

**MINUTES OF THE HIGHLANDS & ISLANDS AIRPORTS LTD (“HIAL”) BOARD
MEETING HELD AT MACDONALD HOLYROOD HOTEL, EDINBURGH ON 17TH
JANUARY 2017 AT 10.30AM**

Present	Dr Mike Cantlay Mr Inglis Lyon Ms Gillian Bruton Ms Lorna Jack Mr Jim McLaughlin Mr David Savile Mr Tim Whittome	Chair Managing Director Finance Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director
In Attendance	Mr John Nicholls Mr Gary Cox Mr Mark Stuart Mr Robin MacRae	Transport Scotland Transport Scotland Director of Airport Operations Director of Operational Support

Apologies

Apologies were received from Mrs Kirsteen Adams

Item 1 – HIAL Board Minutes

The minutes from the HIAL board meeting on 29th November 2016 were noted and approved subject to some minor amendments.

Matters Arising

There were no matters arising from the previous minutes.

Item 2-4 – HIAL/DAL/AMSL Monthly Accounts

Ms Bruton provided an overview of the Company performance. Thus far and with the benefit of a relatively mild winter HIAL was tracking to forecast and she was hopeful that this would be the position at the end of the year.

She went on to advise that the budget process for 2017/18 was already well underway and it was likely that the ICT repair would impact adversely on the overall position. That said it was essential that the works be undertaken.

Item 5 – ICT

Ms Bruton confirmed that the ICT review had concluded and that the initial sums indicated to bring the operating system up to steady state were between £0.5m and £1m. The review had also indicated that a solution which encompassed a hybrid model ie outsourced service centre and a small technical team was the most appropriate model for HIAL.

The senior team had agreed that the first step was the recruitment of an ICT expert which would be a senior position, providing the bridge between the day to day operations of the airport Company whilst developing the vision for some of the more aspirational elements which were rapidly moving from aspirational to necessary.

The Board noted the position and asked if the Fujitsu work had been useful. Ms Bruton confirmed that it had and that the local team were tasked with ensuring that the good work previously undertaken was not lost.

Item 6 – Commercial Update

Mr Lyon provided an update on the likely new contracts into Shetland which included Enquest and Shell, the former yet to commit to a start date and hence difficult to budget. The latter started in 2016 and 2017 will see the benefit of a full year effect.

(Redacted under FOISA Section 33 (1)b)

Mr Lyon then provided an update on the current discussions with Loganair and the proposed increase in charges and advised that he would provide the Board with an update on the revised position at the next Board.

The Board were informed of the potential to increase the Amsterdam frequency and that this might be summer only. Given that, discussions had already commenced on the potential for a winter operation also.

Item 7 – Risk Management

Mr Macrae provided an update and confirmed that the revised structure was materially more airport focussed and was providing better interaction with the management team than previously, thus providing a greater level of assurance.

The top risks remained that of environmental non-compliance and uncontrolled airspace. The former would hopefully be addressed with the completion of the EU and subsequent actions whilst the latter would be better managed through the revised ATM strategy.

The Board noted the position.

Item 8 – Operational Support

(Redacted under FOISA Section 33 (1)b)

Mr Macrae then provided an overview of the works currently underway to secure environmental compliance and highlighted the extent of the works required. He concluded by highlighting the potential costs and the risks should the Company fall short of its obligations.

The Board noted the position.

Item 9 – Airport Operations

Mr MacRae provided an overview of the airport operations.

The Board noted the position.

Item 11 – Alternative Security Measures (ASMs)

Mr Lyon confirmed that the ASM's would go live on the 31st of January and that thus far the anecdotal feedback from the communities served was positive.

(Redacted under FOISA Section 33 (1)b)

Item 13 – HIAL Operations Plan

Not discussed

Item 14 – Self Insured Employers Liability

Mr Lyon sought the Boards approval to continue with their Employers Liability cover. He did so against a backdrop of a potential saving of circa £100k by self-insuring. The Board listened to the surrounding arguments for and against and agreed that self-insuring was not an option given the nature of our industry and the potential for latent diseases to impact upon any short term savings.

Item 15 – Land Sale

Mr Lyon sought approval to exchange a small parcel of land on Stornoway in exchange for a number of estate improvements. The works would be undertaken by a local contractor who had secured an affordable housing project pencilled in for the parcel of land identified. Subject to clarifying a question on an overage payment by Ms Jack the Board agreed to the proposal.

(Redacted under FOISA Section 33 (1)b)

Item 16 – HIAL Pension Scheme

Mr Lyon talked through the timings for the valuation and suggested that given the likely outcome, that he invite BW to present in advance of the Trustee review. The Board agreed that this would be useful

The Board also noted that Transport Scotland had yet to respond on the question of Scottish Government covenant.

Item 17 - Dundee Airport – Verbal Update

Mr Martin provided an overview of the Tay Cities Bid and some of the potential wins if they were to be successful. He went on to emphasise the link for connectivity and how this was integral to the bid and to the success of any consequential projects.

The Chairman noted the position and advised that where possible HIAL would assist. It was agreed that Mr Lyon and Mr Martin speak in the not too distant future to agree how best to play in HIAL

Mr Macrae then provided a summary on the ATC position and advised that this was an issue which was unlikely to be resolved soon.

However, they were to meet with the RAF shortly and he would be in a position to discuss the matter with more certainty then.

Item 18 – Date of Next Meeting

The next meeting would be held on 7th March at Sumburgh Airport.

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