

**MINUTES OF THE 142<sup>nd</sup> BOARD MEETING OF HIGHLANDS AND ISLANDS AIRPORTS LIMITED HELD AT SUMBURGH AIRPORT ON FRIDAY 9 SEPTEMBER 2005 AT 9.30am**

**Present:**

<b>Mr A Matheson</b>	<b>Chairman</b>
<b>Mr I Lyon</b>	<b>Managing Director</b>
<b>Ms S MacLennan</b>	
<b>Mr W Brackenridge</b>	
<b>Mr S Edmond</b>	
<b>Mr G Johnston</b>	

**In attendance:**

<b>Mr K Crawford</b>	<b>representing Scottish Ministers</b>
<b>Miss J Thornton</b>	<b>Financial Controller / Company Secretary</b>

**Item 1 – Apologies**

Apologies were noted from Mr Ross. Mr Crawford was in attendance to represent the Scottish Ministers.

**Item 2 – Approval of Minutes of 29 July 2005**

The minutes of the previous meeting on 29 July 2005 were approved and signed by the Chairman.

**Item 3 – Matters Arising from the Minutes**

**3      *Item 3.1: Wick Airport***

The Chairman advised that the official opening of the terminal building at Wick by the Prince of Wales had been an extremely pleasant and informal affair. He paid tribute to Angela Donaldson who had acted as a superb hostess.

**4.8    *Pay Remit***

Following the last Board meeting HIAL had made several further submissions to the Scottish Executive Pay Unit. Mr Lyon met with the Trades Unions last week and took the opportunity to discuss a proposal with them. Following discussion a proposed settlement had been agreed and was going to ballot with a recommendation from the Trade Unions. Once this has been agreed Mr Lyon will advise the Scottish Executive.

**8.3    *Barra Air Services***

A further meeting of the working party was scheduled for 13 September. There are three strands to the current process – the environmental aspects, economic aspects and an assessment of the longevity of the beach. The question of a hard runway can be considered later in the process in the spring of 2006.

***Oban***

Argyll & Bute Council is recruiting an airport manager who will be employed to supervise the provision of infrastructure for the airfield up to an operational level which will meet the regulatory requirements.

This is likely to take 15-18 months following which the Council will tender the operation of the airport. The decision on whether funding is available to provide the necessary infrastructure is imminent.

#### **Item 4 – Corporate**

##### **4.1 *Inverness Airport: Business Park and Access Road***

The Board noted the minutes of the first IABP Board meeting. The Board agreed that papers updating the HIAL Board on IABP developments should now coincide with IABP Board meetings.

##### **4.2 *Inverness Airport: Private Finance Initiative***

The Board was updated on the current situation regarding the target of achieving a buy out of the PFI.

##### **4.3 *Inverness Airport: Master Plan***

The long term aim should be to improve connectivity between the different modes of transport. HIE would like to discuss broader transport issues with HIAL. The Master Plan process would continue but look in the longer term at the full transport provision in the area. The Master Plan currently being developed is a DfT imposed requirement arising from the Aviation White Paper. It was agreed that the production of the plan could be delayed until the first quarter of 2006.

##### **4.4 *Company future investment strategy / commercial direction***

Mr Lyon highlighted the level of capital investment across all HIAL airports in the last five years. Inverness airport has seen limited investment during that time. If the PFI is bought out, a significant level of investment will be required to maximise the full potential of Inverness airport. The Board was supportive of this strategy and noted the level of investment required.

##### **4.5 *HIA Pension Scheme: Update***

The Board noted the position.

##### **4.6 *Public Relations Brief***

The Board noted the paper

##### **4.7 *Proposed Car Parking Charges at Kirkwall and Stornoway Airports***

The Board asked several questions relating to the detail of the charges proposals – for example how will we handle the situation where meeters and greeters are inconvenienced by delays causing them to incur car park charges and how to monitor areas out with the car park. Mr Lyon will write to Mr Crawford outlining the broad principles and referring to issues such as public transport alternatives.

The Board reconfirmed its support for the proposals.

##### **4.8 *Board meetings: Proposed dates for 2006***

It was felt important that Board meetings, rather than away-days, were periodically held at airports other than Inverness. Miss Thornton agreed to change the stakeholders' dinners to coincide with Board meetings and the Board agreed that timings of meetings held away from Inverness might be amended to ensure best fit with travel arrangements.

The Board noted the dates for 2006 and that detailed arrangements may be amended nearer those dates.

##### **4.9 *Managing Director's pay policy***

Mr Lyon left the meeting for this item.

The Board approved the proposals in the paper and Mr Brackenridge would discuss these with Mr Lyon to ensure he understood and was content with these arrangements.

#### **Item 5 – Operations**

5.1 ***Operational Amelioration: Update***

My Lyon advised on the current actions being undertaken as part of the company's amelioration process.

**Item 6 – Marketing and Route Development**

6.1 ***Commercial/Marketing Brief***

The Board was updated on current issues and activity.

6.2 ***Airport Consultative Committees Summary***

Mr Lyon advised that he is keen to encourage Consultative Committees and for HIAL to facilitate these where necessary. The paper was noted.

**Item 7 – Capital Expenditure**

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

The Board reiterated its expression of gratitude to George Henderson for the excellent work carried out in his role as Chairman of Sumburgh Airport Strategic Partnership. The presentation by Michael Craigie of SIC the previous day had been extremely well received and the Board was delighted to hear and see how well the project was progressing.

7.2 ***Benbecula Terminal Building Extension: Update***

The Board noted that an interim paper may be circulated for approval in advance of the next Board meeting.

7.3 ***Inverness Apron Extension***

Mr Lyon explained that the airport is severely constrained by current apron capacity and that it would be difficult to accommodate any new business if this were not addressed. The strength of the North Apron is not sufficient to accommodate large aircraft and it is necessary to extend the South Apron. It was suggested that experience at Sumburgh in respect of early contractor involvement and generation of ideas might be able to be used on this project. Mr Lyon would raise this with the project team. It was also noted that BAA had recently extended the apron and Glasgow and it would be interesting to establish how much this had cost.

**Item 8 – Finance**

8.1 ***Traffic Statistics***

The paper was noted

8.2 ***Monthly Accounts, Outturn and Subsidy Provision – Revised format***

The Board noted the new format and Mr Lyon asked that any feedback be directed to him. It was recognised that a number of the results obtained in respect of the performance indicators were still being developed. The Board felt that although it was helpful for them to see the detailed profit and loss accounts by airports, they would still like to see the Managing Director's comments on these results. My Lyon alerted the Board to the recently intimated significant rise in electricity prices from October 2005. HIAL is currently party to the Scottish Executive's electricity contract as this has provided substantial savings in the past but in view of this price increase will be looking at consumption and other alternatives.

8.3 ***Register of Directors' interests***

The Board noted the annual updating of the Register of Directors' interests.

**Item 9 – Date of Next Meeting**

9 September 2005

The next Board meeting is Friday 21 October at 10.00am at HIAL Head Office.

oOo

h:\mins\brd\b142