



Transport Committee

Oral evidence: [Smaller airports](#), HC 713

Monday 2 February 2015

Ordered by the House of Commons to be published on 2 February 2015.

Written evidence from witnesses:

- [Manston Skyport Limited](#)
- [RiverOak Investment Corp LLC](#)
- [Thanet District Council](#)
- [Kent County Council](#)
- [Sir Roger Gale MP](#)
- [No Night Flights and Manston Pickle](#)
- [Save Manston Airport Group](#)
- [Why Not Manston?](#)

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Members present: Mrs Louise Ellman (Chair); Jim Fitzpatrick; Mr Tom Harris; Karen Lumley; Chloe Smith; Graham Stringer and Martin Vickers.

Questions 48-197

Witnesses: **Pauline Bradley**, Director, Manston Skyport Limited, **Alastair Welch**, Interim Director, Kent Airport Limited **Alan Mackinnon**, Interim Director, Kent Airport Limited, **George Yerrall**, Partner, RiverOak Investment Corp, and **Tony Freudmann**, Partner, RiverOak Investment Corp gave evidence.

Q48 Chair: I would like to welcome everybody here today, witnesses and members of the public. I am pleased to see there is so much interest in this session. I know that a lot more members of the public are waiting to get into the room, and I was intending to wait until everybody had come in before we started our proceedings, but the movement is pretty slow so we will make a start. I know that others will come in as we progress.

This is a formal meeting of the Transport Select Committee. Our session today forms part of the Committee's inquiry into smaller airports. Today's session is taking place under the Standing Orders of the House of Commons. That means that filming and photography are strictly prohibited. Tweeting and blogging are allowed, but I ask anybody who has any

mobile devices to please put them to silent. It is essential during our session that the Committee is able to hear from our witnesses without any interruption from the public gallery. If there is interruption, I will have to ask the doorkeepers to clear the public gallery. I do not anticipate that that will be necessary because I am sure everybody has come here to listen to what is being said. You might also be interested to know that a transcript of today's session will be published online by the end of the week, so you will be able to read exactly what has been said.

I now turn to our witnesses. Would each witness please give their name and organisation for our records?

Tony Freudmann: I am Tony Freudmann from RiverOak.

George Yerrall: I am George Yerrall from RiverOak.

Alastair Welch: I am Alastair Welch, an interim director of Kent Airport Limited.

Pauline Bradley: I am Pauline Bradley, director of Manston Skyport.

Alan Mackinnon: I am Alan Mackinnon, interim director of Kent Airport Limited.

Q49 Chair: Thank you very much. Ms Bradley, how much did Manston Skyport pay Infratil to purchase Manston airport in November 2013?

Pauline Bradley: The consideration we paid was £1.

Q50 Chair: One pound?

Pauline Bradley: Yes.

Q51 Chair: What happened to the airport's debts? Were they factored into that at all? How were they dealt with?

Pauline Bradley: The transaction that we agreed with Infratil was that, although we paid £1 for the shares in the company, we in fact inherited the running costs of the business. In effect, the day after we paid £1 we became responsible for all costs and all losses in relation to the airport.

Q52 Chair: How much was involved?

Pauline Bradley: By the time we made the decision to close the airport the losses incurred at the airport were about £4.5 million.

Q53 Chair: Were any debts written off at that stage?

Alan Mackinnon: Could I answer that? Prior to the acquisition of the airport by Manston Skyport, Infratil—the then owners—capitalised £55 million of intra-group loans. They converted them from loans to share capital.

Q54 Chair: Ms Bradley, the Manston Skyport written evidence which the Committee has received states that you “cut short your due diligence work” before purchasing the airport. When you took control of the airport in November 2013 was the financial situation worse than you had anticipated?

Pauline Bradley: When we took control of the airport at that time we had not bottomed out what the expected financial loss position would be. The reason we had not been able to do that was that Infratil had made it very clear to us towards the end of that year that we had a very short period of time to make a decision on Manston airport in particular. From memory, they gave us one month to make a decision as to whether or not we proceeded with the purchase of Manston, so we had no time, under those circumstances, to complete the due diligence on forward losses at Manston. We had done quite a significant amount of work, but the real problem that we and our advisers had at that time was that the management information given to us when we first started to review the airport as an opportunity, in terms of the losses that management were projecting at the time, was quite different some months down the line, because the trading performance of the airport had deteriorated. To give you an example—

Q55 Chair: Let me go back to the question I am putting to you. Was the financial situation worse than you anticipated?

Pauline Bradley: Yes.

Q56 Chair: Do you think that Infratil maximised profitability at Manston? Could they have done it better?

Pauline Bradley: Certainly in a number of conversations that we had early in the process, parties close to the situation at Manston had confided in us that they had some concerns that Manston had suffered as a result of the remote ownership and management of the previous owner Infratil, who was based in New Zealand. As a result, there was a belief that opportunities to grow the business at Manston had been missed.

Q57 Chair: Did you think that they had an effective business plan?

Pauline Bradley: I do not think I could fully answer the question today, simply because it is a long time since we looked at—

Q58 Chair: But surely that cannot be the case, can it? This was the purchase of a very important asset. I am asking you the question: did you think that the operators had an effective business plan? It is not about remembering, is it? Did you think that or didn't you?

Pauline Bradley: We believed that the strategy the operators had was the correct strategy in terms of trying to grow the revenue at Manston. What I was trying to explain was that, anecdotally, although they had a strategy to try to enhance the revenue, they did not have enough of a presence on the ground to be able to maximise opportunities to do that.

Q59 Chair: Your written evidence, if I can go back to it again, also refers to what you call “a highly regarded chartered accountant who had worked on numerous turnaround strategies” and “an industry professional with extensive aviation experience”. Was that a reference to Mr Mackinnon and Mr Welch?

Pauline Bradley: Yes, it was.

Q60 Chair: Mr Welch, looking at your track record, you have a great deal of experience in the aviation industry, but did you genuinely believe that the Airports Commission would recommend no new runway construction in the south-east, that BA would shift its cargo

operation to Manston and that Ryanair would base itself at Manston? Given the knowledge you have of the aviation sector, did you seriously believe those things?

Alastair Welch: There are three different questions you ask there. In terms of the Airports Commission, ultimately it will be very interesting to see what has happened. I think their initial findings surprised a number. There is—

Q61 Chair: Mr Welch, I am not asking you for a commentary on the findings. Did you genuinely believe at that early time that the commission was likely to recommend no expansion at major airports in the south-east? Did you really believe that was likely?

Alastair Welch: We believed there was certainly a possibility that no incremental runways in the south-east could be a recommendation, yes.

Q62 Chair: Do you know anybody else who thought that?

Alastair Welch: Many; yes.

Q63 Chair: Really? Did you think that BA was going to shift its cargo operation to Manston? What led you to think that?

Alastair Welch: The executive team at Manston previously had been very close to getting British Airways to migrate their cargo operation from Stansted. They went to main board and it stayed at Stansted at that point. It was up for renewal or review in early 2014. The executive team at the airport were confident that they had a very good chance of securing it for Manston.

Q64 Chair: Did it look likely that Ryanair was going to base itself at Manston?

Alastair Welch: Perhaps Ms Bradley can answer that better than I can because there were conversations, before purchase took place, with Michael O’Leary.

Q65 Chair: Ms Bradley, was that a likely proposition?

Pauline Bradley: I believe at the time we made the decision to acquire the airport that that was a likely outcome. If I can just explain, Ann Gloag and I met twice with Michael O’Leary and Michael Cawley at Ryanair to try to persuade them to consider Manston as a base and perhaps to use Manston to operate some of what are called “sunshine flights” to the southern parts of Europe. I have to say that when we first went to see them they had not heard very much, if anything at all, about Manston, and that reinforced our belief that perhaps Infratil were just too remote to capture opportunities there.

However, they did consider Manston. They sent someone down to have a look at it. I think Tony was involved at that stage. They came back with a very positive review at that stage for Ryanair. That led to Michael O’Leary allowing us access to his senior routes planner to begin to discuss what those routes would be, how many times a week they would go and what the passenger numbers would be. At the time we made the decision to acquire the airport, we were talking to Ryanair about five routes that would initially have brought an additional 85,000 passengers to Manston. By 2019 that would have increased to 300,000. There was a real, credible opportunity to do business with Ryanair at that time.

Q66 Chair: Let me go to what happened about the purchase and disposal of Manston. You announced the closure of the airport in March 2014, less than four months after the purchase. When was the decision to close taken—or your intention to close?

Pauline Bradley: The intention to close the airport was as a result of the review that the interim executives had carried out. They were asked to report—

Q67 Chair: When?

Pauline Bradley: They reported to the shareholders at the end of February as to what the options were for the airport going forward.

Q68 Chair: How long was that after the airport was purchased?

Pauline Bradley: Four months.

Q69 Chair: Don't you think it sounds a little strange, after your confidence—the way you put it to us today—about Mr Welch's comments that all these very positive things were going to happen, that within four months there was the decision to close it?

Pauline Bradley: The reason for that is that a number of things happened in a very short period of time. Probably the most serious for Manston was that Ryanair, by the beginning of 2014 and after two profits warnings, had reviewed their operational strategy and come to the conclusion that airports like Manston were exactly not what they wanted in terms of their business going forward. Therefore, as a result, Ryanair withdrew from our discussions. That was not something we could have foreseen at the time. Ryanair, in effect, pulled out.

Obviously in relation to the BA cargo that you referred to, BA changed their strategy on cargo. Some of the cargo operators that we had spoken to in terms of bringing business to Manston were affected by things such as “No Night Flights”, and therefore we could not attract business for that reason. The whole strategy around cargo in terms of the aviation industry was under review. Most cargo was being carried in the belly of planes. The main areas we identified early on to improve the revenue at Manston, to give us a chance of turning it around within a very short period of time, no longer existed.

Q70 Chair: Within four months you went from seeing it as a place where there could be major developments with some confidence to deciding that you would have to close it. Am I correct in saying that?

Pauline Bradley: Yes.

Q71 Chair: The airport closed on 15 May 2014. When did you sell off the assets, such as the emergency equipment and the runway lighting? When were those sold off?

Alastair Welch: The key piece to set out is that it was what we would call an orderly closure, by which we mean a solvent closure; creditors were paid and staff were made redundant, and obviously paid by the company, and as part of that what then followed were the mechanical assets. Things with wheels and so on were sold around three or four months after that. Some of the other items were sold beyond that.

Q72 Chair: Could you clarify for me when the aviation assets, such as emergency equipment and runway lighting, were sold off?

Alastair Welch: I do not think the runway lighting has actually been sold, to my knowledge.

Q73 Chair: Has it been sold?

Alastair Welch: Certainly it was available for sale. I do not think it has value, to be honest. There was a process of sale which ran until roughly September/October last year.

Q74 Chair: I want to know when these particular pieces of equipment were sold off. When was the emergency equipment sold off?

Alastair Welch: If it is helpful, might I suggest that we could write to you with a schedule breaking that down so we can be correct?

Q75 Chair: Yes. We want to know when the emergency equipment and runway lighting were sold off. We have heard that RiverOak attempted to purchase the airport in April 2014 following the closure announcement. How much did they offer?

Pauline Bradley: I can answer that. The original offer from RiverOak was a verbal offer. It was made to me and Ann Gloag. The original offer was to give us our money back. That was the quote.

Q76 Chair: How much was offered?

Pauline Bradley: The offers ranged from the initial offer of giving us back our money. There was then a verbal offer—

Q77 Chair: How much would that be?

Pauline Bradley: My interpretation of that at the time was that they were going to pay us the £1 that we had paid Infratil. The offer was increased to around £2 million or £2.5 million verbally, and offers after that started to come in writing.

Q78 Chair: RiverOak, would you like to comment on that?

George Yerrall: We offered £5 million, £6 million and ultimately £7 million in the space of two or three weeks.

Tony Freudmann: In writing.

Q79 Chair: It was in writing. Ms Bradley, this is something very different. How can there be such a discrepancy?

Pauline Bradley: I do not think it is different. In the original conversations with RiverOak, when they came up to Scotland to visit Ann Gloag and myself—in fact, I think Tony Freudmann was present at that meeting—the offers were made verbally. There was a verbal offer made that day, which was to give us our money back. When that was rejected, the offer was increased at the same meeting to around £2 million or £2.5 million. I do not remember which it was. That meeting then ended, and Mr Freudmann, Niall Lawlor and another gentleman left. The same day we had a telephone conversation to increase the

offer to, I believe, either £3 million or £4 million. When the offers started to come in writing, then Mr Yerrall is correct that we had written offers of £5 million, £6 million and £7 million.

Q80 Chair: So the answer to my question is that you had an offer of how many million?

Pauline Bradley: The initial offer—

Q81 Chair: No; I am asking what the offer was from RiverOak.

Pauline Bradley: The offer ranged from £1 to £7 million.

Q82 Chair: RiverOak, do you have evidence of the offers you made?

George Yerrall: Yes, they are in writing. We have copies of the letters if you would like them.

Q83 Chair: Yes. What was the amount of the offer that you made?

George Yerrall: The highest offer was £7 million. We were rejected at £4 million. We were rejected at £5 million. We ultimately offered £7 million, which we were told was the asking price.

Q84 Chair: Ms Bradley, do you accept that? Are you disputing what RiverOak are saying they offered you and that you rejected?

Pauline Bradley: I do agree that the asking price was £7 million. I certainly do not agree that that was the offer we received from RiverOak. The offer we received was a highly conditional offer, and one of the conditions was that RiverOak would take ownership of the £2 million that sat in our bank account, so it was never a £7 million offer.

Q85 Chair: Would it be the case that you were aware at that point that the land was worth a great deal more as a development opportunity than it was as an airport, and that might have affected your decision?

Pauline Bradley: I am not aware that we actually thought about it in those terms. The decision we took was not affected by what we thought the land might ultimately have been worth. The decision we took around RiverOak was for two reasons. The first reason was that we entered into discussions with RiverOak in good faith; in truth, we saw them at that stage as being, of all the parties that had been introduced to us as buyers of the airport, a credible buyer for the airport, and we were optimistic in our early discussions with them.

One of the things we asked of RiverOak very early on, before we got into much of the debate around price at all, was that any communication between us was kept private and confidential until we agreed the deal. At that point, we would have had no issue with anyone in the public domain being aware of it. But we had just come through a very difficult experience with a previous cash buyer that apparently was going to buy the airport, pay the money and do the deal in a very short period of time. We were going through a consultation process with staff at that time and it was extremely difficult for them and for the interim team, because their hopes were raised and then the cash buyer did not materialise. We explained all that to RiverOak and said, “Look, it is really important to us that we have this private and confidential arrangement, after which we have no issue.”

Unfortunately, within a short period of time, written communication from RiverOak to ourselves started to appear in the public domain. In fact, we heard twice from our own staff at Manston that an offer was coming from RiverOak; on one occasion they could tell us that it was a knock-out offer. We had other people calling our office from the media in Thanet to tell us that another offer was coming, and that they had seen an offer. In effect, on something we had asked to stay private and confidential, third parties were aware of the offers and, in some cases, had seen the offers before we did. We just lost trust in RiverOak. It was a complete—

Q86 Chair: But losing trust is very different from disputing the fact—whether there was or was not an offer. Let me take you back to the written evidence that we received from you. It includes the following sentence: “In September 2014, Manston Skyport sold the site to regeneration specialists.” Is that a reference to Mr Cartner and Mr Musgrave?

Pauline Bradley: Yes, it is.

Q87 Chair: You sold the site to them. Are they the current owners of the airport?

Pauline Bradley: They are. They are the majority—

Q88 Chair: They are the current owners of the airport. Did Manston Skyport Limited maintain an interest in the former Manston airport?

Pauline Bradley: Yes, it did.

Q89 Chair: Who owns it then? Mr Cartner and Mr Musgrave are the owners. Manston Skyport, you agree, retains an interest. Can you tell us the nature of that interest?

Pauline Bradley: The majority of the share capital of that business—as in 80% of the share capital of that business—is owned by Mr Musgrave and Mr Cartner. We have a minority interest in the business going forward.

Q90 Chair: They own 80% of it, do they?

Pauline Bradley: That is correct.

Q91 Chair: Are you, Ms Bradley, a director of a company called Lothian Shelf (718)?

Pauline Bradley: I believe I am, yes.

Q92 Chair: You believe you are. That counts as yes. What assets does Lothian Shelf (718) hold the title to?

Pauline Bradley: Lothian Shelf (718) must own—it is a 20% shareholder in the joint venture. I am trying to be helpful. I am just not entirely sure.

Q93 Chair: You don't know.

Pauline Bradley: My colleague Mr Mackinnon can help.

Q94 Chair: Mr Mackinnon, what light can you shed on this?

Alan Mackinnon: Lothian Shelf (718) is the JV company and owns the site.

Q95 Chair: It owns the whole of the site, doesn't it?

Alan Mackinnon: Yes.

Q96 Chair: Ms Bradley, you have given me a different answer. It owns the whole of the site. Therefore, is it accurate to state that Manston Skyport sold the site to the regeneration specialists you have named—Mr Cartner and Mr Musgrave? You said it sold the site to them. We now find that the company Lothian Shelf (718), of which you were a director, owns the site, so the first statement is not accurate, is it?

Pauline Bradley: Lothian Shelf (718) is the joint venture company. Mr Cartner and Mr Musgrave own 80% of Lothian Shelf and we own the other 20%. That is the joint venture company.

Q97 Chair: Is there a charge secured against the assets of Lothian Shelf (718)?

Alan Mackinnon: Yes, there is, in favour of Kent Facilities Ltd. There is a charge, I believe, registered against Lothian Shelf (718) Limited in favour of Kent Facilities Ltd, which owned the site.

Q98 Chair: Does that charge relate to a loan of £7 million from Kent Facilities Limited?

Alan Mackinnon: Yes.

Q99 Chair: Ms Bradley does not seem to know. Where does that £7 million come from?

Alan Mackinnon: Sorry, where does it come from?

Chair: Yes.

Alan Mackinnon: It is an amount secured against the site.

Q100 Chair: Where from? Where does the money come from?

Alan Mackinnon: It is securing money that has not yet been paid.

Q101 Chair: Where does it come from? Where does £7 million come from? Can either of you answer that?

Alan Mackinnon: Sorry.

Q102 Chair: Can either of you answer that question? Where does that £7 million come from? Ms Bradley, can you tell me?

Pauline Bradley: Forgive me, but I think to give you an accurate answer, the best thing is that we write to you fully about what the £7 million is.

Q103 Chair: According to documents that we have, the answer to that is Ann Gloag. Are you not aware of that?

Pauline Bradley: As I say, the best thing is that I research it and write to you. I do not want to give you an answer that could be incorrect.

Q104 Chair: Is a share of the profits from Lothian Shelf (718) directed to a company called Highland and Universal Investments under the terms of a joint venture agreement?

Pauline Bradley: Yes, it is.

Q105 Chair: Who is the director and owner of Highland and Universal Investments?

Pauline Bradley: I believe the owner is Ann Gloag.

Q106 Chair: Ann Gloag; that is correct.

Pauline Bradley: I do not know who the directors are.

Q107 Chair: The owner is Ann Gloag. Has Ann Gloag retained a substantial stake in, and financial control of, the former Manston airport site?

Pauline Bradley: The control of the site, whether financially or indeed in any other way, lies with Mr Musgrave and Mr Cartner. We obviously made the decision to sell it to them based on their experience in the area. Therefore, they are very much involved in the regeneration—

Q108 Chair: You talk about them being involved, but that is a completely separate question. That is not what I put to you. I am going to put the question to you again. Has Ann Gloag retained a substantial stake in, and financial control of, the former Manston airport site?

Pauline Bradley: She has a stake in the business. She has no financial control of the business.

Q109 Chair: Is it not correct that Ann Gloag has financial control through the charge secured against the assets of Lothian Shelf (718) and that a share of the profit is directed to her under the joint venture agreement? Is that not correct?

Pauline Bradley: I do not think that necessarily means that she has financial control. I think anyone who has a charge over a business, if there is a breach of the conditions of the charge, will exercise their charge, but I do not think that means they have financial control of a business. You have secured an interest you have with a charge.

Q110 Chair: How would you describe Ann Gloag's connection with this site, in view of the facts that I have read out, some of which you agreed with?

Pauline Bradley: Her connection with the site is that she retains an interest in the site, and that she has secured her interest in the site with some form of fixed charge. That is her interest in the site.

Q111 Chair: Wouldn't you think that, given the facts I have put to you, all of which are well documented and have been researched by the House of Commons Library, that is deliberately misleading this Committee and the public into thinking that Manston airport had been sold to Mr Cartner and Mr Musgrave? Wouldn't you think that was a misleading thing to put forward in view of the facts I have put to you and the documentation we have?

Pauline Bradley: I do not think we have ever tried to say that we do not have a retained interest in Manston going forward. I think that was actually part of the statement that was

made at the time. We have always stated that we retained an interest in Manston airport. In terms of the supplemental questions to do with the charge, and whether in some way having that charge influences the way that business goes forward, that is something that I would have to come back to you on and clarify. I do not believe that the presence of a charge would mean that Ann Gloag had any financial control or other type of control of the business.

Q112 Chair: Or financial interest.

Pauline Bradley: She would have a financial interest.

Q113 Chair: A significant financial interest.

Pauline Bradley: If the regeneration was obviously to be successful and profits would be made, then, yes, she would have a significant financial interest.

Q114 Chloe Smith: I would like to turn to RiverOak and Mr Freudmann and Mr Yerrall. Could you describe to us what previous experience RiverOak has in the aviation industry?

George Yerrall: RiverOak, which is based in Stamford, Connecticut, has not done an aviation project as a company—as RiverOak. However, Mr Freudmann, who is now a partner with RiverOak, and Mr Lawlor who is in the room and is a partner with RiverOak, have extensive aviation experience both operationally and financially.

Q115 Chloe Smith: Specifically picking up on Mr Freudmann’s role as you have offered it, Mr Freudmann, you were the MD of Manston airport between 1997 and 2005. The airport ended up in liquidation. What would have been your intention in order to do a better job this time?

Tony Freudmann: I had departed long before the liquidation. Without engaging too much in a history lesson, the then owners of the then company decided to bet the company on a low-cost carrier called EUjet. Those of us whose advice was ignored departed the company, and by the time the company went into administration in July 2005 I was long gone. During my time the airport was successfully transferred from military use to a civilian operation and was building up its cargo business very successfully.

Q116 Chloe Smith: From RiverOak’s perspective, what is the broad nature of your business, and in placing your offer on Manston what did you expect to be able to do with this site?

George Yerrall: I didn’t hear the middle verb that you used there. What was the something of the? If you wouldn’t mind—

Q117 Chloe Smith: What is the nature of your business and what did you expect to be able to do with this site?

George Yerrall: Our story is a relatively simple one. We took a fresh look at this and did not see a passenger airport as the stabilising event for that airport. We saw a cargo business that we felt we could grow. We reached out to a number of the already existing carriers and to a number of new carriers, and got a pretty strong response for what those carriers would be willing to do were we able to reopen the airport. It ended up that we

could make the airport work on 22 flights a week, which we just did not think was so hard to make happen.

Q118 Chloe Smith: What is the nature of your business? One of the items that is obvious from your website is that your interest is principally in property development.

George Yerrall: We are not property developers. We are investors. We have a business back in the States that finds property developers who need cash. We form joint ventures with them, but we do not build and operate the real estate. We are really an asset manager. We have \$350 million of different kinds of assets under management. We have executed 50 deals, and never failed to execute.

To go back to your prior question, the other thing that came along quickly at Manston was the ability to run a repair, maintenance and ultimately teardown facility, which we came to understand is a highly growing field, as more and more planes go in the air and less and less countries are willing to have them parked in the desert. They need to be carefully broken down, re-parted and turned into either recycling or spare parts. That became a second plank that we based our underwriting of the airport on as well.

Q119 Chloe Smith: Did you believe that was going to be profitable?

George Yerrall: I do believe that it will be profitable. We have had extensive talks and tours with an original equipment manufacturer—an OEM—of airplanes, who is very interested in this business. They do not want to own the business but want to be in the business. I believe that is going to be a profitable business, whether it is at Manston or elsewhere in the short run, because there are too many planes in the air and they have to come out of service at some point. A plane is going to run out of its useful life somewhere between 12, 13 and 20 years. It is no longer feasible to just keep parking them somewhere in the sand.

Q120 Chloe Smith: Did you have evidence that that model would have been profitable when you were making the £4 million, £5 million and £7 million offer for Manston?

George Yerrall: No, we did not. We did not base our offer on that and we did not need to. We knew that that was a secondary plank. We based our offer on what we knew or felt we knew we could do very simply in the cargo business. There are a lot of reasons why cargo works in Manston, not the least of which is the enormous amount of apron space and the ability to get service right on to the airfield instead of what a cargo carrier has to do at Stansted or Heathrow. We found we could get goods into London faster from Manston than it could be done from Heathrow.

Q121 Chloe Smith: Would it be your view that Manston remains a viable site for such a venture?

George Yerrall: Completely. I appreciate the opportunity to be here. There is a part of me that says, “I’m just a guy from Massachusetts who is in Parliament today,” and that does not happen very often, but I would not be doing it if I didn’t think we could make money with it. That is why I am here.

Q122 Chloe Smith: Have you ever provided such advice at any time to Skyport or any of the other ventures that we have named today?

George Yerrall: Have we provided advice to them?

Q123 Chloe Smith: Have you formulated your view that it is possible to run Manston profitably on a business model that includes repair and teardown? Have you at any time formulated that into a conversation that could be construed as advice with any of the people named today?

George Yerrall: I do not believe we have talked to them directly about it. *[Interruption.]* We did? If we did, I was not there.

Q124 Chloe Smith: I turned my head just at that point. Whoever it was that said, “We did,” would you please expand on that? *[Interruption.]*

Chair: No, no.

Chloe Smith: Forgive me, Chair, I thought it was a member of the panel.

Q125 Mr Harris: Ms Bradley, this is obviously an incredibly complicated financial situation. You are experienced in these matters. When Infratil purchased the airport for £17 million in 2005 and then offered to sell it to you eight years later for a quid, were any alarm bells ringing at that point?

Pauline Bradley: The original offer on the table being made with Infratil was actually £8 million, but when we were going through the financial due diligence in particular, and you could see the scale of the losses, that was the main reason. I should explain that it was part of a larger transaction at that stage that involved Prestwick airport, and the £8 million offer was for both airports. Because we could not get a handle on the losses—we had the management losses and we had updated trading, and there was quite a difference between the two—we simply could not get comfortable with what the actual level of losses might be, so we withdrew from the Prestwick airport side of things and asked Infratil if we could proceed to buy Manston. The price ticket at that stage was £1.

The reason we did not have alarm bells ringing was what I alluded to earlier. So many people on the ground at Manston had advised us that the reason the business underperformed was that it just had not been managed from a revenue enhancement perspective. That was the opportunity that we saw, and that is why we went to Ryanair and that is why we approached some of the other cargo operators. That is why we went to the local authority and to Kent county council to see what support we could get to give Manston the best chance to begin to turn around. Yes, there were alarm bells to a point, but we believed what we had heard at that time, and, to be honest, had Ryanair not had the situation they found themselves in at the beginning of the year, I think Manston would have had a good chance to turn around.

Q126 Mr Harris: From your perspective back in 2013, looking at the history of Manston and having done all your due diligence, you were absolutely 100% certain, without any kind of serious doubt, that it would be a viable airport in the long term.

Pauline Bradley: When we completed the purchase we had not finished the due diligence. That was part of the problem. By that stage Infratil, having thought they were going to get an £8 million price for two airports, found themselves with a potential purchaser that did not want to buy one, and was only going to pay £1 for the second airport.

Q127 Mr Harris: Presumably you have followed the coverage of this controversy closer than others have. Can you understand why a lot of people on the outside looking at this are thinking, “There is something very fishy here”?

Pauline Bradley: I can understand, first of all, that there is a lot of emotion around Manston. I understand that there is a history at Manston, and a lot of people are very sad that the airport finally closed after such a long time.

Q128 Mr Harris: Sorry, that is not what I meant. A lot of money is involved in this and a lot of people are about to get very wealthy on the back of a £1 purchase. Do you understand why people are looking at that and thinking there has been a very dubious financial sleight of hand here?

Pauline Bradley: Yes, if your headline is, “Well, they bought this airport for £1,” I can understand that some people might think there is a fortune to be made in this, but the reality, as I said earlier, is that by the time we took the decision to close the airport the losses that had been racked up in the period we owned it were £4.5 million. This was an airport that was losing between £10,000 and £12,000 a day. That sometimes gets lost in the—

Q129 Mr Harris: For how long had those losses been endured before you made the purchase? Presumably it was making losses in the years before you purchased it, so by the time you purchased it, it must have lost hundreds of millions.

Pauline Bradley: I do not think it was in the hundreds of millions. I believe the overall loss position to Infratil, including the £17.5 million that they paid for it, was about £55 million.

Q130 Mr Harris: You were slightly dismissive of the allegation that a lot of people are going to make a lot of money out of this. Mrs Gloag is going to make quite a lot of money, isn't she?

Pauline Bradley: If it is successful she would, yes.

Q131 Mr Harris: Are you personally?

Pauline Bradley: No.

Q132 Mr Harris: There is no bonus for you.

Pauline Bradley: No.

Q133 Mr Harris: Mr Welch, you will understand that members of the Select Committee are constantly targeted by air industry organisations concerned about the Davies Commission. We have been involved in a lot of debate as it has gone on over the years. I got involved back in 2008 so I have paid very close attention to that debate. I am delighted that you are here because you are the first person I have met who thinks there is any chance that the Davies Commission will recommend that there are no new airports anywhere in the south-east. Do you still expect that to happen when they make their conclusions? Let me put it this way. Will you be surprised if the Airports Commission actually recommend new runways anywhere in the south-east? Will you be running down Whitehall naked or something?

Alastair Welch: No.

Mr Harris: It's just an idea.

Alastair Welch: That is not an idea I'd pursue. Seriously, at the time of purchase, which I think was the question earlier from the Chair, the point was whether there was a possibility that Davies would recommend no more runways and making the best use of current airports. That was a possibility.

Q134 Mr Harris: In percentage terms how likely do you think that would have been—between 5% and 10%, or less?

Alastair Welch: I think higher than that because his original remit was very broad. Manston put in very strong representations to him before the purchase—because the consultation period, as I am sure you are aware, was before purchase—to the effect that there was plenty of capacity in the south-east. That was the contention from Manston—that Manston had a role to play and potentially could even be the runway that London needed. Davies clearly considered it very carefully and said, “No, that's not what I am going to pursue.” He came back and said he would pursue a further runway, as you know, either at Heathrow or Gatwick. So to your question, “Do I think he will recommend none?”, having said there should be one at either Heathrow or Gatwick, no, I don't. I think he will recommend one.

Q135 Mr Harris: Ms Bradley, Manston Skyport never seriously intended to run Manston as an airport, did they?

Pauline Bradley: Manston Skyport did intend to run Manston as an airport. That was why we had the conversations early on to try in particular to improve the passenger numbers through a volume player like Ryanair. That is why we spent a lot of time and money trying to look at how we could turn Manston around. We also looked, for example—

Q136 Mr Harris: But not a lot of time really. Maybe a lot of money, but in time only a few weeks.

Pauline Bradley: I am referring to the time before the purchase. We did a lot of this work in the months leading up to the purchase. One of the other things we did was to look at the possibility of putting a new terminal building into Manston. If your business plan relies on low-cost carriers, the only way you will make money from a low-cost carrier, as I am sure you know, is to offer services within the terminal building and also through car parking. We also looked at building a new terminal building. We had it costed and one of the reasons we went to Kent county council was to see whether, if we got to that stage, there would be some public support to do that. There was a very clear intent when we bought the airport to run that airport as an aviation operation. We knew that there would be problems and challenges. We understood the risks, and we made the decision to acquire it on that basis.

Q137 Mr Harris: But then a few weeks later you changed your mind.

Pauline Bradley: A few months later, largely because of the Ryanair situation, we changed our mind.

Q138 Chair: Mr Yerrall or Mr Freudmann of RiverOak, could you tell us why Thanet district council declined your offer to act as an indemnity partner in the CPO?

George Yerrall: I can tell you why they said they did that. You are going to hear that we don't have any money; that somehow, in their qualifications, we came up short on dollars. We have spent hundreds of thousands of dollars just pursuing the deal in the six months that we've been looking at it. We have raised plenty of money, and put in our own, to become a CPO indemnity partner with the district council.

When our offers to buy the airport were rejected we had to take a step back. That step back included going to Wragge Lawrence Graham and understanding what the CPO process was about, going to Lord Pannick and getting a read on why our bid as a CPO for the airport would or would not hold water, and we also consulted with a barrister named James Maurici—all at great expense; and it took time. We did all that research and offered to share that research. We could never get a taker from the council to look at that research or—

Q139 Chair: You did your research, but did you comply with all of their diligence-related requests?

George Yerrall: No. In a short answer, we didn't. That was because we felt that the requests they were making were not useful for the exercise we were in. We tried to explain that and we could not get there. I know we are an American company and we are not on a British website, meaning we are not in Companies House. We are a private equity company so we are not necessarily easy to understand, but we went to some pretty great lengths to show who we were, what we had and what our financial wherewithal was, but it did not fit into the box we were trying to be put into.

Q140 Chair: Did you propose that RiverOak, or a subsidiary of RiverOak, would act as the indemnity partner?

George Yerrall: Yes.

Q141 Chair: Is that subsidiary registered in the state of Delaware?

George Yerrall: Yes. We told the council that we knew we would be incorporating in the UK, and that the licence holder would always have to be a UK company. We went as far as to ask the council how much money they would like us to deposit onshore. At that point, we were told that they were no longer taking information and that they were moving towards a decision.

Q142 Chair: Were you prepared to commit to purchasing Manston at the end of the CPO process and running it as an airport?

George Yerrall: Yes.

Q143 Chair: You were prepared to commit to that.

George Yerrall: Yes.

Q144 Chair: Did you propose releasing funds to Thanet district council in a series of payments rather than as one sum?

George Yerrall: I'm sorry, was the question did we agree to release funds to them?

Q145 Chair: Did you propose to release funds to the council as a series of payments?

George Yerrall: Chair, we provided a comprehensive heads of terms on what a CPO indemnity partner—

Q146 Chair: Answer the question. Did you propose a series of payments to the council rather than one payment?

George Yerrall: Yes; a series of payments. It was always going to be a series of payments. That is how the CPO would work.

Chair: Thank you very much to everyone for coming to answer our questions.

Examination of Witnesses

Witnesses: **Paul Carter**, Leader, Kent County Council, **David Smith**, Director of Economic Development, Kent County Council, **Councillor Iris Johnston**, Leader, Thanet District Council, **Madeline Homer**, Acting Chief Executive, Thanet District Council, **Paul Cook**, Interim Director of Corporate Resources, Thanet District Council, and **Sir Roger Gale MP**, gave evidence.

Q147 Chair: Good afternoon and welcome to the Transport Select Committee. Could you give us your name and organisation, please?

Paul Cook: I am Paul Cook, director of corporate resources, Thanet district council.

Madeline Homer: I am Madeline Homer, acting chief executive, Thanet district council.

Councillor Johnston: I am Iris Johnston, leader of Thanet district council.

Sir Roger Gale: I am Roger Gale, Member of Parliament for North Thanet, which includes the Manston site.

Paul Carter: I am Paul Carter, leader of Kent county council.

David Smith: I am David Smith, director for economic development at Kent county council.

Q148 Chair: I would like to ask all of you whether you were aware that Manston Skyport and Ann Gloag had maintained an interest in Manston. You heard the previous session and the information that came from that. I would like to ask each of you if you knew about that. Mr Cook, were you aware of that?

Paul Cook: I was aware that a majority interest had been acquired by the new owners and, therefore, that some interest had been retained.

Q149 Chair: And you knew who had retained it.

Paul Cook: Yes.

Q150 Chair: When you were listening to the previous session in relation to retention of interest in Manston, specifically in relation to Ann Gloag and Manston Skyport, was any of that new to you?

Paul Cook: I knew that only a majority interest had been disposed of. I did not know all the exact details but I understood the overall situation.

Q151 Chair: Ms Homer, what was your information?

Madeline Homer: My understanding was that the majority interest had been sold to Chris Musgrave and Trevor Cartner but that Ann Gloag had retained a 20% interest in the joint venture company. That was my understanding.

Q152 Chair: Councillor Johnston, what was your information?

Councillor Johnston: On 23 September Mrs Bradley phoned me at eight o'clock in the morning to tell me that the person I was seeing that morning would be the people who were the new owners of Manston; I actually had an appointment in my diary for 8.15 with Chris Musgrave. This would appear to have been the exciting news that Mrs Gloag had told me in the summer was coming. I then fairly quickly realised that 80% was with Mr Musgrave and Mr Cartner, and 20% was held by others that Mrs Gloag and Mrs Bradley would have been connected with.

Q153 Chair: Did you have any further information about that?

Councillor Johnston: Not particularly. I had a good meeting with Mr Musgrave and the arrangements became clearer to me at that meeting. It was a very brief meeting. I think he was discussing the breakdown with the MPs and others as well, but for me it was the exciting news that there were going to be some new owners some time in the autumn, and that was it.

Q154 Chair: After listening to the exchanges in the part of the session that has just concluded, did you feel that you had been misled in any way?

Councillor Johnston: I don't know if I was misled, but I had not quite grasped the extent of Mrs Gloag's interest until some time ago when I was alerted to the fact that Mrs Gloag's interest was more than just the 20%.

Q155 Chair: Sir Roger, what was your understanding of this in relation to Mrs Gloag's continued involvement?

Sir Roger Gale: When I was told that Cartner and Musgrave had acquired an interest in the site, I made it my business to find out the structure of the companies behind it. It became apparent to me that in no meaningful sense did Cartner and Musgrave own 80% of anything at all connected with Manston, other than possibly a promise. I said that publicly on BBC Radio Kent. I received a complaint from Cartner and Musgrave indicating that I had misrepresented their position and asking me to withdraw. I wrote back to them and said that I would be grateful if they could confirm that they did in fact own the

unencumbered freehold of 80% of Manston, including the Northern Grass site. I have yet to receive a reply.

Q156 Chair: Councillor Carter, what was your understanding of the position?

Paul Carter: From the moment the sale was announced I have always been aware that Ann Gloag retained a 20% interest in the new joint venture company. I have little information on the details of how the new joint venture company was funded. Obviously from the discussions earlier, Ann Gloag still has quite a lot of money involved, through her charge in this company, hopefully to make interesting things happen at Manston airport.

Q157 Chair: Does what you have heard today disturb you in any way?

Paul Carter: No.

Q158 Chair: Mr Smith, could you tell us if you have heard anything new today in relation to knowledge about Ann Gloag's continued involvement?

David Smith: No, I have not. I would be interested to see the additional evidence that Ms Bradley has promised about the structure of the current ownership. It is my understanding, supported by a letter from Mr Cartner's and Mr Musgrave's solicitors, that in economic terms they have 80% ownership of the company that owns the airport and its assets.

Q159 Chair: Councillor Johnston, could you explain to us why Thanet district council did not proceed with the compulsory purchase order in relation to Manston?

Councillor Johnston: We received a petition on 10 July asking the council to CPO Manston; we have had some difficult experiences of CPOs and the feeling was that we needed an indemnity partner that covered all our costs. I called two urgent meetings, one on 17 July and then one that was in our diary for 31 July, to see how we could move forward. We went out for soft-market testing, and some companies came forward, including RiverOak. Of course, I have known Mr Freudmann for many years. I have been a councillor for 20 years, so I know Mr Freudmann's background.

We eventually got to a stage by the middle of October when we were not satisfied with the information that was coming forward. It is very difficult for a company, particularly an American company, to meet the criteria of the district council. We need to see three years' accounts. Our due diligence is very strong. We must not risk everything that our council does unless we are sure who our partner is. Although I have respect for all of the people involved, it was very difficult for us. Although we could have made a decision in July, we extended the time to 11 December when we said that at the present time we were not going forward with the CPO because we had not found an indemnity partner.

Q160 Chair: RiverOak have told us that they did everything that was asked of them. Are you disputing that and saying that it was not good enough?

Councillor Johnston: Based on officer advice and on my own observations, it was difficult to get the information that we required. In the original responses, the answers were not fully completed. They were unable to give three years' accounts because the company had been set up in Delaware, I believe on 3 July, so they would not have had

three years' accounts for the company that we were going to have to deal with. We had to be very cautious. If we had a difficulty, and perhaps there was a repeat of the situation that Mrs Gloag landed us in, we might find that we had the same situation with RiverOak months or a couple of years down the line and the council might have to underwrite. We also had legal advice talking about a leap of faith. To me that was what it was going to be—a leap of faith.

Q161 Chair: Was the fact that the subsidiary was registered in Delaware a significant factor in your deciding that you could not go along with it?

Councillor Johnston: I think it probably is. I like people to pay tax in this country, thank you.

Q162 Chair: Where did you get your advice for dealing with all of this? Did you have access to the right kind of expertise?

Councillor Johnston: Absolutely. I was obviously dependent on our officers who are sitting beside me, but we also sought outside legal advice. We had considerable evidence from telephone conversations, e-mails and then written advice, which I have in front of me, from Landmark. Elected members—all of us—have to be mindful of the advice we are given. Whatever our personal views are, we have to listen and have regard to it. I have that advice in front of me and it is very clear. We had to think of the rights of the owners. I am now finding out more about the owners today. We also had to meet certain tests for a CPO. With regret and at the present time, we were not totally satisfied with RiverOak. After many months of asking for full information, we saw that there was \$1.6 million in an account somewhere in America. I did not see the bank statement. We were looking for an escrow account in this country, with the council and the indemnity partner having joint rights over it, but we were not at that stage several months later, by 11 December.

Q163 Karen Lumley: How much would you estimate that it has cost the taxpayers of Thanet so far in the extra advice you have received?

Councillor Johnston: We commissioned a report from Falcon, who are a reputable company. I think it was £26,000.

Madeline Homer: The total cost that Thanet district council has spent on seeking advice on this matter is £26,000.

Q164 Chair: Councillor Johnston, do you think that Mr Cartner and Mr Musgrave are good news in relation to Manston airport?

Councillor Johnston: I live in hope.

Q165 Chair: Councillor Carter, could you explain your position to us? The county council has a resolution supporting the continuation of an airport at Manston, but you seem to have made statements welcoming what is called mixed development on the site. Could you clarify what your view is, and the view of the council?

Paul Carter: Yes. Over the last 15 or 16 years, when the airport has been under private ownership, we have done all we could at Kent county council to support the development of a thriving airport at Manston. As has already been referred to this afternoon, the amount

of private sector losses in those 16 years has been exceedingly high, from Wiggins going into liquidation, to EUjet going spectacularly bust as part of that, and Infratil accruing losses of about £55 million during their ownership.

We at Kent county council have done all we can to support Infratil, under my leadership for nearly 10 years. Every time the main board came over from New Zealand we had discussions about how we could help and support them still further. Road and rail connectivity has been dramatically improved, so that accessibility to the airport is good. A new Manston parkway station is proposed; and it is part of our LGF round one success in getting that station, where High Speed 1 trains will bring Thanet and Manston closer to London.

We have made enormous endeavours to help and support more broadly the east Kent economy. You asked me whether I had heard anything this afternoon that concerned me. My answer was no, because Messrs Musgrave and Cartner have a very successful track record in developing commercial parks. They are the owners of Discovery Park just down the road, where Pfizer withdrew almost exactly four years ago. They took on massive financial risk and have turned it into the most phenomenal success. They are now employing 2,200 in jobs when Pfizer, when they made the phone call to David Willetts, and David Willetts to myself asking me to lead the task force, were threatening their total withdrawal from Sandwich, and the demolition ball going into that site within 12 months had we not had a good rescue plan. We are enormously grateful for the support and aid we got from national Government to turn that into a phenomenal success.

It is the same in the north-east of England at an old Samsung site that closed down in 2005 and which again now supports over 2,000 jobs. In partnership with an ex-coalfield site in Sheffield, they turned that into a dramatic success. They were very challenging commercial sites which have been turned round by the expertise of those two partners.

Q166 Chair: Have you seen the detailed proposals from Mr Cartner and Mr Musgrave?

Paul Carter: I did have a meeting with them in my office a week or 10 days ago when they discussed the evolution of their master plan, which will—I do not think there is any secret—try to maximise advanced manufacturing on that site. Indeed they have one or two prospective tenants that would like to be on the airport site.

Q167 Chair: What about housing? How much of it is for housing?

Paul Carter: There is talk of some housing, but predominantly it will be a commercial development. That is what they tell me. I can only repeat what came out of that conversation with both those partners. It will be led by advanced manufacturing, exactly the sort of jobs we want to create in east Kent.

Q168 Chair: What exactly did you see? I would like to be clear what you saw. You had a discussion with them and what did they show you?

Paul Carter: They showed me nothing. We talked about their plan. We had a discussion with David Smith, the director of economic development, about their evolving ideas for the master plan which will eventually be submitted to Thanet district council. That is in its evolution. What I was told was that it will be predominantly commercially led. Advanced manufacturing will be high on the list. They have already potentially secured some very

interesting occupiers in advanced manufacturing, where they believe 550 jobs could be secured there, subject to planning, very quickly. That is enormously exciting when the airport has only previously succeeded in employing 144, many of those part-time jobs. Am I excited about the future? Yes, I am, based on the track record of Mr Cartner and Mr Musgrave in their business ventures elsewhere in this country.

Q169 Mr Harris: First of all, Councillor Carter, welcome back to the Transport Committee. You seem to have a better attendance record here than I do. In July last year, you voted with your colleagues for a motion which expresses disappointment at the closure of the airport, and a commitment to work with Thanet district council to support proposals to retain Manston as an airport. Two months later you were being very enthusiastic about the new regime, as you have been today, and that is perfectly acceptable; but did something change in those two months? It is a very short period of time, when you went from voting unanimously to support the airport to suddenly banging on about the fantastic track record of the new owners in creating non-airport jobs.

Paul Carter: Yes. The motion that was supported unanimously by the county council said we would be prepared to support Thanet district council in a CPO process at Manston, provided a viable and thriving airport could be delivered at Manston. It was caveated by that. The principle of supporting the retention of aviation at Manston airport was there and unanimously agreed by the council, but in my speech—there are records of it—it was caveated by the fact that there was a viable business proposition to retain aviation growth at Manston airport that really did stack up. We asked Thanet district council to submit any propositions that came their way within the time lines that were set, and nothing arrived at Kent county council at all. We have never seen a developed business plan from RiverOak to develop Manston airport as a viable going concern majoring on aviation.

Q170 Mr Harris: The problem may be that I do not know if I have the full resolution of the council here. If you say it was caveated, I certainly do not have any caveats. I have the motion and if you don't mind I will read the whole thing: "Kent County Council supports the actions taken so far by Thanet District Council to maintain Manston as a regional airport. We recognise the value that a regional airport brings to East Kent and are disappointed at its closure. Kent County Council will explore with Thanet District Council ways in which it can support proposals to retain Manston as an airport." Was there more to the motion than that? Do I only have an edited version?

Paul Carter: That was the substantive motion.

Q171 Mr Harris: That was the motion.

Paul Carter: As I said, when I asked the Conservative group on the county council to support it, it was provided we had a viable business plan for aviation retention at Manston and it was positive for growth in the east Kent economy. I have no evidence that any proposition has come forward, which is worthy of a CPO process, that does that. We have worked very closely with Thanet district council. We asked for the submissions that were made by interested parties that may want to get support for a CPO process at Manston airport, and we have received the square root of very little.

Q172 Mr Harris: I get that local and national politicians have a genuine interest in generating the local economy and creating jobs. That is entirely worthy and is exactly what

you want to do. I recognise and accept that. In an ideal world, given all of the complications that this situation involves, if somehow out of the ether a new proposal were to emerge to reinstitute a working, viable airport at Manston, would you prefer that option over what is now planned?

Paul Carter: It depends on the scale of what was offered. I have always suggested that if there were interesting and viable propositions that were good for the east Kent economy and good for aviation growth at Manston, I would look at them, and I am sure the new owners would so do. I remind the Committee that PricewaterhouseCoopers, acting on behalf of Infratil, were marketing this airport fairly aggressively. It was not too aggressive to begin with. I kept phoning them up wanting to make sure that they did aggressively market Manston airport globally to try to get interested parties to continue aviation at Manston. That was peddled around the global aviation market. I did all that I could to encourage various parties to come forward, when Infratil were getting very frustrated that no offers were coming their way. There were various events that took place within the main board in New Zealand which precipitated a very rapid sale at the time Ann Gloag acquired the airport. The chairman of the company died unexpectedly; over a very short period of time, the rest of the directors then passed a resolution to offload the airport very rapidly and get it off their balance sheet. They had had enough.

Q173 Karen Lumley: Councillor Johnston and Sir Roger, what would the people of Thanet prefer—an airport or a business park?

Councillor Johnston: The majority that contact me would prefer to have an airport. We are busily working on our draft local plan at the moment. We have found sites for the 12,000 homes we need by 2031, without needing Manston airport. I have been committed since my last election to support the development of the airport. It is something that I promised at election time and I keep that promise. The majority of people are concerned that the airport was lost in the way it was lost. They want us to support its reopening, but there are concerns in the Ramsgate area about flights—night flights and so on. I know from being in Ramsgate how low those planes go over the town. If the airport was reinstated, we would definitely have to revisit the flight paths.

Q174 Chair: Sir Roger, what is your view of what should happen?

Sir Roger Gale: There is undoubtedly a small body of opinion that is opposed to the airport. It is a curious fact of life that people buy houses under a flight path and then are surprised to find that there are aircraft there. That aside, and it is a small body of opinion, the overwhelming sense of opinion in east Kent—my colleague Laura Sandys and I are fully aware of this—is in favour of the airport; is opposed to other development; and recognises the fact that there is already a significant amount of underdeveloped and undeveloped brownfield industrial land available in Thanet. There is also housing land already available. They want the jobs back in the short term that have been sacrificed. There is also recognition that it is a national asset. That was one of the points that I made. It is a major diversion field; it has been and should be. It is a resource unreplicated anywhere else, certainly in the south-east. It also has the capacity to house the search and rescue helicopters that used to be there, and that Bristows want to bring back to cover the straits of Dover. It is not just a local interest. It is a county and a national interest as well and there is huge support for it. *[Applause.]*

Q175 Chair: Order. Sir Roger, the airport has had varied success in the past. That is perhaps putting it in a very mild way. What makes you think it could be successful in the future?

Sir Roger Gale: I have been a supporter of the airport from the very beginning. I was party to the deal with the MOD which was led by Jonathan Aitken, who was the Member of Parliament at the time and in whose constituency Manston at that time was, to transfer a lease on the ownership—not the whole of the ownership but a lease—to Seabourne Aviation, which was actually a cargo company. Clive Bourne wanted an aviation base to add to his cargo business. That was the foundation—the origin. I think the business was then sidetracked down some extremely unfortunate—glamorous but unfortunate—ventures into passenger traffic, which should have been the icing on the cake but not the cake itself. The thing that has impressed me about the RiverOak proposal is their determination to recognise the value of a transport hub to serve northern Europe, not just the United Kingdom but also the Low Countries.

There is a demand and they believe that they can meet that demand. You have heard that they also believe that they can add not a Steptoe's backyard aircraft-breaking business of the kind that has been tried at Manston in the past, but a properly organised and much needed breaking business, which will go somewhere if it does not go to Manston. I think that that is the fundamental difference; they want to base their operation upon cargo and airport-related businesses rather than solely looking for sunshine passenger holidays.

Q176 Chair: Are you confident that that would be their intention if they became involved, and that they would not see this as another type of development opportunity?

Sir Roger Gale: I understand that is a concern. Apart from Mr Freudmann, whom I had met before, I knew none of the RiverOak team until they came forward and expressed an interest—prior, incidentally, to the closure of Manston. The £7 million offer was made before the airport closed, and that was the asking price. That was what Mrs Gloag had asked for.

I met them on a number of occasions, and have met them on many occasions since. I have been impressed by their determination. I actually thought they would walk away. When the airport was shut I thought they would say, “To hell with it, there are other places we can go. We don't need the hassle.” They have stuck with this because I believe they want to do it. The reason they want to do it is that they believe they can make money out of it. You heard Mr Yerrall say that. This is a hard-nosed business approach. It is not anything particularly romantic, but it happens to suit a romantic purpose for those of us who want to keep Manston open. I think they can do it. If I didn't, I wouldn't be sitting here now.

Q177 Martin Vickers: Sir Roger, we heard from Councillor Johnston that Thanet council had spent £26,000 on legal advice. You don't get a lot of legal advice for £26,000. It is a big resource for a district council. I acknowledge that, and I can understand that the council would be mindful of wanting to minimise expenditure, but do you think the advice they received, both externally and internally, was up to standard?

Sir Roger Gale: Brutally, no. I think it is understandable that a local council of the size and shape of Thanet, with the resources that it has, does not have, and cannot be expected to have, officers who are expert in this kind of quite complicated deal. I know that

RiverOak have spent large sums of money on lawyers, and have bought very good legal advice.

I sound as if I am an agent for RiverOak. Please understand that I am not. I will support anybody that wants to open Manston as an airport as a viable and going concern, and RiverOak is the show in town, so if I appear to be representing them it is only in that context. They have offered to pay a sizeable sum of money into an English bank account to meet the costs that have already been incurred by Thanet council—the £26,000—plus any other costs that are incurred up to and through the compulsory purchase order process. At that point, and only at that point, does any other liability cut in legally. At that point they will meet the purchase costs on a back-to-back deal. I honestly do not believe that any company—British, American, Australian, New Zealand or anyone else—could be asked to do more than that.

Q178 Martin Vickers: Sir Roger, as a local MP like me, you have probably seen this document about a proposed joint venture. Would that be correct?

Sir Roger Gale: Yes, I have a copy.

Q179 Martin Vickers: It includes some rather surprising comments; one says, “Given the adverse local reaction to the closure of the airport, the perception that the site is under the control of a non-controversial joint venture partner would be commercially advantageous from a planning perspective.” Could you comment on that, or anything else in the document?

Sir Roger Gale: May I expand the answer a little to take in a tiny bit of background? I was telephoned on 30 November 2013 by Mrs Gloag personally. She told me in terms that she had acquired Manston airport; that she intended to invest heavily in it; that she was going to give it two years to see if she could make it work and that she might need some assistance on night flying, not in terms of scheduled flights but only in terms of unscheduled emergency flights that might become necessary through delay or whatever. I understood that Mrs Gloag had a track record in transport, although not in aviation. Obviously I welcomed the fact, not knowing any of the financial background at that time, that the airport had been acquired by somebody who appeared to want to make it work. On 29 January 2014, heads of agreement were signed by Mrs Bradley with a third party offering the airport for sale for the sum of £8 million. That is two months into the ownership of the airport, and, as you know, the announcement about the closure of the airport was made on Budget day. Mrs Sandys and I heard about it while we were sitting in the Chamber on Budget day. That was actually less than four months into the promised two years.

I believe now that I was completely misled, that I was lied to and that Mrs Gloag had no intention whatsoever of running this as an airport, and every intention of seeking to turn it into an asset-stripping property development. I was shown the document and I was completely taken aback by it—source unknown; authorship believed to be Mrs Bradley, as a briefing note prepared for Mrs Gloag some time in August 2014. It says in totally cynical terms the words that Mr Vickers has read. It spells out under another chapter precisely the terms that, effectively, were agreed between Messrs Cartner, Musgrave, Bradley and Gloag. I am deeply cynical about the way that the whole of this has been handled, and therefore about the people who have been party to the decision.

Q180 Chair: What would you like the Department for Transport to do? Do you see a role for them?

Sir Roger Gale: The Department for Transport, at the request of Downing street, now have in their hands all of the RiverOak papers. I hope they have all of them; I believe they have. I hope that they now also have all the Thanet district council papers. They are being reviewed. I would like the Department for Transport to say either that Thanet council was right in its caution and that RiverOak need to provide more information on their bid, which is still current—we are not talking in the past tense; they still want to buy the airport and if they have to provide more information then they must do so—or the Department for Transport must say that Thanet council, though understandably, was nevertheless over-cautious and can safely proceed with the compulsory purchase on a back-to-back deal with RiverOak.

There is another thing I would ask of this Committee because I do not want to see this happen again. I feel very strongly, as I said in my submission, that national infrastructure is a national asset; once it has gone you don't get it back. I recommended a quasi-listing, rather like listed buildings but not in the historical or architectural sense, so that a site such as this could be protected up until the point when an inspector had looked at it and a Secretary of State had ruled, "Yes, this can properly be sold," or, "No, in the national interest it should be protected." This is a site of national value. The Virgin aircraft that ran into trouble six or nine months ago and shut Gatwick for half a day could have been diverted so easily to Manston had the airport still been open. The planes that are potentially carrying terrorists and currently destined to Stansted—which would bring that airport to a grinding halt—could be diverted safely to not an airport like Manston, because there isn't one, but to Manston with its long and wide runway. I think assets like this have to be protected. The reason I am so grateful to the Select Committee for taking this on board is that these are assets that in the national interest and on a cross-party basis we really have to try to protect.

Q181 Chair: Councillor Carter, did you indicate then?

Paul Carter: I am not privy to the paper to which Sir Roger is referring, but I think—David Smith can correct me if I am in any way wrong—that the offer of a JV two months into Ann Gloag's ownership when the £8 million was mentioned was connected to Mr Freudmann, who originally had potentially introduced the opportunity of buying both Manston and Prestwick airport, which were both owned by Infratil. Mr Freudmann has been very keen on getting some form of ownership or shareholding or interest in the airport over a long period of time. Indeed he was connected in Wiggins' ownership many years ago. One needs clarity on the position of Mrs Gloag potentially going into a joint venture with somebody who, as I understand it, was connected to Mr Freudmann.

Chair: Thank you. Thank you all very much.

Madeline Homer: Can I say something?

Chair: No, we are concluding the session now. If you wish to write to us, you can do so. Thank you.

Examination of Witnesses

Witnesses: **Ms Rosalyn McIntyre**, No Night Flights, **Dr Beau Webber**, Chair, Save Manston Airport Group, and **Angie Sutton**, Why Not Manston?, gave evidence.

Q182 Chair: Good afternoon and welcome to the Select Committee. Could you give your name and organisation, please?

Ms McIntyre: I am Rosalyn McIntyre, No Night Flights.

Dr Webber: I am Dr Beau Webber, Save Manston Airport Group.

Angie Sutton: I am Angie Sutton, Why Not Manston?

Q183 Chair: You have all heard the evidence this afternoon. Are there any specific points you would like to raise with us that either challenge what you have heard or reinforce what you have heard? Could you make brief statements, please?

Angie Sutton: I organised the air show at Manston in 2013. It was extremely successful. I put a lot of pressure on Manston Skyport to tell me whether I could have an air show in 2014 because it takes quite a long time to organise. They did buy it on 29 November, as we said, but I actually got a phone call on 11 January 2014 telling me I was definitely not going to have an air show. In my mind, that definitely said that they were closing it.

Dr Webber: Something I would like to raise is the consultative process over Manston airport closing. SMA believe that the Government-prescribed closure consultation appears to be mainly implemented as an exercise in informing, primarily to the media. Sir Roger Gale has made the point that there should be a listing of regional airports as national assets. They should not then be susceptible to the whims of property developers to asset-strip for personal or corporate gain. SMA would also like very strongly to second RiverOak's call in their submission to the commission for at least a one-year consultation period as and when there is a proposal to close an airport.

The Manston closure consultation was announced on the very day that Government support was announced for the establishment of new air routes. Southend has already benefited. This could have been Manston. I would like to raise the matter of the diversionary history of Manston.

Q184 Chair: Please do it very briefly, because I want to move on to other questions. I just want the very key points you want to make.

Dr Webber: Manston is frequently fog-free when other airports are closed. It is not subject to the strong winds that Gatwick frequently suffers from. It has a long history as a diversionary airport, being the last of three deliberately extended world war two airports.

Q185 Chair: Are you agreeing with that? You want to reinforce that.

Dr Webber: I want to reinforce that it has an important diversionary history and that it should be put back as a diversionary airport.

Q186 Chair: Thank you. Ms McIntyre, what are the key points you would like to make?

Ms McIntyre: The key point is that Manston is a 15-year experiment in turning a world war one airfield into a 21st-century commercial airport, and it has failed. In those 15 years it has never made a profit, if you look at any of the company reports. We can send you data on that. It has never accounted for as much as 0.5% of the diversions. It has never accounted for as much as 0.5% of the UK's passenger or air traffic movements. Its strong suit was freight. Typically, it is about 1% to 1.5% of the UK's freight operation. It is a tiny airport that has never succeeded commercially.

Q187 Chair: Do you welcome the involvement of Mr Musgrave and Mr Cartner?

Ms McIntyre: As a member of the public, it is very hard to tell anybody's credibility in terms of what they promise. What is clear is that promises have been made by successive airport owners and by local politicians about the number of jobs that would be created at Manston. If we listened to Mr Freudmann's estimates, we would now have 6,000 jobs at Manston and 450,000 tonnes of freight. It would be great to have somebody else try a different formula for producing jobs in Thanet, which are desperately needed.

Q188 Mr Harris: Ms McIntyre, if I am right, your primary concern is to campaign against the noise created by night flights at Manston. Is that correct?

Ms McIntyre: Yes.

Q189 Mr Harris: You are raising economic arguments that support your view that it would be better if the airport was not there, but what is your priority? Is it the removal of the nuisance noise of night flights, which is perfectly understandable, or is it about the economy? For example, if the figures stacked up, contrary to what you are suggesting, and if there was a strong economic case for the airport, would you still oppose the airport because of the night flights, or does the economics trump the noise of the night flights?

Ms McIntyre: Economics carries considerable weight, but there is not a viable proposition on the table. It is the same strategy that Wiggins pursued—freight first—and it is why Infratil bought the airport. It is freight first. I think Sir Roger was suggesting that people disappeared down a passenger route, but that came very late indeed.

The challenge for us is that this is an airport that has never had planning permission to be an airport. No environmental impact assessment has ever been done for it to be an airport. It has a very unrestricted night flying programme, in that you can land a 747 unscheduled at any time of day or night.

Q190 Mr Harris: Has that happened very often?

Ms McIntyre: It does happen, and noise levels in excess of 1,000 decibels are recorded on Ramsgate premises.

Q191 Mr Harris: You will have guessed by my accent that I am not from Thanet. Are your views representative of the general population or would you say it is 50:50? I genuinely do not know what the argument comes down to—the pro and anti-airport. Is your view widely held, or are you admitting that you are in a minority view?

Ms McIntyre: The most honest answer anybody can give you is that nobody knows. The last time this was tested in a public consultation people came out two to one in favour of saying no to night flights. That is the closest we have had. Some of the numbers that have been suggested, such as 98% of Kent in favour of reopening Manston via a CPO, when tested, come down to tiny samples of 50 interviews, so I do not think anyone knows.

Q192 Mr Harris: But presumably being against night flights does not necessarily mean you are against the airport.

Ms McIntyre: No, and No Night Flights has consistently taken a pro-airport but anti-night flight stance. What worries us now is seeing the same business plan being suggested by RiverOak, which is cargo reliant. We have always been consistently told by airport owners that cargo must have night flights.

Q193 Chair: Dr Webber, what do you think could happen to make Manston successful in the future?

Dr Webber: The crucial point is that we strongly support RiverOak, because we feel they have been very open with us. We like their business plan. We like what they are proposing for flights. The crucial point is the cargo. No, they do not want night flights; they are not a part of their schedule. We know that cargo flights and others are keen to return. The other part of the aspect is the teardown, and the maintenance, repair and overhaul facilities. We believe that RiverOak want to put in high-quality ISO standard hangars to do this work, as opposed to the present owners who are tearing down derelict planes that are on the site and damaging a recently installed £8 million concrete apron in the process. That is not the way it should be done. We believe RiverOak have described the process the way it should be done. It will bring in money. It will cover the basic costs of the airport so that cargo flights can come in by about 2016, and passenger flights will then become highly viable by 2017.

Q194 Chloe Smith: Dr Webber, could you explain to us why you think Manston is a nationally important asset rather than merely a question for Kent or the south-east?

Dr Webber: Because it can do a substantial amount—we don't say all—of the job of another runway, certainly in the short term for Gatwick and Heathrow. I have been at a number of Gatwick meetings, and they talk about many decades to get a new runway up and running. Manston can be up and running within the year. It is crucial as both a diversionary airport and a base for Bristow Helicopters. The busiest waters in the world are the English channel, which is within a mile of Manston airfield.

Angie Sutton: I spent 33 years as an air traffic controller and for a large part of that I was in charge of all emergencies in the air, at the London air traffic control centre. The diversionary part was my speciality. I retired to Margate, and when I was asked to come to talk to you today I thought, "Well, there couldn't be anybody more perfectly placed to talk about diversions." We have used Manston many times. Logically, I have military coming out of my ears, but we did check; there are many civilian aircraft that have used Manston as diversion. If Heathrow gets fogged in or if there is a problem on any of the runways—of course Gatwick only has one—Manston is the instant diversion. It has the capability to cope with anything. Many years ago they even had 70 aircraft divert there in a week. That will happen again, and it would be utilised.

The other thing is that, although we do not use it very often, Stansted is the one if you have a problem with a hijacked aircraft. It just destroys Stansted; it brings it totally to a halt. With Manston, we have enough space to get it out of the way, to get it into corners—to surround it almost—and to be able to deal with it properly. It is that sort of thing that is missed. It is the fact that it has one of the best equestrian facilities to put horses through. It has cold storage. It has so much to offer, both nationally and internationally, because we are so close to Dover and Folkestone, for Eurotunnel and everything. It is absolutely essential that we have that airfield.

Q195 Chloe Smith: Going on from that very full list—I am very pleased you put it on the record—why has it not been possible to operate Manston commercially? If it is so important to operate Manston for all those reasons, how in your view should that be done?

Angie Sutton: When they took it over from the MOD, I was one of the controllers who used to control all the light aircraft out of Manston going north up to Edinburgh. They were trying to cut corners but using huge aircraft. Those aircraft were 120 passengers, when really they needed smaller ones to do jumps. When we actually brought in the KLM flights, it was starting to take off. To get on an aircraft to fly to America, it takes me over two hours to get to Heathrow, and that's if the M25 is being very nice to me. I then have to check in three hours ahead and walk for miles with my kids to get on an aircraft. I could get to Manston within 10 minutes—don't get me wrong; I do live quite close to Manston, but this applies to a lot of people. We had an hour's check-in at the absolute maximum. We then flew to Schiphol in 55 minutes. I would be in Schiphol before I had even arrived at Heathrow. That is the bit that is missed. But, as they said, that is the icing on the cake; it is not the cake. The cake is the cargoes that can be fully utilised. People are supporting the idea. You cannot get a 747 turned round at Heathrow in 90 minutes; it is just impossible, yet Manston used to do it day in, day out.

Q196 Chloe Smith: Would either Ms McIntyre or Dr Webber like to add anything?

Ms McIntyre: I would. Unfortunately, the numbers that are being quoted do not seem to match what is in the CAA statistics. We can send you this. The CAA statistics say 0.5%—seven or 10 diversions a year—and in many years no diversions whatsoever. The KLM flights peaked a few months in, and then were starting to slowly tail off, and at no point did they reach more than 44.4% capacity. Those are statistics on the Government's own website, at the CAA. At that point, of course, that is not a profit-making flight. I accept that it is very tempting to say we could take all these airlines from other airports and put them through Manston, but airlines have had 15 years to choose to do that and they haven't, because that is not where they want to be.

Dr Webber: Can I dispute some of these figures? For a start, the CEO at Manston apparently says on his website that Manston had reached number five in the UK for cargo transport while he was running the show. Secondly, the CAA site says that in the year it was operating, before it was told to leave, KLM carried 50,000 passengers. Thirdly, we note that from 1999 to 2005 Pauline Bradley was joint ventures at Bank of Scotland and was loaning money to Manston and to airlines using it. We note that shortly after receiving this money they went bust. We note that Pauline Bradley is at present a director of Manston airport. SMA believe that since at least 2005 there has been a continuous process to trash Manston and run it down, to prove that it could only be viable for housing.

Chloe Smith: Thank you, Dr Webber.

Q197 Chair: What could Manston offer that other small airports in the south-east—for example, Lydd—could not

Angie Sutton: The length of that runway is phenomenal. Lydd, even with its £25 million extension, cannot take those sorts of aircraft. Even though it is not the longest in the country by any stretch of the imagination—it is about 11th; even though it has been second, third and fourth, it is going down—Lydd cannot cope with that. Southend cannot cope with that. You could use it for light aircraft, which it has done brilliantly. General aviation puts millions and millions of pounds into the economy, both locally and nationally. That is very well recognised. When you have a 61 metre-wide runway it allows for mistakes by people who cannot fly very well, even though that sounds a little bit dangerous, but it means that it is extremely beneficial for general aviation in all forms.

Dr Webber: The 61 metre-wide runway is only the central section. Either side of that there are large areas which are presently mainly used for taxiways. If you are landing a plane where the control surfaces are giving problems, or the undercarriage is shot to pieces, that width is wonderful.

Chair: Thank you very much for coming and answering our questions so fully.