

Address:
110 George Street
Edinburgh EH2 4LH

Website:
www.audit-scotland.gov.uk

Telephone:
0131 625 1500

Email:
info@audit-scotland.gov.uk

News release

Embargoed until 00:01 hours, Tuesday, 24 February 2015

Clear and robust plans should be next step for Glasgow Prestwick Airport

A new report by Audit Scotland states that the process followed by the Scottish Government in its purchase of Glasgow Prestwick Airport was reasonable, and it now has to develop comprehensive plans to clearly map out potential future development of the airport.

The Scottish Government bought Glasgow Prestwick Airport from previous owner Infratil for £1 in November 2013, to prevent its imminent closure, safeguard what it considered to be a strategic infrastructure asset and protect the significant number of jobs associated with the site.

Audit Scotland has concluded that the Scottish Government acted reasonably when buying the airport, given the tight timescale of six weeks in which it had to conclude the purchase. It established appropriate governance arrangements and identified the risks associated with the airport's ongoing commercial viability.

However, the report highlights that the Scottish Government should have been clearer in some areas, including modelling the potential withdrawal of Ryanair and fully quantifying the economic benefits of the purchase.

To January 2015, the Scottish Government has provided the airport with £9 million of loan funding, and is committed to a further £16.2 million to the end of March 2016, if required. Latest estimates have put the required total funding, up to the financial year 2021/22, at £39.6 million.

Though Audit Scotland considered Scottish Government's passenger growth forecasts optimistic, financial modelling carried out as part of the audit showed the purchase could achieve a positive return. The eventual return achieved will depend on future developments which could affect the airport's sale price, passenger numbers and other assumptions.

Caroline Gardner, Auditor General for Scotland, said: "Our report recognises that the purchase of Glasgow Prestwick Airport was carried out to a tight deadline and in uncommon circumstances.

"The Scottish Government and Glasgow Prestwick Airport should now ensure that a clear strategy is put in place, which takes into account future development potential, and includes robust business and financial plans, full evaluation of potential risks, and a well-defined, regularly reviewed exit strategy."

The Scottish Government is still assessing a number of potential future opportunities for the airport. Audit Scotland plans to carry out further work at a later date on the airport's performance.

For further information contact Chris Holme on 0131 625 1653 cholme@audit-scotland.gov.uk

Notes to editors

1. Glasgow Prestwick Airport is situated approximately 30 miles south of Glasgow, near the coast in South Ayrshire. The airport covers 880 acres and includes a passenger terminal, car parking facilities, aircraft hangars, the second longest runway in Scotland and a designated railway station with rail connectivity to Glasgow and the rest of Scotland.

2. Infratil decided to sell Glasgow Prestwick Airport in March 2012 due to its declining commercial and financial performance and a change in business strategy. A number of potential investors showed interest in the airport, but none submitted a bid acceptable to Infratil and the last potential buyer withdrew interest in September 2013. The Scottish Government subsequently bought Glasgow Prestwick Airport for a nominal price of £1 in November 2013.

3. The Scottish Government established TS Prestwick Holdco Ltd (Holdco) to oversee the airport on its behalf. The Scottish Government is providing the airport with loan funding, on which it is charging interest at a rate similar to what a commercial lender would charge. The airport will start repaying the loan funding once the airport is demonstrating a positive operating cash flow. This means that the timing and value of loan repayments is currently uncertain.

4. The latest available business plan for the airport (May 2014) estimates a total loan funding requirement for Glasgow Prestwick Airport of £39.6 million up to the financial year 2021/22. Some £11.6 million of this funding is expected to cover losses from core trading activities, with the rest being used to clear an essential maintenance backlog and to cover capital expenditure.

5. Audit Scotland has prepared this report for the Auditor General for Scotland. All Audit Scotland reports published since 2000 are available at www.audit-scotland.gov.uk

- The Auditor General appoints auditors to Scotland's central government and NHS bodies; examines how public bodies spend public money; helps them to manage their finances to the highest standards; and checks whether they achieve value for money. The Auditor General is independent and is not subject to the control of the Scottish Government or the Scottish Parliament
- Audit Scotland is a statutory body set up in April 2000, under the Public Finance and Accountability (Scotland) Act, 2000. It provides services to the Auditor General for Scotland and the Accounts Commission for Scotland.