

**MINUTES OF THE HIGHLANDS & ISLANDS AIRPORTS LTD (“HIAL”) BOARD HELD
AT THE CASTLEBAY HOTEL, BARRA ON 28TH SEPTEMBER 2017 AT 10:00AM**

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 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
	Mrs Shelly Donaldson	PA HIAL (Minutes)
Via phone	Mr Gregor Hamilton	Dundee City Council

Apologies

Mr John Nichols, Transport Scotland

David Martin, Dundee City Council

Strategy Review

There was some discussion and actions arising from the Strategy review work undertaken the previous day. To outline, there have been four streams of work on the HIAL Strategy and the aim is to consolidate these four streams into one document, which will be submitted to Transport Scotland.

Following work with Renaissance & Co, HIAL has arrived at a mission statement with a number of themes.

ACTION: Mr Lyon to speak to 3x1 about how to present the Renaissance & Co strategy work within a context for HIAL and to engage with Renaissance & co to take this work to an operational stage.

(Redacted under FOISA Section 33 (1)b)

The Board approved the Strategy work so far.

Some discussion continued regarding the max passenger numbers on the twin otter and why the seats were not being filled.

ACTION: Mr Macrae to speak to Loganair regarding the twin otter stats, load and fuelling capability at Barra.

Matters Arising

ADT

Mr Lyon informed the board that he will be attending the Cross Party Group on Aviation and hoped that there would be more information on ADT at that next week. He informed the board that HIAL has submitted a response to the Scottish Government.

(Redacted under FOISA Section 33 (1)b)

Redacted Board Minutes

The Board approved the redacted minutes submitted for 22.08.17, 27.06.17 and 09.05.17. Mr Cantlay confirmed that he is happy for Mr Lyon to approve the redacted minutes going forward.

Actions from previous Board

Flybe/Eastern/Loganair figures have been circulated amongst the board throughout September. Mr Lyon outlined these and stressed that he thought October would be an important time.

A generation of 25-30% extra passenger revenues was seen, through increased choice, increased profile and reduced fares.

(Redacted under FOISA Section 33 (1)b)

HIAL Pension Scheme

A subcommittee has been established and the board will be regularly updated.

Inverness Car Parking

Mr Lyon informed the board that the revised car parking charge increase will be implemented at Inverness.

Head of ICT

Mr Stuart updated the board that HIAL is currently awaiting pre-employment checks and then a start date will be announced.

Head of HR

The new Head of HR will be starting with HIAL in mid Nov and will attend Board meetings going forward.

Chairman / CEO Report

Mr Cantlay informed the Board that he met with a man from Danish Air Transport at World Routes in Barcelona and discussed aircraft.

Managing Director's Report

Mr Lyon expressed to the board that he was very pleased with the way the local teams have handled the increased movements with Flybe/Eastern/Loganair.

The Loganair 50th anniversary event in Kirkwall went well and the board were pleased with the excellent performance and professionalism at all of our airports.

Mr Lyon explained the work he and Ms Bruton had done since the last board on the Capital Plan and asked for the board's approval.

The Board noted and approved the updates.

Item 1 – Minutes of the Board 22.08.17

The board agreed that the minutes of the 22.08.17 were a true reflection of the meeting and were approved.

Item 2 – HIAL Accounts Summary

Ms Bruton updated the board that HIAL is currently looking at being better than the budget set. The additional income from the Eastern/Flybe deal is helping bridge the gap but there are other pressures, such as staff costs at Inverness that HIAL must keep an eye on to allow for extra if de-icer costs are high this winter.

Discussion continued on the de-icer budget, which will be suitable if the winter is benign.

The Annual Accounts will be lodged with Parliament at 10am on 4th Oct 2017 along with a press release.

(Redacted under FOISA Section 33 (1)b)

The Board noted the updates.

Item 3 – Terms of Reference

The Terms of Reference put forward from the Audit Committee were approved.

(Redacted under FOISA Section 33 (1)b)

Item 4 – Capital Plan

Ms Bruton updated the board on where HIAL currently sits in regards to the Capital plan for this year. She stated that HIAL has been granted £7m, which leaves £1m to either find or look at projects that could potentially be postponed.

(Redacted under FOISA Section 33 (1)b)

The Board noted the updates.

Item 5 – Risk Management Summary

Mr Macrae informed the board that HIAL is continuing to keep their eye on ATS Resource.

Mr Macrae updated the board on Coastal erosion risks at Benbecula and Stornoway airports and Mr Cantlay noted that this issue also concerned Islay and Tiree airports.

Mr Macrae informed the board that he will be meeting with Alistair Galloway from SEPA next week regarding the Surface Water Drainage project at Inverness.

Mr Stuart explained the performance based oversight with the CAA, they are looking at how HIAL performs as an organisation within the CAA's regulatory regime. At the interface meetings, it has now been agreed that there is to be an open discussion concerning the significant risks the CAA see effecting HIAL. These involve; risks to the airports, risks to HIAL as a corporate body and risks to the airspace in which HIAL operates, which will enable HIAL to understand how the CAA sees them.

Ms Jack commented that HIAL is improving in terms of the escalation of risk management, but is concerned that the implications of BREXIT upon HIAL is not yet on the agenda.

ACTION: Mr Macrae and Mr Lyon to work on a summary paper over the winter, of the implications of BREXIT and the risks for HIAL and to try to get a view of what NATS are thinking on this.

ACTION: It was agreed that the Capital Plan risks should be put on the Risk Register.

(Redacted under FOISA Section 33 (1)b)

The Board noted the updates.

Item 6 – Operations

Mr Macrae informed the board that the Helios study was progressing well and has confidence that they will deliver a report that highlights the best option for HIAL. Some of the questions from the board focussed on the connectivity issues in some areas, but Mr Macrae and Mr Stuart reminded the board that this would take HIAL to 2030 and that all connectivity issues can be resolved but is just a matter of cost.

ACTION: The Helios report will be given to the Board in Dec 2017.

Mr Macrae provided an update on the EASA Certifications to date as follows:

- Benbecula, Inverness and Wick have been audited, transitioned and are now EASA certificated.
- Dundee and Stornoway have been audited as part of the transition process and certification is pending.
- Barra will remain as a National CAA licensed airport, as it does not fit the EASA criteria.
- A 'Memorandum of Understanding' needs to be put in place with the owners of Campbeltown and Dundee acknowledging that although they own the EASA certificate, HIAL accepts the associated responsibilities of operating these airports.
- A transition document for Islay, Tiree and Campbeltown will be provided along with a revised Safety Case for Dundee to demonstrate that appropriate mitigation measures have been applied to enable Code 3 aircraft operations.
As part of this safety case, dominant obstacles based on Code 3 will be promulgated in the UK Aeronautical Information Publication.

The Board noted the updates.

Item 7 – HIAL People Plan

Mr Lyon informed the board of the work the interim Head of HR had been carrying out on the HIAL People Plan. It covers critical short-term items regarding resourcing, performance, skills & leadership, systems efficiency & effectiveness, and employee engagement. It also lays foundations for the longer-term 'People Agenda' to be made once the new HIAL Strategy is available. Mr Lyon expressed that this was in the interim and may change with

the introduction of the new Head of HR as he would like them to work this to their own criteria.

The Board noted the update.

Item 8 – HIAL Pension Scheme

It was identified that Ms Jack and Mr McLaughlin were on the HPS Subcommittee.

It was also noted that the Dundee Pension scheme is not expecting any change in contribution levels.

(Redacted under FOISA Section 33 (1)b)

The Board noted and approved the updates.

Item 9 – Commercial Report

Stobart Air

Mr Lyon informed the board that Stobart Air have agreed to provide a P&L forecast for a DUB-DND-AMS return daily route.

KLM

KLM are considering how they are able to provide capacity into Inverness; looking at larger aircraft, frequency etc.

World Routes

HIAL' s Head of Business Development attended World Routes in Barcelona.

BA

Mr Lyon informed the Board that there is a plan with BA to increase rotations from 7 – 10 for summer 2018.

Edelweiss

A new route from Zurich to Inverness will be introduced with 9 weekly (Tuesday) departures, starting from 03 July 2018.

Future proofing

Mr Lyon explained that Inverness has been discussing the seasonality forum, looking at how to extend and develop the summer season and use the winter season to its full potential.

Oil and Gas

Mr Lyon informed the board that he would be meeting with Scatsta before Christmas 2017 & Serco in the next couple of weeks.

There was some discussion regarding Leuchars at Dundee and it was decided that Ms Jack would approach Lord Duncan to try to arrange a meeting to discuss the issue.

(Redacted under FOISA Section 33 (1)b)

The Board noted the updates.

Dundee Airport

There was some discussion on the way the DAL board meetings are currently held.

(Redacted under FOISA Section 33 (1)b)

Dundee Airport – Verbal Update by Gregor Hamilton

Mr Hamilton joined the Meeting via phone.

Mr Hamilton informed the board that Mr Hinkles at Loganair is due to provide a proposal to Dundee City council for the London City option based on a mirroring of the current frequency of the service, this will enable them to gage a comparison in terms of the subsidy required and timings available. Dundee are currently awaiting this.

Mr Cantlay updated Mr Hamilton on the DUB - DND - AMS Stobart Air route.

(Redacted under FOISA Section 33 (1)b)

ACTION: Mr Hamilton to speak to HIAL's Head of Business Development on this issue.
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Mr Hamilton thanked the Board and left the meeting.

(Redacted under FOISA Section 33 (1)b)

Any Other Business

Inverness Airport Name

Mr Lyon informed the board of an email he received from Susan Wilson, US Consult for Edinburgh, suggesting changing the name of Inverness Airport to 'Inverness Loch Ness Airport'. Mr Lyon suggested holding a social media poll to decide on two options.

(Redacted under FOISA Section 33 (1)b)

Board Dates 2018

Mr Cantlay expressed the opinion that there are too many board meetings in 2018 and suggested 6 meetings and 1 Strategy day as opposed to the 9 proposed. There was further discussion on dates and it was decided that there be 7 meetings in 2018 and dates to be re-issued.

(Redacted under FOISA Section 33 (1)b)

Date of Next Meeting – 7th November 2017 at Wick Airport.

(Redacted under FOISA Section 33 (1)b)