



OFFICIAL REPORT
AITHISG OIFIGEIL

Economy and Fair Work Committee

Wednesday 6 December 2023

Session 6



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ECONOMY AND FAIR WORK COMMITTEE

31st Meeting 2023, Session 6

CONVENER

Claire Baker (Mid Scotland and Fife) (Lab)

DEPUTY CONVENER

*Colin Beattie (Midlothian North and Musselburgh) (SNP)

COMMITTEE MEMBERS

*Maggie Chapman (North East Scotland) (Green)

*Murdo Fraser (Mid Scotland and Fife) (Con)

*Gordon MacDonald (Edinburgh Pentlands) (SNP)

*Colin Smyth (South Scotland) (Lab)

*Kevin Stewart (Aberdeen Central) (SNP)

*Evelyn Tweed (Stirling) (SNP)

*Brian Whittle (South Scotland) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Forsyth Black (Glasgow Prestwick Airport Ltd)

Colin Cook (Scottish Government)

Ian Forgie (Glasgow Prestwick Airport Ltd)

Neil Gray (Cabinet Secretary for Wellbeing Economy, Fair Work and Energy)

CLERK TO THE COMMITTEE

Anne Peat

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Economy and Fair Work Committee

Wednesday 6 December 2023

*[The Deputy Convener opened the meeting at
09:47]*

Decision on Taking Business in Private

The Deputy Convener (Colin Beattie): Good morning, and welcome to the Economy and Fair Work Committee's 31st meeting in 2023. We have received apologies from our convener, Claire Baker, who cannot be here because of illness.

Agenda item 1 is a decision on taking business in private. Are members content to take in private item 3, which is consideration of evidence that has been heard?

Members indicated agreement.

Glasgow Prestwick Airport

09:47

The Deputy Convener: Agenda item 2 is an evidence session on Glasgow Prestwick airport. This is an opportunity to discuss the airport's operation and management, the Scottish Government's ownership of it and progress towards the stated aim of returning it to private ownership. In September, the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy wrote to update the committee on an expression of interest to purchase the Scottish ministers' interest in the airport.

We will hear evidence from two panels. First, I welcome from Glasgow Prestwick Airport Ltd Ian Forgie, chief executive officer, and Forsyth Black, non-executive chairman. Afterwards, the committee will take evidence from the cabinet secretary. I invite Forsyth Black to make a short opening statement.

Forsyth Black (Glasgow Prestwick Airport Ltd): I am non-executive chair at Glasgow Prestwick Airport Ltd, and with me is Ian Forgie, who is the chief executive officer. We are pleased to join you remotely from the airport. Short notice meant that we could not attend in person because of board commitments, but it is a pleasure to attend online.

When the Scottish Government took over Glasgow Prestwick airport in 2013, it was undoubtedly a low point in the airport's history. For the following five years, the airport struggled to perform and adapt to change. As I am sure the two Ayrshire MSPs on the committee will agree, the business has been turned around in the past five years, despite two years of a pandemic, and it is now stable and sustainably profitable. The business supports more than 1,000 jobs directly and many more indirectly and is a catalyst for investment in Ayrshire.

In general, when people think of an airport, they tend to think of passengers only. Glasgow Prestwick airport handles a modest number of passengers who are flying inbound and outbound on holiday and for business, but we are far more diverse and distinct than that. Every airport has a massive sunk cost in critical infrastructure, as do we, and the key turnaround that Ian Forgie and the team have effected over the past few years has been to recognise that an airport with the profile that Prestwick has does not survive on one business line alone.

Alongside passenger operations, focusing on developing cargo, charters, private military traffic and fuelling, while supporting aircraft maintenance and search and rescue operations across

Scotland and the United Kingdom, has been key to the airport's success. Being diversified also brings with it a level of business resilience.

Anticipated cargo volumes dropped back in 2022-23 from a peak in 2021-22, which had benefited from a spike in Covid-related freight, so the past 12 months have been challenging, with global belly capacity returning and the ban on Russian-registered freighters impacting the movement of heavy cargo. The board here is focused on growing our cargo business over the next few years, and we will continue to invest in equipment and to expand our facilities to meet demand, building on Prestwick's reputation for providing a fast, efficient and well-connected 24/7 cargo service.

Post-Covid, the airport has managed to adapt and recruit, avoiding passenger queues and delays, with our staff working hard to deliver a safe, secure and efficient service. Passenger numbers are substantially up on the previous year. We are pleased to confirm a new five-year agreement with our key passenger airline, Ryanair, and we look forward to working with it to grow passenger numbers further in the future. The airport remains an important base for Ryanair, with a maintenance, repair and overhaul facility on site employing approximately 600 people.

We continue to provide excellent service to our military customers, with many nations operating aircraft through the airport, most notably the UK Royal Air Force, the United States Air Force and the Royal Canadian Air Force. The airport has a reputation for hosting and supporting key training events, and in recent months we had a significant NATO training exercise, which flew over Germany, which was delivered with credit to our staff, who delivered an excellent operational service.

Achieving a horizontal spaceport facility has been an ambition of the airport for a number of years. It is a complex and specialised operation with high barriers to entry, and we continue to work closely with South Ayrshire Council, Scottish Enterprise and our potential launch partner to make that a reality.

We continue to invest in upgrading our buildings and equipment, and we are developing a fresh master plan to maximise the utilisation of our 880-acre site. Taking practical action to achieve net zero targets is a key objective for the board, and we are pleased with the progress that has been made since our reference point in 2018. We believe that we are well on our way to achieving our target of 50 per cent carbon reduction by 2030.

We have recently undertaken more fabric-first projects and made good progress with plans to invest in roof and ground-mounted solar energy,

with the aim to become self-sufficient in electricity over the next three years. We are also working on supporting the market shift to sustainable aviation fuel to establish the airport as a key supply point for Scotland.

Overall, the airport returned an operating profit of £2.1 million in its latest set of accounts, with, we believe, more to come in the future. Despite the on-going economic pressures, the board is confident that the airport will be able to build on that excellent recent performance.

The Scottish ministers' stated objective remains to return Glasgow Prestwick airport to private ownership when the time and circumstances are right to do so, and when a sale will provide the best possible return on their investment in the strategic asset. Until a credible and experienced investor comes forward, the board will continue to focus on growing the business and increasing its value.

We thank our customers and our dedicated and loyal employees for their passion and commitment to Prestwick airport, and we look forward to continued success in the future.

You will appreciate that because this is a public forum and the airport is a commercial entity, there are some things that we cannot discuss openly, but we would be delighted to invite members of the committee with an interest in Glasgow Prestwick airport to come and see at first hand what a fantastic asset it is for Scotland.

That concludes our opening statement. We can now take questions.

The Deputy Convener: We have a few questions for you, and I will start with a general one. What is the current strategy for the airport and how do you assess performance against it so far?

Forsyth Black: The current strategy for the airport is more diverse, as I said in my opening statement, than one might think. It is not naturally a passenger airport. We have a smaller passenger catchment area than the bigger airports nearby. We are a diverse airport of passenger, cargo, military, private flights and fuelling. We have search and rescue facilities and a military base on our site.

The strategy is to take each of those business lines and maximise them as best we can, because having a number of different business lines contributing at an operating level adds to the total, which offsets the sunk cost of the infrastructure in the centre.

The Deputy Convener: As you say, you are looking at very diverse businesses there, and each one, in its own way, is a speciality. Can Prestwick airport be a specialist in so many diverse areas?

Forsyth Black: That is the life of what I would describe as a tertiary airport. If we were London Heathrow airport, we would be all about passengers and very little about cargo, and even less about anything else. At Prestwick, however, we have to be master of as many things as we can.

That does not mean that everything is given equal priority. Our current strategy is that cargo is the priority and the passenger element is very much secondary. We would not want to live without it, but it is secondary. Looking after what we call FBO—fixed base operator—flights, which include private jets, charters and military flights, is up there as well, very close to cargo.

The point is that we have to concentrate on a number of things, not all of them equally, and we have to dial that up and down as the market changes around us.

The Deputy Convener: I call Kevin Stewart.

Kevin Stewart (Aberdeen Central) (SNP): How reliable have the revenues that are linked to military operations and planning been? How can you plan effectively when that revenue stream is uncertain?

Ian Forgie (Glasgow Prestwick Airport Ltd): Good morning, and thank you for inviting us to speak to you this morning.

Before I answer the question, I will just reflect on what has happened since my first appearance before the Rural Economy and Connectivity Committee, as it was then. The airport has changed significantly since then, and what a fantastic asset it is. When we first came in five years ago, the main focus was on passengers—that was the main revenue stream. However, as soon as we got in and began to turn the business around and grow and diversify it, we identified many strengths.

The ability to handle international air forces has, for many years, been one of the airport's strengths. Prestwick will be over 100 years old next year, and it has always had a strong connection to the military. That is not something that comes and goes—it has been built up over recent years, and we now handle more than 20 international air forces.

Why do they come to Scotland, and to Prestwick? It is because the airport operates 24/7, it has two long runways and a lot of parking and apron space, and excellent service. The military aspect is a great part of our business, and we continue to work on it.

Forsyth Black: With regard to how we plan for that sort of thing, we look at individual events that we know are going to come up, such as the recent

NATO exercise. We plan for those because they are a known thing.

We look at the world around us. For example, the conflict in Ukraine has driven military traffic, and we know from experience that we need to set aside resource for that. In addition, there is a long-term historical trend. As Ian Forgie said, international militaries have been coming to Prestwick since the second world war, and even before that, and we have a long history with regard to how that has progressed over the years.

There is an averaging effect that we can take into account when we are planning. To be frank, over the years, the accuracy of that planning has just become better and better with experience.

Kevin Stewart: Okay, but I do not think that you have got to the nub of the question in your answers. What are the alternatives for those air forces, other than Prestwick? Why Prestwick?

Forsyth Black: That is exactly what Ian Forgie was just referring to. We have the longest runway north of Manchester. A lot of long-haul heavy military cargo aircraft, in particular from the American and Canadian militaries, can technically land at other airports in Scotland, but can they take off, fully fuelled and fully laden? I would suggest that they cannot.

In this part of the world, we are in a great circle between transatlantic flights. We are not the only game in town, but we are the most appropriate game in town.

Kevin Stewart: There have been some controversies over the years around some of the flights coming into and leaving not only Prestwick but Aberdeen, in my patch. It has been suggested that those flights have been used for extraordinary rendition. How does Prestwick airport ensure that there is no breaking of international law and that the airport is not profiting from such?

Ian Forgie: All military aircraft that come into the UK have to be authorised by the UK Government. For example, Russian aircraft are currently banned. The authorisation for aircraft to land in any airport in the UK is Government led. We do not get involved in rendition flights. That is just not what we do.

10:00

Kevin Stewart: Are you saying categorically that no extraordinary rendition flights have entered into Prestwick, unless, of course, they have been cleared by the UK Government?

Ian Forgie: We are saying that every flight is cleared by the UK Government. We cannot be categorical on what happens on all those flights, because that is often confidential to the operator.

The doors on some aircraft are not opened when they come through Prestwick. What goes on on board is not something that we are always party to. However, we are party to the legality of those flights.

Kevin Stewart: Extraordinary rendition is illegal under international law.

Ian Forgie: Therefore, I presume that the UK Government would not allow it to happen. Therefore, we would not handle it, and therefore, by extension, we would never handle it.

Kevin Stewart: Okay. That is grand—it would be the responsibility of the UK Government.

Let us turn to your ambitions for a spaceport. The annual accounts note that

“Achieving a horizontal Spaceport facility has been an ambition of the Airport for a number of years”.

What are the benefits of securing that for the airport? What progress have you made? What are the main barriers that you need to overcome? What analysis have you done of the competition—there is a lot of competition, even here in Scotland—in leading on spaceport flights?

Ian Forgie: As we said in our accounts, the spaceport has been a long-held objective. It is a complex and specialised market. As we have seen in the UK with the launch failure at Newquay, there can be disastrous results, so it is not something that we enter into lightly. It is very important that we get the right technical partner who is going to operate it. To be clear, it is the partner who would be operating the flights. The airport would be hosting the facilities and would be responsible for the safety and security of the aircraft and its contents leaving Scotland’s airspace. That is our responsibility. The technical handling, marketing and generation of payload for satellites would be the responsibility of the operator or the partner with which we are in discussions. It is complex.

The barriers to entry are high. We are working closely with our partner, the space industry and the regulator to make it a reality. It is not a short game; it is a long game. We were encouraged recently by the investor funding that the partner has raised in response. We are working closely with the council and Scottish Enterprise to make that ambition a reality.

Kevin Stewart: You have not talked about what the barriers are. What are they and how can they be overcome?

Ian Forgie: They are technical barriers. We need to have a solution that is safe. The aircraft will have rocket fuel in it and must have the capacity to take off, point and shoot, and release its contents safely into the airspace. The biggest barrier is licensing. It is a highly complex area for

which the Civil Aviation Authority is required to issue licences. That is the technical complication.

A spaceport is a physical building. Our part of building one here is making sure that it is safe and secure with fuel storage facilities and consideration of safety issues. There is a lot of technical stuff that goes on in the background.

Kevin Stewart: In my previous role, I met the Civil Aviation Authority to discuss some of those issues. Can you tell us about your discussions with the Civil Aviation Authority about the licensing aspect and ensuring safety, if and when you become a spaceport?

Ian Forgie: We have engaged with our licensing application: we have recently put an application in. Our technical team are building our safety case, which we then present to the CAA. The CAA does not come and tell us what to do—we have to present our safety case, and the CAA approves that and grants the licence.

Brian Whittle (South Scotland) (Con): Good morning, gentlemen. I declare a lifelong interest in Prestwick airport from the start, given that I used to live in Monkton and I joined the crowds in the football field across from my house to watch the inaugural flight of Concorde in 1969—that is how old I am.

I want to use my time to look at the airport’s income streams beyond flight operation; in particular I am interested in agreements with wind farm developers for mitigation payments. You will be aware of the findings of the reports on Clachrie and Sanquhar. Having read the reports, it seems that the airport’s approach to negotiating mitigation settlements with wind farms has been challenged in several recent planning inquiries for such developments. From comments made by wind farm developers and reporters, it is reasonable to say that your approach is more aggressive than the norm. In particular, you have sought to receive on-going payments beyond an initial lump sum—you have sought to receive payments based on the number of megawatts generated. Most worryingly, you have taken an approach that uses non-disclosure agreements to conceal the value of payments and prevent public scrutiny. I am taking that straight from the report. Do you feel that that is an accurate description of the approach that you have taken to wind farms?

Ian Forgie: As there is an on-going public inquiry, I cannot comment on any specifics in relation to wind farms. However, wind farms have a significant impact on airports, and on Prestwick in particular. I encourage you to come down to visit the airport, and we will show you some detail of that. We have the highest concentration of developments planned in the UK, if not Europe: there are more than 700 turbines visible to the

airport—there is an entire wall of them at the top end of our main runway.

It is a complex and technical area. We must be absolutely satisfied that there is no impact on the airport's safety—that is paramount. Developers need to contribute to that—that is the bottom line. They need to pay for that in order for the impacts to be mitigated. That is fundamental.

To date, the airport has supported wind farm applications representing more than 1GW of generation. We have really been pushing hard to make those things happen. That is part of that whole agenda for pushing out wind farms. It is a complex subject.

However, I encourage you to come down and we will take you through some of the detail, so that you understand the technical detail and the problem that wind farms represent for aviation. It is not just an issue for Prestwick, although Prestwick has the biggest concentration because of its location. It is a significant issue for the airport, which we need to defend.

Brian Whittle: Just so you know, I spoke to NATS last week, specifically, so that I understood the issue. I have also spoken to wind farm developers. I know that there are other on-going public inquiries, but I am talking specifically about Clauchrie and Sanquhar, and these things are in the public domain. I will quote from the Sanquhar report, which said that the minister's response agreed with the reporter's conclusion that

"there is no basis to require ongoing compensatory payments to be made."

My concern here is that you are using wind farm money specifically—[*Interruption.*] Do not shake your head, Mr. Forgie, that is what it says in the report. It says that you are using wind farms as an income stream. It also says you must show how you are using that money specifically to mitigate any demonstrable issues with wind farms. That is what the report says. Do you agree that, if that is the case, and those things are sitting in your ledger, they will have to come out, which will impact the profitability of the airport?

Ian Forgie: I disagree with all that.

Brian Whittle: Mr Forgie, it says it in the public inquiry report. You cannot disagree with the reporter and the minister.

Ian Forgie: There is an on-going public inquiry. I cannot comment about any particular issues that are connected to that. However, there is a significant impact on this airport and it will cost it significant money in the next 25 to 30 years to ensure safety in relation to the impact caused by those wind farms.

Forsyth Black: It is worth stepping back a second to explain the situation—you have specific knowledge in this matter; maybe some other members of the committee do not.

The issue is that Prestwick—as Ian Forgie said—has a significant number of wind turbines in its radar picture. When aircraft cross those wind turbines, there is a risk that the radar goes blind. We need to upgrade our radar, at some vast expense, to be at the very top of the range in order to be able to mitigate that and ensure that the approach into our airport is safe.

That situation is caused solely by the building of wind farms in our radar picture, which we have to mitigate against. That is why they are called mitigation agreements. The wind farm operators know that. They build the mitigation costs into their business models because they know that, in due course, they will have to make a contribution to airports to mitigate the effect of those wind farms. However, in some cases, it appears that they try to make the case not to pay those costs. If they do not pay, it is up to us and—because the Scottish Government owns Glasgow Prestwick airport—ultimately the Scottish taxpayer to pay for amounts that are already budgeted for by the wind farm operators. That does not really make sense, does it?

Brian Whittle: I am afraid that the evidence that I have taken from NATS disagrees with that. I understand that the Terma radar system is currently in the process of potentially being deployed. Having spoken to the wind farm operators, they are absolutely agreed that they have to pay some mitigation, but that has to be demonstrated by the airport, which they say has not been done.

The report also says that

"there is no basis to require ongoing compensatory payments to be made"

That is a quote directly from the cabinet secretary. The reporter also says that he is clear that a per megawatt basis for the calculation of any contribution would not be appropriate. I understand that there are more findings coming down the road, but those points are made in the reports on Clauchrie and Sanquhar.

What is important is that there is an agreement that the wind farms should provide mitigation and that there should be a capital expenditure payment for any upgrade or replacement of a radar system. However, the reports say that you have not quantified that and that you are trying to get on-going payments out of wind farms to pay for a radar system that is still not in operation even though the wind farms are up and the airport is still functioning. Again, I am saying to you that the

mitigation is being used as an income stream. That is what the reports say.

Forsyth Black: There is definitely an income stream out of it, but there is a very large cost line that goes with that.

Brian Whittle: Can you demonstrate that everything that is coming out from the wind farm payments is being ring-fenced specifically to pay for an upgrade of radar?

Ian Forgie: This is a complex subject. I encourage you to come down and we will certainly take you through—

Brian Whittle: Mr Forgie, I have twice asked a really simple question: is the money that is coming from the wind farms to mitigate any issue with radar being ring-fenced specifically to upgrade your radar? That is all that I am asking you.

Ian Forgie: This is where you need to understand the issue in more detail. This is a complex and evolving subject. We have 700 visible turbines that are planned to be built, which is significant. This is not a one-wind-farm issue, which is simply put in a box. The situation is evolving. It has evolved over the past five years and it has got to the stage where the issue is significant. We need to look at what the impact on the airport is going to be over the next 25 to 30 years.

I encourage you to spend more time listening to the airport to understand that position. Obviously, you have a vested interest in protecting and making sure that, for Ayrshire, it grows and survives. This is a really important matter. I encourage you to spend some more time with the airport.

Brian Whittle: I am happy to do that. Again, I spent some time with NATS last week to understand exactly what is required from a radar system from its perspective. However, that is not just at Prestwick; it is a network of radar systems across Scotland.

10:15

Ian Forgie: Yes, but Prestwick is the biggest one that is impacted.

Brian Whittle: I will again ask you a simple question: are the revenues from the wind farms being ring-fenced for mitigation and not for any other measures?

Ian Forgie: As I have pointed out, so far, it has been spent on radars, but the radar technology that will now be required is significant. That is a movable feast. As the issue gets bigger, we need more radars. There is not just one solution, because the situation will be far more complex in the future.

Brian Whittle: I would like to address one more issue. I heard that there was a runway report in 2019. I presume that you are aware of that?

Ian Forgie: What do you mean by that?

Brian Whittle: When somebody applies to purchase the airport, you would do a report, which would include the runway report from 2019. Is that correct?

Ian Forgie: There was no runway report issued as part of that sale process.

Brian Whittle: So, you would not include a runway report as part of the purchase process.

Ian Forgie: No—that would be diligence required by the buyer. The person who is buying it may ask for that, but that did not happen in that case.

Colin Smyth (South Scotland) (Lab): Good morning, gentlemen. I will follow up on the issue of the wind farm developments. I appreciate that you disagree with the reporter's comments on the case of the wind farm near Sanquhar. I presume that that has an impact on your future business. You must be building into your future assumptions about income streams from developments the fact that wind farm companies will follow what the reporter said in his comments and that those future agreements will be worth less than the ones that you have secured so far. Has that been built into your future planning? What impact is that likely to have on your income?

Ian Forgie: That is linked to the public inquiry that is coming up in the new year—a couple of inquiries are coming up—and there is significant new evidence connected to that. It is an on-going position as far as we are concerned.

Clearly, if you take that as black and white, it would have a significant impact on us. We are concerned, but we believe that we have the evidence to show—that is why I referred to the next public inquiry—that this is a big problem and that funding is needed to tackle it.

Forsyth Black: I think that it is fair to say that the decision of the public inquiry that has just taken place will not have a knock-on effect on future public inquiries. The specific outcome of that public inquiry in isolation does not mean that mitigation payments will stop in the future; it means that they may be restructured or changed in some way. Therefore, we think that we can cut our cloth to match that.

Evelyn Tweed (Stirling) (SNP): Good morning, gentlemen. Your most recent annual accounts note that fuel accounts for the vast majority of the airport's revenues. What do you think the outlook is for that segment?

Forsyth Black: Aircraft that come in need to be fuelled. That is inevitably the case when running an airport, but there is an airline-industry-wide move towards things such as sustainable aviation fuel. We recently reorganised our deal with our fuel supplier, which also manages and takes some responsibility for upkeep of our fuel farm, where we have seven tanks. We recently refurbished them with the purpose of getting to a capacity where we can dedicate at least one tank in the near-term future to sustainable aviation fuel.

We have a railway siding here that allows us to take fuel from the refineries by rail, which is unique in Scotland, and perhaps in Britain. As a result, we are able to take deliveries in bulk quickly. There is a plan afoot to dedicate at least one of those tanks in the beginning to sustainable aviation fuel, so that we can become a key distribution point for sustainable aviation fuel in Scotland until the market gets to a critical mass where each airport has the bulk of its fuel stored as sustainable aviation fuel.

Evelyn Tweed: You have spoken a lot about diversification, but passengers and cargo make up quite a bit less of your revenue. Earlier, you mentioned the new five-year agreement with Ryanair. Do you think that the passenger offering will expand? You said that the airport used to focus on that, and Scotland is interested in expanding its tourism offering. Is that side of the operation going to expand? What about cargo?

Forsyth Black: The passenger offering will expand. If you look back at the history of Prestwick airport, you will see that it was a big passenger airport. That was partly because aviation technology did not allow long-haul aircraft from America to go all the way to Heathrow in one jump. Those days have gone, and now you can fly halfway across the world in one jump without stopping, so Prestwick lost that market. However, a lot of the passengers in those days were not terminating or originating passengers; they were through passengers.

Now, we have a much purer passenger model in which the people coming in and out of Prestwick are originating and departing at Prestwick. Outbound passengers are usually going as tourists to somewhere in Europe or they are businesspeople. Inbound passengers are businesspeople or they are here for the golfing or the countryside in south Ayrshire.

We have a smaller passenger base, but it will expand. We have recently had three Ryanair routes launch through the summer, after a new deal. One of them has not done as well as it could have done, so it has been cut for now. We are expecting a little bit of winter activity from Ryanair that we did not have last year, and we are expecting it to do more routes next year as part of

our new deal, so we think that our passenger base will expand.

From time to time, we talk to other passenger-based airlines. They are not our main focus, because we need to focus more heavily on things such as cargo and military at the moment, because we have a limited catchment area and the vast proportion of the west of Scotland's passengers go through Glasgow international airport. However, that does not mean that there is not a market for Prestwick; it does not mean that at all. It means that we have to play on the margins. In some ways, we catch the business that falls between the cracks.

Evelyn Tweed: It is good to know that that is expanding.

Prestwick Aerospace currently provides a range of modern apprenticeships in collaboration with Ayrshire College and South Ayrshire Council. Will that offering expand?

Ian Forgie: Indeed. Obviously, aeronautical engineering is a strength for Prestwick airport. We have Prestwick Aircraft Maintenance, which involves Ryanair and Chevron. Between them, they have created 600 or 700 jobs, and they want to expand that.

Over the past 12 months, we have identified that there is a significant shortage of aeronautical engineers, which means that we are not able to meet the demand locally. We have been working closely with the college and the council to address that, to encourage the development of skills and to get more apprenticeships back on to the shop floor. That is really important, and the airport is passionate about trying to play its part in that. I would like to have a live aircraft training facility on site, and we are working closely with them on a project on that. They are very keen for that to happen, because it forms part of a whole system of people going through school, from school into training, getting quickly into a job and getting the tickets to be able to supply a job. Prestwick is attracting high-value jobs.

Forsyth Black: Over the past few years, we have had some interest in increasing the maintenance repair and overhaul offering at Prestwick. Some parties have been interested, if we could build hangars for them to do maintenance in. They have not always been the highest quality requests for business, but the point is that hangars cost a lot of money. It could cost £50 million, £60 million or £70 million to build a hangar for two wide-body aircraft to be tail-in. Therefore, for those projects to proceed, we would have to have pretty heavy guarantees from the customers so that we were not building infrastructure for no income. We need to be quite careful about such things. The board is aware of

the risks that are involved in some of those high-value projects.

However, there is latent demand. As Ian Forgie said, we have to solve first things first. It is all very well to throw up a hangar at great expense. We have to have guarantees for it, but we also have to have the people to operate it. That means aircraft engineers, of whom there is a shortage in Britain—indeed, there is probably a shortage in the world right now. However, as we have said, we are working with Ayrshire College to start to bring through people on aircraft engineering qualifications so that they can join the workplace in Ayrshire in the future.

Gordon MacDonald (Edinburgh Pentlands) (SNP): Good morning, panel. I have a couple of questions about your accounts. I had a quick look at the TS Prestwick Holdco Ltd accounts. You rightly pointed out that you have made a profit of about £2 million over the past two years. However, the accounts for the subsidiaries say that Glasgow Prestwick Airport Ltd, which carries out airport operations, made a loss of £1.5 million, and that Prestwick Airport Ltd, which is a property management company, made a profit of £2.4 million. I realise that those figures are before your revaluation reserve and the financial costs, but will you say a wee bit more about the importance of Prestwick Airport Ltd?

Ian Forgie: One of our strengths is the size of the estate. It is more than 800 acres of land and buildings. We have 70 tenants, airside and landside, aeronautical and non-aeronautical. We see that as one of our strengths to grow. There is a shortage of commercial space and industrial units, and we have high demand down at Prestwick, which is great, so there are opportunities for us to grow.

You need to look at the finances as a group position, in terms of TS Prestwick Holdco Ltd. Some of the finance arrangements for the various companies are historical, so we have management charges going from one to the other, which is why we use the breakdown in the group accounts to look at the performance of the business. The situation is multifaceted. We have a big infrastructure cost in the airport. Some of the historical stuff is to do with the land zoned in another part of the business, and there are charges going across it into the company.

Taking it in the round, the business has been profitable for the past four years—it has been cash generative—and it is a significantly different picture from when I took over five years ago, when it was loss making. It is a great journey to be on. We want to build on that and continue to build on all the strengths of the different parts of the airport, whether it be property, passengers, cargo or the general aviation business. We have some new

ventures coming in. They include the spaceport, but there is also drone activity and other exciting things that are coming into the business.

Gordon MacDonald: I accept what you say about it being a package and the property arm of the holding company supporting the airport operations. You talked about your master plan for the more than 800 acres that you guys have. Will you say a wee bit more about that and its importance to Prestwick's viability?

Forsyth Black: Planning for an airport is not about next year or the year after—it is about 10, 20 or 30 years out. That is a massive undertaking. Typically, it starts with a master plan, which tends to be a conceptual plan for how the airport will be laid out on a macro level over those long-term timescales. In Prestwick's case, it takes the form of asking whether the terminal will still be the same shape and in the same place as it is now. Will the cargo area be where it is or do we need that land for something else? Over 10, 20 or 30 years, might it move somewhere?

We are not in any way suggesting that we will realign the runways or anything like that, although master planning could, in theory, cover that sort of change. It is like taking a 30,000-foot view and looking down on how the airport is physically laid out and how you would move the chess pieces on the chessboard below you. You then start to drill down into more tactical planning, which involves looking at whether, if we get to target X for our cargo business, we will need to create free land around the cargo area or to move that area somewhere else to enable its later expansion in line with our planning.

10:30

Similarly, if we look far enough down the road, there is the potential—albeit distant—for more rail freight to come into Prestwick so that it can go on to aircraft thereafter. We have access to railways—they run right past the site—but we do not have a siding that is suitable, and that allows enough room, for cargo trains to be loaded and offloaded. However, there is the potential—subject to planning permission and so on—for another siding to be built into the airport. If that was built, the master plan says that the cargo area would have to move. That will not happen in the next 10 years—that is much further down the road.

It is a case of taking a 30,000-foot view and thinking about how to move your strategic assets around the board and about how that translates into shorter-term projects and, ultimately, into an operating budget for next year.

Gordon MacDonald: It sounds as though an awful lot of investment is required over the next 30 years.

Forsyth Black: It depends on which aspects of the master plan are goers and which are not. To an extent, a master plan can be a dream of what you could do if you had unlimited resource, but no business, whether publicly or privately owned, has unlimited resource, and every investment has to make a return in the public or the private sector. As a board, we ensure that when we invest money here, it makes a proper return, because we are setting this business up on a commercial footing to be sold back into the commercial world. If we do not make sure that our capital is allocated correctly and has the correct returns, it will become an unsaleable asset, and we have no intention of allowing that.

Gordon MacDonald: There is a master plan to reinvent Prestwick over 30 years. In previous decades, the airport was owned by the Canadian entrepreneur Matthew Hudson, then the Stagecoach Group, and then Infratil. Obviously, the Scottish Government took it over in 2013. Is it in the best interests of getting access to finance or the airport's operation for it to remain in public ownership, or should it be moved over to the commercial side?

Forsyth Black: It is a stated aim of our owners, the Scottish Government, to return it to the commercial sector.

Gordon MacDonald: I am asking whether you have a view on that.

Forsyth Black: I am coming to that. That is the stated aim, and that is the framework under which we work. That works, because we have taken the former Infratil asset, which was loss making, and have turned it around to become sustainably profitable. The more profit it makes, the higher the value it will have when it is ultimately returned to the private sector.

It is absolutely a going concern to return it to the private sector. The question for us is how we can maximise value for the Scottish taxpayer at the point when that liquidity event happens.

Gordon MacDonald: I have a couple of final questions. First, you said that you have returned to profitability over the past four years; at what point do you intend to start paying dividends? Secondly, you have a loan debt of £43 million, and I notice that the interest is accruing in the background. It was £7 million-odd in the previous year, and it is now £9 million. When will that start to be repaid to the Scottish Government?

Forsyth Black: That loan and rolled-up interest would be payable on a liquidity event. A liquidity event could be a sale, a restructure, a merger or whatever. It would have to be something that released cash to pay back. An airport is a costly thing to run. Until that happens—

Gordon MacDonald: I was thinking more about the interest than dividends.

Forsyth Black: Interest-wise, we have a deal with the Scottish Government on commercial terms, involving commercial interest rates and a commercial arrangement of what is known as payment in kind, which is a roll-up of interest. The interest rolls up and is only paid back at the end, like a balloon payment.

That is a common structure in projects such as this. It is used in the private sector in private equity deals and so on. It is quite similar to what might happen with Glasgow or Edinburgh airport, which have private equity owners. The point is to protect the company's day-to-day cash so that it can recover and rebuild the business with a view to paying dividends and paying the money back at the liquidity point, when the cash is released to do so.

Maggie Chapman (North East Scotland) (Green): Good morning. Thank you for joining us.

My first cluster of questions is on the environmental impact and net zero. Forsyth Black's opening comments mentioned activities and progress in relation to net zero and reducing emissions in the airport's operations. I want to think about the environmental impact beyond carbon emissions. How do you measure and assess your impact on the airport's immediate environment? I am talking about impacts other than carbon emissions.

Ian Forgie: We have focused on carbon, to be honest. First and foremost, it is the easiest thing to look at, and we are quite proud of the fact that we have a plan that is practical, in relation to carbon emissions. We can divide that up in terms of airport infrastructure, looking at the fabric first, and at all the good things that we have been doing, which are about the things that we can control. Reducing carbon emissions by 50 per cent by 2030 is a really good aim for us. Our becoming sustainable in energy terms will be to do with our electricity network and becoming self-sustaining with solar energy, which is another part of our objective. We have split into aviation fuel, which is another big impact on the environment, and aircraft et cetera—

Maggie Chapman: I am sorry, Ian, but I will stop you there. I asked specifically about non-carbon-related, non-emissions-related environmental impacts.

Forsyth Black: Are you talking about things such as sewage and pollutants?

Maggie Chapman: I am asking you about your assessment of your non-carbon environmental impact. How do you measure, monitor and mitigate that impact? As you have told us, you

have a substantial site of more than 800 acres to manage, so how are you measuring your broader environmental impact in the area where you are?

Ian Forgie: Are you talking about things such as sewage and water?

Maggie Chapman: Yes—and other pollutants.

Ian Forgie: The biggest one for us is controlling fuel in the air—[*Inaudible.*]—measuring that and protecting that because that is the biggest pollutant that we handle. However, with regard to water management and so on, we have an environmental officer, who monitors waste products and the quality of water inputs and outputs.

Forsyth Black: With regard to fuel getting into public waterways, for example, aviation fuel farms are regulated very tightly. We ensure that we adhere to regulations and that we have proper emergency plans, should there be a leak, so we have proper plans for things such as monitoring public waterways. We know what we would do, if there was a leak.

The only other pollutant that I can think of—off the top of my head, and given the weather—is de-icing fluid, but de-icing takes place only in certain areas of the airport, and the fluid goes into specific drains that are designed to take the fluid and isolate it to prevent it from getting into public waterways. Beyond that and direct carbon emissions from fuel, I cannot think of anything else that you might be referring to.

Maggie Chapman: What about light and noise pollution?

Forsyth Black: Noise pollution obviously comes from aircraft, which are becoming less noisy as time goes on and engine technology gets better and better. I suppose that that looks after itself, in as much as aircraft—

Maggie Chapman: Are you not routinely monitoring either of those?

Forsyth Black: I am not saying that we are not monitoring them. I am saying that, when an aircraft arrives, it arrives, and it makes the noise that it makes. We cannot stop that, except by stopping aircraft arriving, which would be cutting our own throat.

Maggie Chapman: However, you still have a responsibility, I think, to monitor and assess those impacts, and I am not hearing that you are doing that. With regard to noise in particular, you can do things including management of different flight paths, which I have not heard you talk about.

I will move on to sustainable aviation fuel. Earlier this year, the Royal Society published a report that considered a suite of four options that looked as if they might present possibilities for

sustainable aviation fuel development. It concluded that none of the four options looks as if it will replace fossil jet fuel in the near future.

Can you outline how quantified your target is to replace one of your seven fuel tanks with SAF? What is the timescale for that? How robust is that? Is it just wishful thinking? Is it the case that you want to do it, but the technology does not exist yet?

Ian Forgie: The tanks are there and our supplier is keen to be part of all that and to establish use of SAF. Our fuel supplier, BP, is at the forefront. It has invested in SAF and wants to improve the supply chain, to get it into airports, and to encourage airlines to use it.

Getting airlines converted to SAF is complex, because there is a cost to it, so it is about whether it is mandated by Government. That is probably what will have to happen—as it has in other countries—for the situation to change. All we can do is encourage its use by having a supplier of SAF and by encouraging our airlines and users to use it.

Maggie Chapman: I did not hear an answer to the question about how confident you are that it could happen. The Royal Society is quite clear that, in the short term, none of the options that are currently being explored looks likely to replace fossil jet fuel in the short term. I am considering longer-term risk. You said that you will do it, but I have not heard a timescale, so if and when it does not happen, what will happen to your overall assessment?

Forsyth Black: Last week, Virgin Atlantic had a flight from London Heathrow to John F Kennedy international airport using 100 per cent sustainable aviation fuel. That was the first transatlantic flight with passengers on board, and it was successful.

There is a slow move towards sustainable aviation fuel in the industry. We can help to enable that, because we have seven tanks but do not necessarily need all seven all the time. Therefore, with BP's help, we can in the near future set one aside for SAF. I am not going to say that it will happen in three years, two years or one year; it could be as soon as one year, but I am not going to guarantee that. One of the tanks could be used purely for sustainable aviation fuel, because we have the capacity to do that.

I am not sure that other airports in Scotland have a spare tank that they could set aside for sustainable aviation fuel. Part of our plan is to put one of ours aside when we have capacity and then, as the sustainable aviation fuel market grows, we can use it to supply other airports that need only small amounts until they have the critical mass to transfer their entire infrastructure over to sustainable aviation fuel.

Ian Forgie: It is about enabling use of SAF. To be clear, I note that the tank has been used for SAF already during the 26th UN climate change conference of the parties—COP26—when we supplied SAF onsite for the visiting heads of states who came here. We have set that up, so there is not a technical issue for us. The bigger barrier is getting airlines to use SAF. That is a bigger and more complex subject.

Maggie Chapman: I understand the opportunities. It seems as if you are ready to take advantage of them, if they materialise.

My final question is on a different topic. Audit Scotland recommended the development of a clear exit strategy for public investment in the airport. How are you assessing and measuring value for money in the investment of public money?

Forsyth Black: Although we are party to the value-for-money calculation, decisions on it happen only at the Scottish Government level. We are not necessarily aware of what value it holds Prestwick airport at, in its books. Any calculation that relates to the public purse would have to happen at that level. We know what it looks like in our books, so if someone offered £1 or something like that, we can tell them that we made £2.1 million last year. We can value the business based on that, and can take account of debt and so on. An offer of £1 would be silly, so offers will not be like that, and we would chase such spurious offers away. The question should be looked at at Scottish Government level, so maybe that is a question for it.

Ian Forgie: Let us not forget the jobs that we sustain. The airport provides significant value to the Ayrshire economy. We support well over 1,000 jobs and some of our local employers want to grow and expand, so we see many more jobs being directly linked with the airport. The airport has a significant impact on the local economy and so has a bigger stake in terms of value.

10:45

Maggie Chapman: I apologise if I have missed this, but I could not find in your annual report any quantifying or monitoring of social return on investment. Will you say a bit more about that? Maybe it is an extension of what you said about jobs and the wider community.

Forsyth Black: It is worth saying that, when I became chairman, I inherited a company whose board had been concentrating solely on turning around the business and making it profitable again, so maybe some of the reporting was not so developed.

You may know that recently we have started to put together what might be called a glossy report on things other than just the accounting numbers. That is in its infancy, and I expect it to develop over the coming years to include wider reporting on things such as social matters, governance matters and environmental matters. You will have to forgive us a bit; the team was very focused on filling the black hole of losses for five years and on turning the business around.

Ian Forgie: On the social side, what really makes Prestwick stand out is its people. I am really impressed by the Prestwick team spirit. We have a fantastic set of people who work so well and can do everything from air traffic control to passenger handling, ground handling and fire services. Everything is here; we are part of the Prestwick team. There is a real impact. To be frank, people are the biggest asset for any business, so my focus has been on empowering and encouraging them by offering better conditions and pay, as we have done in the past few years, which is also about giving back to the economy.

Maggie Chapman: Thanks—that is helpful.

The Deputy Convener: Time is getting a wee bit tight, so I ask members asking questions and witnesses responding to be fairly succinct.

Colin Smyth: Mr Forgie mentioned the previous Rural Economy and Connectivity Committee sessions, which I remember well. You said that the airport has changed a lot since then and is a strong asset, which I very much agree with. Given that, why has the Scottish Government not so far considered any bid for sale of the airport to be acceptable?

Ian Forgie: There was such a bid. Pre-Covid, we were 95 per cent through to a sale process but, unfortunately, when the pandemic hit, that bidder had to withdraw because it was an airport business and Covid had a significant impact on it, so it had to focus on investments elsewhere. That was simply—[*Inaudible.*—]—at that time.

We need to set the bar pretty high, because we want the airport to get the right home. We have turned the airport into a profitable business; if it is to be sold, it must go into the right hands, with aviation experience, to take it to the next generation and the next level.

Forsyth Black: The board has recognised that bids for a business are very distracting to senior management and suck up a lot of time. We have put in place a pre-filter process so that spurious bids or bids that do not have the correct provable financial backing, the correct experience or various other things, will not go beyond that first filter. Otherwise, we would end up down rabbit holes, with Ian Forgie and his team doing nothing

but managing potentially spurious bids and not paying attention to the day job. It is more important that they pay attention to the day job, and that they deliver value for the taxpayer and the owner, and look only at bids that have pre-qualified as being credible and viable.

Ian Forgie: There has been a big difference over five years—from the airport making losses and the history behind that, to it turning a profit. The asset is far more attractive now. The committee might come on to when the right time to sell is, but my job and our job is to continue to build the focus. The bigger the profits—to go back to that measure—the bigger the value, which means bigger value for the shareholder.

Colin Smyth: Are there any credible bids on the table at the moment?

Ian Forgie: As we said, we have had bids from time to time. I am currently looking at one expression of interest that is going through that early process of diligence. We will get more details in due course.

Forsyth Black: We will put the bid through the filter and make a recommendation to the Scottish Government on what the board thinks is the realistic next step.

Ian Forgie: The criteria are quite high; the bid has to go through a robust process.

Colin Smyth: Just for the record, can you tell us how many bids you have received in total that have then been passed to the Scottish Government with a recommendation for sale, from the board?

Forsyth Black: During my time as chair, no bids have been passed to the Government. We have received a small number of bids during my time as chair, but none has passed every test that is required.

Colin Smyth: So, since the sale of the airport in 2013, no bids have gone to the Scottish Government with a recommendation for sale.

Forsyth Black: There have been none during my time as chair, which is the past two years, approximately.

Ian Forgie: I referred to a bid prior to the pandemic that was given a recommendation of preferred bidder status. Again, I say that the bid not going further was purely down to the impact of the pandemic.

Colin Smyth: I have a final question. You obviously find yourselves somewhat in limbo. Earlier, it was mentioned that the loans have not been paid back, and the Government, or the auditors, have revalued them at just £11 million. You are not making any payments towards the loans. You have talked about investment so far. I

presume that you are not in a position to make the level of investment in the airport that is needed unless you either get money from the Government or you have a new owner who will make that investment.

There must be a lot of outstanding investment. Audit Scotland, for example, said recently that millions more will be needed to sustain the airport in its current model. This limbo position cannot go on. Either we take a decision that says that the airport is publicly owned with the support of the Government, or we need a sale.

Forsyth Black: Our operational cash flow at the moment sustains our business and we are using the remaining loan amount only for structural development projects with a proper payback for the long-term added value to a potential sale. So, we are not using our nest egg—to put it in those terms—on day-to-day expenses; the day-to-day expenses are covered by the operational cash flow of the business. The business is sustainable in its own right. We are using the remaining part of the loan for things such as potentially putting up solar farms, which will have a normal level of payback for that investment and will therefore add value to the airport.

Ian Forgie: It is not true that the airport needs millions of pounds to sustain it—it is cash positive and sustainable as it is right now.

Forsyth Black: However, it is fair to say that, in the long term, a properly motivated private owner will be a better source of funds for the very large projects that might come down the road. However, those projects are not things that we are considering today, this year or next year.

Colin Smyth: Just to be clear, is that because the level of profit at the moment means that you cannot invest, and you have not received any money from the Government since 2019, so you are not able to invest in big projects.

Forsyth Black: No—that is not quite the case. It is like unwinding a spiral. We have unwound the losses to make a small profit, but now we have to turn a small profit into a bigger profit and use more investment iteratively to unwind the spiral. However, we must have confidence that we are profitable and growing in order to be able to do that. Otherwise, it would be an irresponsible decision to throw large amounts of money out there. We have to do it bit by bit and step by step. The big investments are not for today, tomorrow or next year, but are for five years' time and 10 years' time, by which time we will, I expect, have had from somewhere a credible bid that we will have accepted and recommended, and the deal will have been done.

Colin Smyth: So, is the investment that is required conditional on the sale of the airport?

Forsyth Black: I am sure that the long-term investment is, because I doubt that our owners have the appetite for putting big money into Prestwick. However, we do not need it right now. We have the cash balance and we are sustaining our business on a day-to-day basis. That cash balance can be used for short to medium-term strategic projects, which have value in getting a better return for the taxpayer.

Murdo Fraser (Mid Scotland and Fife) (Con): I have a couple of fairly short questions to follow up on Colin Smyth's line of questioning about potential sales. Can you explain to us how the credibility of bids is determined? Is that done by you or is it done by the Scottish Government?

Forsyth Black: It is done by us; the board at Prestwick considers each bid on its merits. Typically, we start with something as simple as a questionnaire to be filled in by the potential bidder. The bids come in whenever they come in, usually by letter. They are very nice to read, but inevitably we need more detail. We would want to know in broad terms what the bidder's plan is for the airport, what their financial backing is and what experience they have in order that they can deliver the plan. There are a few such questions to start with then, depending on the answers that we get, we get into more detail.

However, sometimes we get bids in which there are really no credible plans and no credible money: they are almost pie in the sky. Other bids have had credible plans but no money, and so on. We drill into those things and filter the bids.

If we can tick enough boxes, we then decide whether it is worth our while to spend some management time on a bid. If it is not, the board needs Ian Forgie and his team just to concentrate on the day job and deliver day-to-day business.

Murdo Fraser: At what point do you advise the Scottish Government that a bid has come in? Is that done routinely, or is it done only when you receive a bid that you think is credible and appropriate? I ask the question because clearly there is a lot of public money tied up in the airport, so you would expect the Scottish Government to want to be sighted on bids that are coming in.

Forsyth Black: Yes. The Scottish Government is sighted on every letter of interest in bidding for the airport that comes in. It is also sighted on the process that takes place at board level to decide whether the bid is credible, and then it is sighted further on whether there is a recommendation and why.

Murdo Fraser: Okay. Finally, is there any potential conflict of interests, given that if the airport is sold you will, I presume, no longer be in the positions that you currently hold?

Forsyth Black: It is probably me you are talking to, because Ian Forgie is the chief executive and could easily do a good job for a new buyer, just as he does for the current owner. So, your question is probably about me and the board.

Quite honestly, I have plenty of other things to do with my time. However, I enjoy this job and think that I have brought value to the airport since I have been here, so I will continue to do so until I am not required. When I am not required, we will shake hands and I will leave.

Ian Forgie: I am just so passionate about the airport. There are so many things that it can do and deliver.

We need to get the right bidder, and the position needs to be sustainable, so it cannot just be anyone. The right bidder will have airport and aviation experience as well as being able to bring finance and all of those things. That is what we want, in order to ensure the long-term success of the airport.

Murdo Fraser: All right. Thank you.

The Deputy Convener: That brings us very neatly to the end of this evidence session. I thank Ian Forgie and Forsyth Black for joining us today.

10:57

Meeting suspended.

11:01

On resuming—

The Deputy Convener: I welcome Neil Gray, the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy, and Colin Cook, who is the director for economic development at the Scottish Government. I invite the cabinet secretary to make an opening statement.

The Cabinet Secretary for Wellbeing Economy, Fair Work and Energy (Neil Gray): Good morning, colleagues. I welcome the opportunity to appear before the committee today.

First, I remind the committee that non-disclosure agreements are in place between Glasgow Prestwick airport and parties that are responsible for a recent expression of interest in purchasing the airport. As I set out when accepting an invitation to appear at committee today, those agreements mean that I am unable to share any additional information concerning that expression of interest, but I will try to discuss the situation as best I can.

In 2013, Scottish ministers intervened to secure the future of Glasgow Prestwick airport. That vital asset to Scotland's economy would have ceased to operate without our intervention. The airport is

at the heart of a growing aerospace cluster in South Ayrshire, delivering high-quality jobs and supporting economic growth across the region.

The airport continues to be vital to our economy, providing global connectivity that businesses throughout Scotland rely on. Our intervention has secured not only the future of 330 employees whom the airport directly employs but the future of many more jobs across Ayrshire. Scottish ministers remain committed to supporting our investment in the airport.

The board of directors and senior leadership team of Glasgow Prestwick airport have worked diligently to put the business on a sound footing following a turbulent period of private ownership. The commitment, professionalism and experience of the management team and employees across the business has helped the airport not only to survive but to thrive.

This year's accounts, which were published on 20 November, show that the focus on the diversified nature of its operations has created a stronger business model for the airport, allowing it to adapt to the ever-evolving aviation industry. I look forward to seeing that positive progress continue.

I was pleased to take the opportunity to visit Prestwick last month. I spent the morning touring the airport facilities and meeting a number of people who work for the business. I was particularly impressed by the extensive plans that have been drawn up to improve airside facilities, reduce the airport's carbon impact and further bolster the airport's unique offering in the marketplace.

I was also encouraged to hear about the ongoing collaborative work with Ayrshire College to address the shortage of skilled employees in the sector. It is clear that the Glasgow Prestwick airport's senior leadership team has left no stone unturned in order to ensure that the business is best equipped to meet the challenges of the future.

As committee members are aware, the board of the airport received an inquiry in March 2023 expressing an interest in acquiring the airport. The board carefully considered the expression of interest and has confirmed that it would not be appropriate to go further.

I wrote to the committee on 14 September 2023 to explain that I had accepted the board's recommendation that the expression of interest did not present a compelling business case and did not demonstrate the credibility or the aviation and airport experience to deliver a sustainable future for Glasgow Prestwick airport. However, I reiterate that our door remains open to expressions of

interest and that we will carefully consider any suitable offer from credible parties.

Since our acquisition of the airport, we have been clear that it is our intention to return it to the private sector at the appropriate time and opportunity. That position has not changed, nor has our commitment to securing a long-term future for the business.

I have asked my officials to review all options for the future of the airport, including its return to the private sector and the best means by which to achieve that objective when the circumstances are right. As you would expect, my officials have commissioned expert legal and commercial advice, which will inform the options that are taken forward for consideration.

We wish to secure a sustainable future for the business that recognises not only the commercial value in the business but the wider contribution that it makes to the local and regional economies that it serves.

We wish to return the business to the private sector. However, we are not a distressed seller. If the time and circumstances are not right to achieve a sale on the best possible terms for ministers and taxpayers, we are confident that the airport will continue to flourish under our ownership. I look forward to discussing that future with the committee this morning.

The Deputy Convener: I will begin with a general question. What involvement does the Scottish Government have in setting the strategy for the airport?

Neil Gray: My senior officials, led by Colin Cook, have regular engagement with the airport. We sit on the operations board and have responsibility, as set out in the management statement, for strategy for the airport. We have close involvement, but day-to-day operational decisions are commercial matters for the management and board.

The Deputy Convener: Do you participate fully in decisions that the board takes?

Neil Gray: We participate in the strategic direction of the airport, but commercial decisions about day-to-day operations are for the airport to take.

The Deputy Convener: The ultimate aim is to return the airport to the private sector. How does that impact on the strategic direction of the airport?

Neil Gray: You heard pretty clearly from the leadership team in your earlier session that its focus is on growing the business and ensuring that profitability continues to spiral upwards, which makes it inherently marketable to the private

sector. That focus makes the airport a good asset for the Scottish Government, ensuring a return for the public purse. The strategy of making the airport a strong and commercially viable business is also conducive to moving it back into the private sector.

The Deputy Convener: You will always have the possibility of a sale looming in the background, so any strategy that you set for the short to medium term is bound to be affected by that, to some extent.

Neil Gray: The evidence that you heard earlier suggests that the two go hand in hand. The work that is being done to ensure that the airport is a going concern and is becoming a strong asset means that the long-term strategy is working.

The management team has taken strong day-to-day operational decisions and it continues operating in a way that will return the business to being a strategic economic asset for this country.

Murdo Fraser: The Scottish Government set up a strategic commercial assets division to manage its investments in private enterprises such as Glasgow Prestwick Airport Ltd. Will that make any practical difference to the way in which investment in the airport is managed?

Neil Gray: We set up SCAD on the back of an Audit Scotland recommendation to ensure that we effectively manage the strategic assets that are under our ownership. That has meant that there is greater involvement of senior officials in the operations of those businesses, and a close working relationship. As I reiterated to the convener, day-to-day operational decisions are commercial matters, but, clearly, having a close working relationship on strategic direction is very important. From a more practical, day-to-day perspective, I believe that there has been an improvement in the way in which we operate with our strategic assets. Colin Cook may wish to comment further.

Colin Cook (Scottish Government): The strategic commercial assets division is part of my directorate—the economic development directorate. The initiative was championed by the permanent secretary as a response to observations and recommendations from Audit Scotland about the management of such assets. The division's role is to provide a centre of expertise for the Scottish Government throughout the life cycle of asset management—everything from looking externally for potential assets that are in distress to the processes of acquisition and management of an asset and, ultimately, should it be in the public interest and in line with ministerial objectives, the process of divesting that asset.

I am confident that we have put together a team that has the expertise and the skills to do all that. I

am also confident that we have a network of advisers to call on, with whom we work and who have the right professional expertise to add value to that process. In that sense, we have made a difference to the way in which our assets are managed. Audit Scotland has commented very positively about the difference that we are making.

Murdo Fraser: What gap in knowledge or oversight was identified that led to the establishment of SCAD?

Colin Cook: I am not sure that I would characterise it as a gap so much as a set of recommendations from Audit Scotland that suggested that we should bring together and consolidate the various functions from across the Scottish Government, in order to strengthen our approach.

For example, two years ago, Glasgow Prestwick Airport Ltd would have been managed by a different part of the Scottish Government: Transport Scotland. We have managed to bring it into a central team. I am responsible for Ferguson Marine, Glasgow Prestwick Airport and the Scottish Government's interests in the Lochaber aluminium smelter and hydro. We have brought together all three of those assets. It also means that we are able to learn lessons from previous projects, such as our involvement with Burntisland Fabrications. We bring all that together, consolidate our learning and develop the skills that are required, because the way in which we act as a shareholder for those is very similar. That will strengthen our approach.

Kevin Stewart: We have just heard a little about the strategic commercial assets division, the existence of which I think we all welcome. Rightly, the cabinet secretary has pointed out that this is about looking at strategy rather than at day-to-day operations. However, some of the answers to our questions in our earlier session about strategy, not just day-to-day operations, were a little vague, shall we say.

I asked about the reliance on income from military operations and, given that such things can change rapidly, the strategy for ensuring that that revenue stream continues. The response was pretty vague. I asked about the ambitions to create a spaceport in the area. The response was pretty vague. A question was asked about the opportunity in moving to sustainable aviation fuel. The response was pretty vague.

What is the level of scrutiny from the strategic commercial assets division when it comes to teasing out the prospects for some of those things? I am not asking about the day-to-day operations but about strategic planning.

11:15

Neil Gray: With regard to the diversity of income that comes from the airport site, military flights and military income have been a factor for Prestwick airport for quite a considerable time—that has been a feature since the 1930s. That on-going diversity is, as Mr MacDonald's questioning of senior management demonstrated, incredibly important to ensure the interrelationship between the physical airport, the passenger element, the military element and the wider business operation, which includes other businesses being located on the site.

To answer Mr Stewart's question directly, there is, of course, on-going scrutiny and the on-going involvement of me and Colin Cook and his team. We have people observing on the operational board on a regular basis. To respond again to Mr Fraser's question, the creation of SCAD has enhanced our scrutiny as it allows us to have an overview of the way in which all our assets—not just Glasgow Prestwick airport—operate, to ensure that we are stretching them in what they seek to develop through the site.

We have spoken about the opportunities that exist for the spaceport, the advent of sustainable aviation fuel and Prestwick airport's strategic importance in the delivery of aviation fuel across the network. We need to ensure—as we are—that people continue to pedal fast so that the continued development happens at pace and the opportunities that they have before them are realised.

Kevin Stewart: On the specific point about sustainable aviation fuel, the previous witnesses said that things might happen in one year, two years or three years, but that they would not give a date at this time. That was very vague. I hope that the strategic commercial assets division is managing to get a little more out of people than that.

The witnesses also said that people are masterplanning, and that the master plan might deliver this but maybe not that. My experience of masterplanning is that a course for delivery is set and, if something does not happen, that is a wee bit of a failure, to say the least.

I would like your thoughts on the level of scrutiny that is taking place, and on the Government and the divisions that deal with Prestwick airport banishing that vagueness.

Neil Gray: I will happily bring in Colin Cook again on the interrogation of that in more detail.

On masterplanning, obviously, we will be looking for investments to come off and for delivery—Mr Stewart was right to make that point about delivery—to happen. However, with nascent

technology such as sustainable aviation fuel, where the infrastructure is still being put in place and the first transatlantic flight using that fuel happened only recently, it is clear that some of those investments will be risky and tricky. Some might not come off.

I think that the point that senior management made in the earlier session was that there are opportunities for the site and that some will come off, but some might not. Obviously, our job in Government is to try to support that senior management team as well as we possibly can, and to see as much of the opportunity that is before the team realised, while recognising the fact that, in a commercial world, things are not always as straightforward as delivering everything. The commercial decision needs to be applied as well as the practical decision.

I do not know whether Colin Cook has anything to add to that.

Colin Cook: As the cabinet secretary said, we are represented on the Prestwick operations company as an observer, so we get to hear about and, where appropriate, input into the strategic discussions of the board. Ultimately, there is ministerial approval of the appointments of the chair and non-executives. We have that influence over the direction of the organisation.

I see my team as representing Scottish Government policy and explaining the context within which the airport is working. If there is anything that you would like me to follow up on after the meeting about the specifics of sustainable fuel, I will certainly do that.

We also have a role in supporting the airport to achieve its strategic direction. The spaceport, which has already been referred to, is a good example. It is right and proper that we set out a context that describes the Scottish Government's interest in developing the space sector and that the airport should respond to that.

Day-to-day strategy remains a matter for airport management, but we represent the wider context within which the management makes decisions.

Kevin Stewart: I have one final question. Everyone wants to see the sale go ahead and we want to get rid of every possible controversy in order to ensure that that happens. I asked a question earlier about the allegations that Prestwick has hosted extraordinary rendition flights, which is a breach of international law and is extremely controversial.

The folks from Prestwick took pains to say that the UK Government decides who is allowed to land and that doors often remain locked after planes have landed. I know that the Scottish Government has previously asked the UK

Government for assurances that such flights are not happening in Scotland. Cabinet secretary, could the Scottish Government do that again? It might be a little bit more difficult to get the sale through while there are allegations that those controversial flights are landing at Prestwick, because some folk would not touch that sort of controversy with a barge pole.

Neil Gray: I would be happy to do that. My understanding is as was set out in the earlier evidence session, but I am happy to seek further confirmation of that from UK ministers.

The Deputy Convener: We have questions from Maggie Chapman and Evelyn Tweed.

Maggie Chapman: My question follows on from one of Kevin Stewart's lines of questioning and is about the medium-term strategic outlook for the airport.

The Scottish Government considers the airport to be a strategic infrastructure asset and the decision taken to save jobs 10 years ago is noted, but I have a question about the relationship between the Government's ownership of the airport and its ability to deliver on strategic priorities such as business diversification, net zero or any of the other issues mentioned by the earlier witnesses. If there was a transfer of ownership, or if the airport was released back to the private sector, there would not necessarily be the same potential to apply conditions or to focus on certain elements of those strategic objectives. Can you say a little about your assessment of the likelihood of Prestwick becoming the kind of airport that you think it ought to be and about how that might be different under private sector, as opposed to Government, ownership?

Neil Gray: Operations at the airport remain as close as possible to what they would be if it were run on a commercial basis. Managers make decisions with a view to seeing continued profit so that the airport is marketable as a commercial business. It is important to set that out.

We have more influence at Glasgow Prestwick, given what Colin Cook said, but we also set out our expectations about how other airports across Scotland operate and about their environmental standards. You questioned the chief executive and the board chair about wider decarbonisation and Prestwick airport's impact on the environment, and we also have those expectations of other airports regardless of whether they are in the public or private sector. We will continue to have those discussions.

We have set out what we are doing to ensure that the airport operates as effectively and sustainably as possible. We will continue to work with the airport to ensure not only that the decisions that it takes minimise the environmental

impact but that it continues to be a successful business.

Maggie Chapman: I understand what you say about the expectations that you would have of any business or any airport, regardless of ownership structure or model, but there is a question for me, given what the airport's annual report indicates as a success. It is on track to reach 50 per cent carbon emission reduction in its operations by 2030. There is also the vague but current thinking on opportunities around sustainable aviation fuel and other things. In terms of not only the airport's carbon emission reduction but its shift into the broader net zero space for Scotland's industry and energy accounting, are there conditions that, as the owner, the Scottish Government can put on it that could not be done in the private sector? The airport has been in public ownership for 10 years, so I was quite surprised to learn that there is no social responsibility investment statement or a clear environmental, social and governance statement. As its public owners, could we be doing better right now, never mind about looking forward and hoping for a different model in the future?

Neil Gray: That is a fair challenge from Ms Chapman about whether we could be doing more. We have expectations of Glasgow Prestwick, and of other airports and businesses across Scotland with regard to their environmental credibility and the support that we need from them if we are to achieve our net zero objectives. The airport has demonstrated and set out quite clearly the levels of regulation that it is currently under in terms of the wider environmental impact, and it has clear decarbonisation objectives.

Whether something is mandated by us or whether it is a commercial decision that has been taken—because the airport recognises, as most businesses do, that the more sustainable businesses will be the most successful businesses in the future—it is there for colleagues to observe. The decisions that it is taking are the right ones to ensure that it supports us in meeting our objectives.

Maggie Chapman: In your opening remarks, you talked about the relationship that the airport has with Ayrshire College and about the skills development through that. Will you say a little bit more about that and how you see it as being central to the broader objectives for the airport's future that we have been talking about this morning?

Neil Gray: That type of work will be critically important in Ayrshire and other regions that have a critical employer area—Prestwick airport is not just one employer; there are a number of employers on the site—and a local college working together to consider and answer skills demands. It is important that they have a strong relationship in

order to address any skills gaps that might exist and ensure that there is aspiration among the young people going through the college system and an understanding that they have good careers prospects in their local area. It is really important for people to feel that their home is a place where they can continue to live and have successful careers, and that they can be proud of where they live.

I am pleased that that relationship is developing. I look to support it, not least given the review by Mr Withers on what we need to do to reshape our skills agenda. I refer members to my colleague Graeme Dey's statement earlier this week on how we are taking that forward. I am very pleased to see that interaction and relationship developing.

Evelyn Tweed: The Scottish Government has stated that, in considering any proposed purchase of the airport, it will consider what represents good value for taxpayers and secures the longer-term future of Prestwick airport. Can you define good value for us?

11:30

Neil Gray: I thank Ms Tweed for that question, because it sets out a key consideration of our strategic assets—that of cost and value. The cost outlay that has been made to ensure that there is a financial return for the taxpayer is an important consideration that has a bearing on our decision on the overall value.

Along with the chair and the chief executive, Mr Cook and I have set out the wider economic value of the airport, and that the airport site is a hub for supporting economic activity in the Ayrshire regional economic partnership area. It is critical that any decision that we take maximises the hard financial value for taxpayers' investment, but it must also consider the economic impact on the region in terms of jobs and new business opportunities.

A number of considerations will be taken, should there be further expressions of interest in acquiring the airport, as I hope there will be.

Evelyn Tweed: When Prestwick airport is sold, how will the Government ensure that it continues to have a positive impact on Ayrshire and its communities?

Neil Gray: We can do things around long-term activity that are contingent on the sale, but they will need to be balanced against ensuring that we secure a sale. It will obviously be in any new owner's interests to ensure that the airport has a good relationship with the local community and that it has a positive economic story to tell about the jobs that they are creating. Having strong domestic and local supply chain networks will

determine the overall success and profitability of the airport. I suspect that those will all be important considerations for a potential buyer, and we want to ensure that those areas are successful for the airport in the long term.

Gordon MacDonald: I want to continue the conversation that I had with the previous panel about accounts and profitability. You said in your opening statement that you will look at all options. If you are looking at the best interests of the public purse, will you also look at public ownership?

Neil Gray: Potentially—I would not rule that out. It clearly depends on the expressions of interest that come forward. The previous panel set out some of those that have come through down the years. As I said in my opening statement, we are not a distressed seller. The airport is an asset. It is profitable, doing incredibly well and having a positive impact on the local economy. That said, our strategy and overall objective is to return the airport to the commercial sector, but we will do so only when the time and the deal are right for the public purse and the local area.

Gordon MacDonald: I will ask the same question as I asked the previous panel. My concern is that, if you look at the net asset value of the holding company, it has a net liability of £14 million. However, Prestwick Airport Ltd cross-subsidises the airport operation, which is loss making. Prestwick Airport Ltd has a value of £30 million. How will you attract a buyer when there is no value in the airport and it operates at a loss?

Neil Gray: Mr Macdonald obviously understands that the group position needs to be considered. Consideration of the passenger airport cannot be taken in isolation from the rest of the group and the income that is derived from that. I take the point, and the outstanding loan to the Scottish Government, which continues to be on commercial terms, will clearly be an issue of consideration for any potential buyer. I am not operating in the commercial world, but I suspect that the group's overall position will make it an attractive proposition. I hope that the airport continues to develop in such a way that it becomes even more attractive in the commercial world.

Gordon MacDonald: I accept 100 per cent that Prestwick is a fantastic asset and that it is strategically important. In my eyes, the danger of moving it back into private ownership is asset stripping, because all of the value of the company is in a 900-acre site with 70 leases. There is no value in the airport operation itself. In my mind, if it is returned to private ownership, the focus will be not on the airport but on the asset of 900 acres in Ayrshire. CalMac, which is owned by the Scottish Government, is operating ferries; ScotRail is owned by the Scottish Government; and Lothian

Buses in Edinburgh is owned by the councils, which are funded by the Scottish Government. I am trying to understand why the thinking is that we should move the airport into private ownership when there is that danger of asset stripping. It is a strategic asset that is to the good of the country in the long term.

Neil Gray: To be clear, the strategic asset is not just the passenger airport but the wider site.

Gordon MacDonald: Absolutely.

Neil Gray: I absolutely accept that point, and Mr MacDonald's analysis is fair. Going back to Ms Tweed's question, there are potential stipulations that we can put on a sale. I am not saying that that is what we are doing, but I am saying that to give assurance to Mr MacDonald. We hope that the work that the board and the management team are doing to ensure that the passenger airport's operations become more profitable comes to fruition, so that Mr MacDonald's fears are not realised. That will all be part of our consideration.

The other element that I wish to point out is that, although the airport is publicly owned, we do not own the airlines that operate within it. I know that Mr MacDonald understands that. The comparisons that he is making with some of the other elements are slightly different. It is about ensuring that the wider site continues to be a strategic asset and to operate in a successful manner. My team of officials and I are keen to ensure that the passenger airport also continues to improve its position.

Gordon MacDonald: Okay. Thank you.

Brian Whittle: Good morning, cabinet secretary and Mr Cook.

I have had a big interest in Prestwick airport all my life, and I think that it is a phenomenal asset and has huge potential for the area. From my line of questioning earlier this morning, you will know that I am concerned about the relationship with wind farm operators, specifically around the public inquiry report that was recently published. I know that there are on-going public inquiries, which we cannot discuss, but it is about the approach to the mitigation of issues in relation to building wind farms around the airport and the required radar upgrade, specifically to the Terma radar. I intimated that I spoke to NATS last week, to look at what the actual requirement is, and I also spoke to some of the wind farm operators.

To cut to the chase, as was accepted by the previous panel, on-going mitigation payments from wind farms are now being seen as an income stream. The inquiry report says that

"there is no basis to require ongoing compensatory payments";

that the way in which those are calculated by the airport—by a charge per megawatt—is “not appropriate”; and, finally, that the way in which non-disclosure agreements are used to prevent some of those arrangements from being made public goes against similar agreements between commercial parties and wind farm developers.

How aware of that are you? How much does it concern you? Thankfully, the airport is in profit but, if public inquiries continue to find in such a way—that payment should not be an income stream, because it is supposed to be specifically for mitigation of the impact on radar—that would impact on the profitability of the airport. How aware of that are you?

Neil Gray: I have to be careful, because I have two interests: a responsibility in determining some of those applications and the fact that we have shareholder ownership of the airport. Suffice it to say that I am aware of the situation. I heard the airport's evidence this morning and, on my visit, I heard clearly its feeling about the impact of neighbouring wind farms.

The reporter has gone through a process, has concluded and has made a recommendation, which ministers have accepted. Obviously, I expect the airport to comply with the decision of the reporter and to ensure that there is an on-going negotiation with wind farm developers in order to ensure that a fair settlement is reached.

Brian Whittle: I am pleased to hear the cabinet secretary take that approach, but it stands in contrast to what I heard earlier from the airport, to be frank.

Neil Gray: The airport has a commercial interest, and I respect that, but we have a regulatory and planning interest. Of course I expect the airport to comply with the reporter's recommendation—with the direction that has been given by ministers.

Brian Whittle: The airport has a commercial interest and reports to the board—the Scottish Government, which is the shareholder.

Neil Gray: No—the board is not the shareholder.

Brian Whittle: Sorry—the board reports to the shareholder, which is the Scottish Government. The board's commercial interest is therefore your commercial interest.

Neil Gray: That is a separate consideration when we decide on a planning application. I hope that Mr Whittle will respect that.

Brian Whittle: The wind farm operators to whom I have spoken absolutely accept that it is their responsibility to mitigate any impact on the airport, but the issue on which I did not get an

answer from the airport, although I asked several times, was the idea that any money that comes in from a wind farm operator must be demonstrable and must be used to mitigate any impact on the radar. I got no answer to that, so I ask you, cabinet secretary, whether that is your understanding, and what you will do to ensure that the money that is raised from wind farm operators is used for the purpose of mitigating the impact.

Neil Gray: Yes, that is my understanding, and I would expect it to be the case. It is also important to set out that, since the public inquiry findings, we have published the onshore wind sector deal with developers, and they have agreed, on a voluntary basis, to have earlier negotiation and discussion to ensure the mitigation of any potential impact—in this case, on airports, but also on other communities and in other situations. That will also ensure earlier communication with communities on community development and community benefit so that there is a strategic and more creative use of community benefit finance, to ensure that communities see demonstrable benefit.

In this case, it is about ensuring that, where there is a potential development, developers have earlier conversations to ensure that a more collaborative approach is taken, so that some of the issues can be resolved before there is a need for a public inquiry—because of the delays that that poses to developers and the uncertainty that it causes to communities and businesses, it is in everyone's interest that we come to those decisions more quickly.

Brian Whittle: Do you accept, though, that mitigation from wind farms should not be seen as an income stream?

11:45

Neil Gray: Of course it is an income stream, but the question is about the purpose of that income. You are right that the purpose must be to ensure that it funds the mitigations that are required because of the developments that have been set out.

The Deputy Convener: We have questions from Colin Smyth and Murdo Fraser.

Colin Smyth: Mr Gray, you said that the Government's involvement in Prestwick has allowed it not only to survive but to thrive. It is 10 years since the Government bought the airport, so why has there been no bid for it that the Government has found to be credible? What is blocking the sale?

Neil Gray: That idea was contradicted by the earlier witnesses. There was a credible bid before the Covid pandemic, but it fell through because of the impact of the pandemic.

As I said in response to other questions, I want the airport to return to the commercial sector. We will not do that on just any terms; we want terms that will provide a clear future pathway for the airport and we want buyers to demonstrate that they have the finance and experience to make that a success and that there will be wider economic development for the local area. We will not sell on any terms; we want to ensure that those aims are realised and that we get the maximum possible return for the public purse as well as the maximum possible value for the Scottish economy.

I continue to encourage expressions of interest in the airport, and we will consider those in the appropriate manner.

Colin Smyth: Gordon MacDonald made a point about the criteria that you have set for a sale, including those on repayment of loans and on jobs. Notwithstanding the fact that the airlines are separate from the airport, is there a criterion that passenger services must be maintained? Would you agree to a sale that included the removal of passenger flights from the airport?

Neil Gray: It is clear that we expect a commitment to ensuring continued passenger activity at the airport.

Colin Smyth: We find ourselves in limbo at the moment. On the one hand, you want to return the airport to the private sector; on the other hand, the private sector does not seem to want it. What are the implications of that limbo?

Neil Gray: We should consider the current economic environment. Airports and airlines have been through more than a little turbulence, if you will pardon the pun, particularly because of the Covid pandemic but also because of the other economic shocks of recent years.

I am hopeful that there will be continued interest in the airport, but I am not concerned about that, not least because the airport is in a good financial position and one that continues to improve. We are not a distressed seller and we will look at any expressions of interest based on the current strength of the asset.

Colin Smyth: You say that the airport is in a good financial position. It is making a profit, but you did not mention the fact that the £43.4 million that the Government loaned to Prestwick is now valued at only £11.6 million, which is a potential loss to the taxpayer of millions of pounds. Do you anticipate those loans, or part of them, being paid back, or will that have to be part of any sale criteria?

Neil Gray: The £11 million valuation of the loan is subject to change. A revaluation of the airport is under way. I cannot pre-empt that but, if there is a more favourable financial position, the value of the

loan on the Government's books and the expectation of any return to be realised will change too.

We want to see the loan being returned as quickly as possible and we have set out that expectation to the current management and the board.

Colin Smyth: You continue to defer that interest. Given that the company is making a profit, when do you anticipate getting that?

Neil Gray: As soon as we possibly can.

Colin Smyth: There is another implication of this limbo position. Audit Scotland has said that millions of pounds more are needed to sustain the current model at Prestwick, but the Government has not put investment in it since 2019. Clearly, to secure the long-term future of the airport, it needs investment. Where will that investment come from if not from the Government?

Neil Gray: Again, earlier this morning, panel members contradicted the point that Mr Smyth is making. They said that the finance that they currently have available is sufficient for the work that they are seeking to undertake. There is nothing to prevent them from coming to us with a bid for finance or from going to the market to seek it, if that is required.

Colin Smyth: I am sure that you accept that the company is, in effect, in limbo, as the Government is not the long-term owner. The Government wants to sell the airport—it is up for sale at the moment. The current management team is not in a position to make long-term investments that could significantly change a lot in the airport. You are looking to sell the airport to a new owner, and the current management team is running on the basis that the airport is up for sale. Long-term decisions about significant investment will not be made by such a company.

Neil Gray: I do not disagree with Mr Smyth's question. However, the evidence from panel members this morning suggested that that is not an issue that they are facing or concerned about. We continue to have discussions with them about the work that they are looking to do and the opportunities that they are looking to realise, and we continue to support them in any way possible to ensure that those opportunities are realised.

Colin Smyth: To return to the point, what is the long-term blockage? You do not have a queue of people at the door wanting to buy the airport. You have said very positive things about the company making a profit, so why is there no queue at your door to buy it? What is the blockage? Is it the criteria? What are the reasons why you have not accepted any bids so far?

Neil Gray: We continue to invite people to come forward with expressions of interest. If the market is not there, the market is not there. However, the commercial position of the airport is strong. A note of interest came earlier this year, which was not followed through for the reasons that have been set out. Before Covid, there was a strong expression of interest that, were it not for the advent of Covid, probably would have seen the business return to the private sector. That demonstrates that, in my mind, I do not need to have a particular concern, as Mr Smyth seems to have, about the long-term future of the airport.

We will continue to take seriously any expressions of interest that come forward and ensure that we are able to maximise the return from an economic and financial perspective and in value for the local area. We will obviously be pragmatic in seeking to achieve as much as possible without hindering a process that can see the airport's return to the private sector.

Colin Smyth: I certainly do not have a major concern. I have real hope, given that the airport is in South Scotland, which is my region. How far down the line will we go before you start to consider the point that was made earlier about whether the public ownership model is the best way forward?

Neil Gray: That is the status quo, and we do not need to shift from that. As I have said, we are not a distressed seller. The airport is in a good position, and it has good plans to continue to grow. I am not concerned at the position that we have with regard to Glasgow Prestwick airport.

Murdo Fraser: I have a couple of questions to follow up on Colin Smyth's line of questioning around a potential sale. We discussed with the previous panel members their role as the management in assessing bids. What is the relationship between them and the strategic commercial assets division in the Government? Who assesses a bid?

Neil Gray: They will take first consideration and contact us if there is an expression of interest, and they will give us details about what has come forward. Obviously, that is predicated on an expression of interest going to them first. If it came to the Government, we would look to assess it, as well. The first port of call is through the board and the assessment process that comes through there.

Murdo Fraser: Ultimately, it is a Scottish Government decision to accept any bid.

Neil Gray: Yes.

Murdo Fraser: Okay. We have loans outstanding to the taxpayer of £43.4 million. Are there circumstances in which you would accept a bid that is less than that?

Neil Gray: That is where the consideration of the hard financial position and the wider value would come into play. I hope that Mr Fraser understands that there might need to be pragmatism in that regard, depending on what the bid looked like and on the wider factors that it took into account, such as—on Mr Smyth's point—the wider investment that the bidder might seek to make in Glasgow Prestwick airport. However, that would be subject to discussion on a case-by-case basis. I underline that we would obviously look to realise the maximum return possible to the public purse.

The Deputy Convener: There are no further questions from members. Thank you very much, cabinet secretary and Mr Cook. I suspend the meeting and we move into private session.

11:55

Meeting continued in private until 12:24.

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