RiverOak Strategic Partners

Funding Statement (Tracked)

TR020002/D7a/3.2/T

Examination Document

Project Name:	Manston Airport Development Consent Order
Application Ref:	TR020002
Submission Deadline:	**7a**
Date:	24 May 2019

MANSTON AIRPORT DEVELOPMENT CONSENT ORDER

APPLICATION REF TR020002

FUNDING STATEMENT

EXPLANATION AND TRACKED CHANGE VERSION FOR DEADLINE 7a

Explanation of changes

1. This document sets out the changes that have been made to correct typographical errors in the Funding Statement submitted at Deadline 6 (REP6-015).

2. The table at the end is now after paragraph 29 rather than paragraph 27, referenced in paragraph 12.

3. The conservative estimate of the number of properties eligible for noise insulation has been set at 275 rather than 225 (the actual figure being 232, as noted in the summary of case put at the noise Issue Specific Hearing (REP5-010)). This has been amended in paragraph 20.

4. The resultant cost figures should all be increased to reflect this correction in the number of properties:

   a. noise insulation costs of 275 x £10,000 = £2.75m rather than £2.25m;

   b. noise mitigation costs of £1.6m + £2.75m = £4.35m rather than £3.85m; and

   c. compensation and noise mitigation costs of £4.35m + £7.5m = £11.85m rather than £11.35m.

5. These figures have been amended in paragraphs 12 and 20 and the table below paragraph 29 .

MANSTON AIRPORT DEVELOPMENT CONSENT ORDER

APPLICATION REF TR020002

FUNDING STATEMENT

DOCUMENT REF TR020002/D7a~~6~~/3.2

Introduction

1. This Funding Statement relates to an application by RiverOak Strategic Partners Ltd ('RiverOak') to the Secretary of State for Transport under the Planning Act 2008 for development consent to construct, operate and maintain a predominately cargo airport at the site of the airport at Manston in east Kent, which closed as an airport in May 2014.

2. RiverOak is proposing a development that consists of the following principal components:

   a. an area for cargo freight operations including 19 additional stands, able to handle at least 10,000 movements per year;

   b. facilities for other aviation-related development, including:

      i. a passenger terminal and associated facilities;

      ii. an aircraft recycling facility;

      iii. a flight training school;

      iv. a base for at least one passenger carrier;

      v. a fixed base operation for executive travel; and

      vi. business facilities for airport-related activities.

3. The project is classified as a nationally significant infrastructure project pursuant to sections 14(1)(i) and 23 of the Planning Act 2008, further explained in the revised NSIP Justification (document TR020002/D1/2.3).

4. This statement has been prepared pursuant to the requirements of Regulation 5(2)(h) of the Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009 and in accordance with the Department for Communities and Local Government (DCLG) guidance entitled 'Planning Act 2008: Guidance related to procedures for the compulsory acquisition of land.'

5. The applicant is RiverOak Strategic Partners Ltd ('RiverOak'), an investment company formed with the intention of promoting and securing a Development Consent Order (DCO) for the project. The project was formerly promoted by RiverOak Investment Corporation, a US company registered in Delaware, but in December 2016 an agreement between the two entities transferred all responsibility, right and liabilities in relation to the project from the US to the UK company.

6. Almost all of the land required for the project is not owned by RiverOak; the vast majority being owned by Stone Hill Park Ltd (formerly known as Lothian Shelf (718) Ltd, which

acquired the airport from its previous owners).

7. The proposed Manston Airport Development Consent Order (document TR020002/D6/2.1) updated from the version submitted with the application includes powers for RiverOak to acquire compulsorily all of the land and rights comprising the airport site, its landing lights to the east and west, and a pipeline from the airport to the sea at Pegwell Bay. This Statement is required because the proposed Development Consent Order (DCO) would authorise such compulsory acquisition. Regulation 5(2)(h) requires in respect of such an order, a statement indicating how the order including powers for compulsory acquisition of land will be funded.

8. The DCLG guidance in relation to compulsory acquisition explains that a funding statement should demonstrate that adequate funding is available to enable the compulsory acquisition within the relevant time period. The funding statement should provide as much information as possible about the resource implications of both acquiring the land and implementing the works for which the land is required.

9. This Statement explains:
   a. how the acquisition of the land necessary to build the Project will be funded; and
   b. how the Project generally is to be funded.

10. This Statement should be read alongside RiverOak's other application documents and, in particular, the Statement of Reasons (document TR020002/APP/3.1) which justifies the powers of compulsory acquisition that are sought in the DCO.

Capital funding

11. RiverOak is the applicant for the DCO for the project. The applicant is a company registered in England (Company No. 10269461). 10% of its shares are held by RiverOak Manston Ltd and 90% by RiverOak Investments (UK) Ltd.

12. RiverOak Investments (UK) Limited ("RIU") is a UK-registered company (Company No. 11959684) whose ultimate beneficial owners are resident in Switzerland and the United Kingdom. RIU is managed and administered by Helix Fiduciary AG ("Helix"), a Swiss registered and regulated fiduciary company on behalf of the beneficial owners. Helix also manages and controls all the investors' funds that provide the funding for the Manston DCO. RIU has the same directors as M.I.O Investments Ltd, a Belize registered company, who are the funders of the project., They are committed through a revised joint venture agreement (submitted as an appendix to REP5-011) to fund compulsory acquisition and noise mitigation required by the DCO as detailed in the summary below paragraph 2~~9~~7 of this statement (totalling £11,8~~3~~500~~0~~,000, but in fact £15 million has been committed).

13. Paragraph 17 of the DCLG guidance on compulsory acquisition refers to an indication of how shortfalls in land acquisition and the costs of the project would be met. £15 million covers land acquisition and noise mitigation costs plus a more than 25% contingency, and the full cost of the project will be met by private sector investors once the DCO is granted – such details cannot yet be finalised.

14. Paragraph 18 of the guidance requests information on when funds to cover compulsory acquisition costs will be available. The Joint Venture Agreement allows the funds to be called upon now, although they would not in fact be called upon until they were payable; there would therefore be no delay between them becoming payable and being paid.

15. Helix has provided an explanatory letter about its role in the funding of the project, together with a confirmatory letter from PwC that the investors have unencumbered funds substantially in excess of the funds required for the completion of the DCO (namely blight claims, land acquisition and the cost of noise mitigation measures). These are attached to this statement. So far, £15.2 million has been expended on the DCO process. Funds are drawn down by RiverOak on demand under the provisions of the joint venture agreement between the parties.

16. During the examination of the application RiverOak has provided the following information:

a. The Joint Venture Agreement entered into between parties including RiverOak Strategic Partners Ltd (the Applicant) and M.I.O. Investments Ltd, varied to commit the latter to spending £15 million on land acquisition and noise mitigation (appended to REP5-011);

b. The structure of the Applicant, its subsidiaries and parent company and the accounts of these where available (Appendices F.2.6, F.2.5,

c. Information about the project's investors, their assets, expenditure on the project to date and their use of Business Investment Relief to invest in UK infrastructure (appended to REP5-011);

d. Evidence that the Applicant has spent £12.8 million on pursuing the DCO application so far plus a further £2.4 million acquiring the 'Jentex' fuel farm (Appendices F.2.21 and F.2.7 in TR020002/D6/SWQ/Appendices respectively);

e. A summary business model consisting of a 20-year operating income statement for the airport (Appendix F.1.5 at REP3-187);

f. A capital expenditure budget for the project over 15 years (Appendix F.1.6 at REP3-187);

g. The rationale for estimating land acquisition costs together with costings for the expenditure in the Noise Mitigation Plan (answering questions F.1.8 and F.1.9 in REP3-195 respectively);

h. Evidence that the Applicant has set aside £500,000 for any blight claims despite receiving advice that none would be payable (appended to REP5-011); and

i. Information about RiverOak Investment Corporation, the predecessor of RiverOak Strategic Partners (Appendix F.2.25 in TR020002/D6/SWQ/Appendices).

Project cost

17. RiverOak has taken expert advice from RPS on the cost estimate for the project that is the subject of the application. The initial phase of the project, which will bring the airport back into use, is estimated to cost about £186 million. The cost of developing the remaining phases of the project over a 15-year period is estimated to be an additional £120 million, i.e. a total of £306 million. This cost estimate includes the cost of implementing the project, the cost of construction and the funding of the acquisition of the necessary rights over land, including any interference with rights.

18. On land acquisition specifically, RiverOak has obtained advice from surveyors CBRE that the total cost of acquiring the necessary land for the project at its value in the 'no-scheme world', the basis upon which compensation for compulsory acquisition is calculated, as no more than £7.5 million.

19. The Statement of Reasons (document TR020002/APP/3.1) sets out the extent of the compulsory acquisition powers being sought in the application.

20. The Noise Mitigation Plan (document TR020002/D6/2.3) that accompanies the application contains further financial commitments in the form of the applicant's noise mitigation measures, some of which involve expenditure, and provision also needs to be made for any successful 'Part I' claims, i.e. for loss in market value due to operation of the project. We have again taken valuation advice from CBRE as to the cost of these measures, based on environmental information about noise exposure from environmental consultants Wood, and these estimates are:
    a. Implementation of insulation policy and Part I claims: £2.725m (up to 2725 properties at £10,000 each); and
    b. Implementation of relocation policy: £1.6m (up to eight properties).

21. Through its joint venture agreement, RiverOak is able to draw down these two categories of funding (£7.5m land acquisition and £43.385m noise mitigation measures) when required.

22. RiverOak has assessed the commercial viability of the project in the light of this information and is confident that the project will be commercially viable and will therefore be fully funded if development consent is granted.

Project funding

23. 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. The prospect of the DCO application has attracted significant interest from a wide range of further institutional investors based in the UK, the Far East and North America. The profile of the various interested institutional investors includes entities with extensive broad-based aviation investments, in terms of aircraft leasing portfolios, but also with extensive airport infrastructure interests combining investment ownership, airport management, airport construction, expansion and airport masterplanning. RiverOak's directors have, between them, experience of multiple historical airport capital markets infrastructure financings, in the US and elsewhere with these institutional investors.

24. Should the project receive development consent, RiverOak can immediately draw down the land acquisition and noise mitigation costs from its current funders under the terms of its joint venture agreement.

25. To meet the capital costs of construction, RiverOak will select one or more funders from amongst those who have already expressed interest and others that are likely to come forward, to secure the best deal for constructing and operating the project.

Guaranteeing investment before exercise of powers

26. The Development Consent Order that has been submitted with this application (reference TR020002/D6/2.1) contains a provision (article 9 – Guarantees in respect of

payment of compensation etc.) that construction cannot commence and powers of compulsory acquisition cannot be implemented until a guarantee to pay compensation and noise mitigation costs under the Order or an alternative form of security is provided to the satisfaction of the Secretary of State.

27. This goes further than other DCOs that have been granted (albeit in those cases an equivalent article was not included at the time the applications were made), e.g. Article 8 of the Rookery South (Resource Recovery Facility) Order 2011, Article 14 of the Able Marine Energy Park Development Consent Order 2014 and Article 7 of the Swansea Bay Tidal Generating Station Order 2015, which are each reproduced in Annex 1 below. Articles 82 and 83 of the proposed Wylfa Newydd (Nuclear Generating Station) Order are also shown.

Blight Claims

28. In some circumstances, landowners can make blight claims once the application has been made but before it is decided. Statutory blight is triggered once an application for a DCO has been made, pursuant to paragraph 24(c) of Schedule 13 to the Town and Country Planning Act 1990. The three categories of land to which this applies are small businesses, owner-occupiers and agricultural units. CBRE advise that there is no land subject to compulsory acquisition under this application in any of these categories. Nevertheless, RiverOak is has set aside funding for potential blight claims out of an abundance of caution and have drawn down £500,000 from their investors at the time of making the application in case any claims are successfully made (as evidenced in an appendix to REP5-011).

Summary

29. The following table summarises the various categories of funding, when and how they will be secured. The first three items constitute 'the completion of the DCO' referred to elsewhere in this document.

Type of funding	Estimated amount	When secured	How secured
Blight claims	£500,000	Now	In RiverOak's accountants' account now
Land acquisition	£7.5m	Now	Joint venture agreement allows draw-down of this amount
Noise mitigation measures	£43.385m	Now	Joint venture agreement allows draw-down of this amount
Project capital costs	£306m	Upon grant of DCO	Funders to be selected from parties who have already expressed interest and who may subsequently do so

ANNEX 1 – EXAMPLE PROVISIONS FROM OTHER DCOs

The Rookery South (Resource Recovery Facility) Order 2011 (SI 2013/680)

Guarantees in respect of payment of compensation
8.—(1) The authorised development must not be commenced and the undertaker must not begin to exercise the powers of articles 17 to 27 of this Order unless either a guarantee in respect of the liabilities of the undertaker to pay compensation under this Order or an alternative form of security for that purpose is in place which has been approved by the relevant planning authorities.
(2) A guarantee given in respect of any liability of the undertaker to pay compensation under this Order is to be treated as enforceable against the guarantor by any person to whom such compensation is payable.

The Able Marine Energy Park Development Consent Order 2014 (SI 2014/2935)

Guarantees in respect of payment
14.—(1) The authorised development must not be commenced and the undertaker must not begin to exercise the powers conferred by Part 5 (powers of acquisition) unless either guarantees or alternative forms of security for that purpose in respect of—
(a) the liabilities of the undertaker to pay compensation under this Order; and
(b) the liabilities of the undertaker to construct and maintain the compensatory environmental habitat referred to at paragraph 4(a) of Schedule 1 (authorised development) and any additional compensatory habitat identified in the compensation environmental management and monitoring plan,
are in place which have been approved by the relevant planning authority.
(2) A guarantee given in respect of any liability of the undertaker to pay compensation under this Order is to be treated as enforceable against the guarantor by any person to whom such compensation is payable.

The Swansea Bay Tidal Generating Station Order 2015 (SI 2015/1386)

Guarantees in respect of payment of compensation, etc.
7.—(1) The authorised development must not be commenced, and the undertaker must not exercise the powers in articles 24 to 37, until—
(a) subject to paragraph (3), security of £10.5 million has been provided in respect of the liabilities of the undertaker to pay compensation under this Order; and
(b) the City and County of Swansea Council has approved the security in writing.
(2) The security referred to in paragraph (1) may include, without limitation, any 1 or more of the following—
(a) the deposit of a cash sum;
(b) a payment into court;
(c) an escrow account;
(d) a bond provided by a financial institution;
(e) an insurance policy;
(f) a guarantee by a person of sufficient financial standing (other than the undertaker).
(3) The City and County of Swansea Council may agree to the substitution of a different sum to that of £10.5 million referred to in paragraph (1), having regard to the liabilities of the undertaker to pay compensation under this Order existing at the time of the approval referred to in that paragraph.
(4) The authorised development must not be commenced until—
(a) the undertaker has provided to the City and County of Swansea Council written evidence (which may comprise a written certificate given by a professional firm) of—
(i) the construction contracts in respect of Works No. 1a, 1b and 2a and a contract for the procurement of hydroturbines for installation in Work No. 2a; and
(ii) financial provision to secure the delivery of the works and procurement referred to in paragraph ((i); and
(b) the City and County of Swansea Council has given written confirmation that it is satisfied that such financial provision is sufficient.
(5) The undertaker must pay to the City and County of Swansea Council the reasonable and proper costs, charges and expenses that the City and County of Swansea Council may reasonably incur in obtaining legal or financial advice in respect of giving the confirmation of satisfaction referred to in paragraph (3)(b).
(6) The City and County of Swansea Council is to have no liability to pay compensation in respect of the compulsory acquisition of land or otherwise under this Order.

Guarantees in respect of payment of compensation

82.—(1) The undertaker must not exercise the powers conferred by the provisions referred to in paragraph (3) in relation to any land within the Order Limits unless—

(a) the Secretary of State has approved in writing a sum of money to cover the liabilities of the undertaker to pay compensation under this Order in respect of the exercise of the relevant power in relation to that land; and

(b) the undertaker has put in place either—

(i) a guarantee for the sum of money that has been approved by the Secretary of State under sub-paragraph (1)(a) above; or

(ii) an alternative form of security for the sum of money that has been approved under sub-paragraph (1)(a) above.

(2) The undertaker must provide the Secretary of State with such information as he or she may reasonably require to enable the Secretary of State to determine the adequacy of the sum of money referred to in sub-paragraph (1)(a) above, such information to include—

(a) the interests in land affected; and

(b) the undertaker's assessment of the proper level of compensation and its justification for the same.

(3) The provisions are—

(a) article 25 (Compulsory acquisition of land);

(b) article 27 (Compulsory acquisition of rights);

(c) article 29 (Private rights);

(d) article 31 (Acquisition of subsoil only);

(e) article 32 (Acquisition of land limited to subsoil lying more than 9 metres beneath the surface);

(f) article 34 (Rights under or over streets);

(g) article 35 (Temporary use of land for carrying out the authorised development); and

(h) article 36 (Temporary use of land for maintaining the authorised development).

(4) A guarantee or alternative form of security given in respect of any liability of the undertaker to pay compensation under this Order is to be treated as enforceable against the guarantor or person providing the alternative form of security by any person to whom such compensation is payable and must be in such a form as to be capable of enforcement by such a person.

(5) Nothing in this article requires a guarantee or alternative form of security to be in place for more than 10 years after the date on which the relevant power is exercised.

(6) The undertaker is entitled to reduce amount of the guarantee or alternative form of security to be maintained under paragraph (5) where—

(a) the undertaker has made a payment of compensation under paragraph (4) to a claimant and provided evidence to the Secretary of State that such payment has been made; and

(b) the Secretary of State is satisfied that the reduced amount of the guarantee or alternative form of security proposed by the undertaker will cover the remaining liabilities to pay compensation under this Order in respect of the exercise of the powers in paragraph (3) over the remaining affected land and interests within the Order Limits.

Funding for implementation of the authorised development

83.—(1) Except for Work No. 12, the authorised development must not be commenced unless and until—

(a) the undertaker has provided the Secretary of State with written information to enable the Secretary of State to be satisfied that the authorised development is likely to be undertaken and will not be prevented due to difficulties in sourcing and securing the necessary funding; and

(b) the Secretary of State has given the undertaker written confirmation that the Secretary of State is satisfied that the authorised development is likely to be undertaken and will not be prevented due to difficulties in sourcing and securing the necessary funding.

(2) Work No. 12 must not be commenced unless and until—

(a) the undertaker has provided a guarantee or an alternative form of security, the amount to be approved by the Secretary of State, in respect of liabilities under the restoration scheme approved under Requirement SPC13 in Schedule 3 (Requirements) of this Order; or

(b) the Secretary of State has given written confirmation under sub-paragraph (1)(b) above.

ANNEX 2 – LETTER FROM HELIX FIDUCIARY

ANNEX 3 – LETTER FROM PwC

To HM Planning Inspectorate
Bristol
United Kingdom

Copy Helix Fiduciary AG, Zurich
Bircham Dyson Bell , London

Dear Sirs,

Manston Airport Development Consent Order

We confirm that we have provided to Helix Fiduciary AG, Zurich and Bircham Dyson Bell , London, a report of factual findings of the agreed-upon procedures regarding certain bank accounts which Helix Fiduciary AG operate for their clients.

We have corresponded directly with the banks in question and the report which is dated 5th July 2018 confirms the following;

- The ultimate beneficial owner(s) of each account in question;
- The net balances of cash and short-term investments and equities and similar positions;
- Confirmation that the accounts in question do not have their assets pledged in favour of the bank or any pledges or guarantees recorded by the bank in favour of another bank or third party.

The report details two structures where the assets are held by two branches of the bank and said branches have reported on two different dates, 19th June 2018 and 28th June 2018. The net combined balances of cash and short-term investments and equities and similar positions of the accounts in question at each branch of the bank exceed the currency equivalent of £15 million as of the reporting date of the respective branch.

Please understand that we can assume no obligations or liability whatsoever for this letter. This letter serves solely to inform HM Planning Inspectorate, Bristol, Helix Fiduciary AG, Zurich and Bircham Dyson Bell , London, about our works in respect to the procedures we have performed. This letter may not be used for any other purpose and may not be divulged to a third party.

PricewaterhouseCoopers AG

[redacted]

[redacted]

Zürich, 5 July 2018

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