

**MINUTES OF THE HIGHLANDS & ISLANDS AIRPORTS LTD (“HIAL”) BOARD HELD
AT WICK JOHN O’GROATS AIRPORT 7th NOVEMBER 2017 AT 15:00PM**

Present	Ms Lorna Jack	Chair
	Mr Inglis Lyon	Managing Director
	Ms Gillian Bruton	Finance Director
	Mr Jim McLaughlin	Non-Executive Director
	Mr Tim Whittome	Non-Executive Director
	Mr David Savile	Non-Executive Director
In Attendance	Mr Mark Stuart	Director of Airport Operations
	Mr Robin MacRae	Director of Operational Support
	Mr Michael Bratcher	Transport Scotland
	Mrs Shelly Donaldson	PA HIAL (Minutes)
Via phone	Mr Mike Galloway	Dundee City Council

Apologies.

Mr John Nichols, Transport Scotland
Mr Gary Cox, Transport Scotland
Mr David Martin, Dundee City Council

Minutes of the Board 28.09.17

The board agreed that the minutes were a true reflection of the meeting and were approved.

Matters Arising

Mr Stuart informed the board that the new HIAL Head of ICT will be starting with the company on 13th Nov 2017 and that he and the new Director for HR will meet with the Board at the next board meeting in December.

Actions from previous Board Meeting:

Cranfield Report: Mr Lyon received board feedback from Mr Savile only and has now signed off the report.

(Redacted under FOISA Section 33 (1)b)

ADT: Mr Lyon informed the board that he met with:

- Drew Hendry, MP for Inverness, Nairn, Badenoch and Strathspey, whom he briefed on the ADT issue
- Alan Brown, MP for Kilmarnock & Loudoun, SNP spokesperson on Transport, Infrastructure and Energy at Westminster.
- David Stewart, Labour MSP for the Highlands and Islands region

Mr Lyon stated that he is taking a more active role in this issue and stressed the importance of retaining the exemption.

(Redacted under FOISA Section 33 (1)b)

Ms Jack stated that due to discussions being had between Scottish Government and UK government that this is now very much a government issue and that HIAL should stand aside in this area for the foreseeable future.

Chair's Report

One of Ms Jack's first duties as Interim Chair has been to appoint a new Audit Committee Chair, this role has now been accepted by Mr McLaughlin and will be formalised in the coming weeks.

Ms Jack informed the board that she had met with HIAL's previous Chair Mr Cantlay and that a handover had taken place. Ms Jack also informed that Mr Cantlay continued with a few Chair duties that were still outstanding, outlined below.

Mr Cantlay met with the Minister for Transport and Council leaders of Shetland, Orkney and the Outer Hebrides at the Convention of the Highlands and Islands (CoHI) to inform them that HIAL will be briefing them on the outcome of the Helios report in late Dec 2017/early Jan 2018. Mr Cantlay is still to brief Ms Jack on this meeting.

Mr Cantlay also informed Ms Jack that he had had a conversation with Mr Bond from Loganair. The feedback has been that Mr Bond is aware of the challenges concerning competition on routes and are doing their own scenario planning.

Ms Jack will handle these issues going forward and is due to have a final debrief call with Mr Cantlay.

It was updated that Ms Jack and Mr Lyon are due to meet with officials at Loganair on the 21st November.

(Redacted under FOISA Section 33 (1)b)

Ms Jack informed the board that she met with Transport Scotland officials, Mr Nichols and Mr Cox yesterday, who confirmed that the Interim Chair position is due to last 6-9 months and that they would go through the government recruitment process. Mr Nichols has agreed to share the Chair job specification with the Board.

Ms Jack and Mr Lyon are due to meet with the Minister for Transport on the 29th November to brief him and discuss the Helios project. It is expected that the Minister will be most concerned about Job losses and stakeholder relationships surrounding this.

Ms Jack informed the board that she had had a discussion with Mr Martin at Dundee city council. Mr Martin has agreed to come back with a decision on whether to change the way the HIAL board interacts with Dundee or recommending a change in Board director from his organisation, the latter having to be approved by Scottish Government.

(Redacted under FOISA Section 33 (1)b)

Ms Jack mentioned that she and Mr Lyon had attended the Highlands and Islands Tourism Awards dinner and ceremony in Inverness. She expressed that it was great marketing for HIAL and received positive feedback from stakeholders in Inverness airport.

Managing Director's Report

Mr Lyon briefed the board that he attended the Aviation Cross Party Group on 4th October issues such as ADT and BREXIT were amongst the topics. Mr Lyon informed that he had had a discussion with Mr Dewar from Edinburgh Airport, who expressed a need for an ADT deal for Edinburgh. The feedback on BREXIT was that it is impacting on airlines' ability to plan.

(Redacted under FOISA Section 33 (1)b)

Mr Lyon referred back to his meeting with Mr Hendry and reported that they had also discussed Aviation strategy. It was decided that the DFT would also be invited to attend an event in Inverness and that Mr Hendry would invite them himself.

Mr Lyon informed the board that he had met with Mr Cropper from the CAA regarding the Helios report and in particular wanted to raise awareness of the issue regarding the shortage of Air traffic controllers, which is perceived as being a UK wide issue.

Mr Lyon explained that there was some discussion on the acceptable safety margin within the Helios report and what this actually means to HIAL.

(Redacted under FOISA Section 33 (1)b)

Mr Lyon notified the board of the meeting he had with Serco to see if there was a possibility of joint work. Serco used to be heavily involved in aviation in the UK and are heavily involved in aviation in the US.

(Redacted under FOISA Section 33 (1)b)

Mr Lyon informed the board that he had a conversation with a company called Zunum Air. Zunum Air are a company, supported by Boeing and Jet Blue who are currently investing in electric and hybrid aircraft.

(Redacted under FOISA Section 33 (1)b)

Mr Lyon updated the board that HIAL has retained the Investors in People standard and that he will meet the new HR Director this week to discuss.

Item 2 - IABP Update

Mr Lyon provided the board with an update on the Inverness Airport Business Park:

- The Co-op groundwork is due to commence shortly
- The Business Development Manager of IABP has now started to advertise fully serviced sites for sale (7 sites to be fully serviced)
- Mr Lyon updated the board on his current thoughts surrounding the HIAL head office building and making more car parking spaces for the airport.
- There was also discussion regarding a park and ride site for the new train station

(Redacted under FOISA Section 33 (1)b)

Item 3 - Strategy Verbal Update 31.10.17 work

Mr Lyon informed the board that the strategy team met with the consultant last week to operationalize the high-level work.

Some discussion ensued regarding how detailed and operational the Strategy plan should be, it was decided that there should be a vision of where HIAL wishes to be by 2025, and that the first step is a 3-year plan, which should be operational.

(Redacted under FOISA Section 33 (1)b)

Mr Bratcher had a comment on the document 'UK Aviation Strategy, Call for Evidence' (a response from HIE, HITRANS and HIAL) which was submitted to the board. Mr Bratcher requested Transport Scotland be consulted in advance of submitting documents of this nature to ensure accuracy.

Item 5 - Helios Report Verbal Update

Mr Lyon expressed the importance for the board to discuss the issues that are likely to arise with the HELIOS final report. A draft final report has been submitted and shared with the HIAL board, Transport Scotland and the project team. It considers six different options and will recommend one. Mr Lyon stressed that this has been a completely independent study.

The final report is due on 13th December and will be presented to the board, by Helios, at the next board meeting on the 19th December 2017.

Some points on the draft final report have already been received from Mr Cox at Transport Scotland and Mr Lyon has also made comments, which will be addressed with HELIOS.

(Redacted under FOISA Section 33 (1)b)

Mr Savile raised the issues of opting for a centralised hub, the main one being the location. He stated that HIAL already has recruitment issues with ATC staff and trying to keep them in more remote areas and felt that HIAL must encourage long-term employment by opting for a more centralised location.

Ms Jack also raised the point that the number one issue is that HIAL must keep services running for the more remote areas and to do this.

(Redacted under FOISA Section 33 (1)b)

Some discussion continued on the order of deployment with the main issue being that HIAL has to be transparent with its staff and must look after its staff regardless of the decision made on the 19th December. It was noted that both Mr Lyon and Ms Jack want as much of the report released as possible to ensure transparency.

(Redacted under FOISA Section 33 (1)b)

Ms Jack confirmed that Helios would attend the Board meeting in December to present the final report to the Board. It was noted that the presentation should be kept as short as possible, to allow for a question & answer session and discussion afterward. It was noted that Ms Jack had asked for both Mr Nichols and Mr Cox from Transport Scotland to attend the presentation and it was also decided to ask the Director of HR, Head of Business Development, Head of IT and HIAL's PR company to attend for discussions concerning the communications plan.

There was some discussion on the possible concerns and questions that may be raised after discussion and it was suggested that Helios bring their three biggest concerns as they see them to the Q&A session.

(Redacted under FOISA Section 33 (1)b)

Ms Jack informed the Board that she and Mr Lyon are meeting with the Minister for Transport on the 29th November to update him on the report thus far and discuss any concerns. The main concerns being job losses and stakeholder engagement. It was noted that there are concerns in these areas but the overall goal must be kept in the forefront and that is to keep the areas that HIAL serve connected and functioning.

(Redacted under FOISA Section 33 (1)b)

Item 6 - Loganair / Flybe (Verbal Update)

(Redacted under FOISA Section 33 (1)b)

Mr Lyon and Ms Jack will be meeting with Loganair's Mr Hinkles and Mr Harrison on the 21st of November and it was noted to also invite Mr Bond to join.

(Redacted under FOISA Section 33 (1)b)

The Board noted and approved the updates.

Dundee Airport – Verbal Update by Mike Galloway

Mr Galloway joined the Meeting via phone.

DAL Minutes 28.09.17

Mr Galloway confirmed that the minutes were a true reflection of the meeting held on 28.09.17 and confirmed that the proposed Board meeting dates for 2018 and that the meeting on 04/09/2018 in Dundee was agreed.

Actions

Mr Galloway informed the Board that the Loganair proposal for London city has had to be put on hold due to Loganair needing to address challenges they are experiencing from Eastern airlines on a number of established routes.

Mr Galloway updated that Roy Bogle from Loganair attended the Dundee Airport Consultative committee, who provided an update of the re-launch of the airline outside of the Flybe Franchise and responded to concerns of poor performance in regards to punctuality.

Mr Galloway informed that in regards to Stobart Air, Dundee has made no progress and that the possible proposal for an Amsterdam route from Eastern has been put on hold due to the same issues Loganair are experiencing.

(Redacted under FOISA Section 33 (1)b)

Item 8 – DAL Monthly Accounts

Ms Bruton expressed that everything was going as hoped in regards to Dundee and that there were no issues.

Mr Savile raised the issue of passenger costs, it was noted that Dundee is suffering a loss of on average, £90 per passenger. This is in contrast to £26 per passenger for the same time last year when the Amsterdam flight was doing well, which highlights the need for this route.

Verbal Update

Mr Galloway updated that Tayside Aviation is progressing with the aviation skills academy as part of the Tayside city deal and that there is a proposal to share aviation and flight skills with Perth. Dundee city council have met with Tayside Aviation to try to accommodate some of their requirements, such as, additional modular buildings. The city deal in general is going well with a series of workshops due to be completed by the end of the month, which will then proceed to heads of terms being agreed at the end of January 2018 with both governments.

An issue was raised by the UK government, concerning state aid and HIAL's long lease on Dundee airport. Mr Bratcher asked Mr Galloway to forward details of this issue to him and for Transport Scotland to respond accordingly to the UK Government. Ms Jack asked that the Board be kept informed on this issue.

(Redacted under FOISA Section 33 (1)b)

Mr Galloway informed that the V&A is due to open in the second half of next year.

Mr Galloway left the Meeting

Board Meeting to continue 8th November 2017 @ 0900

**MINUTES OF THE HIGHLANDS & ISLANDS AIRPORTS LTD (“HIAL”) BOARD HELD
AT WICK JOHN O’GROATS AIRPORT 8th NOVEMBER 2017 AT 09:00AM**

Present	Ms Lorna Jack	Chair
	Mr Inglis Lyon	Managing Director
	Ms Gillian Bruton	Finance Director
	Mr Jim McLaughlin	Non-Executive Director
	Mr Tim Whittome	Non-Executive Director
	Mr David Savile	Non-Executive Director
In Attendance	Mr Mark Stuart	Director of Airport Operations
	Mr Robin MacRae	Director of Operational Support
	Mr Michael Bratcher	Transport Scotland
	Mrs Shelly Donaldson	PA HIAL (Minutes)

Apologies

Mr John Nichols, Transport Scotland

Mr Gary Cox, Transport Scotland

Finance

Item 7 – HIAL Monthly Accounts

Ms Bruton outlined the forecast for 2017/18 and a need for a movable budget for de-icer over the winter period. It was noted that the new IT head will be in place from mid Nov. The finance team are also keeping a close eye on Sumburgh revenue, particularly the Flybe/Eastern income, as it is proving difficult to see the impact. Ms Bruton informed that the finance team will continue a watching brief & forecast each month and that the next few months are critical.

(Redacted under FOISA Section 33 (1)b)

Regarding the tender process for the internal and external auditors, there will be tender interviews with the four contenders in Edinburgh tomorrow (9th Nov).

HMRC will be in Inverness the first week of December to conduct a VAT visit.

(Redacted under FOISA Section 33 (1)b)

Item 9 – AMSL Monthly Accounts

Ms Bruton advised that the finance and payroll teams have been monitoring overtime.

Item 10 – Group Delegated Authorities Register

The board approved the changes made to the Delegated Authorities register.

At this point, Ms Jack asked if the board had anything they wished to discuss/raise.

Mr Bratcher wished to note that an underspend was just as bad as an overspend and that there needs to be 'shovel ready' projects waiting to go in this case.

10 Year Capital Plan

Ms Bruton informed that the capital plan is still under review with Transport Scotland and that she has received brief feedback from Mr Holmes and Mr Baxter. Mr Bratcher stated that this was very much driven by a finance perspective and he outlined the budget process, which encouraged further discussion.

(Redacted under FOISA Section 33 (1)b)

Ms Jack asked if the board were content with three main tactics that HIAL are deploying:

1. To deliver a long-term strategy with the aim of convincing the Scottish government to fully invest in HIAL to enable it to deliver a benefit.
2. To demonstrate that HIAL is looking at all possibilities to reduce the subvention.
3. To plan for the eventuality of the Loganair issue ending badly.

The board were content with these.

Ms Bruton stated that the budget review for 2018/19 has already begun and that various issues are scheduled to be reviewed.

Item 11 – Airport Charges 18-19

Ms Bruton proposed a 2.5% increase to be put in place 1st April 2018 and for the contracts and conditions of use to be drawn up to reflect that.

The Board approved this increase.

Operations

Item 12 – Risk Management

Mr Macrae provided an update on the ATS resource and resilience, he ensured the board that HIAL is doing everything possible to mitigate the consequences of HIAL losing more controllers and a small working group will be put together to have something 'shovel ready'.

Mr Macrae informed the board that there is a SATCO retiring at Stornoway airport, but that HIAL is currently in negotiations with him to retain him in a part time role to assist.

(Redacted under FOISA Section 33 (1)b)

There has also been a study into comparative wages across the UK.

Mr Macrae updated the board in regards to SEPA. It was found that the north apron area at Inverness Airport was not connected to the main drainage system, however a fix has been put in place and HIAL is in a good position with SEPA, who are due to do an audit on Oct 31st.

(Redacted under FOISA Section 33 (1)b)

Mr Stuart provided an update on the Out of Hours figures. He noted that there has been a considerable impact to Farnorth Aviation's turnover in relation to the out of hours movements at Wick. Mr Stuart went on to explain that there have been of 3 incidents at Wick, 1 at Kirkwall and 1 at Campbeltown in the last year and that HIAL is currently working with Mr Murray at Farnorth Aviation to ensure that pilots understand the requirements. Mr Stuart stated that there was value in the out of hours activities and recommended that they are permitted to continue.

The board noted the update and approved the out of hours activities to continue.

In regards to wildlife management, lasers are in place at Dundee and they have had a significant impact there, so it has been proposed to use lasers at all other locations, the costs for this are outlined in the paper.

Mr Stuart raised another issue with the board concerning a farmer at Melbost Farm in Stornoway raising geese. Melbost farm sits on the boundary of Stornoway airport, who are currently undertaking a process of educating the farmer regarding his responsibilities under the air navigation act.

The Board noted the updates.

Item 13 – Operational Support

Mr Macrae provided an update on environmental management. The new Environmental manager is now in post and he is working on first helping the company become compliant and second going beyond compliance in all environmental issues. He is currently going through the groundwork and will present to the senior team on the strategy going forward. It was noted that Mr Whittome would attend the presentation.

In relation to the AFS proposal to remove HIAL water rescue craft and the intention to leave this element of emergency response to the MCA, Mr Macrae noted that the water rescue craft could in actual fact be retained and incorporated into the AFS Strategy, further work is to be done on this.

(Redacted under FOISA Section 33 (1)b)

Item 14 – Airport Operational Report

Mr Stuart gave an update to the Board on the findings of the study, which was commissioned at Stornoway airport, which started in May 2017, details of which are in the Airport operations paper. It was noted that Mr Stuart would brief the new HR Director when they begin in post.

(Redacted under FOISA Section 33 (1)b)

The feedback on customer service mainly focussed on Inverness airport and is outlined in the paper.

Item 15 – Security

Mr Stuart stated that there was no further update here.

HR

Item 16 – HIAL Pension Scheme

Mr Lyon confirmed the deficit position. There is to be a session with the trustees on 14th of November.

(Redacted under FOISA Section 33 (1)b)

Mr Lyon informed that there are negotiations with the unions on the 1% pay review and the consolidation for weekend premiums. The holiday pay is now fixed and the pay policy will be published in December 2017 and will be analysed in April each year, this is across the whole Scottish landscape.

(Redacted under FOISA Section 33 (1)b)

Commercial

Item 17 – Commercial Report

(Redacted under FOISA Section 33 (1)b)

The Board noted and approved the updates.

Any Other Business

Barra Fuelling – Mr Macrae informed that the aircraft has to carry enough fuel over to Barra to get back and that this extra weight takes up three seats. There have been discussions with Loganair on this and it was suggested that Loganair provide the fuelling capabilities at Barra and for HIAL to maintain these, but it has been noted that this is not a priority for Loganair at present. Mr Bratcher made a point that this could be funded by Transport Scotland as long as it is State aid compliant. The Board noted the update.

Date of Next Meeting – 6th February 2018 in Edinburgh.