

**ADDITIONAL QUESTIONS TO: Glasgow Prestwick Airport (GPA) Limited**

**Operating costs**

GPA wishes to advise the ORR that the cost of the insurance premiums for the Airtrain facility have just been reviewed and increased to £121,590 per annum. Our insurance broker has confirmed that *'this increase in premium is solely as a result of the ORR requirements'*. Accordingly we would ask that the currently agreed (otherwise known as the 'undisputed amounts') Operating Expenditure of £220,014 per annum be increased to reflect the increase in premiums. In our original proposal we identified a figure of £109,735 for insurance costs on an annual basis. The revised premium would suggest that an overall figure of £231,869 (an increase of £11,855).

1. Can you please confirm that GPA is not currently recovering any of its operating costs at the station, in particular through a Qualifying Expenditure (QX) charge? (Qualifying Expenditure represents "all costs and expenses reasonably payable or incurred by the Station Facility Owner in providing or procuring the provision of Common Station Amenities or the Common Station Services... or which can be properly attributed directly or indirectly to the operation of the Station for or in connection with the provision by the Relevant Operators of services for the carriage of passengers by railway or services for the carriage of goods by railway..." Clause 1.1 of Annex 2 to the template Station Access Conditions lists various other costs that the Station Facility Owner may include in Qualifying Expenditure.)

Glasgow Prestwick Airport can confirm that currently it is not recovering any of its operating costs at the station either through a Qualifying Expenditure charge or any other form of revenue.

**2. Maintenance and Repairs Costs?**

With regard to your answer to question 3c of ORR's second set of questions, can GPA please:

- a. Explain why some of the figures in Annexure C of your 1 May 2006 submission do not reconcile with the figures in the table within the section entitled '*Costs of Ongoing Obligations in relation to the GPA Facility*' in the GPA Airtrain Access Agreement proposal dated 29 March 2006 ('the table'). In particular:
  - i. Explain how the maintenance figures in the table (£7,316 - 11,865 p.a.) have been calculated from the cost figures in Annexure C;

The £7,316 and £11,865 figures identified in the section entitled '*Costs of Ongoing Obligations in relation to the GPA Facility*' in the GPA Airtrain Access Agreement proposal dated 29 March 2006 are not inconsistent with the table attached as Annexure C of our 1 May 2006 submissions.

The £7,316 figure represents the sum of the items listed under the headings '*Miscellaneous*' and '*Development Works*' for FY05 in Annexure C.

While the £11,865 figure represents the sum (rounded up) of the items listed under the headings '*Miscellaneous*' and '*Lifts/escalators*' for FY05 in Annexure C.

**GPA Airtrain Access Agreement – s.17 Application Requisitions – Part III**

<p>ii. Explain why the security costs in FY03 are different between the table and Annexure C;</p> <p>The Security costs figure identified for FY03 in Annexure C represents the sum of the items listed under the headings 'Plant room swipe access' and 'Security'.</p> <p>iii. Explain which activities are covered under "miscellaneous" in Annexure C. If these are maintenance activities, please explain what type of maintenance activities (and/or assets) they refer to.</p> <p>Please refer to 'Appendix I' in the GPA Airtrain Access Agreement proposal dated 29 March 2006 for a detailed breakdown of the items contained within this heading.</p> <p>iv. Explain which expenditures are covered under "Development works", "Lease", "Rail consultant", "Rates"</p> <p>'Development Works' – relates to minors repairs conducted in this year</p> <p>'Lease' – is the rental paid to Railtrack PLC for the lease on the land that the Airtrain Facility is situated. This lease will expire in 2117 and the next rent review will take place in 2008 and every fifth year thereafter to the increase in the Retail Price Index over the period.</p> <p>'Rail Consultant' – GPA is obliged to commission the services of the a Rail Consultant to ensure the implementation of the safety management system as required by our license.</p> <p>'Rates' – this refers to the Council Rates payable in relation to the Airtrain Facility and property.</p> <p>b. Clarify the level of maintenance, repair and other operating expenditure for FY06. In particular:</p> <p>i. Is repair expenditure for FY06 zero, as Annex C seems to imply?</p> <p>At the time of preparation of Annexure C, GPA was restructuring its financial systems across its network and the FY06 figures were not available. Annexure A (attached to this set of requisitions answers) is a revised table indicating the Operating costs for the FY06 year.</p> <p>ii. Is maintenance expenditure for FY06 equal to £599, as Annex C seems to imply?</p> <p>Please refer to the answer to 2(b)(ii) above.</p> <p>3. Can you please confirm whether by reference to FY03, FY04, FY05, FY06 in the table you mean the financial years ending in 2003, 2004, 2005 and 2006.</p> <p>GPA can confirm that the FY03, FY04, FY05, and FY06 refer to the financial years ending in 2003, 2004, 2005 and 2006.</p>
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**GPA Airtrain Access Agreement – s.17 Application Requisitions – Part III**

4. **Renewals costs** With respect to renewals costs can you please confirm that:

You are unable to provide renewals costs at the station prior to Infratil taking full ownership of the airport in FY03;

GPA can confirm that it is unable to provide renewal costs, with any accuracy, for the Airtrain Facility prior to the Infratil taking full ownership of the airport in FY03.

a. You did not incur any renewals costs between FY03 and FY06;

GPA can confirm that it did not incur any renewal costs between FY03 and FY06.

b. You expect to incur a total of £2,513,988 in renewals costs between FY07 to FY09;

GPA can confirm that it does expect to incur a total of £2,513,988 in renewal costs between FY07 and FY09.

c. You do not expect to incur any renewals costs between FY10 to FY16; and

Given the nature and extent of the renewal costs for the FY07 to FY09 period it is anticipated that little to no renewal costs will be incurred in the period FY10 to FY16.

d. You have not forecasted renewals costs after FY16.

GPA can confirm that it has not forecast renewal costs beyond FY16 as we feel that given the location of this facility it would be difficult to do with any accuracy.

5. With respect to the **£2,513,988** costs between FY07 to FY09, can you please:

a. Explain when and why GPA decided that these renewals needed to be carried out

As identified in the previous set of requisitions GPA conducted a Dilapidation report in late 2004 with respect to the Airtrain facility. This report identified that the fabric and material used in the construction of the building was very poor and completely inappropriate for the harsh coastal climate at Prestwick. Effectively the report suggests that major portions of the existing facility would need to be re-built.

The 2004 report was then reviewed during the first half of this year by our Consultant Engineers who have prepared the scheduled forward as Annexure D in our answers to your first set of requisitions.

The decision to undertake these works was originally decided in late 2004 on receipt of the Dilapidation report. However as this matter was being litigated at the time, no works were undertaken at this time as it was thought that it may compromise our legal case.

**GPA Airtrain Access Agreement – s. 17 Application Requisitions – Part III**



b. Further clarify what type of activities are covered by these costs

A full breakdown of these activities is covered in Annexure D of Part I of our answers to your requisitions.

c. Explain whether these are purely renewals costs or if they also include a maintenance and/or repairs element. In the latter case, please identify the renewals, maintenance and repairs elements of the total costs.

The costs identified in Annexure D relate specifically to renewal costs and the associated fees.