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3rd December 2013

Mr A Camp
Commercial Director
Greater Anglia
11th Floor
One Stratford Place
Montfitchet Road
London
E20 1EJ

Dear Andy,

Thank you for the meeting and your subsequent letter of 16 November. I thought I would give you a quick update on our position.

With regards to the record of our discussion, there is one area where I would like to clarify our position as I don't feel the summary in your letter accurately reflected what I said. I would like to clarify that, with regard to the basis on which we would be prepared to progress, I indicated that, beyond the end of the current arrangements, we are open to discuss options but we feel the principle of a revenue share is appropriate going forward.

Otherwise, I am happy that your notes are an accurate record of our discussion.

Included among the issues you raised were allegations relating to the alleged call on the public purse and the alleged issue of illegal state aid. These are extremely serious allegations which we reject and are treating with the utmost gravity.

I am taking some advice in order to prepare a detailed response to all the issues you raised. I will write to you again as soon as possible in order for us to progress our discussions.

Yours sincerely

A handwritten signature in black ink, appearing to read "DL", written over a light blue horizontal line.

David Lister
Operations Director



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an era -ward

Mr D Lister
Operations Director
Southend Airport Ltd
Southend on Sea
Essex
SS2 6YF

15 November 2013

Reference 6108/GA/2

Dear David,

Many thanks for visiting us last week, and, as promised I have set out below a summary of the position taken by all parties involved. We have kept the DfT informed of our discussions and once we've confirmed the principles set out below for progressing this issue I will schedule a date for us to meet again and work towards concluding this matter. Please note that the statements below are "without prejudice" and merely reflect opinions and views conveyed by the parties involved in this agreement.

The main discussion areas we covered were:

Abellio Greater Anglia (AGA) stated that the current agreement and the interpretation by Stobart Air (SA) and its consultant (John Sarson) of the relevant revenue factor (RRF) was considered not beneficial to all parties involved and, as a result, needed to be renegotiated to provide a fairer balance of financial returns across the contracted parties. AGA repeated the assertion that the interpretation applied by SA through John Sarson was not the same as the one shared by both AGA and the DfT personnel involved in the negotiation of the contracts at the time. AGA also asserted that the sales channels included within SA's interpretation of the RRF was too broad and that it should have been restricted to just RSP revenues. SA stated that AGA had been paying SA the revenue share according to the SA interpretation of the RRF so this must have been acceptable - AGA immediately refuted the "acceptable" element of this claim and stated that after failing to challenge the interpretation placed on the contract by SA, AGA had paid the revenues to SA only under sufferance and that it had registered its objections to the SA interpretation of the RRF over the last year, including the re interpretation by SA so that, in effect, any Easyjet revenues were also included within the RRF.

AGA stated that the profits were marginal at best for the service operator, the revenue share for the DfT and AGA was not well balanced, and that the financial review undertaken by AGA and the DfT has concluded that:

- Stobart Air's return on investment across the lifetime of the asset is excessive (a 1670% ROI over the concession period)
- The growth of the airport will only accentuate the crowding effect and resultant damage to standard fare paying passenger revenues going forward, making the financial effects worse for AGA.
- There is a view that the revenues generated by the rail link are, in effect, subsidising the airport and its cost base and thus effecting an unfair competitive advantage in enabling cheaper landing charges and is attracting carriers away from Stansted.

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- The diversion of carriers to Southend from Stansted is having a serious abstractive effect on rail revenues.
- The net effect of this use of public money is being viewed by the DfT as a call on the public purse and thus providing State Aid to a private concern.

In addition AGA emphasised that the issues were not just about costs and resultant poor profitability but also around the loss of revenue to the DfT and AGA as a net result of the interpretation placed upon the RRF by SA.

Stobart Air's response was forthright and challenging in that there was outright rejection of the claim that impact of this contract was in effect "a call on the public purse" which amounted to State Aid, and they will challenge this legally if they have to.

The Airport's view on the revenue share is that the relevant revenue factor mechanism was fully discussed and agreed by all parties and that Stobart Air had already made a concession in agreeing to reduce the share they had originally negotiated in the contract from 91% down to 73%. This was refuted by Adam Golton (AGA FD) and Sue Cross (AGA Head of Franchise Development) who stated they were involved at the time of the negotiations under NXEA and there still remains a disagreement between the parties on the interpretation of the RRF mechanism.

SA's view on the current agreement is that it does not constitute "a call on the public purse" and State Aid, and in summary:

- They claim there is very minimal incremental costs to AGA servicing the airport station and want to understand the direct and indirect cost profile
- They believe that the airport competition issue is highly complex and the impact on rail is not clear or obvious. They state the effects of the agreement cannot be linked to inter airport competition
- SA assert that any direct costs are covered fairly by commissions and that RRF share. Adam Golton did state that certain aspects such as EC4T needed to be revisited and increases applied within the cost recharge.
- SA stated they believed the IT charges being claimed by AGA are not valid as the agreement states that the costs of operating this service should be funded by the service operator - this was strongly challenged by AGA as an incorrect interpretation of the conditions of the contract drafted by John Sarson.
- SA did not view the impact of the increase in passenger numbers at the airport as having a negative effect on normal services. They see no evidence of crowding, albeit they have no data, and would like to understand this effect.

Both parties agreed to progress discussions in principle on the following basis:

- SA would listen to AGA and DfT claims regarding the interpretation of the RRF but with no commitment to change. The issue regarding whether 3rd party revenues (such as those generated by Easyjet) could be reviewed and, if agreed, there is a possibility of them being excluded from the RRF constraint.
- Extra services required by the airport would be welcomed but SA understand that if this were to happen then the commercial arrangement would have to fall outside of the current contract (as AGA and the DfT have stated they would not provide these given the current poor ROI), and a separate commercial contract would have to be agreed and appended to the current contract.
- SA would be open to a review of the IT charge claim by AGA subject to a review of the relevant clause in the current contract. Should there remain a disagreement on the interpretation of this clause the SA may look at this issue going forward from the commencement of franchise extension.

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- SA are open to cost challenge supported by evidence such as crowding data as part of the negotiations. The issue over EC4T was deemed to be a reasonable increase to evaluate.
- SA are open to a revised contract structure post the experimental period which could be a mix of standard access agreement mechanisms and a revenue share element above a certain trigger point. AGA and the DfT should respond with some options for consideration.

Finally it was agreed we should work towards the DfT deadline of the 10th January 2014, after which the DfT will consider referral to the ORR.

I hope that I have managed to capture and convey the key elements of our discussion and I look forward to receiving your response to the principles I've listed above for a way forward.

Yours Sincerely



Andy Camp
Commercial Director

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11th floor
One Stratford Place
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E20 1EJ

Mr John Sarson
Southend Airport
Southend On Sea
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SS2 6YF

9 July 2013

By Post and Email: John.Sarson@stobartair.com

Dear John,

I am writing to inform you that we have phased out the use of rail vouchers for 3rd party agents and will no longer accept any vouchers on our services (other than those issued by GA direct) in future.

This letter is to request that, with immediate effect, you cease selling or supplying the Greater Anglia voucher tickets you printed some months ago. For the avoidance of doubt, I attach an example of the ticket I am referring to herein.

According to our records, we have not received the sales of these voucher tickets from you since last July. Please could you also confirm, by return, your receipt and acceptance of this letter.

Yours sincerely,



Andrew Camp
Commercial Director

cc: Alastair Welch – Southend Airport
cc: Ruud Haket – Greater Anglia
cc: Adam Golton – Greater Anglia
cc: Eleni Jordan – Greater Anglia

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Mr Alastair Welch
Managing Director
Southend Airport
Southend On Sea
Essex, SS2 6YF

2 July 2013

By Post and Email: Alastair.Welch@stobartair.com

Dear Alastair,

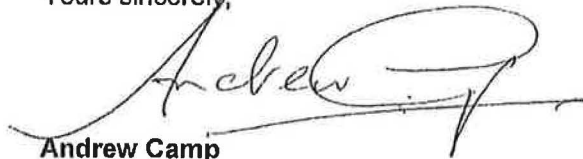
I'm writing to inform you that Greater Anglia will be submitting an invoice to you to cover the provision of the following services to Southend Airport:

- a) Network Services (including site data network connectivity / apportionment of back-end connectivity services required to run Ticket Issuing and Customer Information Systems)
- b) Apportioned CIS System Control - Maintenance, update and control of the CIS system to display accurate information including disruption control
- c) Apportioned CIS Server Production Running - Timetable updates, real time training running data from signalling system, Trust reporting and delay causation, Server maintenance and support costs

The total charge for the period commencing from the first day of our franchise (5th February 2012) until 30th June 2013 will be £36,156. We will then submit monthly invoices in arrears from the 1st July 2013 to cover these charges and to be paid under our normal terms.

This is consistent with the operating agreement between our organisations and I have appended the relevant clause covering this arrangement.

Yours sincerely,



Andrew Camp
Commercial Director

cc: Adam Golton – Greater Anglia
cc: Eleni Jordan – Greater Anglia
cc: Sue Cross – Greater Anglia
cc: Clinton Smith – Greater Anglia

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Mr Alastair Welch
Managing Director
Southend Airport
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18th October 2012

By Post and Email: Alastair.Welch@stobartair.com

Dear Alastair,

Thank you for your letter dated the 11th October 2012 in response to my letter questioning two key aspects of the Station Access and Operating Agreements.

I have referred your response to the DfT and will discuss the implications with them in the next few days. I will be happy to take up your offer of a discussion to cover our concerns once we have met with the DfT and reviewed your response with them.

It is always a good idea for all parties in a commercial agreement to have clarity on what the trading relationship offers and for all parties to enjoy a mutual benefit from the arrangement. Unfortunately, at this stage, we feel that the financial benefits do not have the right balance and, as such, there is not a great incentive for GA to invest in the current relationship as it stands.

I sincerely hope we can resolve this to our mutual benefit and will contact you in due course to arrange a meeting.

Yours sincerely,



Andrew Camp
Commercial Director

CC: Ruud Haket (Greater Anglia)
Adam Golton (Greater Anglia)
Eleni Jordan (Greater Anglia)
Susan Cross (Greater Anglia)

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Mr Alastair Welch
Managing Director
Southend Airport
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12th October 2012

By Post and Email: Alastair.Welch@stobartair.com

Dear Alastair,

Thank you for your letter dated the 11th October 2012. I have forwarded it to my contacts at the DfT for their comments, and will be meeting with them soon to discuss this further.

It appears that two of the three parties that were signatories to this arrangement have a different view to that of Stobart Air, and it would be useful for us to at least understand what value we are gaining out of this arrangement, if any, before we consider any further investment.

We will be back in touch with you in due course, and will hold the over payment claim in abeyance until this is resolved.

Yours sincerely,



Andrew Camp
Commercial Director

CC: Virginia Pamment (DfT)
John MacQuarrie (DfT)
Ruud Haket (Greater Anglia)
Adam Golton (Greater Anglia)
Eleni Jordan (Greater Anglia)
Susan Cross (Greater Anglia)

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11th October 2012

Mr A Camp
Commercial Director
Abellio Greater Anglia Ltd
Floor 2 – East Anglia House
12-34 Great Western Street
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Dear Andy,

Thank you for your letter of 3 October 2012. In your letter I believe you raised two Issues: the Relevant Factor in the Station Access Agreement and the provisions regarding Experimental Services and Review in the Operating Agreement.

Station Access Agreement

There is no provision in the Station Access Agreement for revisiting the calculation of the Relevant Factor during the first five years of operation of the station. As you can see in clause 9.1 of the Operating Agreement, the train services serving the airport have been designated by the Secretary of State for Transport as experimental for the purposes of the Railways Act for a period of five years from their commencement on 18 July 2011. Schedule 4, clause 5.1 of the Station Access Agreement states that the Relevant Factor of 0.7293 cannot be reviewed until after the five year experimental period has elapsed and a decision has been taken for the station to become permanent.

Both the Department for Transport and the Office of Rail Regulation accepted the airport's reasonable request that there should be certainty about its revenue share calculation for, at the very least, the five year experimental period. This is one of the reasons it took me more than two years to agree the revenue share with the Department for Transport and the Office of Rail Regulation.

In the event that the airport or the operator requests a review of the Relevant Factor in July 2016 and the recalculation in accordance with the Model produces a different figure, the revised figure will have to be approved by the Department for Transport and the Office of Rail Regulation. Any amendments to the Station Access Agreement require the consent of both these authorities.

Cont'd/.....2

As you know this is not the first time you have challenged the terms of the Station Access Agreement, if there is any further clarification you feel is needed about the agreement, it may be helpful to sit down and run through this, perhaps with our lawyers, Burges Salmon, to ensure clarity.

Operating Agreement

I am rather surprised at your suggestion that the station may be the cause of an undue burden on the public purse.

The station was constructed entirely at our expense at a cost of over £17m. It is staffed, operated and maintained entirely at our expense. We pay you to stop your trains at the station. You receive a share of revenue generated by airline passengers who previously did not travel by train. All bidders for the franchise were made aware by the Department for Transport of the arrangements at the station and, I assume, priced their bids accordingly. We have offered to fund additional early and late train services at our own expense. I am afraid I do not understand how this may be construed as being a burden on the public purse.

You have the right to request a review provided it is strictly in accordance with the provisions of the Operating Agreement. I would be happy to meet you to try and understand your concerns. It would be helpful if you could set out your rationale in writing ahead of any meeting and it may also be helpful if Adam Golton were to attend the meeting, given his involvement in the project over time.

When we first met we both shared our aim to work together to maximise the use of the train service to and from the airport. Sadly it feels to me as though the only correspondence we seem to have relates to Greater Anglia's desire to challenge existing agreements and I am saddened that your staff have chosen not to respond to any of the initiatives we have suggested to improve the rail share of airport passengers.

My hope is that we can sort this issue you have, put it behind us and get on with working together - which is our wish.

Kind regards

Yours sincerely



Alastair Welch
Managing Director

cc: John Sarson

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Mr Alastair Welch
Managing Director
Southend Airport
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Wednesday, 03 October 2012

By Post and Email: Alastair.Welch@stobartair.com

Dear Alastair,

I am writing to you with reference to the agreements in place, namely the Station Access Agreement, signed and dated 15th July 2011 between London Eastern Railway Limited and London Southend Airport Co Limited.

I would like to draw your attention specifically to Schedule 4, clause 4, Relevant Factor. The Relevant Factor has not been applied correctly. We have paid Stobart Air, since the commencement of our franchise on February 5th 2012, the total sum of £897,112. This has been calculated by taking the total revenue (both peak and off peak, excluding season tickets) and remitting Stobart Air with a 73% share of the revenue attained from the London Liverpool Street to Southend Airport route, in either direction.

However, having reviewed clause 4 in detail, it would appear that the Relevant Factor is incorrect. The model outlined in clause 4.3 is used to establish the Relevant Factor. Greater Anglia have used this model to calculate the Relevant Factor which results is a Relevant Factor of 0.459 rather than 0.7293 as outlined in clause 4.2 of the agreement. Please see attached spreadsheet for further details.

Therefore, the total sum which should have been paid to Stobart Air is £542,698 rather than £897,112, resulting in an overpayment of £354,414.

Furthermore, we would like to see a periodic review of the Relevant Factor going forward. The agreement outlines a 'review' process, clause 5, which allows for a re-calculation of the Relevant Factor in accordance with the Model using actual data over a relevant representative reference period.

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I would also like to draw your attention to the Operating Agreement, dated and signed 15th July 2011. In particular, clause 9.4 refers to the Operators Review. We are currently concerned that the interpretation of the relevant factor by Stobart Air represents an undue burden on the public purse and therefore we need to review this at a more strategic level.

I would like to suggest a strategic review of these agreements between our two parties at your earliest convenience.

I look forward to hearing from you.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Andrew Camp', with a horizontal line underneath.

Andrew Camp
Commercial Director
Abellio Greater Anglia Ltd

CC: John Sarson – Stobart Air
Ruud Haket – Greater Anglia
Adam Golton – Greater Anglia
Eleni Jordan – Greater Anglia