Most of this information was provided to Cllr Ian McLennan in 2020.

The actions of Grenville Hodge and Matthew Hudson in relation to the Optica aircraft in the 1980's and since that time have always been to protect the flying and the heritage at Old Sarum Airfield Limited. Over the years they have spent very large sums and thousands of hours of personal time in doing so.

Some people who have accused them of simply wishing to develop the airfield are apparently ignorant of their backgrounds in aviation, including in the case of Mr. Hudson saving money-losing Prestwick Airport from closure in 1982 at a time when BAA plc. planned to redevelop the site for shopping and houses. This he did at the request of the local community (led by a Labour council) and the local MP (who was a Conservative). Mr. Hudson, who had retired to Ayrshire with his young family, developed a novel operating plan, then organized, funded and led the purchase of the Airport from BAA. As Chief Exec he led implementation of his operating and marketing plans under which the Airport became the busiest wide body freighter hub in the UK at the time. He negotiated and built a privately owned rail station (the first since The Beeching Report) and provided free train travel in Scotland on the day of travel for any departing or arriving passengers. He convinced Michael O'Leary to institute passenger flights between Prestwick and London – Ryanair's first application of its now famous business model - discussed initially with Mr. Hudson. INSEAD the leading European business school wrote a study of Prestwick's rebirth and the role of the entrepreneur – in this case Mr. Hudson. https://publishing.insead.edu/case/glasgow-prestwick-airport. The INSEAD study itself is found elsewhere on this site.

In the summer of 1986 while on vacation in France Mr. Hudson responded to a plea from the Optica Aircraft Company for an unsecured loan to be funded within 48 hours to allow the payroll to be met. He had never seen Old Sarum Airfield nor met the owner of Optica but was convinced by the pleas of senior staff that the company should be saved. Other than British Aerospace the Optica company had the only full suite of certification approvals for aircraft manufacture from the CAA in all of the UK. Mr. Hudson advanced the payroll funds initially without any loan note as there was no time if the jobs were to be saved. He became simply an unsecured creditor of Optica – having never been to Old Sarum but wanting to preserve a valuable piece of British industrial heritage.

In January 1987 he was simply an unsecured creditor when an arsonist burned down one of the 2 hangars owned by Optica including the finished aircraft. Following the arson attack the company was again insolvent as the completed aircraft had been underinsured by the owner of the company to save money. The Hudson family trust responded by taking a 50% ownership in the company and began to provide operating funds. After the fire the company had been operating in a temporary pavilion so Hangar 3 was purchased as an emergency action to protect the future of the Optica business and valuable aerospace jobs. As became clear, the building was in a poor state compared with other hangars sold by MOD but it was the only option available to keep

the company alive. More than 10 years after it was purchased to keep the Optica business alive, the building was listed by English Heritage at the request of the local authority, notwithstanding its age and relatively poor repair.

During 1987 Mr Hudson's family became the main financial support of the Optica business which eventually failed and the Hudsons' entire investment was lost. His family was left with stewardship of the airfield under a 999-year lease from the Ministry of Defence, the freehold of Hangar 3 and a small portion of the apron. He and Mr. Hodge, who had by then taken up senior responsibilities at British Aerospace and at Airbus on behalf of BAe, recognising the heritage value of Old Sarum Airfield determined to try and keep the heritage alive as a living museum.

To sum up the Optica period through 1990,

- Optica / Brooklands never made a profit.
- Mr. Hudson was never a shareholder and Mr. Hodge never received any payments of any kind from the Aircraft company except his salary as Head of Manufacturing.
- Neither Mr. Hodge nor Mr. Hudson had any control over the insurance proceeds.
- Prior to the fire the owner of Optica unbeknownst to Messrs. Hodge and Hudson, in order to save money, had cancelled the insurance cover for the completed aircraft inside the hangar which were all destroyed. The fire was thus a severe financial loss to the company.
- After the fire the owner of Optica had no further funds to put into the company so the Hudson family stepped in to become the sole funder to try and save the company, the unique aircraft and the aviation heritage of Old Sarum Airfield.
- Optica used all of the insurance proceeds to buy Hangar 3 and to support the business which continued to lose money. Even that was not enough to keep the jobs and the CAA approvals so Mr. Hudson's family then funded the business going forward using the vehicle of a family trust.
- Hangar 3 was not listed when it was acquired but was listed a decade later notwithstanding its poor condition.
- Mr. Hudson never received a penny from Optica not even director's fees or expenses. The flow was several millions from himself and his family into Optica, then later many more millions into the airfield in an attempt to save it while preserving amenity for the hundreds of neighboring homes.
- Near the end of Optica in 1990 the Chair of Optica (Alan Curtis) and Mr. Hudson each personally guaranteed £50,000 of the BAC overdraft to Lloyds bank to allow Optica to carry on meeting payroll. They paid Lloyds in full when the bank shortly afterwards put Optica into Receivership. Mr. Hudson subsequently repaid Mr. Curtis his £50,000.
- Other than the salary of Mr. Hodge through 1989 neither he nor Mr. Hudson has had a penny from Optica, BAC, Blanefield, Old Sarum Airfield Ltd or any other entity associated with their efforts on behalf of the Airfield. Not even recoupment of expenses. The millions in funding provided by the Hudson family has never had a penny of interest paid and of course never will, nor can it be repaid.

It became clear in the late 1990s that the local council were proposing major residential development in the curtilage of the airfield at Old Sarum. Messrs Hodge and Hudson warned of the danger to flying that new neighbours would represent – bringing the inevitable noise complaints. They repeatedly advised against housing near the Airfield. Council ignored their representations. They subsequently took rigorous action through the planning system to protect the airfield and sought to agree a special policy for the airfield that would protect its future. This was opposed by the Council.

In 2001 Salisbury District Council declared the Airfield a Conservation Area. At the invitation of the owners the High Court overthrew the designation for various deficiencies and irregularities including Lack of Consultation.

In 2006 the council wanted to again declare a Conservation Area but feared a similar result since their own staff and consultants had not followed the necessary steps as set out by a barrister hired to advise Council. This was pointed out to the planning sub-committee by Mr. Hodge in late 2006 at a public meeting in which he objected to the proposed designation as ill-conceived.

As a result the senior planning officers reached out to Mr. Hodge and by way of a series of meetings in early 2007 agreement was reached that:

1. Development on 3 areas of the owner's non-flying land was necessary to fund:
    - Renovation of Hangar 3; and
    - Keeping the airfield open but with a constrained flying policy greatly reducing noise thus also greatly reducing flying income.
2. With Council's agreement to cooperate on #1 the owners would not object to the declaration of a Conservation Area.

In order to carry out the Council's wishes the Hudson family (2007) took back occupancy of the Airfield and Hangar 3 from the Licensee and terminated her flying operations (club and training) thereby reducing aircraft movements by some 45% and rendering the airfield operations uneconomic. The Hudson family, relying on the agreement with Council, tightly restricted aircraft types, hours and movements while meeting all of the resultant operating losses in order to provide a secure future for the airfield without undue noise interference with the quality of life of those living near the airfield and the flight paths.

The position of the Council regarding the airfield and the agreed way forward is clearly seen in documents issued by Council in 2010 namely the Statement of Common Ground in February and Core Policy 9 in January. By then the airfield had been losing money for almost 3 years so there was no money for hangar repair or anything else other than wages and health and safety measures. The Hudsons covered the losses so that severely restricted flying could continue – as the Council had requested.

The condition of Hangar 3 deteriorated at an accelerated pace due to vibrations caused by the Colgar Shear of Equinox and due to: delays by WC in implementing the Core Policy; and repeated delays by WC determining the planning application. The Appeal

Inspector makes reference to the planning delays which were caused by Council refusing to determine the planning application notwithstanding 7 extensions of time granted by the owners of the airfield.

Had the Council upheld its part of the bargain made in 2007 the hangar would now be rebuilt and in use to support airfield viability. Vibrations are no longer a continuing problem since the airfield owners gave up their multi-million rights against Equinox for breach of restrictive covenant simply in order to have Equinox move the Shear to a place where it would not cause further damage to Hangar 3 and nuisance to homes in Old Sarum and Ford. Councillor McLennan has been offered sight of the settlement agreement and the Council were made aware of the situation at the time.

All of the activities of Messrs. Hodge and Hudson have been and still are to protect the airfield and listed buildings as heritage assets with the retention of flying essential. Neither has had any personal gain nor was any sought. Indeed the opposite is true.

INSEAD

Glasgow Prestwick Airport

01/98-4739

This case was prepared by David Champion under the supervision of Professors W. Chan Kim and Renée Mauborgne at INSEAD. It is intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

With a flock of sheep grazing next to the runways, Glasgow Prestwick airport certainly did not look like a viable proposition. By 1992, BAA PLC (formerly a government agency as the British Airports Authority), the UK's principal airport operator and Prestwick's then owner, faced operating losses at the airport of £6.4 million on turnover of £4.4 million (see Exhibit 1).

All the airport's passenger traffic had moved to Glasgow Abbotsinch airport, 25 miles up the road, and the level of cargo traffic was falling. In fact, the airport's main user was the aircraft manufacturer, British Aerospace (BAe), which used the airport's runways to test its Jetstream aircraft, produced nearby, and for its flight school for jet pilots. However, BAA was obliged, under the terms of an existing agreement with BAe, to continue operating the runway and control tower facilities, which effectively prevented BAA from closing the airport down or selling it without BAe's approval.

The major problem was that Scotland was already well served by BAA's other airports at Abbotsinch, Edinburgh and Aberdeen (see Exhibit 2) - London, for twice the catchment and seven times the traffic, made do with four. A second Glasgow airport was therefore, in BAA's view, almost certainly redundant. BAA had therefore decided to sell Prestwick to a local operator, who could maintain the airport's services for BAe, but who would not constitute a threat to BAA's business.

The Glasgow Airports

Glasgow has two airports designated by the airline trade association, both of which feature as Glasgow destinations on the Computerised Reservation Systems used by airlines and travel agents. The older of the two, Prestwick, was founded in the 1920s and is located in the middle of the countryside on Scotland's beautiful West Coast, right next to Troon golf course. Its principal advantages as an airport are that it is Scotland's best long-haul facility with two major runways, it enjoys exceptionally clear weather, which enables it to stay open when other UK airports are fogbound, and the fact that planes can approach from the sea or over empty fields, which means that noise, pollution and safety are not concerns for local communities.

Prestwick airport is adjacent to the West Coast main railway line but, as it is less than a mile from Prestwick town station, there were no plans to build a halt at the airport itself. The train journey from Prestwick to Glasgow took about 45 minutes. By road, the airport is about 35 miles from central Glasgow, a journey that, in 1992, took about 50 minutes.

BAA's other Glasgow airport, Abbotsinch, is located near to the industrial town of Paisley, just 9 miles to the west of central Glasgow, a journey which typically takes about 25 minutes by coach from the nearest railway station in the city. Operating conditions at Abbotsinch are, however, less favourable than at Prestwick. The airport is sometimes closed by fog and the area is built up, so that the residents are affected by noise and pollution.

The chief perceived attraction of Abbotsinch is its location: more than 1 million people live within 30 minutes of the airport, about 40% of Scotland's population live within 60 minutes drive of the airport and 75% within 2 hours. BAA had been developing it since the early 1970s as a centre for traffic to the rest of the UK, Ireland and Europe. Notwithstanding its

operational limitations, Abbotsinch had thus become the principal airport in Scotland for UK domestic traffic and was the Glasgow destination for BAA's largest customer, British Airways PLC (BA), the dominant UK carrier.

Abbotsinch had one main runway and some operating restrictions on widebody aircraft. Nonetheless, BAA was investing £150 million on further developing the airport's terminal facilities. The airport was well equipped with shops and other travel related commercial operations. For services provided at the airport including check-in, restaurants, ground handling, security, air traffic control, and so on, BAA's Abbotsinch had an estimated 1,000 to 1,500 full-time equivalent employees. In contrast, at Prestwick, 350 full-time equivalent employees performed the same airport activities and others.

Due partly to market positioning by BAA, Glasgow Prestwick was perceived by the Scottish media and an important portion of the populace as less favourably located than Glasgow Abbotsinch. Throughout the 1970s and 1980s, BAA had marketed Abbotsinch as "Glasgow" and Prestwick not at all. Nonetheless, Prestwick had for many years maintained a respectable level of almost exclusively international traffic by virtue of its status as the designated transatlantic gateway for Scotland. In the mid 1980s, Prestwick had processed as many as 350,000 passengers a year and its terminal could handle up to 1.5 million passengers a year. Opened in 1964, the terminal was one of the earliest built for the jet age. BAA had for many years kept its investments in Prestwick down to the minimum needed to keep it functional, albeit at a very low level.

Following deregulation in 1990 under the British government's "open skies" policy, the transatlantic passenger carriers still using Prestwick immediately switched to Abbotsinch, which was connected to the UK and European air networks. In 1991, there was no origination/destination passenger traffic at Prestwick and freight traffic stood at 12,500 tonnes a year.

In the same year, Abbotsinch handled over 70,000 aircraft and processed 4.2 million passengers. It also handled nearly 19,000 tonnes of freight, of which 95% was carried on passenger aircraft. London accounted for about 38% of its traffic but the airport had good connections to many other destinations in the UK and Republic of Ireland. Its international traffic consisted primarily of charter traffic to popular holiday destinations in Spain and a number of scheduled flights to Western Europe and the US.

The Ayrshire local authorities and business community, strong supporters of Prestwick airport as a source of employment and business, had been lobbying the Scottish Office for some time to obtain approval and funding for improvements to the local road network, which would bring the airport closer to the population around Glasgow.

Prestwick's supporters also believed that the airport had potential as a freight centre, despite its disappointing traffic figures: it was equipped with two good runways, a legacy from its days as the main transatlantic airport during the Second World War, and could handle three 747 freighters at once. The longer runway was the only one in Scotland on which a fully-loaded long-haul 747 freighter could safely land and take off, and also had ample warehousing space. The airport was also located close to the Great Circle route used by the majority of freighters (see Exhibit 2).

The Airport Business

At the beginning of 1992 all the commercial airports in Scotland were operated by BAA. It was the first major airport operator in Europe to be run as a private-sector business and was one of the successes of British privatisation. In 1992, BAA had a turnover of £909 million and pre-tax profits of £192 million.

Airports are complicated facilities at which a wide variety of activities occur, many of which are managed according to strictly enforced regulatory standards which can have the effect of penalising under-utilised facilities. The basic requirements are one or more runways, air traffic control facilities, parking space, and buildings and equipment for processing passengers and freight. Airports charge landing, parking and passenger/freight handling fees, calculated according to aircraft size, payload (passenger numbers/freight tonnage) and time in airport.

Safety is a major source of costs. Airports are obliged to assure that Crash, Rescue and Fire services are on hand for all aircraft movements. The degree of coverage depends on the size, load and other factors of the aircraft involved; a heavily laden 747 passenger jet requires a much higher coverage in terms of personnel and equipment than does a small two-seater. Typically, airports maintain Crash, Rescue and Fire crew on standby at all times, which means that a proportion of staff are in fact doing nothing productive throughout the day. Staff must also ensure that runways and taxiways are clean and free of ice, scare off birds and maintain acceptable adhesion standards.

Many airport services are not actually carried out by the airport operator, which typically subcontracts out as much as it can. Operators therefore have a minimal interface with passengers and shippers using the airport; their customer focus is primarily on the carriers who request and pay for their services. Traffic development is left to airlines, tour operators and freight forwarders.

Services such as passenger check-in, which involves direct passenger interface and is critical to the quality of the travel experience, are usually carried out by airlines or on their behalf by third party handling agents - an important source of costs. Other services, such as catering, security, aircraft handling, and air traffic control, are carried out by specialist firms or government agencies. Airport users, whether airlines arranging a stopover or passengers in search of missing baggage, will therefore have to deal with many different persons.

With a constant stream of passengers, airports offer opportunities for a wide range of commercial operations, such as shops, restaurants and hotels. These are typically run by third parties paying concession fees related to revenues. Commercial income offers the greatest opportunities for growth, especially for airports with a high proportion of international holiday traffic; international travellers spend longer in the terminal and buying duty-free is part of the holiday experience. BAA's emphasis on commercial activities had caused one observer to comment: "BAA wouldn't know what a runway was unless they could put a shop on it."

A breakdown of average airport costs and revenues are provided in Exhibits 3-4. The nature of the traffic has an impact on costs: international traffic is more expensive to handle because of the additional space and processing required. The principal constraints to growth are runways, space and terminal size. These are major investments and imply that airport

operators benefit from economies of scale until capacity constraints are reached. Creation of new capacity is often affected by local politics. In particular, it has been difficult to build runways in airports close to population centres where residents are concerned about noise and pollution.

From the perspective of airlines, the importance of airport charges varies from less than 1% to 25% of airline costs. Typically, airport-related costs are more important for short-haul carriers, whose stops are more frequent, than for long haul carriers. For charter airlines, expenses range between 14% and 18% of costs.

The Passenger Market

Scheduled flights account for just over half of Europe's traffic. Large airlines organise their networks on hub/spoke systems which allow them to maximise the number of destinations. Charter flights, in contrast, cater for seasonal point-to-point budget traffic to holiday destinations. Tickets are purchased through travel agents or directly from holiday tour operators. By the beginning of the 1990s, British tour operators had consolidated into three main groups which accounted for about 50% of the market.

Deregulation of air traffic began in the US. It brought considerable benefits to travellers as competition produced falling prices and more frequent services to popular destinations. It also led to a shake-out in the industry and by 1992, US traffic was dominated by the top six carriers, with about 80% of the market. Deregulation had also affected airports: of 541 non-hub airports, 150 had lost services.

In Europe, the European Commission sought to establish a single market in which all European airlines would be "domestic" and compete freely. By 1990, a significant degree of deregulation had been achieved and ticket prices were falling, largely thanks to the entry of a number of low-fare operators. One of the most successful was Ryanair which, in 1986, began offering tickets between Dublin and London's Luton Airport at half the regular price, triggering a price war. By 1988, London/Dublin traffic had doubled as travellers (London has a large Irish community) switched from other modes of transport. However, low prices do not necessarily imply low costs and by the beginning of the 1990s a number of budget operators had gone out of business.

The Freight Market

Freight is usually managed by freight forwarders, who account for up to 50% of shipping costs. Forwarders buy space from land, air and sea carriers and shippers contract with them. With the advent of the single market in Europe, there has been considerable consolidation among forwarders: by 1990, five firms controlled a third of UK air freight.

Most freight is carried by the major airline companies. A large proportion is consolidated by the forwarders and carried on passenger flights. This is cheaper but takes longer and can be less reliable than sending freight on goods-only flights. Freight flights are usually scheduled

journeys on major air routes such as the transatlantic Great Circle (which when transiting from most of North America into Western Europe passes close to Scotland's airports). An increasing proportion of freight is carried by companies such as FedEx and UPS which use their own integrated transport networks.

Within Europe a great deal of air freight is trucked. British Airways (BA), the principal UK carrier, operates a freight interchange facility at Maastricht in the Netherlands. Freight is trucked in from all over Europe, packed and customs cleared at Maastricht, and then driven in bond to be loaded onto aircraft at Heathrow or Gatwick. This system allows shippers to avoid the delays arising from customs clearance at major airports which can take up to three days.

At the end of the 1980s, forecasts for traffic growth were estimated at an annual 8.5%. However, the industry suffered from overcapacity, which would prevent demand increases feeding into profits, particularly for freight specialists.

Scotland

Although part of the United Kingdom (UK), Scotland retains a highly individual culture and outlook. It has a population of about 5.5 million, concentrated around Edinburgh and Glasgow. Edinburgh is Scotland's cultural and political capital and is a major financial services centre for the UK. Glasgow is Scotland's industrial capital and its largest city.

The Scottish economy has benefited from the discovery of oil in the North Sea, which has brought investment and jobs. Since the 1980s, an active hi-tech industry has also developed as computer companies such as Compaq, DEC, Hewlett Packard, Motorola and IBM have established large manufacturing and assembly facilities. Many have settled in a corridor around and between Glasgow and Edinburgh popularly known as "Silicon Glen". Despite these developments, Scotland has remained a relatively poor part of the UK.

Scotland is a hauntingly beautiful country. It is also the home of golf and boasts a large number of internationally renowned courses, including St Andrews in Fife and Troon near Glasgow. About 1.6 million overseas tourists visited Scotland in 1991, spending some £500 million (approximately 1% of Scottish GDP). Americans accounted for about a quarter of the total. However, many Scots believed that the country's tourist potential was under-realised: the neighbouring Republic of Ireland, with a smaller area and population and which offers a similar scenic, sporting and cultural experience, is visited by about 3 million visitors a year, despite recurrent terrorism in Ulster (the UK portion of the island) immediately to the north.

Scotland is remote and access is limited. The main transport method is the car, which accounted for about 70% of all domestic UK tourist traffic to Scotland. London to Glasgow by car took 8 hours and cost about £45 in petrol one way. A weekend return ticket to London by rail cost £65. There is also active road/ferry traffic between Scotland, Ireland and Ulster, where many Scots have family ties.

Just under 9 million passengers passed through Scotland's airports in 1991/2 and traffic had been growing at an annual 7% over the previous five years which compared well with 5% for

the UK as a whole (see Exhibits 5-7). The busiest route was London/Glasgow, with a standard return ticket price of around £240.

Two thirds of all foreign visitors to Scotland passed through London, largely because of the limited availability of direct flights to Scotland. Looking closely, this was expensive: for example, the cost to the passenger per mile of flying BA from Miami to Glasgow could be as much as 89% higher than the cost per mile of flying from Miami to London (see Exhibit 8).

Most Scots travelling abroad go on package holidays to destinations in Spain. In 1992, tour operators chartered flights out of both Glasgow Abbotsinch and Manchester in the North of England and many Scottish holidaymakers were obliged to travel to Manchester by car, coach or rail. The operator's choice of airport was determined by slot availability and costs.

Scotland's freight is mostly transported by road. In 1992, Scotland's airports only accounted for about 40,000 tonnes - about two thirds of Scotland-bound air freight was in fact sent to London and trucked up.

London-based BA was by far the largest air operator. Privatised in 1987, it had inherited a powerful network and had a history of fiercely defending its position. BA had a dominant share of UK traffic (notably to North America). BA ran regular shuttle services from London's Heathrow and Gatwick airports to Glasgow Abbotsinch and Scotland's other airports at Edinburgh and Aberdeen.

Scotland's air transport market is relatively small. Scotland has a land mass and population roughly equivalent to the state of Georgia in the USA. While Georgia has excellent road and rail links to the rest of the US, Scotland is isolated from the rest of Europe. Yet Georgia offers over 2,000 scheduled flights a day from its airport, of which over 50 are international, against just 202 from three airports for Scotland, of which a mere half dozen are international. The difference is probably explained by the combination of lower income and higher travel costs in Scotland.

Sale of Prestwick Airport

BAe had a major interest in maintaining facilities for testing its aircraft and for its flight school. They were not interested in managing the airport as a commercial operation and had no reason to change the status quo. There was, however, a local consortium, the Ayrshire Community Airport Project (ACAP), interested in running the airport. The consortium was headed by Matthew Hudson, a Canadian who had recently settled in Ayrshire. Hudson had been approached by the local Member of Parliament and former Defence Secretary, George Younger, who was keen to preserve the airport for the benefit of the local economy.

After negotiation, BAe agreed to purchase the airport which it immediately sold by pre-arrangement to the consortium, retaining title to the BAe factory and the main runway, which will revert to ACAP once BAe ceases aircraft production at Prestwick. Details of the transaction were not published, but estimates of £7 to 8 million circulated in the press. The deal was finalised on 1st April, 1992 and Hudson commented: "The question for everybody was not whether we would make April fools of ourselves, but by how much."

Five years after the purchase, in April, 1997, the Economist published a short article on Prestwick entitled "The airport that could". By 1996, Prestwick Aviation Holdings Limited (PAH), the company set up by ACAP to manage the airport and its related businesses, was turning in sales of £14.2 million and had a healthy profit record (see Exhibit 9). In 1997/8, turnover will reach £20 million, passenger numbers 600,000, widebody freight throughput 55,000 tonnes, and profit before depreciation and tax will hit £3.5 million.

The PAH Approach

One of PAH's first investments was to build a railway station at the airport. This was opened in 1994. PAH offers free rail transport to residents of the Glasgow conurbation and a two thirds discount on all other rail travel in Scotland. Today, 33% of passengers using the scheduled services to London, Belfast and Dublin access the airport by rail - the journey from Glasgow takes 45 minutes and trains depart every half hour.

Road access has been improved by the creation of a motorway link cutting the journey time to Glasgow by 15 minutes. As a result, about 2 million people now live within 60 minutes drive of the airport and about 3.8 million within 2 hours. Extensive parking is available at weekly rates of £7.50 (costs at Abbotsinch are £5 a day).

PAH has assumed ownership and direct control over all activities within the airport; FedEx is the only other employer at the airport. The result is simpler communications for airlines as they can channel all their contacts through one person. Jim McCall, for much of his career a senior freight manager with Air Canada and now General Manager of PAH's own bonded warehouse operations, contrasted Glasgow Prestwick with his experience of BAA's airports: "With BAA, it takes half an hour to get through and then it's always the wrong person."

PAH has developed a multi-skilled labour force, which enables it to reduce overall idle time. For example, the ramp crew (aircraft loading and unloading) are fully qualified Crash, Rescue, Safety and Fire officers - which carriers claim also improves safety. Matthew Hudson, PAH's CEO and Chairman of the airport subsidiary, points out that this integration has improved their attitude as well: "They're not bored any more."

PAH has a strong user orientation, in contrast with other airports which focus on their buyers, the carriers. PAH seeks "to make sure that travellers going through Glasgow Prestwick see Prestwick itself as part of their holiday". PAH offers a guarantee that check-in facilities will last no more than 10 minutes and has introduced a unique pre-ticketing reservation service; seats can be booked by telephone up to three weeks in advance. This means that passengers wishing to travel in families or groups can do so without arriving for an early check-in.

Because PAH integrates all the services that a passenger will directly encounter, staff can co-operate to manage the flow; a passenger kept too long at check-in will be unable and unwilling to spend in the airport's shops, bars and cafes. During peak periods, PAH employs young locals as temporary staff. Passengers are met at car parks or off the trains by the "Prestwick Players", porters who won't accept a tip but will carry baggage, amuse children and help with check-in. To reinforce the airport's Scottish identity, staff wear tartans, Scottish

music is played throughout the public areas and arriving passengers are sometimes met by a piper in full highland dress.

For freight carriers, a major attraction of using Prestwick airport is customs clearance said to be the fastest in the UK, combined with low landing, air traffic control and handling charges. For passenger traffic, a holiday charter company, Direct Holidays, estimated that the savings of using Prestwick airport amounted to about £15 per passenger to the airline or charter operator. In addition, passengers themselves realise a number of direct savings through cheap airport access, parking and cheaper shopping.

PAH has added a range of logistical services to support companies shipping through the airport. These have included a reworks centre for Compaq, the computer company. Products which are returned from dealers and customers can be reworked at the airport prior to return to the manufacturer's warehouses. In 1995, PIK Facilities, the property subsidiary of PAH, invested £2 million in a new warehouse which it leased to a local company, the Currie Group, to operate as a logistics centre for a number of shippers, including DEC. PIK Facilities has recently broken ground on the first 150,000 square feet phase of a £15 million new freight terminal.

Impact on Glasgow Prestwick's Traffic

By 1995, nine tour operators were running flights to destinations in Turkey, Portugal, Spain and the Canaries. Prestwick airport has also returned to transatlantic business with flights to Toronto and Florida. PAH's first scheduled operator was Ryanair, which opened a service to Dublin in 1994 and now accounts for over 50% of passenger traffic.

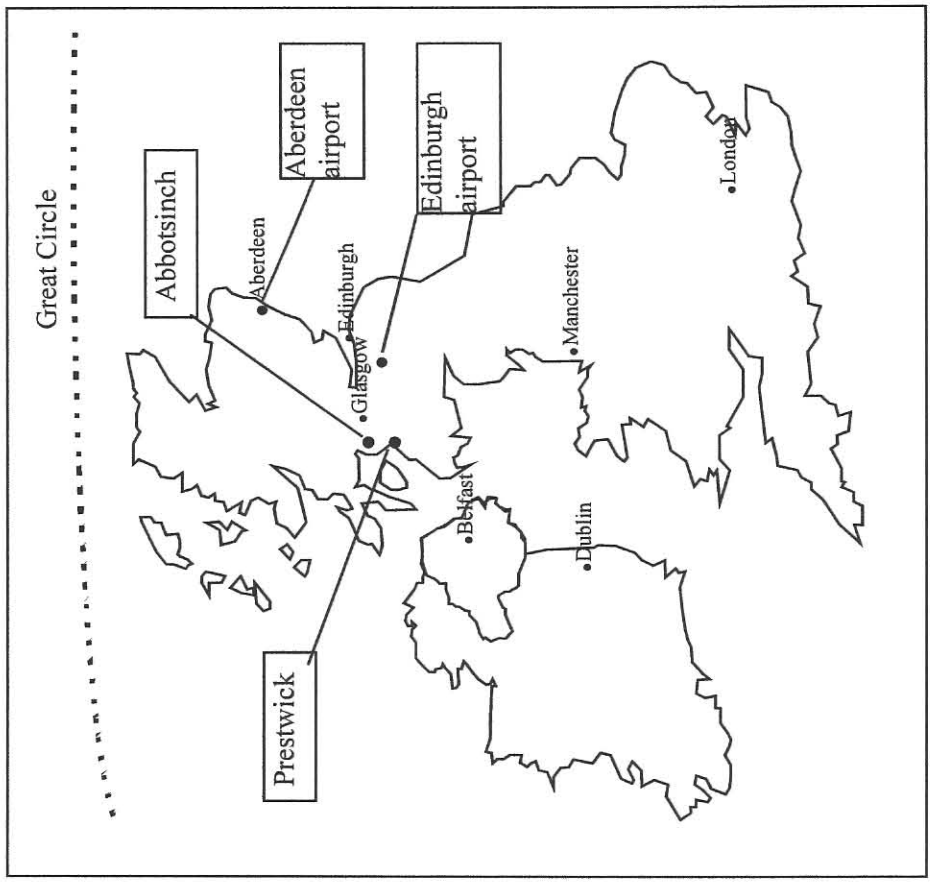
On opening the Dublin service, Ryanair charged £55 for a round trip by jet as compared to £137 to £260 on an Aer Lingus turbo-prop (jets are faster, smoother and quieter than turbo-props). It was able to do this because PAH charged 75% less at Prestwick than BAA charged at Abbotsinch. By 1996, total Glasgow/Dublin traffic had tripled. In 1995, PAH inaugurated a joint venture with Ryanair to offer a service to London Stansted for £59 return, with free rail transport in Scotland.

Most Scottish airfreight is shipped to or from local computer companies, with which PAH has developed close links. PAH has used its familiarity with the freight needs of Scotland's manufacturers to market itself directly and proactively to both carriers and forwarders to generate traffic for the airport. PAH has acquired the necessary airline route approvals from the UK authorities and through its American subsidiary, Global Gateways Inc., has made formal submissions to the US Departments of Transportation and Justice. The airport is also used as a regional hub by FedEx and by Polar Air as its UK hub. Since 1992, freight throughput has more than quadrupled and the number of scheduled flights has risen to 44 a week.

Exhibit 1
BAA's airports - 1991/2 Financial Performance (£m)

	Airport charges	*Other income*	*Operating profit/(loss) on airport charges*	*Operating profit/(loss) on other income*
Heathrow	215.8	270.6	41.5	170.1
Gatwick	78.6	117.6	(22.6)	74.7
Stansted	5.9	14.6	(28.5)	(0.4)
Southampton	3.5	2.7	1.2	1.0
Glasgow	28.6	19.7	9.2	6.5
Edinburgh	15.4	8.8	1.2	5.0
Aberdeen	11.2	6.6	1.6	2.2
Prestwick	2.8	1.6	(5.8)	(0.6)

Exhibit 2
Location of Prestwick Airport



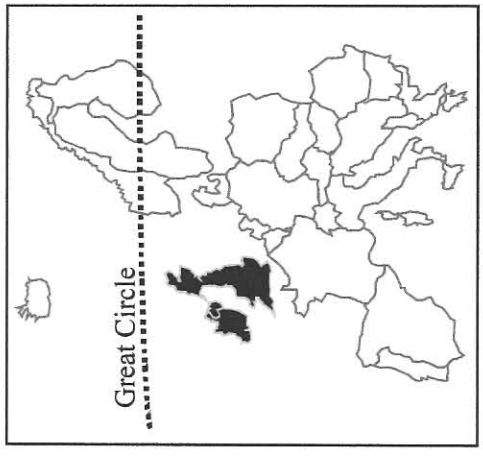


Exhibit 3
Average Cost Structure of Western European Airports

Staff	42%
Capital	22%
Other operational	11%
Administration	4%
Maintenance	9%
Services	12%

Exhibit 4
Average Revenue Structure of Western European Airports

Commercial	*44%*
Rents	8%
Concessions	16%
Recharges	4%
Direct sales	4%
Car park	2%
Other	10%
Traffic	*56%*
Landing	21%
Passenger	20%
Aircraft parking	1%
Handling	13%
Other	1%

Exhibit 5
Scottish and UK Passenger Traffic 1987-92 ('000s)

	1987	*1988*	*1989*	*1990*	*1991*	*1991*	*1992*
Glasgow	3,131	3,443	3,711	3,934	4,256	4,256	4,236
Edinburgh	1,679	1,921	2,125	2,431	2,427	2,427	2,418
Aberdeen	1,427	1,534	1,620	1,781	1,962	1,962	2,062
All UK	55,102	63,350	67,695	70,983	71,553	71,412	71,553

Exhibit 6
1991/2 Scottish Air Passenger Traffic by Origin and Destination ('000s)

	Domestic	Europe	North Atlantic	Other	TOTAL
Glasgow	2,184	1,380	447	225	4,236
Edinburgh	2,052	340	18	9	2,418
Aberdeen	1,878	185	0	0	2,062
TOTAL	6,113	1,905	464	234	8,716

Exhibit 7
Direct Air Freight Traffic in Scotland 1986-90 (tonnes)

	1986	*1987*	*1988*	*1989*	*1990*
Glasgow	12,929	11,839	15,821	16,310	18,942
Edinburgh	860	995	1,056	1,079	1,131
Aberdeen	5,562	6,121	6,081	6,226	6,175

Exhibit 8
% Increase Seat Mile Costs from/to Glasgow vs. from/to London (lowest fares in seat miles)

	American	BA	Delta	United
To Miami	74%	48%	5%	5%
From Miami	172%	89%	25%	87%
To New York	7%	7%	49%	49%
From New York	26%	7%	25%	25%

Exhibit 9
PAH Holdings Limited Performance

	1992/3	*199/4*	*1994/5*	*1995/6*
Sales (£'000)	4,708	6,588	9,755	14,910
Total costs (£'000)	4,067	5,526	8,316	12,137
Staff costs (£'000)	1,444	2,130	3,337	4,352
Depreciation (£'000)	204	261	330	472
Capex (£'000)	NA	1,080	3,186	2,469
PBDT (£'000)	874	1,345	1,756	2,257
Staff numbers	98	145	258	327
Passenger numbers	19,000	116,000	316,000	460,000
Freight tonnes	16,000	21,000	27,000	40,000

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Boulevard de Constance, 77305 Fontainebleau Cedex, France
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