
MANSTON CPO SOFT MARKET TESTING EXERCISE

To: **Cabinet – 16 June 2016**

Main Portfolio Area: **Council Leader**

By: **Director of Corporate Governance**

Classification: **Unrestricted**

Ward: **All wards**

Summary: **To report back on the outcome of the soft market testing exercise to identify an indemnity partner for a potential CPO for Manston Airport**

For Information

1.0 Introduction and Background

- 1.1 On the 10th December 2015 Cabinet agreed a formal process for identifying interest from third parties to be a Council indemnity partner for a potential CPO for Manston Airport.
- 1.2 The process involved publishing a prior information notice in the Official Journal of the European Union in early 2016 with a questionnaire to be completed by potential partners.
- 1.3 Organisations responding to the soft market test were required to provide information on finance, company structure, business plans, financial guarantors and how they viewed the CPO public interest test would be met. These organisations would be given four weeks to submit responses to the questionnaire, after which a report back on the assessment of responses would be considered at a future Cabinet meeting.

2.0 The Current Situation

- 2.1 A prior information notice (PIN) calling for expressions of interest was published in the Office Journal of the European Union (OJEU) on Friday 15 January. Parties had until Tuesday 9 February to register their interest. A total of five expressions of interest were received by this deadline.
- 2.2 The interested parties then had until Friday 12 February to submit responses to a follow up questionnaire. These questions were posed to establish the extent of their interest, capacity and capability. A total of three valid submissions were received. And further information was sought from one of those interested parties prior to final assessment of the expressions of interest.
- 2.3 There was a delay in completing the assessment of the interested parties due to the time taken in assessing the bona fides of one of those parties.

3.0 Assessment of the expressions of interest

3.1 The responses from the three parties (referred to as A, B and C) were assessed by a panel comprising the Chief Executive, the Director of Corporate Governance and the Strategic Procurement Manager.

3.2 The assessment of the responses was based upon four key lines of enquiry which were:

- Assessing capability of the market place to deliver the requirements
- Assessing whether there is an established market to deliver and an adequate number of operators
- Assessing the capacity of the market to deliver the requirements
- Assessing the feasibility and cost viability of any proposed action going forward.

3.2 The interested parties were scored (on a scale of 0-5) based on their responses to their questionnaire:

Project Questions/Parties A, B, C	A	B	C
PQ1. Please list and explain your company's involvement in any airport operation and development projects over the past 10 years. Are you able to disclose future projects to which you are committed in this area?	0	0	0
PQ2. So that we have an understanding of scale and depth, would you please list projects that your organisation has been involved in attracting or providing long-term investment for the construction of major facilities and their subsequent operation?	0	0	0
PQ3. In reopening Manston as an airport, what specific proposals do you feel would be appropriate for Manston?	1	1	0
PQ4. The potential compulsory acquisition by TDC would require partner commitment to meet the full cost and a commitment to a long term agreement to operate. How would you satisfy this requirement? What is your view on the management of the financial risks and future long-term arrangement with TDC? How would you see the legal and financial structure working?	0	0	0
PQ5. Describe how your proposals would meet the 'public interest test' which is required in promoting any CPO? You should explain and provide evidence of social, environmental and economic benefits, if not included elsewhere. In particular consider the balance between your proposals for an operational airport and the proposals from the owners of the site.	0	0	0
Note: A score of '0' indicates 'No response to the question or the response is not considered relevant. The response is unconvincing, flawed or otherwise unacceptable. Response fails to demonstrate an understanding of the requirements A score of '1' indicates 'The response provided is limited or contains aspects that are substantially irrelevant/inaccurate/misleading or only partially addresses the question or contains ambiguities or deficiencies which could not be tolerated.			

- 3.3 The council has also undertaken a 'creditsafe' assessment of the interested parties. The results of that assessment were:

	Status	Latest accounts etc	Credit Limit	Credit rating	Principal Activity
A	Not incorporated Crowd funding initiative	none	none	none	Operating Manston Airport
B	Incorporated 2015 UK private limited company Active	No financial information yet filed	£500	47 (moderate risk)	Not stated
C	Incorporated 2014 UK private limited company Active	No financial information yet filed	£500	39 (moderate risk)	Freight Air Transport

- 3.4 Based on the above assessment one can draw the conclusions that in terms of the key lines of enquiry, the market cannot deliver on the council's requirements; there is no established market which is able to deliver, or an adequate number of operators; the market has no capacity to deliver the requirements and there is no cost or other benefits in taking this matter further.

4.0 Additional Interest

- 4.1 The council did receive interest from other parties, prompted by the CPO soft market testing process.
- 4.2 One party is approaching the current owners to negotiate a purchase and hence did not participate in the soft market testing process. They are backed by sovereign wealth funds (and potentially public sector pension funds) and are considering investing up to £150m, subject to a feasibility study showing that investment in the airport makes economic sense.
- 4.3 The other party also wanted to express their interest in exploring the opportunity of acquiring the Manston Airport site; therefore, they have also been directed to the current airport owners.
- 4.4 Two rounds of soft market testing have not produced a suitable indemnity partner in relation to a CPO for Manston Airport. Any additional interest in pursuing a CPO outside the soft market testing process would of course have to pass the same stringent tests.

5.0 Corporate Implications

5.1 Financial and Taxation

5.1.1 There are no financial considerations in relation to the recommendation.

5.2 Legal

5.2.1 The soft market testing exercise was carried out in accordance with the relevant rules and legislation.

5.3 Equity and Equalities

5.4.1 Given the recommendation it is considered that there are no implications in respect of the council's public sector equalities duty.

6.0 Recommendation

6.1 Cabinet note the results of the soft market testing assessment and take no further action in respect of the interested parties.

Future Meeting if applicable:	Date: 16 th June 2016
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Contact Officer:	Tim Howes, Director of Corporate Governance
Reporting to:	Madeline Homer Chief Executive

Annex List

none	
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Background Papers

Title	Details of where to access copy
<i>none</i>	

Corporate Consultation Undertaken

Finance	Director of Corporate Resources
Legal	Director of Corporate Governance
Communications	