



INFRASTRUCTURE AND CAPITAL INVESTMENT COMMITTEE

AGENDA

9th Meeting, 2014 (Session 4)

Wednesday 19 March 2014

The Committee will meet at 9.30 am in Committee Room 1.

1. **Procurement Reform (Scotland) Bill:** The Committee will consider the Bill at Stage 2 (Day 2).
2. **Prestwick Airport:** The Committee will take evidence from—

Nicola Sturgeon, Cabinet Secretary for Infrastructure, Investment and Cities, Sharon Fairweather, Director of Finance, Transport Scotland, and John Nicholls, Director - Aviation, Maritime, Freight and Canals, Transport Scotland, Scottish Government.

3. **Subordinate legislation:** The Committee will consider the following negative instruments—

Road Works (Inspection Fees) (Scotland) Amendment Regulations 2014
(SSI 2014/56)

Scottish Road Works Register (Prescribed Fees) Regulations 2014
(SSI 2014/58)

Steve Farrell
Clerk to the Infrastructure and Capital Investment Committee
Room T3.40
The Scottish Parliament
Edinburgh
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The papers for this meeting are as follows—

Agenda Item 2

Background Note

ICI/S4/14/09/1

PRIVATE PAPER

ICI/S4/14/09/2 (P)

Agenda Item 3

Background note

ICI/S4/14/09/3

[Road Works \(Inspection Fees\) \(Scotland\) Amendment Regulations 2014 \(SSI 2014/56\)](#)
[Scottish Road Works Register \(Prescribed Fees\) Regulations 2014 \(SSI 2014/58\)](#)

Infrastructure and Capital Investment Committee

9th Meeting, 2014 (Session 4)

Wednesday 19 March 2014

Prestwick Airport

Background

1. Glasgow Prestwick Airport is an international airport handling both passenger and freight traffic. It is located 1.2 miles northeast of the town of Prestwick in South Ayrshire.

2. The airport is wholly owned by Scottish Ministers, who purchased it from previous owners Infratil (Prestwick Aviation Holdings Ltd) on 23 November 2013. Scottish Ministers established a holding company (TS Prestwick HoldCo Ltd) to purchase the shares in Prestwick Aviation Holdings Ltd. The holding company provides strategic oversight and ensures appropriate corporate governance arrangements are in place to monitor activities at the airport.

3. The Scottish Government acquisition of Prestwick Airport was predicated upon the protection of the 3,200 jobs directly or indirectly associated with the airport in the face of losses experienced by the previous owners. Scottish Ministers paid a nominal fee of £1 to purchase Glasgow Prestwick Airport.

Infrastructure and Capital Investment Committee consideration

4. Following the announcement of the Scottish Government's intention to purchase Prestwick Airport the ICI Committee invited the Cabinet Secretary to give evidence on the planned acquisition. It was agreed that the Cabinet Secretary would appear before the Committee following the completion of purchase.

5. The Cabinet Secretary wrote to the Committee on 23 November 2013 (see **Annexe A**) announcing the completion of the Scottish Government's acquisition of Prestwick Airport.

6. The Cabinet Secretary wrote again to the Committee on 31 January 2014 (see **Annexe B**) to provide an update on post-purchase activities in advance of her appearance before the Committee on 19 March 2014.

Next Steps

7. The Committee will be given a further update from the Cabinet Secretary when she gives evidence at its meeting on 19 March.

Kelly Forbes
Assistant Clerk
13 March 2014

ANNEXE A

Deputy First Minister
and Cabinet Secretary for Infrastructure, Investment and Cities
Nicola Sturgeon MSP

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23 November 2013

GLASGOW PRESTWICK AIRPORT

Dear Colleague

Further to my statement in the Chamber on 8 October 2013, I can confirm that the Scottish Government completed its acquisition of Prestwick Aviation Holdings Limited and associated companies today, for a nominal consideration of £1. The acquisition was on commercial terms, with the purchase price reflecting ongoing investment requirements. The airport remains fully open for business and existing staff remain employed at the airport.

As indicated in my statement of 8 October, we now expect to engage a commercial partner to operate the airport on our behalf, in conjunction with existing staff. In the first instance, we will be appointing senior advisory staff on an interim basis to make recommendations to us on strategic business development, building on the commercial opportunities identified during the acquisition process, and on the longer term management arrangements at the airport.

This acquisition secures continuity of service at Prestwick. We will now begin work, with local partners, on developing our vision for the business so that we can maximise its contribution to the local, regional and national economy. I will make a further statement to Parliament in due course to set out our plans in more detail.

I am sending a copy of this letter to the Presiding Officer, all party leaders, the Convenor of the ICI Committee, local MSPs, MPs and the leaders of the three Ayrshire local authorities.

NICOLA STURGEON

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ANNEXE B

Deputy First Minister
and Cabinet Secretary for Infrastructure, Investment and Cities
Nicola Sturgeon MSP

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Maureen Watt MSP, Convener
Infrastructure and Capital Investment Committee
Scottish Parliament



31 January 2014

Dear Maureen
Glasgow Prestwick Airport

Further to my letter of 23 November 2013, the Infrastructure and Capital Investment Committee will be aware that the Scottish Government acquired Prestwick Aviation Holdings Ltd on 22 November 2013. Prior to my appearance at the Committee on 19 March, I write to provide an update on post-acquisition activities and on the progress being made to develop our vision for the business and on its strategic repositioning.

1. Acquisition

The business case and business plan prepared to inform the decision to acquire Glasgow Prestwick Airport (GPA), demonstrated that the Scottish Government's ownership would be undertaken on a commercial basis, and that it satisfied the Market Economy Investor Principle.

The cost to the Scottish Government for legal, financial, taxation, real estate and insurance advice to complete the confirmatory due diligence required to support the decision to acquire GPA was £1.08m (excluding VAT). This amount includes the purchase of earlier due diligence work commissioned by a commercial party that had previously indicated an interest in acquiring GPA, which is estimated to have saved the Scottish Government both time and money.

2. Corporate Governance

A holding company was created, TS Prestwick HoldCo Ltd, to purchase the shares in Prestwick Aviation Holdings Ltd. The holding company will provide strategic oversight and ensure appropriate corporate governance arrangements are in place to monitor activities at GPA. The next meeting of the Holdco Board is scheduled for 11 February 2014.

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As an interim position, the Board of the HoldCo is comprised of senior Transport Scotland (TS) officials, supported by the existing senior management at Prestwick. However, we will be reviewing the Board composition in the light of recommendations from the senior adviser we are appointing (see below).

The work of TS in the immediate post-acquisition period has been focussed on the technical, financial and regulatory activities required to bring GPA into the public sector, with GPA's management team continuing to operate the airport as a going concern, on a wholly commercial basis.

3. Business Continuity

I confirm that all the necessary transitional arrangements were put in place to ensure the uninterrupted provision of services at GPA throughout the acquisition process. The airport remains fully operational and open for business.

There has been regular contact between TS and GPA since acquisition. Directors from TS met with directors from GPA at the airport on Monday 25 November 2013 and on a number of subsequent occasions. There have also been regular progress conference calls between TS and GPA to manage the transitional arrangements and to ensure the uninterrupted provision of services at the airport. Additional meetings and discussions have taken place between the respective finance teams to ensure the continued operation of the airport as an on-going concern.

4. Working Capital and Investment

In addition to the cost of the confirmatory due diligence, the Scottish Government has provided GPA with £3m in working capital for 2013-14, to ensure that it can continue to meet all of its current financial obligations. Further working capital will be provided, where required, as projected in the business plan developed for the acquisition GPA.

The business plan also identified that an initial repositioning capital investment of £2.25m will be required to modernise the terminal facilities, enhance the passenger experience and generally freshen and rebrand the airport. This expenditure is anticipated to be incurred during 2014-15.

All funding being provided to GPA, except for vital safety expenditure, is being made on a commercial basis, with a market rate of return attached.

5. Stakeholder Engagement

There has been considerable interest from local stakeholders to the acquisition of GPA. I have met stakeholders including Ayr College, local MPs and MSPs, and representatives of other airports to discuss our aspirations for Prestwick. I am also meeting Glasgow City Council and the Chambers of Commerce shortly to reassure them that we continue to work closely with our other airport partners to improve international connectivity.

6. Team Scotland Approach

Our route development collaboration with all Scottish airports continues and there have been positive announcements at Edinburgh and Glasgow in the last few months. We are working on other route development opportunities at present and will be promoting Scotland at Routes Europe in April where we will continue our engagement with airlines to encourage new routes to Scotland.

We are actively considering how we can provide an appropriate separation between these 'Team Scotland' activities and Scottish Government's ownership of GPA, so that other Scottish airports can be assured that we will continue to treat all airports equally and leave airlines to make their own decision on which airport is most suitable for them.

7. Senior Adviser Appointment

Interviews have taken place to identify a Senior Adviser for a period of three months, whose role will be to inform the TS Prestwick HoldCo Board and Ministers on the longer term options for future business development and management of GPA. An appointment has been made, with an anticipated start date in early February.

The Senior Adviser will be required to make recommendations on the strategic business development options for the repositioning of GPA, building on the commercial opportunities identified during the acquisition process. This work will help to develop a "Stage 2" business plan for GPA, by fleshing out the earlier work prepared for acquisition and by setting out the details for the next three to five years.

The Senior Adviser will also develop a structural plan to identify the options for ownership and longer term management arrangements and to recommend the optimum operating structure required to take GPA forward.

8. Strategic Vision

As part of the above work, the Senior Adviser will be asked to consider and develop options on how best to market GPA to attract interest from outside Scotland and the wider investment community.

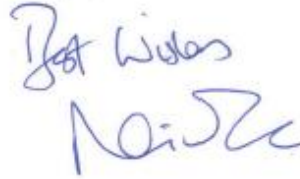
This business plan will set out the commercial opportunity available at GPA, the recommended repositioning strategy, and the likely level of funding required to deliver the aspirations.

The contents of this business plan will be commercially confidential. However, a strategic vision will be developed in conjunction with this business plan, and published, detailing the medium to longer term aspirations and intentions for the development of GPA. I will make a statement to Parliament in due course.

9. Branding

All external and most internal "pure dead brilliant" signage has now been removed. GPA intends to keep the graphics (font type) associated with this signage, until such time as a rebranding exercise is commissioned.

I am sending a copy of this letter to the Presiding Officer and all MSPs. I am also making this letter available to the staff at Glasgow Prestwick Airport.

A handwritten signature in blue ink, appearing to read "Nicola Sturgeon".

NICOLA STURGEON

Infrastructure and Capital Investment Committee

9th Meeting, 2014 (Session 4), Wednesday, 19 March 2014

Subordinate legislation

Title of Instruments

Road Works (Inspection Fees) (Scotland) Amendment Regulations 2014
(SSI 2014/56)

Scottish Road Works Register (Prescribed Fees) Regulations 2014
(SSI 2014/58)

Type of Instruments

Negative

Laid Date

SSI 2014/56	28 February 2014
SSI 2014/58	28 February 2014

Minister to attending the meeting

No

SSI's drawn to the Parliament's attention by Delegated Powers and Law Reform Committee

No

Reporting Deadline

SSI 2014/56	24 April 2014
SSI 2014/58	24 April 2014

**Road Works (Inspection Fees) (Scotland) Amendment Regulations 2014
(SSI 2014/56)**

Purpose

1. The purpose of these Regulations is to increase the fee payable by road works undertakers for inspection of their work by road work authorities from £33 to £36.

Background

2. The New Roads and Street Works Act 1991 (c.22) states that a roads works authority has the power to carry out investigations to check whether a road work undertaker has complied with their duties to reinstate the road. Under that Act, the undertaker is required to pay a fee for such inspection. The rate of the fee is set out in the Road Works (Inspection Fees) (Scotland) Regulations 2003.

3. The amount of the increase follows recommendations by the Roads Authorities and Utilities Committee (Scotland) (RAUC(S)). A consultation was carried out as well, as required by section 163A of the 1991 Act.

4. A copy of the SSI and its accompanying documents is included with the papers.

Scottish Road Works Register (Prescribed Fees) Regulations 2014 (SSI 2014/58)

Purpose

5. The purpose of these Regulations is to prescribe the formula and methodology for calculating the fees payable by road works authorities and road works undertakers as a condition of access to the Scottish Road Works Register for the financial year.

Background

6. Under the New Roads and Street Works Act 1991, the Scottish Road Works Commissioner keeps the Scottish Road Works Register. These Regulations exercise the power to make the payment of a fee a condition of access to the Register. The fees cover the cost of operating the Register.

7. Under regulations in the scrutinised instrument, payment of the fees is to be made within 60 days of receipt of invoice. The instrument also amends the payment period regulation of the Scottish Road Works Register (Prescribed Fees and Amounts) Regulations 2008 from 90 days to 60 days.

Procedure

8. Negative instruments are instruments that are “subject to annulment” by resolution of the Parliament for a period of 40 days after they are laid. All negative instruments are considered by the Delegated Powers and Law Reform Committee (on various technical grounds) and by the relevant lead committee (on policy grounds). Under Rule 10.4, any member (whether or not a member of the lead committee) may, within the 40-day period, lodge a motion for consideration by the lead committee recommending annulment of the instrument. If the motion is agreed to, the Parliamentary Bureau must then lodge a motion to annul the instrument for consideration by the Parliament.

9. If that is also agreed to, Scottish Ministers must revoke the instrument. Each negative instrument appears on a committee agenda at the first opportunity after the Delegated Powers and Law Reform Committee has reported on it. This means that, if questions are asked or concerns raised, consideration of the instrument can usually be continued to a later meeting to allow correspondence to be entered into or a Minister or officials invited to give evidence. In other cases, the Committee may be content simply to note the instrument and agree to make no recommendation on it.

Consideration by the Delegated Powers and Law Reform Committee

10. At its meeting on 11 March 2014, the Delegated Powers and Law Reform Committee considered the instruments and determined that it did not need to draw the attention of the Parliament to the instruments on any grounds within its remit.

Recommendation

11. The Committee is invited to consider any issues that it wishes to raise in reporting to the Parliament on these instruments.

Myra Leckie
Committee Assistant
13 March 2014