

**MINUTES OF THE HIGHLANDS & ISLANDS AIRPORTS LTD (“HIAL”) BOARD HELD
AT THE AYRE HOTEL, KIRKWALL ON 9TH May 2017 AT 1:15PM**

Present	Dr Mike Cantlay	Chair
	Mr Inglis Lyon	Managing Director
	Ms Gillian Bruton	Finance Director
	Ms Lorna Jack	Non-Executive Director
	Mr Jim McLaughlin	Non-Executive Director
	Mr David Savile	Non-Executive Director
	Mr Tim Whittome	Non-Executive Director
In Attendance	Mr Gary Cox	Transport Scotland
	Mr Mark Stuart	Director of Airport Operations
	Mr Robin MacRae	Director of Operational Support
	Mrs Shelly Donaldson	PA / Minutes
Via call	Mr Mike Galloway	Dundee City Council

Apologies

Mr John Nicholls, Transport Scotland.

Item 1 – Board Minutes

Subject to some minor amendments, the minutes from the board meeting on 7th March 2017 were noted and approved.

Item 2 - Dundee Airport – Mike Galloway via conference call

Mr Cantlay opened the discussion with positive feedback of the Dundee Airport consultative committee. Mr Cantlay updated the board that Loganair were promoting the Dundee to Stansted route well and due to this, there has been a spike in traffic and Loganair are using a larger aircraft, however, this is not a long-term plan, so Mr Galloway proposed continuing dialogue with Loganair and HIAL to persuade Loganair to continue to use the larger aircraft for this route.

Mr Galloway also informed the board that Loganair had mentioned that they were thinking of introducing an ATR into their fleet which was a positive indicator that they are committed to growth at Dundee and looking at the longer term.

(Redacted under FOISA Section 33 (1)b)

Mr Galloway asked about infrastructure and landing technologies at Dundee. Mr MacRae updated that HIAL have commissioned Hellios to perform a scoping study for the Air Traffic Management strategy and they will look at technologies that would benefit Dundee. Mr MacRae suggested that it would be useful for them to engage with Dundee City Council, but did stress that anything to do with change of airspace takes time and estimated a 4-5 year target. Mr Galloway was keen to get started on this.

Mr Galloway informed the board that the Tay Cities Deal was sitting with Government and they were expecting some movement on negotiations.

The Board noted the updates.

Matters Arising

(Redacted under FOISA Section 33 (1)b)

Item 2 - Chairman / CEO Report

Board Papers and Meetings

Mr Cantlay raised an issue with the board papers being late, what is appropriate for board papers and what was discussed at each board meeting.

He proposed a shorter meeting in June looking at the important issues, focussing on strategy more and not discussing some topics so often. Mr Savile seconded this and asked the board to consider alternating the discussion of certain topics e.g. a more thorough look at security every 12 weeks as opposed to a quick look every 6 weeks. Mr Lyon agreed a change was a good idea and that he was keen to avoid duplication. Ms Bruton agreed to provide a 'year to date' report every second month.

Ms Jack also suggested the board papers go out 10 days (2 weekends and a working week) in advance of a board meeting and for the papers to go out incomplete if need be, to be updated with last minute events closer to the meeting.

This was agreed by the board.

(Redacted under FOISA Section 33 (1)b)

Mr Cantlay talked about aircraft changes, in relation to airlines struggling with various issues with the Saab2000's. They will also look for a fix for the Saab 340. There was discussion regarding a rumour that routes south of Inverness are to be taken over by BMI.

Mr Cantlay gave an overview of the meeting with MSPs Mr Scott and Mr McArthur on 26th April regarding the ATM Strategy and growth. The message from the MSPs being that there needs to be route competition to drive prices down and encourage radical improvements to increase

volume. Ms Jack asked if competition was realistic on these routes and if HIAL was being proactive regarding route development. Mr Lyon assured that HIAL was, using the new Kirkwall to Bergan route, being a direct result of discussions between HIAL and Loganair, as an example. The discussion turned to the benefits and drawbacks of route competition and Mr Lyon cautioned the board of increasing competition on routes due to the unforeseen impacts of disturbing an intricate and interlinked route network. Mr Savile agreed but queried the high fare levels. Mr Lyon responded by quoting the average fare on key routes and advising that it was always going to be the case that the exception was quoted. There was further discussion on ferries vs air travel and Mr Cantlay asked for the board to come back to this topic at the next board.

(Redacted under FOISA Section 33 (1)b)

Managing Director's Report

(Redacted under FOISA Section 33 (1)b)

ASMs

Mr Lyon informed the board that the ASMs were introduced and that the ASM template was being considered for rolling out in Europe with the hope to introduce these measures in the smaller airports across that area.

ATM Strategy

(Redacted under FOISA Section 33 (1)b)

The ATM Strategy and briefings are being set up for the middle of June, to communicate with the MSP's.

Discussions with Sweden

Mr Lyon reported to the board that he had been in discussions with the Communications Director at SAAB in Sweden, who has agreed to come and talk to HIAL.

(Redacted under FOISA Section 33 (1)b)

Mr Lyon stressed that the first, most important step is for HIAL to be very clear on the benefits of this proposal and why they are looking at it.

Thistle Airways

Mr Lyon informed the Board that he attended the Highland Council Loans Board meeting. They were considering investing in Thistle Airways.

(Redacted under FOISA Section 33 (1)b)

Sprint Air at Kirkwall

Mr Lyon brought to the board's attention that Sprint Air, a Polish SAAB 340 operator, have been contracted by Loganair to provide a freighter aircraft to cover Royal Mail routes between 01 Feb 17 to 13 May 17 whilst Loganair aircraft are undergoing temporary maintenance.

(Redacted under FOISA Section 33 (1)b)

Routes Europe

Mr Lyon reported positivity with HIAL's presence at Routes Europe. HIAL representatives had both airlines and airports wanting to meet with them and Mr Lyon expressed a hope to get something from these meetings.

(Redacted under FOISA Section 33 (1)b)

Pensions

Mr Lyon informed the board of an update in terms of pensions. HIAL will be receiving a 'letter of Comfort' from Transport Scotland. Mr Cox confirmed that this was being worked on and that Transport Scotland were attempting to provide as much 'comfort' as possible. Mr Lyon has also asked Barnett Waddingham to provide a paper on actions to take in response to the letter of comfort.

(Redacted under FOISA Section 33 (1)b)

Item 3 - Inverness Car Park

Mr Stuart and Mr Lyon outlined the proposal for the Inverness airport car park improvements to support the passenger growth at Inverness airport and also gave an update on the Inverness Airport Business Park. The proposal outlined a 3 phase development plan.

(Redacted under FOISA Section 33 (1)b)

The board were asked to approve phase one and two of this plan **(Redacted under FOISA Section 33 (1)b)**.

The Board approved **(Redacted under FOISA Section 33 (1)b)** subject to Ms Bruton returning with breakdown of figures at the June Board meeting. Phase 3 will be looked at, at a later date.

(Redacted under FOISA Section 33 (1)b)

There was further discussion regarding the revenue and the new car parking system/charges being put in place for the end of May.

(Redacted under FOISA Section 33 (1)b)

Mr Lyon stressed that HIAL needed to be more customer focussed.

Mr Savile asked the board to think about how this new system and charges would be explained / sold to customers.

(Redacted under FOISA Section 33 (1)b)

Mr Lyon will report back to the board regarding the new car park system data at the Sept Board meeting and further discussion to follow.

The Board noted the position

Item 5 – Budget 2017/18

Ms Bruton reported positive results for the 2016/17 year end and credited this to the staff working hard and being careful. Mr Lyon expressed thanks for this in a letter to the staff and it was also noted that the constant review of figures assisted this positive year end. The revenue improvement and the good control of staff costs was also noted. The areas of outages were security and de-icer.

Ms Bruton reported the budget for 2017/18 as being £7m.

(Redacted under FOISA Section 33 (1)b)

Ms Bruton reminded the board of financial arrangements between HIAL and IABP.

(Redacted under FOISA Section 33 (1)b)

Mr Lyon informed the board that HIAL was being more involved with IABP issues.

(Redacted under FOISA Section 33 (1)b)

Ms Jack requested an item be put on the agenda for the next Audit Committee on June 27th, on the IABP accounts and it was decided to ask Ian Scott attend and to present this.

Ms Bruton was asked to provide a watching brief on Risk and IABP for the next Audit Committee meeting. **(Redacted under FOISA Section 33 (1)b)**

Ms Bruton also informed the board that she has been asked to attend the audit clearance meeting for the IABP.

Mr Cox asked HIAL to provide a 10 year capital plan.

The Board noted the position

Item 6 – Commercial Report

KLM

Mr Lyon informed the board of the coming launch of the second daily flight to Amsterdam and Mr Cantlay asked what more could be done on marketing to improve passenger numbers on the new early morning rotation.

KLM were late in marketing this route, which they recognise.

(Redacted under FOISA Section 33 (1)b)

Regarding continuing this route over winter 2017/18, KLM have agreed to provide running costs.

(Redacted under FOISA Section 33 (1)b)

EasyJet

Mr Lyon informed the board that EasyJet have decided pull the Winter Geneva flight and that discussions are currently underway to try to reinstate this.

Oil and Gas Activity

Mr Lyon reminded the board of the importance of working with the Oil and Gas industry and informed that work continuing in this area.

The Board noted the position

Item 7 – ICT

Mr Stuart confirmed that the ICT Service Delivery plan work was underway to source a Head of ICT to lead the transformation of ICT services over the next 3-5 years.

(Redacted under FOISA Section 33 (1)b)

In addition, work has also commenced to source additional resource following the recent resignation of the ICT Infrastructure Engineer.

The Board noted the position.

Item 8 – Risk Management

Mr Macrae stressed to the board that the biggest issue was the Environmental Surface water drainage project, HIAL is now looking at an additional requirement of £1.55m capital for 2018/19 which is essential.

The board noted and approved this.

Item 9 – Operational Support

(Redacted under FOISA Section 33 (1)b)

Mr Cantlay sought an update from the Company at the next Board meeting

The Board noted the paper.

Item 10 – Airport Operations

There was discussion on an update within the paper regarding the Barra Airport fire service responding to a call in support of the SFRS on Barra. It was brought to the board's attention that this was also the case on Tiree.

Mr Stuart outlined the current results on customer feedback and the results were positive with a 92% quoting that the airport was meeting their needs. HIAL will continue to develop their own surveys through the ASQ programme.

(Redacted under FOISA Section 33 (1)b)

Mr Stuart continued to update the board on the operations across the HIAL airports.

(Redacted under FOISA Section 33 (1)b)

The Sumburgh project is essentially complete and the completion inspections are underway by AECOM.

(Redacted under FOISA Section 33 (1)b)

The Board noted the position.

Item 11 – AMSL

Ms Jack asked a question regarding the finance and whether AMSL should continue to be a separate company. Mr Cantlay asked for further discussion on this at a later date.

The board noted the position of the paper.

Item 12 – Alternative Security measures (verbal update)

Not discussed - Board noted the paper

Item 13 – General Data Protection Regulation

Ms Bruton outlined the paper to update the board regarding the new Data Protection laws that are being introduced in May 2018. She informed the board that HIAL will be putting more practical measures in place as more information is received to ensure compliance. The Data Protection manager will continue this role two days a month on a consultancy basis and this work with records management is ongoing. Ms Bruton asked for the board's support with the commencement of a programme of activities to meet the new standards of compliance. This was noted and approved by the board.

Item 14 – HIAL Pensions Scheme

Mr Lyon discussed this within the Managing Directors Report

The Board noted the Paper

Item 15 - Any Other Business

No Other Business

Date of Next Meeting

The next Board meeting will be held on 27th June 2017 at Inverness Airport.

The Board continued with a private session on HIAL Strategy.

(Redacted under FOISA Section 33 (1)b)