

EXTRACT OF MINUTES OF THE 149TH BOARD MEETING OF HIGHLANDS AND ISLANDS AIRPORTS LIMITED HELD AT HIAL HEAD OFFICE ON FRIDAY 4 AUGUST 2006 AT 10.00 AM

Present:

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

In Attendance:

Mr A Wilson	Representing Scottish Ministers
Ms J Thornton	Financial Controller/Company Secretary

Prior to the Board Meeting the Board received a presentation on 'The Safety Management Case' by Alan Shaw, Head of Air Traffic Services Investigation Section, Civil Aviation Authority. Mr Shaw explained the background to HIAL's Corporate Safety Management System which is currently being developed. The Board needs to be assured that the organisation employs a systematic and explicit approach to managing risk. HIAL needs to have a Safety Management System in place in order to achieve accreditation as an Air Navigation Service Provider (ANSP). The Board's role in Safety Management is to formulate policy and provide direction. The aim when addressing risk is to mitigate the risk to a level which is as low as reasonably practicable.

The Chairman thanked Mr Shaw for his presentation which was of prime value and importance.

SMS and associated matters will be discussed extensively at the next Board Away Day.

Item 1 – Apologies

Apologies had been received from Mrs L Phipps.

Item 2 – Approval of Minutes of 8 June

The minutes of the previous meeting held on 8 June were approved and signed by the Chairman.

Item 4 – Finance

4.1. *Monthly Accounts, Outturn and Subsidy Provision*

It was noted that some airports were already running behind budget on their repairs and maintenance spend. The importance of adhering to programmes had been reinforced to Airport Managers. The Board noted the management accounts to 30 June.

4.2. *Travel and Subsistence Policy – Update*

There was no Board Paper included in the pack but Mr Lyon provided a verbal update. Following the last Board Meeting proposals had been made to the Trades Unions in line with

those presented to the Board in June. The Trades Unions had been reluctant to move away from fixed allowances and sought that some fixed allowances remain. The proposals have been modified slightly but are still based on actuals in the main. The Trades Unions are due to respond prior to the Joint Negotiating and Consulting Committee (JNCC) meeting at the end of August.

4.3 ***Bank Signatories***

The Board gave approval to add Gordon Griffiths the new Director of Operations to the list of cheque signatories.

Item 5 – Corporate

5.1. ***Health and Safety***

The Board noted the recent HSE report on work related stress and asked whether this was an issue within HIAL. Mr Lyon advised that this is not a significant problem and we have a stress policy in place which all employees have access to. The Board noted the position.

5.2. ***Inverness Airport PFI***

The Board noted the update.

5.3. ***Inverness Airport Masterplan***

Mr Wilson asked for an update on the recent meeting with the Department for Transport. Colleagues in the Scottish Executive are very interested in the Masterplan process as they will be required to draft the Scottish elements of the update to the Aviation White Paper. Mr Lyon advised that Nat Anderson had represented the company at the meeting and the Department for Transport were very happy with progress to date. We have re-visited the timescales involved to ensure these are realistic and we still expect to achieve sign off prior to the end of the calendar year.

The Board noted the comment that some airports have found public meetings to be poorly attended and that HIAL did not plan to hold public meetings. The Board asked to be provided with dates for presentations to stakeholders in order that they may attend as observers if possible.

5.4. ***HIA Pension Scheme – Update***

A factual correction to the paper was necessary in that the meeting held on 3 August was purely between the Company and the Trades Unions. The HPS Trustees were not represented at that meeting. At the June HPS meeting the Trustees had been made aware of the proposals, the consultation being driven by the Company. Mr Lyon explained that he, Miss Thornton and Adrian Waddingham had met with the three Trades Unions full-time officials yesterday. The Company agreed to write further to the Trade Unions explaining and clarifying the proposals in more detail. This letter would be sent in advance of the next JNCC on 31 August and would be discussed at that meeting.

The Board noted the minutes of HPS Trustees meeting held on 12 June.

5.5. ***Public Relations Brief***

The Board noted the update.

5.6. ***Estates – Quarterly Report***

Mr Lyon would be meeting with Alasdair Morrison on 23 August to discuss the Benbecula boundary issue.

Miss Thornton explained the history behind the Orkney Islands Hangar project. This had originally been initiated in 2003 as it was recognised that the existing hangar was nearing the

end of its useful life. HIAL was not inclined to build a new hangar but Orkney Islands Council had been keen to safeguard the associated maintenance jobs. The project had therefore been taken forward by OIC and HIAL had agreed to make a contribution of £300,000 towards the project along with a ground lease for the site. The agreement in respect of percentage rental apportionment between HIAL and the Council was that this would be calculated in relation to the contributions made by each party.

5.7. Dundee Airport

Discussions with Dundee City Council regarding the future of the airport were ongoing.

5.8. Machrihanish

It was confirmed that the HIAL lease would only cover the land and buildings required to support the civil air service. The Board noted the position and was content for Mr Lyon to continue discussions until an opinion is received on the lease valuation.

5.9. Live and Dead Infrastructure – Wick Airport

Mr Lyon advised that this was a follow on to papers presented to the June Board Meeting. HIAL has a large estate comprising approximately 2,000 hectares of land. It is important that our finite resources are targeted towards the most appropriate areas. We need to carry out a rigorous assessment as to which assets should be maintained and which should be allowed to fall out of use. One of the main areas of expense is the maintenance of runways. It was agreed that each Airport should be looked at on an individual basis and this paper explored the situation at Wick Airport. The cross runway at Wick is used less than 5% of the time and this is predominantly private and club aircraft movements. The Board wanted to be reassured that any decision to take the runway out of use did not have a detrimental effect on the Wick economy. It was confirmed that the impact would be insignificant. The consensus was that the Company should not spend any additional money on the Wick cross runway and the Board agreed to proceed to decommission this runway.

5.10. Awayday – Topics for Discussion

The main agenda topic will be Safety Management Systems. This will involve an overview of the Board's position and assessment of where we want to be in terms of safety management. One aspect is likely to be to allocate the safety management portfolio to one of the Board members.

5.11. Pay Remit

Following discussions at the June Board Meeting the position with the Scottish Executive had been clarified. Accordingly, Mr Lyon asked the Board to give approval to request a pay remit from the Scottish Executive. This was approved.

6. Operations

6.1. Operational Amelioration

The Board would be given a demonstration of the Jet Ski in operation at their meeting in Kirkwall. Mr Wilson commented that operational amelioration featured heavily in the Aviation White Paper and will continue to be high profile. The position was noted.

6.2. Inverness Radar

The Chairman made reference to the recent report in the press regarding an Airprox over Loch Ness between military and civilian aircraft. It had been suggested that radar at Inverness would reduce the incidence of such occurrences. Phase I, which will continue to use the radar feed from Lossiemouth, should be operational by March 2007. Phase II, involving procurement of HIAL's own radar, will follow from that. The CAA has endorsed

the path we have chosen. The project is a significant cost but will provide safety improvements.

7. Marketing and Route Development

7.1. Commercial/Marketing Brief and Traffic Statistics

Although not contained in the paper the Board noted that BMI had ceased operations from Stornoway to Edinburgh at the end of July. The Air Discount Scheme was going well and Mr Wilson thanked HIAL's admin team for their assistance. There had been an excellent take up with 80,000 cards issued representing over 80% of the population of the eligible areas. The Scottish Executive was also in the process of developing a link with Galileo, a computerised reservation system (also known as Global Distribution Systems) which handles transactions related to travel used by airlines (including BA) and travel agents. The inclusion of ADS fares on Galileo effectively gives easier access to the travel trade globally who can use it to book travel for eligible residents.

For airport promotions it was felt that this continued to be very Inverness based and the Board would like to widen this to include outlying areas of the Highlands and Islands.

7.2. Airport Consultative Committees

The Board noted the minutes of the June Inverness Airport Consultative Meeting and the June Kintyre Initiative Working Group Meeting.

7.3. Re-branding – update on costs

The Board approved the rebranding budget.

8. Capital Expenditure

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

The construction aspects of the project continue to proceed well. Mr Lyon updated on recent discussions with CAA in relation to take-off and landing distances. The official opening of the runway will be performed by the Minister on 4 September.

8.2. Inverness Car Park 4

The paragraph under justification on potential additional revenue was queried. Will current charging rates be continued for long stay parking? Mr Lyon confirmed that there will be differential pricing and he is currently developing the tariffs. When the car park is complete we will be clamping down on fly parking so are likely to suffer adverse public reaction. The Board approved the award of a contract to a value of £559,313 and gave overall capital approval up to £700,000 for the project.

8.3. Inverness North Apron Rehabilitation

The Board noted that the rehabilitation of the Inverness North Apron was a budgeted necessary expense and gave approval up to £75,000 for further survey and investigation work.

9. Dates of Next Meetings

9.1. Monday 4 September – Opening of Sumburgh Airport Runway Extension

9.2. Thursday 7 September – Board Meeting, Kirkwall – Mr Scott Grier, Chairman of Loganair Ltd to address the Board followed by Stakeholders' Dinner in the Orkney Hotel

- 9.3. Friday 20 October – Board Meeting, HIAL Head Office – Richard Lake, Managing Director of Eastern Airways to address the Board