

**MINUTES OF THE 220TH MEETING OF HIGHLANDS & ISLANDS AIRPORTS LTD ("HIAL")
BOARD HELD AT SUMBURGH AIRPORT ON 19TH AUGUST 2015 AT 10.30AM**

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

In Attendance	Mr Mark Stuart Mr Robin Macrae Mr Gary Cox Mrs Jackie Clark	Director of Operations Head of Operations Transport Scotland Executive Assistant (Minutes)
----------------------	--	---

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

Item 1 – Apologies

There were no apologies received.

Item 2 – Minutes of the Previous Meeting

With the exception of a few minor amendments the minutes of the meeting held on June 30th were accepted as a true reflection of the meeting.

Item 3 – Matters Arising from the Minutes

Ms Jack advised that Caroline Donaldson would be contacting Mr Johnston with regards to the 'Women on Boards' program.

Item 4 – Corporate

4.1 Risk Management

Mr Stuart advised he had not attended the last ROG held on 13th August due to annual leave. Mr Stuart was seeking some feedback on how the Ops and Safety workshop had been received. Mr Johnston advised that he had found it thought provoking and helped focussed the mind on how accidents can happen. Mr Macrae advised that colleagues were suggesting that senior staff and Board members should all attend an Ops and Safety workshop. The Board agreed and suggested the workshop could follow on after the board meeting in Inverness. Mr Macrae advised he would discuss with Mr Lawrenson who held the workshop and check his availability.

4.2 Safety Management

Ms Jack asked what RIVO stood for. Mr Macrae advised it was a Safety Risk Management System which was accessible by all airports. It was designed to help administer the risk management process more effectively.

4.3 Operational Report

Mr Lyon provided an update on the new Fire Appliances, advising that issues continued and a meeting with Iturri, the supplier was being held in September to discuss further. Mr Lyon advised

that he was concerned with the level of maintenance issues with the Fire Appliances supplied so far and that delaying or cancelling the remainder Fire Appliances on order was an option. **Minute Redacted**. Mr Lyon further advised that this would mean increased maintenance, and the need for parts. Mr Lyon asked the Board what level of risk they were willing to take. Mr Savile asked if Mr Lyon was looking for a decision from the Board today. Mr Lyon advised that it was not necessary today, but that after his meeting with Iturri a discussion would be useful.

4.4 Regulatory Report

Mr Stuart gave an update on the current status of the Inverness ACP advising further discussions with the CAA and GA would be taking place later in the year.

Mr Johnston enquired about the BSc (Hon) Air Traffic Management course, asking if HIAL encouraged employees to enrol. Mr Stuart that the course was unique to HIAL and Air Traffic Controllers would benefit from it; so far there had been a good level of interest shown.

Mr Stuart provided an update on the current status of GNSS. Mr Stuart said that after all the efforts there were now 6 airports approved. Flight validation was underway and would be completed by the end of August. Mr Whittome asked what equipment was required to be installed for light aircraft and when would old equipment be removed. Mr Stuart advised that organisations are aware of the changes with our airspace and any queries should be sent to the CAA. Mr Macrae advised that presently there were no plans by the CAA to remove the DME (Distance Measuring Equipment).

4.5 Environment

Mr Stuart provided an update on the current status of energy measures advising there was still some work to do and would come back to the board with details. **ACTION – Mr Stuart**

4.6 ASM

Mr Lyon advised the Board to note the paragraphs at the end of his letter and informed the Board that as yet he had received no response. Ms Jack asked if the implementation of the ASM's would be a saving to the company. **Minute Redacted**. Ms Jack asked if there were savings or costs budgeted in this year's accounts. Mr Lyon advised not and if the ASM's are implemented this year costs or savings would be realised at that point.

4.7 Infrastructure Services

The Board all agreed that the report submitted by Mr Inglis was useful and they looked forward to receiving more information on the infrastructure in due course.

4.8 Southern States

The Board all agreed the report submitted by Mr Macrae was useful and provided good oversight.

Mr Macrae advised that there were difficulties in recruiting trained fire fighters in Barra and some security staff were being trained as relief FISO. Mr Macrae said he would keep the board updated on the situation.

Mr Cox enquired about the duties of the staff in Campbeltown, now that the new timetable was implemented with an earlier morning flight and a later evening flight. Mr Macrae advised that new rosters would be concluded by the end of August for all sites, but that an increase in costs in the order of £50k per annum were likely.

4.9 & 4.10 Strategic Update & Report

Mr Lyon provided a brief update on the paper submitted, stating he felt as a Board there should be more time and discussion focussed on this area. **Minute Redacted.** Mr Lyon asked Mr Cox if HIAL should present to the Minister a paper showing concerns and suggestions on future air service links, networks and organisation development in the area. Mr Cox advised if pitched the correct way backing could be received from the Ministers to review the current provision. Ms Jack confirmed that the idea of consolidating the approach to air services in the Highlands and Islands was at face value worthwhile and made sense.

Mr Savile confirmed that a new approach was required, the Eastern Airways MD had confirmed that the position regarding his aircraft which was no different to those of Loganair and that calling these aircraft mid-life when they were already 25 years old was disingenuous.

He went on to advise that when the Minister chose the Twin Otter over the Cessna Caravan, he understood the rationale but that going forward it was critical that service provision be looked at in the round to fully explore all of the possibilities.

Mr Lyon noted that it was important to look at the aircraft types, as it was ATC and other matters because what the Board were raising was the future of connectivity in the Highlands and Islands. Given that it was critical that HIAL were clear on their role. Mr Savile asked Mr Cox what the Minister saw as the role of HIAL. Mr Cox advised that it was to provide the airfields and nothing else.

That said he felt that if HIAL were to articulate a different picture at an appropriate time it may well get a sympathetic hearing.

4.11 Matters Reserved for the Board

Ms Jack enquired what had been discussed at the Audit Committee on this subject. Mr Lyon provided an update. Mr Whittome asked if the Matters Reserved for the Board should be separate to the Financial Memorandum. Ms Bruton advised that the Financial Memorandum focussed more on Transport Scotland areas. Ms Jack suggested that the Matters for the Board should be reviewed and amended to include lending, thereafter it would be accurate. The Financial Memorandum would be reviewed in slow time with government colleagues.

Item 5 – Business

5.1 Commercial Update

Mr Lyon informed the Board that BA were to visit Inverness in the near future to discuss a Inverness/Heathrow route. Mr Lyon advised if this route was to go ahead then some thought would be required on the impact of the Flybe Amsterdam route and Easyjet London routes. Mr Cox advised that Transport Scotland was happy to help out on any issues which may arise.

Mr Lyon advised that he had met with Paul Simmons of Flybe in Exeter **Minute Redacted.** Mr Lyon advised that Flybe had not upheld their side of the bargain so it was unlikely that they would reach agreement. While in Exeter Mr Lyon noted the plans by Flybe to deploy their additional DASH 800'S into Europe and also noted that their simulators were in use for 23 hrs a day. **Minute Redacted.**

Mr Lyon updated the Board on the Fair Fares Campaign advising that Stewart Adams met with Tavish Scott and the feedback was Loganair are driving it back towards HIAL stating opening and closing hours as a problem.

Mr Lyon provided an update on the AMS PSO work undertaken thus far.

Mr Savile asked about SCATSCA and if there were any opportunities for HIAL. Mr Lyon advised that Shell had decanted to Aberdeen and BP had taken the SCATSCA slots. It was likely that it would continue to be operated by the consortium for the short to medium term given its proximity to Sullom Voe.

5.2 Inverness Airport Business Park Update

Mr Lyon advised that the Chairman had resigned and they were in the process of recruiting for a replacement. Mr Lyon and Mr Howard had both put a candidate forward to each other but neither were content with the other's choice.

Following on from some questions in regards to IABP Mr Lyon advised he would arrange a spotlight session for the Board where Mr Howard could attend and provide an update.

5.3 Sumburgh Airport

Mr Lyon provided an update on the current status of issues with M&H. Mr Lyon confirmed that he was seeking advice on whether he should commence adjudication or wait for M&H to launch.

Item 6 – Finance and Legal

6.1 Monthly Accounts

Ms Bruton provided an update on the accounts to date commenting that they were tracking favourably for the year and on target even with some slight changes made. Ms Bruton said there would be a forecast provided for the next board meeting. Ms Bruton also advised that the increase in cash was related to the refund of VAT in regards to the Twin Otters purchased and that capital was on target for the year to date. Ms Bruton also advised that her accounting team were now back to normal day to day processing now that the final accounts and audit were complete.

6.2 Annual Accounts

Ms Bruton asked if Inverness Air Terminal Limited and Leaseco should be kept open as companies. The Board were in agreement to close both. Ms Bruton asked if the company names should be protected. Mr Johnston advised no.

Ms Jack asked for her name to be amended in the final accounts. Ms Jack said after talking with Mr Bennett she was happy for Mr Johnston and Mr Lyon to sign the final accounts. Mr Whittome and Mr Johnston concurred.

Minute Redacted

Ms Bruton advised the Final Accounts would be available on the Internet from the 10th October, 2015, after presenting to Parliament.

Minute Redacted

Ms Jack suggested that should herself as Chairman of the Audit Committee for any reason be unavailable to chair a future Audit Committee it would be preferential that either Mr Whittome or Mr McLaughlin as members of the Audit Committee step in.

6.4 Projects Update

The Board were happy to note the position.

Item 7 – Human Resources

7.1 HIAL Pension Scheme Update

Mr Lyon advised that there would be two pension trustee changes shortly. Mr Lyon said that Mr Duncan Smith from Stornoway had shown an interest to become a trustee as a Company nominated trustee, and David Hamilton (fire fighter) would shortly retire due to ill health.

7.2 Sickness

Mr Lyon advised that HIAL sick pay currently cost the company £500k annually. This had the potential to increase significantly due to the amended AMSL T&Cs. Mr Lyon advised he had asked Mrs Haston to look into ways to manage sickness levels and Mrs Haston has produced 5 possible options. Mr Lyon advised he was not expecting a decision from the Board to be taken today but if they could review and discuss and be prepared to arrive at a decision in the future it would be useful.

Mr McLaughlin asked what were our benchmarks and how did HIAL match against other aviation companies. Mr Whittome asked what was the percentage in days lost to sickness. Mr Lyon advised that he did not have this information however he would ask Mrs Haston to review and provide some meaningful information which he would present to the Board. Mr Johnston suggested sending out a communication to the business showing the level and cost of our sickness. Mr Lyon added it could be incorporated into the monthly accounts.

Item 8 – AOB

Ms Bruton to set up a meeting between the Pension Trustees and the Board Members.

Mr Johnston commented that the Board dinner went very well the previous evening. Ms Jack had felt a positive feel considering some of the negative press of late. **Minute Redacted.**

Item 9 Dates of Next Meeting

The next Board meeting will be held on Wednesday 23rd September in Inverness.