From: [redacted]
To: Manston Airport
Cc: Richard Price
Subject: Manston Airport DCO
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Attachments: DCO Submission June 2019.pdf

I was not able to attend the latest set of meetings but would be grateful if you will accept the representations in the document attached regarding content and comments from RSP and their advisors.

Adem Mehmet

Funding

Examples of provisions regarding funding from other DCOs have been referred to in Sections 26 and 27 of the revised marked up version of the funding statement in an attempt to defend the lack of verification of funding for this project by the sponsor and the proposed reliance on a guarantee offered when compared to what other sponsors have disclosed and submitted. However when we look at the nature of these other companies we can see they have long term experience of successful operation in their chosen fields. Companies like Covanta (Mkt Cap $2.5bn), Able (Cap £0.5bn) and Hitachi (Mkt Cap Yen 3.7 trillion) have years of significant experience of raising funding and delivering projects of national importance, are publically quoted and rated by the major international rating agencies with evidence of significant balance sheet strength openly and transparently available to the examiners of those projects. Therefore the degree of scrutiny and requirement in their funding statement is naturally much less than we must expect for RSP which has no experience of successfully funding or operating an airport, no balance sheet of substance and does not and has never generated any income. We must also take into consideration that the sponsors for these projects did not choose, as RSP have done, to arrange themselves via offshore tax havens like the BVI and Belize in order to hide from examination the details of their funding arrangements.

In previous submissions I have commented on The Rookery South (Resource Recovery Facility) Order 2011 (SI203/680), The Able Marine Energy Park Development Consent Order 2104 (SI2014/2935) and The Swansea Bay Tidal Generating Station Order 2015 (SI2015/1386); my thoughts on the latest example are below.

The Wylfa Newydd (Nuclear Generating Station)

The sponsor for this project is Horizon Nuclear Power. Horizon Nuclear Power is a UK energy company working to develop a new generation of nuclear power stations. The company was established in 2009 as an EON.UK, RWE Npower joint venture. EON and RWE are substantial companies. EON has long term ratings of Baa2, BBB and A- from Moody's, S&P and Fitch and a market capitalisation of Euro 20bn. RWE Npower has long term ratings of Baa3 and BBB from Moody's and Fitch and a market capitalisation of Euro 14bn. In March 2012 EON and RWE Npower placed Horizon up for sale as a going concern. One bidder was a joint venture of China Guangdong Nuclear Power Group and the China National Nuclear Corporation. However, on 29 October 2012 it was announced that Hitachi would buy Horizon for £696 million, and the sale was completed on 26 November 2012. Hitachi is a substantial company with long term ratings of A3 and A from Moody's and S&P and a market capitalisation of Yen 3.7 Trillion. Hitachi is a long established successful company operating in a number of markets internationally.

Lastly in the funding document recently amended by RSP, at Clause 23 they state "It is important to note that the funding of the project is not dependent on any public funding, government subsidy or guarantee, or any access to borrowing or grants from UK or European Funds". However we see in this funding structure the use of various offshore entities in the

BVI and Belize together with access to the HMRC overseas investment scheme which may result in a reduction in tax being collected by the revenue, which is effectively a subsidy. With respect to ongoing operations, the fact that loans will be made, as they have already, from an offshore company upon which interest will need to be paid will mean that there will be little or no profit declared for UK tax purposes, with HMRC being deprived of revenue, another effective subsidy. RSP claim to have spent in the region of £15m so far on this application with that amount being financed via loans ultimately from Belize. Would it be within the remit of the examiners to ask to see the terms of these loans, the interest rate and repayment obligations? In addition, would the examiners be minded to enquire as to how these loans will be repaid and by whom if the DCO is not awarded and to what extent, if any, there will be some sort of tax refund to the lenders in that instance, another effective subsidy? It also seems from discussions at the hearing today that RSP are expecting KCC to pay for infrastructure improvements to support this scheme which is, of course, a taxpayer subsidy.

Project Viability

Counsel for RSP appears to be arguing that it is not for the examiners to determine whether the project is viable or whether there is funding committed in order to deliver the scheme. This seems at odds with the need to determine whether this scheme is of national significance. If assessment is not made of whether the sponsor’s claim on the number of additional ATMs to be delivered is possible, it cannot determine whether it is in fact a NSIP and therefore qualifies under the DCO legislation. Part of the viability assessment in order to determine whether the DCO process can be applied must also be whether the scheme can be funded and therefore detail of what commitments have been made by potential funders must be made available in order to make this determination. RSP counsel seems to suggest that funders will not commit to funding until the DCO is granted; however, this is not the case as lenders will always make any funding commitment subject to "conditions precedent" which for this process could include the granting of a DCO by the SoS.

The DCO Scheme Description and Process

A DCO Application is a front loaded process. During the pre-application stage a scheme presented for consultation is described in a good deal of detail in a precise manner with a reasonable degree of certainty. Sometimes progressive stages of consultation are required to achieve this. Consultees should be clear on the degree of certainty of the various aspects of the proposal and aspects where there is potential for further development and change in the proposal for submission. This allows stakeholders and consultees to comment appropriately. Changes of a material nature to the overall scheme are not usually then made during examination of these projects as the sponsor has spent a great deal of time developing a well thought out project, taking into account comments made during a consultation period and agreeing statements of common ground ("SOCG") with relevant entities.

This is not what we've seen in this scheme where significant changes in areas like the number of ATMs, the need (or not) for night flights, the noise mitigation arrangements and the funding structure (although this is still no clearer), along with many other significant elements, have been routinely changed during the examination including most recently the previously unspecified requirement for a car park for 1000 cars, and no SOCGs have been agreed with significant parties. In addition, many of the standard reports which should have routinely been completed have generally not even been commenced: for instance ecology surveys and discussions with KCC and transport operators on transport issues. The project now being described by the sponsor is unrecognisable when compared to the public consultations held or the initial project description submitted for examination. On this basis and with so much still not detailed and provided for it is impossible for either the public or the examiners to properly assess the project and on that basis alone the application should be refused.

In respect of the recent revelation that the Northern Grass area is to be retained for a car park for 1,000 cars, my assumption here is that this is required for the future passenger operation which may at some point be established. My understanding is that this scheme is being claimed to meet the NSIP criteria on the basis of the freight operation being planned and therefore the passenger operation and any associated development should be considered as ancillary and not qualify under the DCO CPO legislation. In any case, a car park can be operated separately from an airport as we see at most existing operations and on that basis it should be for the current owners to decide if they wish to retain this land and operate a car park facility on commercial terms to be agreed with the airport operator.

Noise Contours

Revised noise contours, derived independently by the CAA, have now been submitted to the examiners and I believe a further set will be delivered shortly, both at significant cost to private individuals. I hope they will be properly considered as more accurately reflecting the effect on Ramsgate and its population and in conjunction with the CAA evidence of noise at Heathrow which I submitted previously.

The noise contours submitted by RSP are wholly inadequate and comments made by their counsel regarding the conservation area at Albion Place that there are roads close by so residents won't notice noise from airplanes are frankly wrong (and insulting). Planes over Albion Place are extremely low and this is an area compromised almost entirely of Grade II listed buildings and one of Ramsgate's most significant hotels, recently developed at a cost of over £1m. Previous comments by Angela Stevens, a supporter of the airport, that pupils at a local school close to Albion Place would wave at pilots of planes overhead who would see them and wave back, is clear evidence of how low planes are in this area. A further comment made, which I would support, is that if you were planning to open a new airport (which I believe this constitutes) you wouldn't choose a location with 40,000 properties less than 3km from the end of the runway, a large proportion of which were Grade II listed and in a designated heritage conservation zone.

Adem Mehmet