From the Chair

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31 October 2017

Monarch Airlines Limited Retirement Benefits Plan

Thank you for your response dated 13 October 2017. In your letter you expressed your confidence that the Regulated Apportionment Arrangement (RAA) and clearance deal approved in 2014 was "very much" the best outcome achievable at the time.

In a recent news article Malcolm Weir, the PPF’s head of restructuring and insolvency, was quoted as observing that:

"negotiations were hamstrung by the fact that both sides knew that if the Mantegazza’s let Monarch fail, the PPF would get nothing and still have to shoulder pension liabilities."

Mr Weir was also quoted as saying that the Mantegazzas’ initial bid of under £10 million “just wasn’t proportionate” compared with the “hundreds of millions of debt that the company was being released from” and that “we had to have a number of rounds of negotiations to take the figure up to something that was reasonable.”

These comments would suggest that the PPF and the Pensions Regulator (TPR) experienced some difficulty in negotiating a minimally acceptable dowry for the scheme – due to the Mantegazzas being insufficiently daunted by the prospect of TPR’s moral hazard powers being deployed in the event of no deal.

One might also reasonably suppose that a more robust anti-avoidance regime, as recommended by the Committee, might have made this process less protracted and resulted in a better financial settlement for the scheme.

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1 Former Swiss billionaire owners of Monarch tried to dump pension scheme for less than £10m, says PPF, Oliver Gill, City A.M., Monday 30 October 2017
Might I please ask:

- What was the PPF's opening bid for the financial settlement to be paid by the Mantegazzas?
- How many different financial proposals did the Mantegazzas make before the RAA was agreed?
- You mentioned that the RAA settlement "was and is considered a good return in the circumstances." Was one of the circumstances the fact that Mantegazzas could have been expected to walk away from the negotiating table if you had pushed for more?

Best wishes,

Rt Hon Frank Field MP
Chair