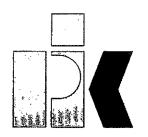
# ANNEXURE 'A'

#### PRESTWICK INTERNATIONAL

### Scotland's Airport

Telephone 0292 79822 Facsimile 0292 671941 Telex 778 972 PIKLTD G



Mr David Brew Head of European Funds Division The Scottish Office New St Andrews House EDINBURGH EH1 3TG MCH/SC/Brw-Rlst

16 December 1993

Dear Savid,

### RAILWAY STATION

### Background

The Railway Station project is the first phase of a transport project which is meant to service not only inbound and outbound tourists but also the more than 5000 persons employed within the curtilage of Prestwick International Airport, as well as local residents. Phase 1 of the project consists of three distinct elements being the Railway Station itself; an enclosed bridge or sky-walk connecting across the A79 into the Airport concourse (arguably "tourism" versus "transport"); and local pedestrian circulation (both vertical and horizontal) allowing access on foot from either platform to the adjacent property where Phase 2 will be constructed.

Phase 2 will consist of a new roundabout on the A79 providing the main vehicular access to the Airport parking lots as well as providing access from the A79 to new parking areas to be constructed adjacent to the Railway Station.

#### Funding

Phase 1 will cost between £2 million and £2.1 million. It is impossible to be more precise at this time, given that the variables all have to do with ScotRail's own charges to the project which will not be known until the project has been completed.

The funding package was originally established based on a £2 million project cost.

Funding committed to the project, net of the EC contribution in each case, is as follows:

Strathclyde Region	£375,000
Kyle & Carrick District Council	£300,000
Enterprise Ayrshire	£826,000

16 December 1993

Mr D Brew

Prestwick Airport has agreed to gift £400,000 to Enterprise Ayrshire as is permitted by the relevant UK legislation. Thus given a EC grant of 25% of project costs, Strathclyde's contribution would be grossed up by £125,000 to £500,000; Kyle & Carrick's contribution by £100,000 to £400,000; and Enterprise Ayrshire's contribution by £275,000 to £1,101,000. In other words the total EC contribution of £500,000, if available, would be allocated as to Strathclyde Region £125,000; Kyle & Carrick £100,000; Enterprise Ayrshire £275,000.

As I mentioned to you the other evening, someone has apparently indicated to Enterprise Ayrshire that the £400,000 donation from PIK would in some way render a similar amount of funding for the project from Enterprise Ayrshire, ineligible for EC grant purposes. As the difference is £133,000, and as Prestwick Airport has agreed to meet all cost over-runs (shortfalls in funding), this is clearly a most important matter for us.

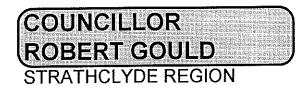
I would very much appreciate any help you can give. Thank you.

Matthew C Hudson Chairman

cc J Walker (Enterprise Ayrshire)

# **Facsimile Cover Sheet**





From: MATTHEW HUDSON

Prestwick International Airport

Date:

**17 November 1995** 

Pages incl. Cover

4

Dear Bob, Sean 566,

I want to thank you for agreeing to see me on Tuesday morning. Also John Baillie has made a most sensible suggestion that I drop you a brief note concerning my agenda. The various points A. B. etc. below are not related except as to their cumulative effect.

A. You may recall that the purchase of the "failed" Prestwick Airport by a group of well meaning amateurs did not fill Archie with financial confidence back in the late winter of 91/92. Thus notwithstanding the support and good wishes of a large number of members, it was not felt prudent to make a grant of any kind to what would most likely be a failed effort to resuscitate Prestwick - after all if BAA could not make it go, it was unlikely that the Scottish enthusiasts could succeed. The result was that a loan was made and it was secured by a lien over much of the airside property, all of the freight facilities and our office building. Also instead of the assistance of £2 million which we had requested it was determined that only half of that sum would be provided, namely a loan of £1 million.

Back then I pointed out to Archie that he was taking too many of our assets for security, leaving nothing for any other lender, whilst at the same providing us only half of the working capital we would need. He indicated that if we were successful in saving the airport, creating jobs etc. we could feel comfortable that given the depth of support from members we could re-apply for additional assistance and make our case at that time.

Bob, we have come to that time.

B. During negotiations for the construction of the Railway Station it seemed to the Airport (and Enterprise Ayrshire) from our meetings and correspondence with SPTE that the Airport, Enterprise Ayrshire/SEN and SPTE were putting in their contribution gross and that the ERDF funding was additional. In the event SIDO (perhaps in error) ruled that ERDF funding was not available on the Airport's contribution thus requiring the Airport to make up that difference. Then SRC asked that the ERDF funding attracted by its contribution (£125,000 on £500,000) be returned to SRC. This had the effect of reducing the SRC contribution to £375,000 and adding a further expense of £125,000 onto the

Glasgow 50% funding t40 million } SPTE doubted we PIK 25% less 25% = 18.75%.

Airport. The net effect of these two decisions was to place an unforeseen burden exceeding £400,000 on the Airport.

C. From information supplied by Railtrack it appears that it had been the practice of SPTE to pay bills from Railtrack without supporting detail or documentation. Railtrack now take the position that the Airport owes Railtrack in excess of £200,000 for "services" rendered on the Rail Station project - the reason, according to Railtrack, being that the Airport is obligated by the contract (apparently unwritten) between SPTE and Railtrack and further that this contract binds the Airport because Railtrack's first bill for the project was sent to SPTE and paid in the usual way.

I can vouch for the accuracy of the words I have underlined. We know this to be true because SPTE (who certainly in this instance neither received nor requested any documentation or details from Railtrack) not only paid this substantial sum of some £55,000 to Railtrack but SPTE then deducted that amount from its contribution to the project - notwithstanding that the project funding agreement to which SPTE is a party requires all payments to be vetted and approved by the professional project manager in advance. Not only was this not done in this case, but the project manager has refused to approve the payment retroactively since there is no support for the invoice nor is Railtrack capable of providing same. Apparently Railtrack never did provide details or documentation for bills sent to SPTE and never kept records for work done on behalf SPTE who always paid on invoice alone. This latter information from Railtrack via the project manager seems bizarre but I report it to you for what it is worth.

Railtrack have now threatened to sue us. We intend to resist and to raise a counter-claim against Railtrack for a sum in excess of their claims against us because of delays and consequent cost over-runs caused by Railtrack. This means that we will need to claim for repayment of the monies paid to Railtrack by SPTE as this sum should have been paid into the project where it would have been utilised to meet the proper costs of the project. The absence of this money has meant that the Airport has had to pay even more money for the Station. Should this matter proceed to litigation it is difficult to see how SPTE and their relationship with ScotRail (as was) can be kept out of it.

- D. The Sewerage Authority. We have had two construction projects hampered by, in the one case, a line where none should have been, and in the other the existence of a pumping or valve chamber not being disclosed to our engineers. The former situation was the Rail Station and the costs of delay, redesign and additional piling to avoid the sewer line was £50,000. The latter situation was a new car park which now has a sewer facility in it. The additional cost exceeded £15,000 and we have lost 9 car parking spaces with a value of £5000 each. Thus we have claims against the Sewerage Department of some £110,000.
- E. Then there is the matter of the Access Fee for the Rail Station. When I negotiated the Rail Station it was with Malcolm. When it came time to formalise everything Charlie had taken over. The SPTE had asked that we as owner/operators of the Station not charge ScotRail an access fee since it would add to the subsidy paid by SPTE to ScotRail which seemed a sensitive issue. I spoke to Malcolm and said that we would agree to this request, but that we would need SRC or SPTE to pick up not less than 50% of the

\* High pressure every 2 do minutes + pipe busts Very weak. operating costs of the Station to include rates, insurance, utilities, maintenance and cleaning. There would be no manning or security costs unless we were required to staff the Station. It was and is my view that this was agreed in principle. We have upheld our end in that we do not charge an access fee to ScotRail, but there has been no movement on the other front and we have been bearing all of the operating costs.

F. Lastly - (thank goodness you will be thinking) there is the matter of the Strathclyde Police attending at the Airport on their own initiative and charging the Airport at a rate of £75,000 annually. This is over and above "emergency" attendance when we have an alert because of a pilot asking for emergency cover if he feels he has a problem with the aircraft. After many months of discussion we have refused to pay the invoices for the former but continue to pay the bills for the latter.

Other airports of our size such as Newcastle and East Midlands are not billed by their local police nor can we cannot afford these sums. We do not wish the police to attend unless there is an emergency or we call them. In such cases where we request sporadic attendance I don't understand why we should be billed - we are after all a major ratepayer. It adds insult to injury to also receive large invoices (now £6500/month) for regular attendance that is <u>not</u> wanted.

The rationale of the police is that the Airport was made a "designated" airport by Act of Parliament at BAA's request as part of their holdings of Heathrow, Gatwick etc.

We have been advised by the security staff of the Department of Transport that there is no need for regular attendance by the Strathclyde Police and no requirement for us to pay any sums for such attendance. [The police have even sent us bills for them using the airport to do their own training.]

Bob - I hope you don't mind me bringing these issues to the fore. I have hesitated because I don't want you or any of your colleagues to feel that the support of SRC has not been appreciated. It has been and is appreciated. Nonetheless we are hurting as a result of these various situations, for which no-one in particular is to blame. I am not complaining. Far from it.

However, as we set about the next phase in Scotland's industrial development, the Intercontinental Freight Hub, we are severely restricted due to a lack of cash and a lack of borrowing facilities. We do have an offer from Enterprise Ayrshire for £500,000 to kick off some of the road infrastructure for the Freight Hub but this is not enough. The funding that we could have used for matching funds has been absorbed as noted above in: unwarranted and wasteful construction costs; spurious claims from Railtrack based (apparently) on their past experience with SPTE; phantom ERDF funding; exposure to rail Station operating costs without reciprocal income (access fee); loss of parking revenue; and unhelpful/unwelcome and unwarranted invoices from the Strathclyde police.

In addition we have no ability to fund the Freight Hub through borrowing because all of our existing freight facilities have been pledged to SRC as security for the £1 million loan.

Notwithstanding the limited life and proscribed powers of the Region, there will be a number of ways in which SRC can assist us to realise the Prestwick Development Strategy. The Freight Hub itself has been formally recognised by the Board of Scottish Enterprise as being a vital national project of strategic importance. I hope that given the support of yourself and your colleagues and positive professional input from Archie, a mechanism or two can be found to render the necessary assistance as a lasting legacy to Strathclyde Region. Formal and long lasting recognition of the Region's assistance could include a ground breaking ceremony before April along with a plaque or other major momento at the main entrance to commemorate firstly the rescue and now the redevelopment of Prestwick International into a major competitive resource for Scotland well into the next century.

Scotland PLC (the Scottish Office) gave Changwa some £84 million in the hope that they might create 3000 jobs. We have already created 300 jobs. On that same basis we should have had grant aid from the Scottish Office of £8.4 million. We received one sixtieth i.e. £140,000 which is what Changwa received for 5 jobs.

It seems 60 times better to be from Taiwan or Korea than from places like Saltcoats, Maybole, Kirkoswald and Leckie.

You and your colleagues have the power to make a real and long lasting difference to Scotland's future.

I'll see you Tuesday at 1000 with John Baillie.

Manla

# ANNEXURE C

41,384

## Books of Council and Session

Extract Registered 2 December 1994

MINUTE OF AGREEMENT

between

KYLE & CARRICK DISTRICT COUNCIL

and

PIK FACILITIES LTD



# REGISTERS OF SCOTLAND

Executive Agency

Meadowbank House 153 London Road Edinburgh EH8 7AU Tel: 031-659 6111 DX ED 300, EDINBURGH

# Registers of Scotland

41,384
AT EDINBURGH the Second day of December Nineteen hundred and ninety four the Deed hereinafter reproduced was presented for registration in the Books of the Lords of Council and Session for preservation and is registered in the said Books as follows:-

4 362 E

#### MINUTE OF AGREEMENT

#### between

KYLE & CARRICK DISTRICT COUNCIL, constituted in terms of the Local Government (Scotland) Act 1973 of Burns House, Burns Statue Square, Ayr KA7 1UT (hereinafter called "the Landlord")



PIK FACILITIES LTD, incorporated under the Companies Acts and having its Registered Office formerly at 292 St. Vincent Street, Glasgow G2 5TQ and now at Prestwick International Airport, Prestwick, Ayrshire KA9 2PL (hereinafter called "the Tenant")





### WHEREAS:

- A. by Lease (hereinafter called "the Lease") between the Landlord and the Tenant dated the thirty first day of March and recorded in the Division of the General Register of Sasines applicable to the County of Ayr on the third day of April both months in the year Nineteen hundred and ninety two the Landlord let to the Tenant the subjects in the County of Ayr more particularly described in Part I of the Schedule and shown outlined in red on the plan each annexed and executed as relative to the Lease and others all as defined in the Lease as (and hereinafter called) the "Premises";
- B. the Tenant proposes to erect a railway station on certain land outwith the Premises and an overbridge therefrom which overbridge will connect to the Terminal Building forming part of the Premises and be erected, in part, over land forming part of the Premises and to the extent that it is so erected will, after construction, form part of the Premises and to instal in the said Terminal Building platforms, stairs, escalators and associated works;
- C. the Landlord has, in terms of Clause 11 of Part II of the said Schedule, consented to the construction of the said overbridge so far as erected over land forming part of the Premises and to its connection to the said Terminal Building as aforesaid and to the said installation;
- D. the Landlord has agreed to make available to the Tenant the sum of FOUR HUNDRED THOUSAND POUNDS (£400,000) STERLING by way of loan to be used as a contribution to the cost of the erection of the said railway station and overbridge and the said installation the principal thereof to be repaid by an increase in the rent payable under the Lease or by virtue of an increase in the Option Consideration referred to in Part IV of the Schedule to the Lease







and the interest thereon to be repaid by an increase in the said rent;

E. the Landlord and the Tenant have agreed that the Lease should be varied in certain respects as a result of the foregoing;

NOW THEREFORE the Landlord and the Tenant Have Agreed and Do Hereby AGREE as follows:

- the Landlord consents to the erection of part of the said overbridge with supporting column over the land forming part of the Premises all as indicated on the plan (which plan is demonstrative only and not taxative) annexed and executed as relative hereto and to the connection of the said overbridge to the said Terminal Building and to the installation of the said platforms, stairs, escalators and associated works in the said Terminal Building all for the purposes of Clause 11 of Part II of the Schedule to the Lease;
- the Landlord undertakes to pay to the Tenant the said loan of Four hundred thousand pounds (£400,000) Sterling on the fourth day of July Nineteen hundred and ninety four;
- from and after the fourth day of July Nineteen hundred and ninety four the Lease will be varied as follows:
  - the words "thirtieth day of March Two thousand and thirteen" occurring together on the eleventh and twelfth lines of Clause 2 of the Lease shall be delete and the words "third day of July Two thousand and fifteen" substituted therefor; the words "thirtieth day of March Two thousand and twelve" occurring together on the nineteenth line of the said clause shall be delete and the words "third day of July Two , thousand and fourteen" substituted therefor; the words "thirty first day of March Two thousand and twelve" occurring together on the twenty first and twenty second lines of the said clause shall be delete and the words "fourth day of July Two thousand and fourteen" substituted therefor; the words "thirtieth day of March Two thousand and thirteen" occurring together on the twenty third and twenty fourth lines of the said clause shall be delete and the words "third day of July Two thousand and fifteen" substituted therefor; and the words "thirty first day of March Two thousand and thirteen" occurring together on the twenty sixth and twenty seventh lines of the said clause shall be delete and the words "fourth day of July Two thousand and fifteen" substituted therefor;
  - there shall be inserted to read after the words "Date of Entry until the" occurring together in the eighteenth line of Clause 2 of the Lease the words "third day of July Nineteen hundred and ninety four; TWO HUNDRED AND FIVE THOUSAND POUNDS in respect of the period from the fourth day of July Nineteen hundred and ninety four until the third day of July Nineteen hundred and ninety five; TWO HUNDRED AND TWELVE THOUSAND FIVE HUNDRED POUNDS in respect of the period

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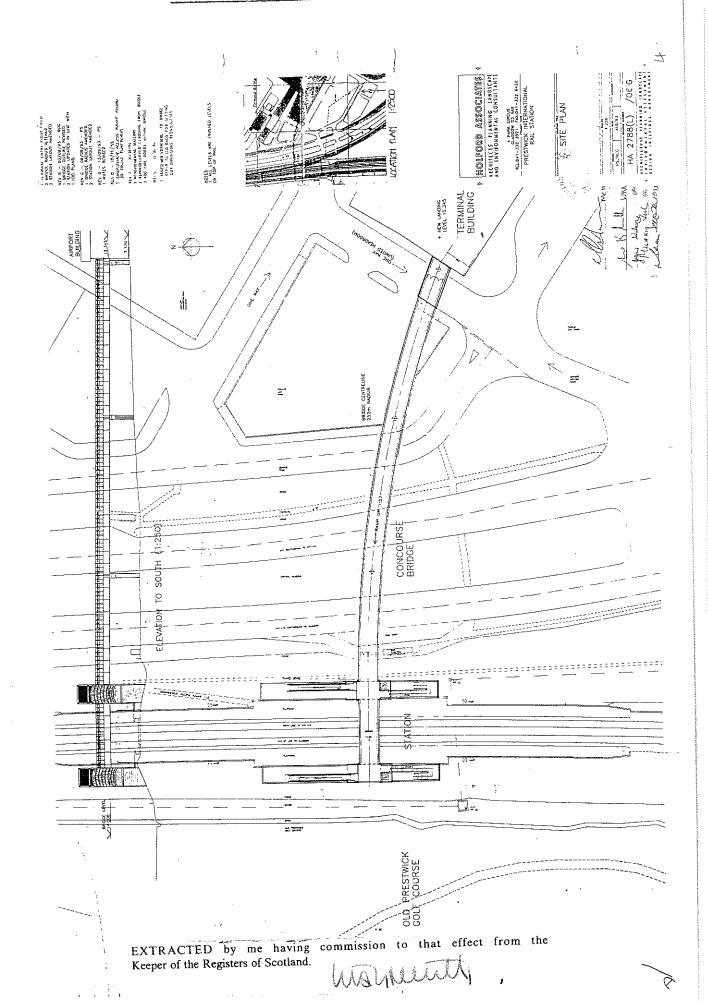
from the fourth day of July Nineteen hundred and ninety five until the third day of July Nineteen hundred and ninety six; TWO HUNDRED AND TWENTY THOUSAND POUNDS in respect of the period from the fourth day of July Nineteen hundred and ninety six until the";

- the words "ONE MILLION SIX HUNDRED AND EIGHTY" occurring together in the twentieth line of Clause 2 of the Lease shall be delete and the words "TWO MILLION ONE HUNDRED AND TWENTY" substituted therefor; and the words "five hundred and fifteen thousand two hundred and eighty eight pounds" occurring together on the twenty eighth and twenty ninth lines of the said clause shall be delete and the words "nine hundred and twenty two thousand three hundred and one pounds forty pence" substituted therefor;
- 3.4 the figure "£1,500,000" occurring in the fourth line of Part IV of the Schedule to the Lease shall be delete and the figure "£1,900,000" substituted therefor;
- the Lease shall, with effect from the last date of execution of these presents be varied to the effect that the figure "10" occurring in each of the seventeenth line of Clause 5 of the Lease, the forty seventh line of Clause 4 of Part II of the Schedule to the Lease and the third line of Part IV of the Schedule to the Lease is delete and the figure "9" substituted therefor;
- save as hereby varied the parties confirm the whole terms of the Lease: IN WITNESS WHEREOF these presents typewritten on this and the two preceding pages are executed as follows, videlicet: they are subscribed on behalf of the Tenant by Matthew Chance Hudson and William Brown Miller, both Directors of the Tenant at Prestwick on the nineteenth day of July Nineteen hundred and ninety four; and they are sealed with the Common Seal of the Landlord and subscribed on its behalf by Jean Wilson and Neil Murray Tosh (subscribing his usual signature "Murray Tosh") both members of the Landlord and Moira Margaret Dunbar, head of Legal Services and a proper officer of the Landlord at Ayr on the twenty eighth day of the month and in the year both lastmentioned.

J. R. Muth Jean Welson Murray Fort

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# Registers of Scotland



# Matthew C Hudson

# ANNEXURE 'D' GLASGOW PRESTWICK INTERNATIONAL

Scotland's Independent Airport

Direct Line Direct Facsimile

Web Site

44 (0)1292 511090 44 (0)1292 511092 www.glasgow.pwk.com

E-mail

mchudson@pwk.com

MCH/SC/980317-L1

17 March 1998

Cllr Charles Gordon
Chair
Strathclyde Passenger Transport Authority
Consort House
12 West George Street
GLASGOW
G2 1HN

## Dear Charlie

It was good to see you again last week and although we have not yet received the long letter to which you referred in our subsequent conversation, I look forward to reading it. As you know, I have asked Hugh Lang to be our Project Manager with regard to enhancing our relationship with the SPT and ScotRail.

For the avoidance of doubt I would like to memorialise the position, which is that SPTE originally offered the Airport £500,000 (see attached) which would have been eligible for an EC grant equal to 100% of that sum (50% funding for 'Tourist' projects) providing total funding of £1.0 million or one-third of that amount, (25% funding for 'Transportation' projects) i.e. providing total funding of £666,667.

We also reasonably expected that our own contribution would attract matching funding as would that of Enterprise Ayrshire. The project was made public by SPTE, EA and the Airport. Plans were commenced. EA led the grant funding application to/through SIDO.

SIDO took the position that they would not request 'Tourism' funding even though this route was clearly open to them. Moreover SIDO incorrectly took the view that the "private" funding from the Airport was not eligible for matching grant and made no such application to the EC.

At about the time you took the chair of SPTE we were told that the £500,000 was in fact to be composed of £375,000 from SPTE which would attract a grant of one-third, i.e. £125,000 making a sum of £500,000. Furthermore SPTE intended to keep the grant monies making the actual funding £375,000 versus £666,667.

At about this time I was told by James Duncan that my agreement in principle with your predecessor that (a) the Airport would not receive a Station Access Fee but that (b) SPTE would pay most or all of the operating expenses - was no longer operative due to the 'retirement' of Malcolm. I was told moreover that whilst (b) was not operative - of course (a) was. I spoke to you and you said that nothing could be done.

Subsequently SPTE improperly (in breach of the funding agreement between the Airport, Enterprise Ayrshire and SPTE) paid £55,471 to ScotRail which was deducted from the £375,000. The funding received from SPTE was therefore £319,529 instead of £666,667.

Our claim against SPTE under the funding agreement is therefore for £347,138.

Subsequently we entered into another agreement with SPTE. This was also breached by the public sector. We have made all the payments required of us but we have not received the free rail travel for our employees, we have not received the ticketing and security equipment for Car Park 3, we have not received the substantial marketing and promotional benefits of the Park and Ride scheme.

Our costs for the construction and operation of the Rail Station (since 9/94) now exceed £2.9 million less £1.006 million (£320K SPTE; £568K EA; £100K District Council) for a total net investment of £1.8 million (including the £347,138).

Given public policy regarding mass transit now and in 1992 it is nonsensical that we should have been forced to build and fund this facility ourselves and outrageous that we should then have been subjected to public sector behaviour that ranged from mendacious to piratical. I do not intend to allow the situation to continue. It may be that Railtrack will find it inconvenient to purchase the facility from ourselves in which case I will entertain a lease on a Full Insuring and Repairing basis. The rental will represent the annual financial cost to ourselves of servicing the net sum invested. I understand that these Railtrack costs may be recovered from ScotRail who will seek them from SPT who will seek them from central government.

Clearly it would simplify matters if SPT and the Airport could reach early agreement on the matters outstanding between ourselves. I have a suggestion which might assist this process, which I will share with you once I have read your letter. Alternatively it is always pleasant to hear your voice. 001 954 340 53266 is a direct line to my desk.

Yours sincerely

Karles

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#### PRESTWICK INTERNATIONAL

Scotland's Airport

Telephone 0292 79822 Facsimile 0292 671562 Telex 778 972 PIKLTD G



MCH/SC/Dun-PTE

7 July 1992

Mr James Duncan
Manager (Planning & Marketing)
Strathclyde Passenger Transport Executive
Consort House
12 West George Street
Glasgow
G2 1HN

Dear Mr Duncan

As agreed I am writing to confirm our conversation today which referred to your letter of 15 June and my response.

I understand that: the Strathclyde Passenger Transport Executive would be agreeable to a longer term agreement than that suggested by your letter of 15 June; and that Strathclyde Region would be agreeable to a contribution of £500,000 towards the cost of a new rail station at Prestwick International Airport.

As regards ScotRail, I understand that you have made initial contact and there is some interest on their part in moving the discussions forward. To that end, I can confirm that I have made a meeting for you and I to meet with Mr Paul Prescott of ScotRail at 10.30 am on Tuesday 11 August at his offices at ScotRail House.

I will be on vacation from 27 July through to 10 August, however, perhaps we could speak together on 10 August to coordinate our approach for the meeting on 11 August.

I know that you are leaving yourself on vacation today. It would be helpful, however, if you could signify your agreement with the contents of this letter by return fax so that I can move things forward with my Board and Enterprise Ayrshire during your absence.

Enjoy your vacation.

Yours sincerely

Matthew C Hudson



## Strathclyde Passenger Transport Executive

Consort House, 12 West George Street, Glasgow G2 1HN

Telephone: Direct line as noted or

041-332 6811 Telex: 779746

Fax: 041-332 3076

An Equal Opportunities Employer

3132

Direct Dial: 041-333 MCH/SC/DUN

Your Ref:

PWK/JBD/MG

Our Ref:

8 July 1992

Mr Matthew C Hudson
Deputy Chairman
PIK Ltd
Prestwick International Airport
PRESTWICK
Ayrshire
KA9 2PL

Dear Mr Hudson

## RAIL SERVICES TO PRESTWICK AIRPORT

Thank you for your faxed letter of 7 July 1992 summarising our telephone conversation.

I confirm my agreement to your summary in respect of the proposed ticketing arrangements.

With regard to a new station serving the airport I envisage the Regional Council would be sympathetic towards making a contribution but this would probably be limited to the cost of a basic station and overbridge spanning the tracks up to a maximum of f0.5m. Such a contribution is likely to be dependent on a commitment to funding by other parties of a continuation of the footbridge over the dual carriageway road into the terminal building together with ancillary facilities.

There are demands for stations to be funded in other locations and the anticipated financial contribution by the Regional Council would be subject to sufficient priority being established within the available capital funds in the year the station is actually built.

I am sorry I cannot be more explicit but hope these comments are of assistance.

I hope you, too, have a good holiday and that you don't see too many lorries in France!

Yours sincerely

H.M.ZZ

🥠 J B DUNCAN

MANAGER (PLANNING & MARKETING)