

The Board noted the update.

5.10. *Environmental Management System*

The Board recognised the importance of protecting the environment in which HIAL operates. Although environmental management is being led by the infrastructure department it was agreed that it is important that this is promoted throughout the

organisation. The Board noted the update on progress and approved the Environmental Management Policy.

Item 6 – Operations

6.1. *Operational Amelioration*

Mr Lyon updated on the recent trials of jet skis at Stornoway airport as a possible alternative to the existing fast rescue craft which is not entirely suitable for the company's needs. The Board noted the position.

6.2. *Inverness Radar*

The position was noted.

6.3. *Aviation Security Contract*

The Board considered the paper outlining the tenders received for the provision of security at all HIAL airports. It was confirmed that TUPE will apply to any transfer. The Board approved the award of the contract to OCS with effect from July 2006 for a 5 year period.

Item 7 – Commercial and Route Development

7.1. *Commercial/Marketing Brief*

The Air Discount Scheme has been announced and is intended to commence later this year. Mr Crawford thanked HIAL for their assistance in terms of admin support in implementing the scheme.

7.2. *Airport Consultative Committees Summary*

The Board noted the update from the last Inverness Airport Consultative Committee meeting.

Item 8 – Capital Expenditure

8.1. *Sumburgh Airport: Partnership update/Runway 09/27 Extension Update*

Mr Lyon and Mr Wilson had attended a Sumburgh Strategic Partnership meeting on 23 March. The gateway project was discussed at the meeting and it was agreed that the Partnership needs to scope the project and obtain cost estimates for a scaled down version. The Board agreed that this has been a remarkable project and requested that a debrief paper be prepared once the project is completed lest we can use the successful methodology for other projects.

8.2. *Provision of Car Parking at Inverness Airport*

The Board noted the intention to extend car park 3 by demolishing Building 98. It was confirmed that there is currently no alternative suitable accommodation for the tenant and car parking is our priority at the present time. The measures being carried out to provide long term parking were noted. The Board endorsed the proposals and noted that a paper for approval would follow later in the year.

Item 9 – Dates of Next Meetings

9.1. *Tuesday 16 May – Away Day at Inverness at 0930*

9.2. *Thursday 8 June – Stakeholders Dinner at Islay*

9.3. *Thursday 8/Friday 9 June – Board Meeting at Islay*