

**REDACTED VERSION**

**MINUTES OF THE 216TH MEETING OF HIGHLANDS & ISLANDS AIRPORTS LTD (“HIAL”)  
BOARD HELD AT Dundee January 14<sup>th</sup> 2015 AT 09.00 am**

<b>Present</b>	<b>Mr Grenville Johnston</b>	<b>Chairman</b>
	<b>Mr Inglis Lyon</b>	<b>Managing Director</b>
	<b>Ms Gillian Bruton</b>	<b>Finance Director</b>
	<b>Ms Lorna Jack</b>	<b>Non-Executive Director</b>
	<b>Mr Jim McLaughlin</b>	<b>Non-Executive Director (Left 30 mins early)</b>
	<b>Mr David Savile</b>	<b>Non-Executive Director</b>
	<b>Mr Tim Whittome</b>	<b>Non- Executive Director</b>
<b>In Attendance</b>	<b>Mr Gary Cox</b>	<b>Representing Transport Scotland</b>
	<b>Mr Mark Stuart</b>	<b>Director of Operations</b>
	<b>Mr David Martin</b>	<b>Chief Executive Dundee City Council</b>

The HIAL Board meeting commenced with a discussion on the opportunities and issues facing Dundee airport in the context of the comments received by various stakeholders the previous evening.

The Chairman relayed the comments from Mr Watt of Tayside Aviation in relation to car parking and it being his belief that the car parking charges were the single biggest detractor to potential passengers making use of Dundee airport. The Chairman felt that by eliminating this charge it would prove to Mr Watt that this was a further obstacle removed from passengers at Dundee airport. Further, given the insignificance of the revenues received it was unlikely to be costly. Mr Lyon believed the view to be Mr Watts and his alone and that the reasons for passengers using Edinburgh and others were well documented. **(Redacted under FOISA Section 33 (1)b)**. The Chair asked that more information on car parking charges be brought to the next Board in Wick.

Mr Lyon thought it unlikely that the airport would succeed by basing its' success on the operation of the PSO to London Stansted, he felt that a successful Dundee would operate a PSO, perhaps some summer services, a commercial relationship with Tayside Aviation, a deliverable property strategy for the vacant real estate and a more focussed general aviation strategy in which RAF Leuchars would play a part.

He continued by outlining the challenge set by Transport Scotland, one of generating aviation related economic activity on the site and felt the Board should report on the matter more regularly, holding the executive team to account. It was important that when the PSO funding was reviewed and decisions taken on continued funding or otherwise that the Board was in a position to say that it had exhausted all avenues of activity.

Mr McLaughlin thought it important that if this was the strategy then it was incredibly important that there was buy in, not just from the HIAL Board but from the City Council, a matter upon which the new Chief Executive for City Council should be briefed. The Board agreed and the Chair advised that David Martin had hoped to attend the Dundee Board meeting later in the day.

There followed a discussion on the most appropriate model to take this forward ie consultative committee or similar and it was agreed that Dundee City Council should have an input to help steer the direction. The first meeting of the revised Consultative meeting is scheduled for February 20<sup>th</sup>.

**Item 1 – Apologies**

There were no apologies.

### **Item 2 – Minutes of the Previous Meeting**

Following two minor changes proposed by Mr Cox and Ms Jack the minutes of the meeting held on November 6<sup>th</sup> 2014 were accepted as a true reflection of the meeting.

### **Item 3 – Matters Arising from the Minutes**

There were no matters arising from the minutes.

### **Item 4 – Corporate**

#### **4.1 Risk Management**

Mr Lyon re stated his rationale' behind the forthcoming risk workshops it being to continue the managers understanding of the process and help the topic become more embedded into the stations. Ultimately it had to be a conversation item and not something to be wary of. The Board were invited and encouraged to attend.

#### **4.2 Business Continuity**

Mr Stuart confirmed that David Leigh from Commercial Initiatives Ltd had been appointed to review HIAL's approach to Business Continuity and where necessary make recommendations to improve upon the same. He was to visit HIAL week commencing January 26<sup>th</sup>.

#### **4.3 Data Security and Management**

Mrs Bruton confirmed that she had met with HIE to better understand the role of the Data Security Manager. Having done so, it was her recommendation to recruit an individual for a period of eighteen months. Mr Lyon suggested that there was an opportunity to consider IT in the round, looking at social media, its role in the work place, how it dovetailed with the hardware in the organisation and the future use of outsourced facilities. Mr Savile asked if the Company carried a significant risk vis a vis hacking following the recent spate of high profile failures. Mr Stuart confirmed that the majority of the information held was non safety critical so the opportunities for a safety related impact was small.

#### **4.4 Safety Management**

Mr Stuart provided an overview of bird activity across the Company. The techniques used to disperse the various breeds were also discussed paying particular attention to the geese problem found on the islands. At Stornoway the incidence of geese was on the increase and SNH had arrived at a potential solution which they intended to deliver on the island. HIAL had several concerns which it was addressing in consultation with SNH.

Mr McLaughlin queried the volume of non reportable accidents in the relevant period, seven in total. He queried both the number and definition ie they were being reported. Mr Stuart confirmed that the number was not exceptional though would review the terminology.

#### **4.5 Operational Report**

The Board discussed the accident on January 2<sup>nd</sup> at Stornoway and the response from everybody involved. All of the staff involved had performed well and the Board expressed their thanks. The cause of the accident would be the subject of an AAIB investigation, though timescales for delivery of the report were not known at this stage.

Mr Stuart updated the Board on the progress of the difficult environs review, which had been initiated following the incident off Sumburgh on the 23<sup>rd</sup> August 2013. He confirmed that it had been difficult to progress matters because some of the experts in the field were either not as well informed as HIAL or proved difficult to meet.

Mr Lyon reminded the Board that the intention of the review was to quantify the level of risk held by the Company when it sent staff out to sea to attend an accident, whether the risk could be improved

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upon by using alternative means and the costs of the same. Upon receipt, the Board would be asked to review the risk profiles and satisfy itself that the process in place was appropriate or otherwise.

Mr Stuart then updated the Board on the quantity of Konsin de icer fluid used thus far and also confirmed that the Company was trying an alternative. The alternative was more environmentally friendly than the current material and as a consequence likely to be less effective. Weather dependent, the results should be known by the end of the fiscal year.

#### **4.6 Regulatory Report**

Mr Whittome expressed a degree of concern over the ACP consultation document. He had several concerns over the quality and accuracy of the paper which was on the internet and had now gone to the wider audience. Mr Stuart confirmed that the paper was in consultation form only and that the final version would be much improved.

Mr Lyon agreed to meet with Mr Whittome and the Chair to enable Mr Whittome to highlight the deficiencies first hand. (Subsequently held and word document provided to Mr Whittome to allow him to highlight potential areas of improvement)

#### **4.7 Remote Towers**

Mr Lyon provided an overview of the remote tower presentation from SAAB. **(Redacted under FOISA Section 33 (1)b).**

He would also meet with the CAA who also attended the presentation **(Redacted under FOISA Section 33 (1)b)**. That meeting has now been scheduled for March 12<sup>th</sup>.

### **Item 5 – Business**

#### **5.1 Commercial Update**

Mr Lyon provided some detail behind the cancellation of the London City route by Flybe. The airline had cited poor load factors and particularly low yields from the fares. **(Redacted under FOISA Section 33 (1)b)**. The Company had received very little notice of the decision and locally it had been badly managed by Flybe. It was likely that they would be invited by HIAL to the Highlands to explain their decision, subsequently held on the 5<sup>th</sup> of February.

The other Flybe routes were stable with the exception of Dublin which was proving a difficult sale in winter.

Mr Lyon confirmed that work continued upon the Amsterdam PSO and once the economic works confirming the business case had been completed, it would be discussed with the local agencies and Transport Scotland. The idea was, to develop a team Highland approach thus helping secure funding.

#### **5.2 Inverness Airport Business Park Update**

Mr Lyon confirmed that the new Bristow facility would go live on the 1<sup>st</sup> of April. All of the substantive works had been completed and the first of two of the new helicopters had arrived on site. **(Redacted under FOISA Section 33 (1)b)**.

He continued by highlighting that Rory Black the recent appointment to the position of business manager was making good progress in establishing himself as the face of IABP which was long overdue.

#### **5.3 Sumburgh Airport**

Mr Lyon confirmed that the runway works were slightly behind schedule but barring exceptional circumstances ought to be finished by the end of March 2015. The compensation events lodged by

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the contractor would be discussed at a meeting in Edinburgh on the 11<sup>th</sup> of February. Phase one of the terminal building was almost complete barring some final kitchen alterations and had been very well received by the oil industry.

He continued that the Toabsgeo slipway works were currently out for tender with a decision expected in early February 2015 with construction taking place during summer.

## **Item 6 – Finance and Legal**

### **6.1 Monthly Accounts**

Mrs Bruton confirmed that whilst the numbers indicated only minor variances to budget, there were some key sensitivities. They included the likely compensation events from the runway construction project, **(Redacted under FOISA Section 33 (1)b)** support for Flybe re Amsterdam and the position with de icer which would not be known until winter had passed.

Mrs Bruton also raised the issue of the IEA process and in particular whether or not HIAL were still using it or not. Following discussion, it transpired that the IEA process had lapsed and rather than spend much time recovering the position it was decided to use an amnesty for all matters missed thus far and re commence the process with immediate effect.

### **6.2 Glasgow PSO Replacement Aircraft**

Mr Lyon confirmed that the build was going well and was on budget. He further outlined the assistance provided by Loganair to help introduce the aircraft into service currently scheduled for May. Ms Jack sought clarity on the ultimate owner of the aircraft which Mrs Bruton confirmed as HIAL.

### **6.4 Procurement Update**

Mr McLaughlin identified that the net cash savings which were a comparison between the estimated costs at the Business Case Stage and the actual price at contract award, was perhaps not the most accurate method of identifying savings through procurement. Mrs Bruton agreed and undertook to review the presentation going forward.

### **6.5 Matters Reserved for the Board**

It was agreed that the Company would re-present the Matters Reserved for the Board taking into account the following comments.

- Clarity on the appointment of directors to both HIAL and the Board of directors.
- Compliance with the Company's financial memorandum
- Delete the reference to charitable or political donations
- Litigation. It was always going to be difficult to identify the quantum before the case commenced, accordingly it may be better to simply identify it as a risk.
- How the pay for senior members of staff was decided upon, given the current constraints placed upon the Company.

### **6.6 The Role of the Board**

The Board welcomed the revision and approved the guidelines. Mr Lyon confirmed that they would become effective once the Matters Reserved for the Board and the new Role of the Audit Committee had been approved, thus providing the Board with an appropriate suite of tools.

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## **6.7 The Role of the Audit Committee**

Ms Jack noted the revised terms and was content with the same. It was agreed that she, Mrs Bruton and Mr Lyon would meet and discuss how best to put the most appropriate structure into place. Ms Jack advised that the audit committee roles should be concurrent with government best practice.

## **Item 7 – Human Resources**

### **7.1 HIAL Pension Scheme Update**

Mr Lyon confirmed that Alan Stewart's term as a Member Nominated Trustee (MNT) expired in February 2015. This would result in an election as more than one person had been nominated. The Scheme Actuary had suggested that it might be appropriate for the Company to appoint one of the nominated members that are not elected as a MNT as a Company-nominated trustee. Mr Lyon would keep the Company informed.

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