

REDACTED VERSION

**MINUTES OF THE 215TH MEETING OF HIGHLANDS & ISLANDS AIRPORTS LTD (“HIAL”)
BOARD HELD AT THE ISLAY HOTEL, PORT ELLEN ON 6TH NOVEMBER 2014 AT 9.30AM**

Present	Mr Grenville Johnston Mr Inglis Lyon Ms Gillian Bruton Ms Lorna Jack Mr Jim McLaughlin Mr David Savile	Chairman Managing Director Finance Director Non-Executive Director Non-Executive Director Non-Executive Director
In Attendance	Mr Gary Cox Mr Mark Stuart Mrs Kirsteen Adams	Representing Transport Scotland Director of Operations Minutes

Item 1 – Apologies

Apologies were received from Mr Tim Whittome.

Item 2 – Minutes of the Previous Meeting

The minutes of the meeting held on 24th September 2014 were accepted as a true reflection of the meeting.

The redacted minutes of the meeting held on 24th September 2014 were approved, subject to the following amendments:

Item 4 – Corporate

The first and last paragraphs regarding the presentation given by Pat Nolan would not be redacted.

6.1 Management Accounts for August 2014

The third paragraph of this item would be redacted in full.

Item 3 – Matters Arising from the Minutes

There were no matters arising from the minutes.

Item 4 – Corporate

4.1 Risk Management

Risk Oversight Group

It was agreed that one board member would continue to attend Risk Oversight Group (ROG) meetings on a rotational basis and Mrs Adams would circulate the confirmed dates for 2015 so that this could be scheduled. Where possible, board members would attend the meetings in person however the conference call facility would also be available if required.

Mr Stuart suggested that the Board should be aware of the Company's holistic view towards risk at Sumburgh Airport, **(Redacted under FOISA Section 33 (1)b)**.

Mr Stuart confirmed that Graeme Bell, the Inverness Airport Manager had recently met with the ROG to explain how risk was being managed at his airport and furthermore, how this approach was being cascaded to his team **(Redacted under FOISA Section 33 (1)b)**.

Ms Jack suggested that any significant risk which was not being resolved should be escalated to the Board. Mrs Bruton referred to the risk of failure to retain customers and confirmed that this had been looked at 3 months' previously and scored as an amber risk. However, she noted that this risk rating may require further investigation following a related discussion at the Board's strategy day. Mr Stuart

reminded the Board that the risk rating for each corporate risk was included in the risk management paper and that the Board could discuss these further should it choose to do so.

Stornoway Air Traffic Control Manning

Mr Stuart raised the issue, specifically regarding ATCO provision at the airport. **(Redacted under FOISA Section 33 (1)b)**. A number of solutions were being explored and Robin MacRae, the Head of Operations would be discussing in more detail with the Stornoway FISOs later in the week. **(Redacted under FOISA Section 33 (1)b)**.

Remote Tower Access

Mr Lyon provided an update on discussions regarding the above. He confirmed that the regulator was very much on board with the discussions. Going forward, remote tower systems would work in HIAL and with the regulators approach any works would be far easier to achieve Mr Lyon would be meeting with NATS to discuss an overall approach. Mr Lyon confirmed that there were currently no other examples within the UK using this type of technology. The Company were to receive a presentation on a successful application by SAAB in the very near future

The Board noted the position.

4.2 Safety Management

Barra Airport – Sickness Absence

Ms Jack raised the issue of sickness absence at Barra Airport, specifically regarding the Station Manager and asked if there were sufficient contingencies in place. Mr Stuart confirmed that contingencies were in place but that it was appropriate to look at the associated risks, mainly relating to geographical / logistical issues.

Mandatory Occurrence Reporting

Mr Savile raised the MOR incident at Campbeltown Airport, relating to taxiway line markings and asked whether this was a concern. Mr Stuart confirmed that the paint markings had been looked at the airport would ensure these had been delineated appropriately. He added that the area in question was on land owned by the Machrihanish Airbase Community Company (MACC).

The Board noted the position.

4.3 Operational Report

Mr Stuart advised that although the Company was satisfied with the performance level of the new fire appliances, there were still a number of issues regarding the service levels being provided by Iturri and discussions were on going to resolve these.

The Board noted the position.

4.4 Regulatory Report

Mr Stuart confirmed that the potential VOR issue at Tiree had been resolved.

The Board noted the position.

4.5 Environmental Management Systems

The Board noted the position.

4.6 Alternative Security Measures

(Redacted under FOISA Section 33 (1)b).

Item 5 – Business

5.1 Commercial Update

Dundee – London Stansted

The Board noted that passenger numbers on the new Dundee to London Stansted route were not encouraging and had continued to fall since the launch of the service earlier in the year. Ms Jack asked how much notice HIAL was likely to receive should Loganair decide to cease operating the route and Mr Lyon advised that the airline was contracted to provide the service.

KLM / Flybe Codeshare

Mr Lyon advised that Flybe had raised some concern over the codeshare agreement between itself and KLM which provided passengers from Inverness with a number of international route options via Amsterdam. He confirmed that HIAL would investigate potential additional marketing options and that VisitScotland had also indicated they may have some funding available.

Mr Lyon advised that an international PSO option may be a possibility and that the DfT had confirmed this was viable. This would take the form of a second daily service in addition to the existing lunchtime schedule. Mr Cox asked that HIE and The Highland Council be included in any subsequent discussions regarding a PSO option.

5.2 Inverness Airport Business Park Update

As per the minutes of the strategy day meeting.

5.3 Sumburgh Airport

Mr Cox noted his thanks for the excellent business case submitted by HIAL to the Scottish Government, allowing ministerial sign-off for monies relating to the various capital projects at Sumburgh Airport. He suggested that once the ministerial reshuffle had been completed, it would be extremely useful to schedule a visit for the new Transport Minister to Sumburgh and asked Mr Lyon to provide some potential dates. The Chairman confirmed he would attend once a date had been confirmed.

The Board noted the position.

Item 6 – Finance and Legal

6.1 Monthly Accounts

Annual Accounts 2013/14

Mrs Bruton confirmed that the annual accounts for 2013/14 had been published **(Redacted under FOISA Section 33 (1)b)**.

Winter Operations 2014/15

Mrs Bruton confirmed that HIAL was still forecasting a capital spend of circa £7m and an additional £5m spend for the Sumburgh **(Redacted under FOISA Section 33 (1)b)**.

Procurement

Mrs Bruton distributed a supplementary paper providing an overview of procurement activity across the company. She confirmed that going forward, she would provide the Board with a procurement update for each meeting which would include a summary of all contracts being tendered for the company.

The Board noted the position.

6.2 Glasgow PSO Replacement Aircraft

Mr Cox confirmed that he and Michael Bratcher would be facilitating a consultation exercise on Tiree with local stakeholders, to discuss what the Glasgow PSO service would look like. He anticipated that the new contract for the PSO service would be in place for the 2015/16 winter timetable and that HIAL and the Scottish Government would reach an agreement with Loganair regarding use of the new aircraft between contracts.

Ms Jack confirmed that HIAL would have ownership of the asset which would be then be leased to the successful operator. She suggested that further discussion was required regarding the full detail of the lease agreement as there were still a number of issues and queries to be resolved.

Mr Lyon confirmed that during the interim period before the new contract was in place, Loganair would carry out pre-delivery inspections on the aircraft and subsequent follow-up inspections until the beginning of the new contract. At the end of the interim lease period, HIAL would appoint a qualified engineer to carry out the aircraft inspections, unless Loganair was successfully appointed as the new PSO contract operator in which case, Loganair would continue to carry out the aircraft inspections.

From an accounting perspective, Mrs Bruton confirmed that asset depreciation would be balanced against the subsidy grant received from the Scottish Government and that there would be no revenue impact to HIAL's accounts.

The Board noted the position.

6.3 Airport Charges 2015/16

The Board approved the publication of HIAL's airport charges for 2015/16.

Item 7 – Human Resources

7.1 HIAL Pension Scheme Update

The Board requested more information regarding the HIAL Pension Scheme's intention to invest in property. The Chairman noted that it was unusual to invest directly in property, commenting that a separate property fund would usually be set up but noted that whilst the Board could comment on a proposed investment, it would have no influence on the final decision.

The Board noted the position.

Item 8 – Any Other Business

8.1 Matters Reserved for Decision by the Board

The Chairman would draft a paper with what he felt were the main items which should be included as matters reserved for decision by the Board.

8.2 HIAL Strategy Day Outcomes and Timescales

The Chairman would discuss further with Mr Lyon as he was conscious of existing workloads for Mr Lyon and the senior management team.

8.3 Passenger Surveys

Mr Lyon would commission passenger surveys for Inverness and Sumburgh and it was agreed that data for Dundee could be covered by the existing Dundee working group and that a separate passenger survey was not required.

8.4 Spaceports

The Board agreed that HIAL should firstly make contact with the Western Isles Council so that a collaborative approach could be agreed ahead of agreeing an official statement on spaceports. The Chairman or Mr Lyon would make contact with Western Isles Council before the end of the year.

Item 9 – Date of Next Meeting

The next meeting would be held on 14th January 2015 at Dundee Airport.

oOo