

**MINUTES OF THE 217TH MEETING OF HIGHLANDS & ISLANDS AIRPORTS LTD ("HIAL")  
BOARD HELD AT Wick on 17<sup>th</sup> February 2015**

<b>Present</b>	<b>Mr Grenville Johnston</b>	<b>Chairman</b>
	<b>Mr Inglis Lyon</b>	<b>Managing Director</b>
	<b>Ms Gillian Bruton</b>	<b>Finance Director</b>
	<b>Ms Lorna Jack</b>	<b>Non-Executive Director</b>
	<b>Mr Jim McLaughlin</b>	<b>Non-Executive Director</b>
	<b>Mr David Savile</b>	<b>Non-Executive Director</b>
	<b>Mr Tim Whittome</b>	<b>Non- Executive Director</b>

<b>In Attendance</b>	<b>Mr Mark Stuart</b>	<b>Director of Operations</b>
	<b>Mr Michael Bratcher</b>	<b>Transport Scotland (Telephone)</b>

Please Note: Information has been redacted where it is subject to one or more exemptions under FOISA

The HIAL board began with a discussion on the potential for a Dundee/Amsterdam route. Mr Savile queried to what extent HIAL would be involved. Mr Lyon advised that at this stage it was likely to involve revenue support funded by either the Dft or Transport Scotland. Mr Savile was surprised that the matter was even under consideration given the performance of the London Stansted and the other matters previously referred to. Mr Lyon sought to clarify HIAL's position by confirming that it was his recommendation that the board did not support the Dundee/Amsterdam route. Very simply if they did then the total support for the airport could well be in excess of £5.5 to £6 million pounds per annum. The chairman concurred that this was a figure far in excess of what they had originally contemplated when taking over from the city council. He further advised that he was due to meet the transport minister shortly and that it was his intention to raise the matter of Dundee Airport at that time. He thought that an appropriate time to raise the issue given the UK general election and the relatively short period for the operation of the PSO.

Mr Lyon then highlighted the quandry for Board in that they could be told to support the new service whilst at the same time objecting to the use of public funds for its use. Ms Jack recognised this and suggested that the minute accurately reflect the discussion and outcome. Mr Johnston concurred, advising that he was due to meet with the minister in the not too distant future and he would relay the Boards position to him then.

The Board did not support further revenue support for the Dundee – Amsterdam route either through HIAL or Transport Scotland, however it did recognise the desire of the Scottish Government to keep the airport open.

**Item 1 – Apologies**

Apologies received from Gary Cox

**Item 2 – Minutes of the Previous Meeting**

Following two minor changes regarding attendees, the minutes of the meeting held on January 14th were accepted as a true reflection of the meeting.

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

There were no matters arising from the minutes.

## **Item 4 – Corporate**

### **4.1 Risk Management**

Mr Stuart gave an overview of some of the key risks within the airfield environment including an increase in the volume of birds. He continued by outlining the companies approach to wildlife management and some of the innovative techniques they were investigating, including the use of lasers. Mr Savile queried whether or not the lasers if stolen would be able to point upwards. Mr Stuart confirmed that the lasers were fitted with a tilt mechanism which automatically switched the laser off if it was raised beyond shoulder height.

The board also sought visibility of how the ongoing management issues at Sumburgh were being addressed and were advised that a short term solution had been put in place. Her name was Lesley Still. Longer term the recruitment process was underway and they were hopeful of making an appointment in the near future. Finally Mr Johnston had attended one of the risk workshops in Glasgow and said he found the process useful and informative and was delighted to see the input from everybody there.

### **4.2 Safety Management**

The board noted the position.

### **4.3 Operational Report**

**Redacted minute.** Mr Stuart continued by outlining the difficulty the team suffered in attracting sufficient candidates for the SATCO position in Wick. To help overcome the problem the company were investigating the use of Swedish air traffic controllers who were surplus to requirements. The chairman thought the Swedish student proposition was an excellent initiative. Mr Whittome asked how the developmental work on the BSc in air traffic management was going. Mr Stuart provided an overview and Mr Whittome thought this might be something that the Fresson trust could get involved in. He and the chairman were to discuss further.

### **4.4 Regulatory Report**

Mr Whittome confirmed that he had provided a marked up copy of the ACP document to Mr Lyon and queried if there was anything else he could be doing. Mr Lyon advised he was grateful for the marked up copy and asked Mr Stuart to raise it with Osprey Consulting. Mr Stuart was to raise directly with Osprey Consulting. Mr Whittome offered his assistance in taking the matter forward to Osprey Consulting with Mr Stuart.

### **4.5 Environment**

The board noted the position

### **4.6 ASM**

Mr Lyon confirmed that he had spoken to Loganair who had advised that the matter lay with them. Loganair had further advised that they would be meeting all the receiving airports in an attempt to reach a workable solution for the arrival and subsequent segregation of clean and dirty passengers. He further advised that Loganair were also working with HIAL to deliver a segregated arrivals and departures area for the oil industry in Shetland. If successful this would eliminate the need for security screening for the majority of oil passengers in the terminal.

## **Item 5 – Business**

### **5.1 Commercial Update**

The board spent some time discussing the Thistle Airways proposal for a service between Inverness and the central belt. It was agreed that the latter should be left with Lynda Johnston and Graeme Bell to follow up. It was also agreed that given the planned aircraft type that this would require a great detail more detailed analysis. Mr Lyon confirmed that Flybe had visited Inverness following the cancellation of the London service. **Redacted Minute**

### **5.2 Inverness Airport Business Park Update**

Mr Lyon confirmed **Redacted minute**. That said the group had given notice to their existing landlord and it was therefore essential that they find an alternative site.

My Lyon then advised that he been working with IABP and Torngrain on a new foul drainage plan which would incorporate Inverness Airport. He would bring it to the Board in due course.

### **5.3 Sumburgh Airport**

Mr Lyon gave a brief update on the various works in and around the airport and confirmed that the contractors were due back on the runway that day. Subsequently the contractors have returned to the site and rock armour movement and piling is continuing in earnest. The revised completion date is the middle of May 2015. Mr Lyon also advised that the contractor had submitted various compensation events totalling some £1.7 million and a compensation events workshop had been organised to discuss. **Redacted Minute**.

Toabsgeo slipway, Mr Lyon confirmed that the contract had been let with works being undertaken over summer 2015.

## **Item 6 – Finance and Legal**

### **6.1 Monthly Accounts**

Mrs Bruton gave a brief overview of the finances confirming that the revenue position was relatively healthy but that with capital there was much spend to undertake before the end of the financial year. Mrs Bruton also confirmed that she had agreed with Scottish Government to recommence the IEA process and she would ensure that IEA's were submitted for the toabsgeo slipway and the Stornoway runway works in due course.

### **6.2 Glasgow PSO Replacement Aircraft**

Mr Lyon gave a brief overview of the aircraft production schedule and expected delivery dates. Ms Jack queried what would be the position for spare parts and how would they be accounted for. Mr Lyon advised that consumable spare parts would be provided as part of an initial provisioning stock and other parts which included tooling and recyclables would stay with the aircraft in the event Loganair were unsuccessful, Loganair being required to replenish. Given that Loganair would operate the aircraft for a period of approximately 4 months he did not think the parts usage would be excessive. Mr McLaughlin queried how did the aircraft transport from Canada to Scotland and Mr Lyon explained the ferry flight schedule and the practicalities involved. Mrs Bruton then queried the timing of the payment and IL confirmed they would be a post 14/15 event. Mr Johnston confirmed that this was good work and had the potential to be included in the annual report.

### **6.3 Budget**

Mrs Bruton gave an overview of the budget which confirmed that it was balanced but had several sensitivities including the de-icing budget, whether or not there would be any inflationary impacts on AMSL wages and finally the current position with Flybe. Mrs Bruton then ran through each station and highlighted that following the discussion with Mr Lyon they had agreed that rather than try to develop

a strategy which was nearly impossible to control, they had decided to concentrate upon a number of key projects and they were as follows

1. Increase Inverness Airport Revenues by 10%
2. Increase Sumburgh Airport Revenues by 10%
3. Dundee Airport Cost Reduction project
4. Alternative Security Measures project
5. Property Income, increase by 10% YOY
6. Head Office Business Simplification Project
7. Business Development Project and Tools

Mr McLaughlan said he liked the approach and it might provide the team with more focus. He also suggested that those nominated be allowed to manage the various projects. Mr Lyon and Mrs Bruton confirmed that this would be the case. Mrs Bruton further advised that if the Board were content that she would appoint Iain Thain as the projects manager to develop and supervise each of these workstreams.

#### **6.4 Procurement Update**

Mr Whittome raised the matter of the imminent change to the procurement legislation and sought visibility of same to better understand the impact on HIAL. Mr Lyon agreed to provide the same.

#### **6.5 Matters Reserved for the Board**

Ms Jack queried which executives the "executive team remuneration" referred to. Mr Lyon agreed to define this more clearly. Mr McLaughlin queried when the value of an asset would be passed to the board for decision. Mr Lyon said he would put something together but suggested £250K. The board then briefly discussed to what extent charitable donations could be provided given that they already provided assistance in kind. It was agreed that assistance in kind would continue but that direct cash contributions would not.

### **Item 7 – Human Resources**

#### **7.1 HIAL Pension Scheme Update**

The paper was discussed and the board noted the position. Ms Jack queried the position of the pension protection fund and how this related to the HIAL scheme. Mr Lyon agreed to get more information for the next board meeting.