

MINUTES OF THE 137th BOARD MEETING OF HIGHLANDS AND ISLANDS AIRPORTS LIMITED HELD AT HIAL HEAD OFFICE, INVERNESS ON FRIDAY 4 FEBRUARY 2005 AT 9.30am

Present:

Mr A Matheson	Chairman
Mr R M Macleod	Managing Director
Mr W Brackenridge	
Mr S Edmond	
Mr G Johnston	
Ms S MacLennan	

In attendance:

Mr J Ross	representing Scottish Ministers
Miss J Thornton	Financial Controller / Company Secretary (not present for items 5.11 – 5.15)

Item 1 – Apologies

There were no apologies.

Item 2 – Approval of Minutes of 25 November 2004

The minutes of the previous meeting on 25 November 2004 were approved and signed by the Chairman.

The Chairman addressed the meeting. He informed those present that he was pleased to advise that Inglis Lyon, our new Managing Director elect, formally signed his contract on 2 February. The Chairman will now await confirmation from the Minister that he is content to approve the appointment and a press release will follow once this approval is given. Mr Macleod will formally notify staff of the appointment at least 24 hours before the press release is issued. The start date will be 3 May and there will be a handover of one month before Mr Macleod retires. The Board will have an opportunity to meet Inglis formally at the awayday on 17 May but will have the opportunity to meet him informally before that date if they were visiting Head Office. The Chairman expressed thanks to Messrs Brackenridge and Ross for their assistance throughout this process.

Item 3 – Matters Arising from the Minutes

- 3.1 ***Item 5.10: Celebration of 10 years of Scottish Executive ownership***
The Board was aware that the Minister intends to host a dinner which would include invited staff from HIAL. Mr Macleod would meet with Mr Ross and Mr Crawford to take this forward.
- 3.2 ***Item 6.3: Monthly Accounts, Outturn and Subsidy Provision***
The Board enquired about the presentation on pay which was due to have been made at this meeting. Mr Macleod advised that it had not been possible to achieve this for the February meeting but papers would be presented to the Board in March.

Item 4 – Inverness Airport: Update

4.1 *Master Plan: Discussion of Next Steps*

The Board asked about the pressing requirement for additional car parking. It was confirmed that car parking was included in the plan previously seen by the Board but that the Inverness Airport Manager was taking steps to address the immediate requirement.

Mr Macleod advised that although the Master Plan was a DfT requirement, it is an exercise which HIAL should be carrying out anyway. It is a good planning tool. Mr Ross confirmed that the Government intention behind this was for airports to formulate their development plans for the next 30 years and this would ensure that these tied in with the local plan and that the community is fully aware of the proposals contained therein.

It was confirmed that Turnberry Consulting are facilitators for the plan but that there is an internal team who meet regularly to review and discuss options. That internal team is led by James Walton and has included the Managing Director, Company Secretary, Commercial Manager, Estates adviser and others as appropriate.

It was confirmed that although consultees are not specifically defined in the DfT guidance that HIAL would as a matter of course be consulting with local stakeholders.

The Board agreed to appoint Turnberry to assist with the production of a more defined scope for the work.

4.2 *Business Park and Access Road*

Mr Macleod updated on the current situation. Following a full Highland Council meeting last Thursday, this issue has now been escalated to Ministers. The ERDF is in jeopardy due to the delay caused by problems in obtaining consents from Network Rail.

The position was noted.

4.3 *Private Finance Initiative*

The position was noted.

4.4 *Route Development: PFI Impacts*

The Board agreed the recommendation..

Item 5 – Managing Director's Report

5.1 *Safety*

The Board noted the action taken to address the problems caused by contact sports being undertaken and agreed that this is the correct course of action.

The Board noted the paper and approved the Health and Safety Policy.

5.2 *Commercial/Marketing Brief*

The Board noted the position regarding current route development discussions with airlines.

5.3 *Airport Consultative Committees*

The paper was noted.

5.4 *Sumburgh Airport: Partnership Update / Runway 09/27 Extension: Update*

The Board asked about the letter of commitment from SIC in respect of their share of the £200,000 which had previously been promised by Shetland Enterprise. Miss Thornton would investigate this to ensure that it was provided.

A recent article in the Shetland Times had indicated that the extension would only enable existing aircraft to operate. Mr Macleod confirmed that this was not the case and that the extension would accommodate BAe 146 aircraft.

This contract was being carried out under the early contractor involvement format and as such HIAL would work with the preferred contractor to establish definitive costs and at that point, the cost will be brought before the Board for final approval for the funds to be committed.

The Board approved the appointment of Balfour Beatty and the costs to be incurred to take the project to the next phase.

5.5 ***Public Relations Brief***

It was confirmed that the second edition of the HIAL newsletter would be available today.

The Board noted the position.

5.6 ***HIA Pension Scheme: Update***

CAAPS have said that they are willing to meet us to discuss our earlier letter. Mr Johnston has written to CAAPS agreeing to meet.

The Board expressed concern about Mr Waddingham's comment on the frequency of early retirements on ill-health grounds. It was confirmed that the company already had a rigorous process in determining whether staff retire on ill-health grounds but that it was an added control that the Trustees needed to approve the payment of the enhanced pension.

The Board ratified the decision to meet with CAAPS and noted the position.

5.7 ***Operational Amelioration: Update***

Mr Macleod advised the Board that there has been a change in events since we had commenced the amelioration process. Loganair has now confirmed that they will replace their ATP fleet with additional Saab 340s. The result of this is that HIAL will need to look again at its conclusions on category of airport. This may have an impact in the case of Benbecula and Sumburgh.

The proposal that airlines be required to give HIAL six months' notice of changes which might impact on airport category was discussed. The Board agreed that notice was desirable but that this should not be too prescriptive.

5.8 ***Job Evaluation Outcomes of Review: Verbal Update***

Mr Brackeridge, Mr Macleod and Miss Thornton had met with the panel the previous day. Discussions with the Trades Unions had prompted them to look back at earlier Board papers to refresh their memories as to the remit and scope of the exercise. After investigation it was established that the remit was simply about job evaluation and was not extended beyond that.

Due to this clarification, it had been decided that the Board will now receive papers on two separate strands. The first report would be on the results of the job evaluation exercise and the Board will have the opportunity to raise any comments or concerns on the report. The second report would look at competitiveness.

5.9 ***Policy and Financial Management Review: Draft Outline***

After discussion it was agreed that the period of the review should be from 1999 to 2004.

The Board noted the position.

5.10 ***HIAL Bonus Scheme: Update***

The Board felt that for any future years' bonus, it might be appropriate to attach different weightings to each target.

The Board approved the submission for formal clearance by Scottish Executive.

5.11 ***Corporate Plan: First Draft***

The process of consultation with management and strategic discussion between the PR Manager and the Managing Director was explained by the Managing Director. He commended the Plan to the Board. There was some discussion on matters of policy which required to be debated and approved by the Board and also some discussion on wording of the Mission Statement.

Directors were asked to return their comments to the Managing Director for inclusion in the final draft to be submitted to the March Board meeting.

5.12 ***Company Risk Register: Review***

The Board reviewed and approved the strategic risk assessments that had been prepared by the Health and Safety Department and reviewed by the Audit Committee. It also noted the actions taken since the last review and noted Appendix 1, the Risk Register Report 2004, prepared by the Health and Safety Department.

5.13 ***Risk Management Policy Statement: Review***

The Board approved the updated Risk Management Policy Statement.

5.14 ***Wick Terminal Building Gateway Project***

The Board noted the contribution from third parties towards the cost of this project and approved the additional expenditure of £16,929 to enable the carrying out of the Gateway works.

5.15 ***Items Taken Between Meetings: Inverness Airport Environmental Works – Outcome of Tender Process***

The Board noted the position.

Item 6 – Finance and Secretarial

6.1 ***Traffic Statistics***

The Board noted the position.

6.2 ***Insurance Broker: Contract Renewal***

The Board approved the appointment of Marsh as insurance brokers from 1 March 2005 for a period of five years with an option to extend for a further two.

6.3 ***Estates Quarterly Report***

The Board asked whether there was any progress in respect of the potential hotel development or the possible transfer of the jetty at Stornoway. Mr Macleod advised that we had commissioned drawings which could be presented to a hotel developer but that there had been no private interest. There had been no further progress on the transfer of the jetty.

The position was noted.

6.4 ***Monthly Accounts, Outturn and Subsidy Provision***

It was noted that the subsidy provision stated in the paper as £21.5m should be increased to £23.2m.

The paper was noted.

6.5 ***Review of Cost Centre Variances and Major Expenditure Items in Months 11-12***

This paper generated a considerable amount of discussion about what the Board was being asked to do. It was agreed that this paper should be for noting and it was not for the Board to approve the variances in revenue expenditure at this time. At this point Mr Macleod confirmed that HIAL does not vire from capital to revenue but only within revenue cost headings. Due to the amount of discussion generated it was agreed that there may be a lack of clarity in what the Board wanted provided by these reports.

The Board would redefine what information they wish these reports to provide. This would be discussed at the awayday in May.

6.6 ***Forward Planning for Board Meetings***

The Board noted the schedule. It was suggested that the main headings on the Board agenda should be revised so that these were more in line with our aims in the Corporate Plan

Item 7 – Audit Committee Report

The Audit Committee report from the meeting that took place on 25 November 2004 was discussed.

The Board noted the minutes and approved the updated Audit Committee Terms of Reference.

Item 8 – Date of Next Meeting

The next Board meeting is due to take place on Thursday 24 March 2005 at 9.30am at HIAL Head Office.

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