

**Relevant Representation of Stone Hill Park Limited**

**in relation to**

**the application for a Development Consent Order ("DCO") made by Riveroak Strategic Partners Limited in respect of Manston Airport (the "Application")**

**Planning Inspectorate Reference TR020002**

**1. INTRODUCTION**

- 1.1 We act for Stone Hill Park Limited ("**SHP**"), the freehold owner of the vast majority of the land affected by the proposed development by Riveroak Strategic Partners Limited ("**RSP**"), including the site that comprises the airfield known as Manston Airport. In this Relevant Representation, SHP's freehold ownership is termed the "**SHP Land**" (A plan showing this land is contained in **Appendix 1**). SHP is an 'affected person' within the meaning of section 59(4) of the Planning Act 2008 and as such is a Statutory Party for the purposes of section 88(3A) of the Planning Act 2008.
- 1.2 SHP **objects** to the Application by RSP, and wishes to take a full part in the examination, including Compulsory Acquisition Hearings.
- 1.3 The Examining Authority will note that this is a very highly unusual DCO application for many reasons including:
- 1.3.1 the owner of Manston Airport, SHP, is not the promoter of the DCO Application and, as such, the Examining Authority must hear SHP's evidence as to the Airport's current capability so that a reasoned decision can be taken alongside that put forward by RSP (who has no interest in the Airport). When examined, it will be clear that RSP's proposals simply cannot fall within section 23 of the Planning Act 2008;
  - 1.3.2 RSP's proposals purport to be a scheme to reopen or revive consistently unsuccessful airport operations at Manston Airport which is earmarked and being promoted for redevelopment for a much needed housing and mixed use scheme (a planning application is currently being determined by Thanet District Council);
  - 1.3.3 the inclusion of a request for compulsory acquisition powers over the majority of the land to which the proposed development relates. Indeed, the majority of the Order Land, including the airfield itself, is in the legal ownership of a single private company, SHP. SHP acquired this land following the closure of Manston Airport in order to promote and deliver housing and mixed use scheme for the District of Thanet. SHP has spent considerable time and cost in preparing its substantial planning application for new housing and mixed use on the SHP Land;
  - 1.3.4 the absence of National Policy Statement ("**NPS**") support for the proposed development. Whilst an Airports NPS exists, it does not provide policy support to Manston. Indeed, no other planning policy, either national or local, provides policy support to re-open Manston Airport. In fact, the most recent evidence compiled by Thanet District Council for its Local Plan review, confirmed that it was highly unlikely for any viable operations to return to the Airport;

- 1.3.5 the lack of credibility or independence of the aviation evidence presented to support the need case for the proposed development;
  - 1.3.6 the lack of evidence as acknowledged by the Examining Authority to enable it to assess viability of the proposed development or determine whether funding could be secured for the proposed development;
  - 1.3.7 the lack of transparency over the identity of RSP's beneficial owners or evidence regarding the track record of RSP or its directors; and
  - 1.3.8 the nature, scale and applicability of the purported "associated development" in so far as they pertain to the relevant Associated Development Principles and Guidance.
- 1.4 It is clear, in SHP's view that the Applicants appear to be simply using the DCO process as a ruse to obtain this valuable site. As such, it is an abuse of the Planning Act 2008 which requires careful and thorough scrutiny of all areas.
- 1.5 This Relevant Representation outlines the principal concerns and objections of SHP in relation to the Application, and the areas where SHP considers that further and more detailed examination is particularly warranted. SHP intends to submit detailed Written Representations in support of the points raised in this Relevant Representation once the examination has begun and the examination timetable has been set.
- 1.6 SHP urges the Examining Authority in the strongest possible terms to make arrangements for a swift, testing and detailed examination of the Application. SHP's own proposals for the land affected by the Application, a major housing and mixed use scheme, are being delayed as a result of this Application.
- 1.7 As such, it will require a panel of Examining Inspectors with sufficient expertise and experience of examinations and in particular the law and high burden of proof for compulsory acquisition where there is a high degree of disagreement as to the justification for a DCO (let alone the basis for this being a DCO application at all – see further below). Such an examination will require very specific forensic interrogation and questioning of the evidence, including appropriate cross-examination, particularly where there is a clear difference between stated experts.

## 2. **BACKGROUND & CONTEXT**

- 2.1 The history of Manston Airport over the past 20 years is one of consistent financial failure.<sup>1</sup> In its period of private ownership from 1999 up to its closure in 2014, the airport failed to sustain viable aviation operations and had incurred aggregate financial losses in excess of £100 million. Each of the owners had found, in turn, that the factors that made Manston a valuable asset in time of war were insurmountable obstacles in a competitive commercial aviation market for either passenger or cargo operations. SHP purchased the SHP Land, as an already closed airport, in October 2014.
- 2.2 High level statistics and trends regarding the UK market for dedicated air freighters show what contributed to Manston's previous failure and demonstrate why there is no need or case for a reopened airport at Manston. In summary, these are:
- 2.2.1 Cargo air traffic movements ("**ATMs**") recorded by the CAA in the UK fell from c.110,000 in 2000 to c.52,000 in 2017<sup>2</sup>. This was driven by long term market trends as air freight migrates onto cheaper, more flexible and

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<sup>1</sup> Kent County Council, Position Statement (March 2015) 'Manston Airport under private ownership: The story to date and the future prospects'

<sup>2</sup> Data taken from the CAA website - [REDACTED]

increasing belly hold capacity, where connectivity to the global marketplace is far greater.

- 2.2.2 Despite considerable investment in the 2000's, during the period of Infratil's ownership, from 2005 to 2013, Manston averaged less than 450 cargo ATMs each year<sup>3</sup>.
  - 2.2.3 The 2017 DfT aviation forecast projects no growth in UK freighter ATMs in the next 30 years.
  - 2.2.4 CAA statistics show a total of c.42,000 freighter ATMs in the whole of England & Wales in 2017 - c13,000 were intra UK flights (e.g. mail flights), with only c.22,000 and c.7,000 being EU and International flights, respectively<sup>4</sup>.
  - 2.2.5 84% of these non-domestic ATMs are consolidated around the significant existing infrastructure and logistic/distribution hubs at East Midlands, Heathrow or Stansted.
  - 2.2.6 CAA figures show that East Midlands and Stansted together account for c.21,500 (c.75%) of these EU and International flights. As c.50% of these are night flights to meet the operational requirements of the express integrators (e.g. DHL, UPS), there were estimated to be less than 18,000 daytime non-domestic cargo ATMs per year in the whole of England & Wales in 2017.
- 2.3 In the face of this evidence and Manston's history of consistent commercial failure, RSP's apparent plans for the Airport would result in the capability of Manston handling in excess of 80,000 cargo ATMs during daytime hours and it is forecasting to operate in excess of >10,000 daytime cargo ATMs in its 5th year of operation.
- 2.4 In addition, Thanet District Council ("**TDC**"), the local authority in whose jurisdiction Manston Airport is situated, itself sought to explore whether airport operations could be viably and sustainably recommenced. TDC therefore embarked in July 2014<sup>5</sup> on a process to try to find indemnity partners in order to help fund a potential compulsory acquisition or acquisition by agreement of the Airport and then to re-commence airport operations. This process included detailed consideration of the predecessor and former prospective applicant for the current proposed development, Riveroak Investment Corporation LLC ("**RIC**"), which is incorporated in the US. However, despite a detailed process, TDC's cabinet decided on two occasions (in December 2014 and in October 2015), to take no further action to progress with compulsory purchase action for the Airport as they concluded they could not identify a credible indemnity partner who could demonstrate a viable and deliverable plan for airport operations to re-commence. TDC's decision in October 2015 in particular was based on the conclusion that RIC did not fulfil the requirements for a suitable indemnity partner.
- 2.5 TDC's Local Plan evidence base reinforced the conclusions drawn by its independent consultants about the business case (see commentary in section 5.3 below and copies of the relevant documents enclosed at **Appendices 2, 3 and 5 and 6**, together with further independent expert evidence produced in the period since the RIC bid was rejected).
- 2.6 RSP does not own and has no interest in the vast majority of the site in respect of which it is seeking this DCO. The Planning Inspectorate acknowledges in its previous section 51 advice and as set out in the section 55 checklist that RSP has failed to

<sup>3</sup> See page 32 of Altitude Aviation report in Appendix 11, and the data sources on the CAA website;



<sup>5</sup> TDC approved the decision to begin the process in Cabinet on 31 July 2014

provide relevant financial information in the Application and that there is substantial risk to the examination as a consequence. This demonstrates that RSP, as with its predecessor, still cannot show it has the funds to deliver the proposed development and does not control the funding to meet even the most modest estimate of land acquisition and blight costs (the basis of which estimates has not been disclosed as part of the Application). Furthermore, it has elected, in the face of previous concerns raised, not to provide evidence that would enable the Examining Authority even to assess whether funding could be secured for the proposed development.

- 2.7 There is no NPS support for the proposed development as described in the Application. In addition, SHP's position is that it remains highly questionable that the proposed development constitutes an NSIP within the meaning and purpose of the Planning Act 2008 and that despite the Planning Inspectorate's decision to accept the Application under section 55, the issue remains a live one which is both important and relevant to the Secretary of State's decision. We return to this below in paragraph 3.
- 2.8 Further to a previous planning application, SHP has submitted an updated planning application in respect of the SHP land which it owns and which is targeted for determination by TDC by the end of 2018. The updated planning application is supported by a detailed and complete Environmental Statement ("ES") and has been accompanied by a viability model which demonstrates that SHP's proposals are credible, deliverable, and can support affordable housing. The evidence base for the Local Plan concluded that the Manston Airport site was suitable for housing and the appraisals undertaken as part of that exercise validate SHP's own evidence that the SHP proposals are viable and deliverable. The shareholders in SHP have a demonstrable track record of delivering successful regeneration projects across the UK.
- 2.9 Based on all the evidence, RSP's DCO Application, by contrast, rather than being a genuine proposal to run a re-opened airport, in fact represents an ill-founded and cynical attempt to be given compulsory acquisition powers to acquire, at an undervalue, land with significant development value. It is, in short, little more than an apparent attempted 'land grab' and is a potential abuse of the Planning Act 2008.
- 2.10 This is highlighted further by the fact that RSP does not make any attempt to reflect the Crichel Down Rules in the Application such that the land would be offered back in the event of the project not proceeding or the land not being used for the purpose for which it was purportedly acquired and which would otherwise apply to circumstances where a Government body is the acquiring authority.
- 2.11 The RSP proposed development and this Application are also causing significant uncertainty for large numbers of residential occupiers in Ramsgate and the surrounding areas, concerned over the potential for their homes to be overflowed by cargo aircraft and very unclear as to how the number of ATMs and the levels of noise and disturbance is proposed to be controlled and regulated.

*Need to progress to examination*

- 2.12 The Planning Act 2008 sets out a front-loaded process, where the onus is on the Applicant to submit an application which, at the time of submission, is fully detailed and ready for examination, and which has been the subject of proper public consultation. The volume of section 51 correspondence from members of the public to the Planning Inspectorate is clearly very extensive and indicates the extent to which RSP's proposed development has caused public concern and RSP has failed to provide adequate information for members of the public to fully understand the proposals. A key theme from the section 51 correspondence is a lack of transparency and unclear and confusing statements. Quite simply, the Application attempts to "pull the wool" over the public's eyes with unsubstantiated claims.

- 2.13 There are a number of areas where the Application is notably still deficient even at this stage (which are outlined later in this representation). However, these deficiencies must not delay the progress of this ill-judged Application. SHP asks, therefore, that the Examining Authority proceeds forthwith in accordance with established practice and Guidance<sup>6</sup> to a Preliminary Meeting so that a timetable can be set for its examination. This will have the considerable benefit of giving certainty to all concerned.
- 2.14 The deficiencies in the Application were raised with RSP in SHP's responses to statutory consultation, and were also raised by other statutory bodies as well as by the Planning Inspectorate itself. Detailed section 51 advice was then supplied by the Planning Inspectorate following the withdrawal of RSP's first application for a DCO. RSP, despite having the opportunity, has simply chosen not to address all of the deficiencies prior to submission. It follows that RSP is content with its Application and it should be examined as it stands as with any other DCO application. It is time for RSP and its case to be tested in a proper and thorough examination on all areas.
3. **SECTION 23 OF THE PLANNING ACT – NSIP JUSTIFICATION (SHP ISSUE 1)**
- 3.1 As noted above, SHP fundamentally disagrees with the reasoning set out in RSP's NSIP Justification paper (Examination Library Reference APP-049). SHP also disagrees with the Planning Inspectorate's conclusions in its Acceptance of the Application that the draft DCO *"includes development for which development consent is required"*.
- 3.2 It is appreciated that the Planning Inspectorate considered this issue at the Acceptance stage, having raised questions on this very same point in respect of RSP's earlier application, which RSP then withdrew. The decision to accept the subsequent application (i.e. the Application) under s55 was based however purely on the material contained within the Application which RSP declined to allow to be made public. No party, including SHP, therefore had the opportunity to comment upon RSP's NSIP Justification (Examination Library reference APP-049) prior to Acceptance. SHP has therefore not yet had the opportunity to respond to RSP's own specific response to SHP's previous legal advice and submissions. Given SHP is the owner of this airfield known as Manston Airport and therefore has the necessary insight into the facilities and infrastructure at the airfield, it is clearly essential for the Examining Authority to now hear from the owner, SHP, as to its views on the NSIP Justification paper (Examination Library Reference APP-049).
- 3.3 The Planning Inspectorate's conclusions in this context cannot, therefore, be treated as determinative and it is clear that this is an issue which needs to be thoroughly tested and examined by the Examining Authority at the earliest opportunity, hearing all submissions. Such an approach would also accord with the section 51 advice provided by the Inspectorate to SHP, both orally and published, dated 20 April 2018, following Mr MacNamara's complaint on behalf of SHP that the Application had not been made public and the prejudicial position it placed SHP. The Inspectorate in response to this request made it clear that although they would not publish the Application, SHP would nevertheless be able to make a Relevant Representation at the appropriate time if the Application was accepted. In such an instance, SHP would then finally see what RSP had in fact submitted in this regard and the Relevant Representation and subsequent evidence to the Examination would allow for a response and further testing and consideration with all evidence and submissions then taken equally into account.
- 3.4 SHP will be submitting its own response to RSP's NSIP Justification paper, but will also be relying upon evidence already collated and supplied by SHP to RSP and to the Planning Inspectorate in relation to the section 53 application made by RSP and in seeking section 51 advice (copies of which are attached for the Examining Authority's reference at **Appendices 12, 14 and 17**).

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<sup>6</sup> Paragraph 40 of Guidance for the examination of applications for development consent, DCLG March 2015

- 3.5 In summary, SHP will point out a variety of crucial errors in RSP's NSIP justification and approach, all of which, when rectified demonstrate that the current facilities at the Manston Airport site **do have** a current capability (in development control terms), which in turn means that the proposed development, on RSP's own terms, cannot be classified as an NSIP. RSP is factually wrong in asserting that the current capability is zero, and SHP will demonstrate that at the Written Representation stage.
- 3.6 The approach taken by RSP is wrong in principle as well as in its application in relation to its submissions as to the role of independent regulatory/licensing processes in determining the capability of an airport. The simple issue of the existence of an EASA Certificate or other aerodrome licence is not determinative of the capability (in development control terms) of an existing airport.
- 3.7 There is an existing lawful use certificate<sup>7</sup> which confirms the lawful status of the Manston Airport site for civil aviation use, with no caps or limits on ATMs during the day, and with regulation of night flights via a section 106 mechanism.
- 3.8 Further, it can be shown that the details relied upon by RSP, in asserting that the Manston Airport site has zero capability and would require development in order to operate any freight Air Transport Movements ("**ATMs**") at all, are inaccurate in a number of material respects.
- 3.9 Examples of inaccuracies include as follows:
- 3.9.1 the fire station is not missing its roof, and would not require to be demolished and rebuilt to be brought back into use;
- 3.9.2 there is no requirement for a radar to be provided on site - options exist for radar feed to be provided by other airports, which would not require any development;
- 3.9.3 the air traffic control tower is fit for use and would not have to be demolished and rebuilt – internal fit out would not require planning permission;
- 3.9.4 fuel farm – there is no requirement at all in planning terms for there to be an onsite fuel farm. If the current fuel farm is not fit for purpose after a period of disuse, there is no reason why fuel supplies could not be hosted off site. This is an option that the Environment Agency specifically requested that RSP should consider as part of the pre-application consultation and is clearly not therefore a bar to the airport having a capability.
- 3.10 SHP will expand upon these issues in its Written Representations, and intends to refer to its previous representations made to RSP and the Planning Inspectorate which are attached at **Appendices 7, 8, 10, 12, 14, 15 and 17**. SHP will provide evidence to show that the current capability of the airfield known as Manston Airport when properly assessed is circa 22,000 ATMs and in any event certainly demonstrably greater than zero. This existing capability must clearly be taken into account.
- 3.11 Both RSP and its predecessor company, RIC, have made statements regarding their intention to "reuse" existing facilities at the Airport. The "effect" of the majority of the development proposed by RSP is not to create new capability for handling freight ATMs. There is also no clear explanation of which elements of the proposed development are considered by RSP to form the purported NSIP and which are associated development. Whilst RSP states that Work Numbers 1 to 11 are considered as part of the purported NSIP, the rationale in the explanatory memorandum (Examination Library Reference APP-009) is inadequate and seeks to rely on various highways NSIPs in justifying its failure to explain the development

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<sup>7</sup> CD/TH/99/0377 granted on 8 July 1999, CD/TH/98/0400 granted on 8 July 1999 and CD/TH/13/0745 granted on 4 November 2013

proposed. It is the NSIP itself which must have the *effect* of increasing freight ATMs in order to satisfy the statute, and RSP's failure to differentiate between the NSIP and the associated development, adequately or at all within the Application, means that this issue also needs to be examined and tested thoroughly.

- 3.12 All of these matters are clearly important and relevant to the decision in respect of this purported DCO. Failure to hear from the owner of the airfield and simply rely on RSP's own assertions in its Application on this most important of points, would be prejudicial and procedurally unfair.

#### 4. SCHEME DESCRIPTION (SHP ISSUE 2)

- 4.1 SHP considers that the detail of the RSP scheme description needs to be examined forensically with all representations taken into account.

- 4.2 For the purposes of seeking to justify the proposed development as an NSIP, RSP asserts that the effect of the proposed development (although, as referred to above, no explanation is offered by RSP as to why all of Work Numbers 1 to 11 are considered to be part of the purported NSIP) is to increase Manston Airport's capability from zero freight ATMs to 83,220 freight ATMs, and that this should be the description of the development that is used for the purpose of judging whether the Application has any place in examination under the Planning Act 2008.

- 4.3 However, the Environmental Impact Assessment (EIA) accompanying the Application does not assess the development for which RSP is seeking consent – an uncapped airport operation with a capability of handling up to 83,220 freight ATMs per annum.

- 4.4 Paragraph 10 of Annex 1 of RSP's NSIP Justification paper (Examination Library Reference APP-049) states that "*Environmental impact assessment is of likely significant environmental effects, and is therefore of the Proposed Development's projected use [sic](up to that which is more than a bare possibility) rather than its theoretical capability. Furthermore, the airport could operate at a greater number of flights while remaining within the impacts that have been environmentally assessed.*"

- 4.5 There are two fundamental legal and assessment errors in this worrying statement:

4.5.1 First, Regulation 14 of the Infrastructure Planning (Environmental Impact Assessment) Regulations 2017 ("**EIA Regulations**") requires that the ES must include "*a description of the likely significant effects of the proposed development...*". The Regulation is clear, an applicant has to assess the likely significant effects of the development being applied for, which in this instance is 83,220 freight ATMs per annum (the figure RSP claims is the "effect" of its proposed development). RSP is trying to claim that Regulation 14 allows an applicant to only assess the "likely" proposed development. If this were the case, then the Regulation would have expressly referred to the "*likely significant effects of the likely proposed development...*". It clearly does not.

4.5.2 Second, as to the last sentence in paragraph 10, how can the Examining Authority and the Secretary of State have any degree of certainty that the airport "*could operate at a greater number of flights while remaining within the impacts that have been environmentally assessed*" without this even being assessed? The ES does not provide any evidential basis for this conclusion.

- 4.6 The propositions in Paragraph 10 of Annex 1 of RSP's NSIP Justification are not only flawed, but wrong in law. On the one hand, RSP is trying to use the 83,220 freight ATMs figure to its advantage to argue that the proposed development meets section 23 of the Planning Act 2008 and on the other hand RSP seeks to conveniently reduce the ATM figure for EIA purposes by inserting another "likely" in Regulation 14.

4.7 As can be seen, RSP is flipping between two arguments to suit its case. This cannot be allowed to continue and RSP must be made to explain its position once and for all, which can only be:

4.7.1 amend the proposed development so that its effect is to increase the number of freight ATMs by 17,170 ATMs (although such an amendment would be a material change and require withdrawal); or

4.7.2 assess under the EIA Regulations 83,220 ATMs which would require further assessment and environmental information and to be fully consulted upon, also requiring withdrawal.

4.8 In addition, this RSP statement that the assessment is of projected use “*up to that which is more than a bare possibility*” appears to acknowledge that RSP’s 17,170 ATM forecast is no more than a “bare possibility” rather than a robust and credible forecast in any event. See section 5 below in relation to the need case for the project.

4.9 Clearly, this also needs to be thoroughly examined and robustly tested early in the Examination. SHP will explore and help the Examining Authority test in depth the lack of robustness of RSP’s approach in EIA terms. SHP will do so in its Written Representations and considers that this is a key issue for the examination which needs to be the subject of an Issue Specific Hearing to enable adequate examination of the issue and a fair and proper chance for each party to put their case.

## 5. LACK OF NEED CASE – (SHP ISSUE 3)

5.1 There is no NPS policy which establishes the need for further freight capability at Manston Airport. As such, it is for RSP to establish that there is a need for its proposed development and a compelling case in the public interest. The evidence supplied by RSP (in the form of the four volume report by Azimuth Associates) is deeply flawed, and requires detailed testing and interrogation during the examination in an Issue Specific Hearing to enable adequate examination of the issue and a fair and proper chance for each party to put their case.

5.2 SHP has previously supplied to both RSP and the Planning Inspectorate reports from York Aviation and Altitude Aviation which highlight highly material deficiencies in the data sources, methodology and analysis relied upon by RSP. Copies of the reports prepared by York Aviation and Altitude Aviation are attached to this representation at **Appendices 8, 11, 12 and 18**. SHP, in its Written Representations, will also provide any necessary addenda to these Reports covering the minor additions to the Azimuth reports presented in the Application, but in essence these minor additions do not change the conclusions of York Aviation and Altitude Aviation that the Azimuth evidence is deeply flawed.

5.3 The views of York Aviation and Altitude Aviation are also supported by the reports independently commissioned by TDC and prepared by Avia Solutions (attached to this Relevant Representation at **Appendices 2 and 6**), which also reached the conclusion that the RSP proposed development for a freight focussed airport at Manston were not realistic or economically viable. Three credible and experienced aviation expert consultancies have independently exposed the forecasting relied upon by RSP as not credible with negligible supporting evidence.

*“We consider the [Azimuth] forecasts to be extremely optimistic, not credible or likely, with negligible supporting evidence.”* Altitude Aviation Advisory (January 2018) (**Appendix 11**)

*“In overall terms, the forecasts presented by Azimuth at Table 1 of Volume III are simply not credible”* York Aviation (November 2017) (**Appendix 8**)



*“Avia’s opinion, based on updated market information since the publication of our previous study (September 2016) is consistent with our earlier view that Manston Airport does not represent a financially viable investment Opportunity”* Avia Solutions (August 2017) (**Appendix 6**).

*“Provision of capacity alone is no guarantee of financial success, a view reinforced by the empirical evidence of multiple failed attempts to develop profitable aviation operations at Manston Airport.”* Avia Solutions (August 2017) (**Appendix 6**).

- 5.4 The proper examination of the need case and forecasting evidence presented by RSP will require a detailed and forensic approach, and the Examining Authority should consider whether it is necessary for a technical expert assessor to be appointed to assist the Examining Authority in addressing the evidence on this issue. RSP's entire case (as summarised in the Planning Statement) relies on the need and benefits claimed in the flawed Azimuth Associates reports, not only in presenting the case for development consent to be granted, but also in seeking the grant of extensive powers of compulsory acquisition. This evidence is therefore central to the examination of a number of other issues.
- 5.5 RSP has provided no justification for why each element of Work Numbers 1 – 11 are considered to be part of the purported NSIP. For example, it is not clear how *"the construction of airside cargo facilities and ancillary offices"* (Work No. 1) is integral to the delivery of freight ATM capability, or how the *"construction of eight light and business aircraft hangars and associated fixed based operator terminal"* (Work No. 2) is an integral part of creating the requisite "effect" referred to in section 23 (i.e. in increase freight ATM capability). Offices and hangars have no direct effect on ATM capability.
- 5.6 As noted above, RSP has provided no evidence of the need for the wide ranging associated development proposed let alone made it clear why some development is not treated as associated development but part of the NSIP, including substantial employment floorspace and facilities (described as *"business facilities for airport-related activities"*), a flight training school and aircraft recycling facility located both within the Airport's operational boundary and outside the Airport on the land referred to as the "Northern Grass".
- 5.7 A clear case needs to be established for each element of development proposed, and RSP has not done so.
- 5.8 SHP will submit detailed representations regarding the appropriate scope and justification for the inclusion of associated development for the proposed development in its Written Representation.

6. **FLAWED ASSESSMENT AGAINST SECTION 105 PLANNING ACT 2008 – (SHP ISSUE 4)**

- 6.1 As the Examining Authority will be aware, the Application must be assessed against the tests set out section 105 of the Planning Act 2008 because there is no NPS in place which has effect in relation to the proposed development. Section 105 requires the Secretary of State to determine the application having regard to:

*(a) any local impact report (within the meaning given by section 60(3) ) submitted to the [Secretary of State] before the deadline specified in a notice under section 60(2),*

*(b) any matters prescribed in relation to development of the description to which the application relates, and*

*(c) any other matters which the Secretary of State thinks are both important and relevant to the Secretary of State's decision.*

- 6.2 Local Impact Reports are not yet available, but TDC has a troubled history of dispute between Members and officers, with Members seeking to overrule evidence led professional advice from its officer team. The Examining Authority will note that the detailed section 42 consultation response from TDC officers was not taken into account by RSP, so a number of relevant issues raised by officers relating to local impacts and the need for proper mitigation that is appropriately secured and enforceable have therefore not been taken into account as part of (and prior to the submission of) the Application.
- 6.3 As set out in paragraph 9.13 of the Planning Statement (Examination Library Reference APP-084) and page 320 of the Consultation Report (Examination Library Reference APP-079), the reason for this is said to be because Robert Bayford (a councillor at the time and now the leader of TDC), wrote to RSP on 20 February 2018 asking them to disregard the section 42 response as "*unrepresentative and flawed*" as it was written by officers and had not been endorsed by Members. Subsequently, Mr Bayford has recanted that statement on 28 March 2018 and acknowledged that Members at TDC should not seek to fetter officers' exercise of professional judgement. Mr Bayford confirmed that the section 42 response should in fact be considered, as highlighted in the Consultation Report (Examination Library Reference APP-079) at Table 10.2.
- 6.4 Despite this, as noted RSP has still not had regard to the feedback from TDC.
- 6.5 The section 42 feedback from Kent County Council in relation to the need for completion of strategic highways modelling has also been entirely ignored by RSP. SHP considers that these local impact considerations will require examination in detail.
- 6.6 "Important and relevant" matters will include text of general application in the Airports NPS. RSP has presented policies from the Airports NPS and assessment principles selectively and has ignored policies regarding provision of information and assessment of effects to which regard should be had in examining the Application.
- 6.7 RSP seeks to rely heavily upon local planning policy in support of its proposed development as being "important and relevant" matters, but the development plan policies upon which RSP relies cannot be regarded as being up-to-date. RSP has selectively ignored the more recent letters issued by the Secretary of State for Housing, Communities and Local Government which state that the TDC Local Plan is regarded as out of date (see **Appendices 9 and 13**). Accordingly, in RSP's analysis, too much weight is placed on the Local Plan. RSP also spends significant time reciting previous policies contained in now revoked and superseded planning policy documents. These historic and no longer extant documents are not important and relevant considerations for determination of the present Application.
- 6.8 The status and weight afforded by RSP to the emerging Local Plan is also incorrect and the Planning Statement reports inaccurately upon its current status and weight.
- 6.9 Contrary to the misleading position presented in paragraph 8.106 of the Planning Statement (Examination Library Reference APP-084), the Local Plan being progressed by TDC does not seek to retain aviation policy protection for the airfield known as Manston Airport, nor can it lawfully do so, as its own up-to-date evidence base confirms that the Airport is very unlikely to be financially viable in the longer term. The Local Plan supported by Members on 19 July 2018 makes clear that the existing policy protecting the site for aviation use only would "*not be continued or replaced with equivalent policies in the new Local Plan*".<sup>8</sup> Whilst text is included that recognises the existing use of the Airport and acknowledges the current DCO process, it was noted that this "*statement regarding existing use is not a policy statement. It is simply a recognition of the current planning status of the site*" and that "*in the event that a DCO*

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<sup>8</sup> Paragraph 2.11(2) of the TDC cabinet meeting dated 19 July 2018

*or CPO process is not accepted or granted, or does not proceed, the Council will need to consider the best use for this site, in the next Local Plan review after a minimum of two years".<sup>9</sup> TDC members elected not to follow the recommendation of its professional officers to allocate the site for mixed use development, and instead supported an option which officers advised is "not fully aligned with the Council's own evidence base in respect of the viability of the Airport and carries a higher risk of not being found sound"<sup>10</sup>.*

- 6.10 Accordingly, a plan which continued to safeguard the land for future aviation activity would be found unsound and, in light of TDC's current housing land supply requirements, would also put into jeopardy the delivery of a significant strategic housing and mixed use site for the area. There is therefore clearly significant doubt regarding the soundness of the emerging plan which now leaves the future of the Manston Airport site uncertain in the Local Plan until a review, planned for two years' time at the earliest. The Sustainability Appraisal prepared with the Local Plan by contrast identifies the site as the most sustainable site for a strategic housing and mixed use allocation for a new settlement, yet as a result of the proposed development, that land is now proposed to sit sterile.
- 6.11 There remains the risk that the future of the Local Plan will not be determined by TDC but by the Ministry of Housing, Communities and Local Government which is currently considering an intervention<sup>11</sup> due to the persistent failure of TDC (for wholly political reasons) to make progress with the adoption of a new Local Plan. Consultation on the most recent revisions to the Local Plan has only just concluded (on 4 October 2018), and TDC has yet to review the responses to consultation or to publish its submission version of the plan for Examination in Public.

## 7. FAILURE TO JUSTIFY COMPULSORY ACQUISITION – SHP ISSUE 5

- 7.1 As set out above, SHP is an "affected person" and a "Category 1" person within the meaning of section 44(1) of the Planning Act 2008. SHP objects to the inclusion of the SHP Land and its interests within the scope of compulsory acquisition powers in the proposed DCO.
- 7.2 SHP considers that RSP has not demonstrated and will not be able to demonstrate that there is a compelling case in the public interest for the acquisition of the SHP Land. In particular, as highlighted above, the evidence put forward by RSP in relation to the need for its proposed development, and the forecasts prepared by Azimuth Associates, are not credible or robust. Instead, proper, independent analysis by Avia Consultants<sup>12</sup> on behalf of TDC and by York Aviation<sup>13</sup> and Altitude Aviation<sup>14</sup> on behalf of SHP demonstrates that there is no need and no viable economic case for the proposed development.
- 7.3 Public interest demands, therefore, that RSP should not be granted the right to acquire SHP's Land: SHP has a realistic and viable development proposal for much needed housing and mixed use development, whereas RSP's proposal is, at best, speculative but with no realistic prospect of a long term viable operation. This cannot properly be the purpose of the Planning Act 2008 in introducing the NSIP regime.
- 7.4 RSP has not given proper considerations to alternatives in the context of justifying the powers of compulsory acquisition that it seeks. Alternative sites in the UK have not been the subject of any proper consideration – the entire exercise by RSP has clearly been focussed upon trying to obtain control of a lucrative proposed housing and mixed use development site.

<sup>9</sup> Paragraph 2.11(2) of the TDC cabinet meeting dated 19 July 2018

<sup>10</sup> Annex 3 of the local plan addendum draft version appended to the TDC cabinet meeting dated 18 January 2018

<sup>11</sup> See letter of 23 March 2018, Appendix 13

<sup>12</sup> Appendices 2 and 6

<sup>13</sup> Appendices 8, 12 and 18

<sup>14</sup> Appendix 11

- 7.5 RSP is regarding the availability of compulsory acquisition powers as the purpose of its DCO, rather than as a last resort. There have been no genuine attempts to acquire land by negotiation – RSP has not made any detailed or properly funded offers to SHP.
- 7.6 The case for compulsory acquisition of extensive areas of land for associated development has also not been explained. RSP has not justified why the full extent of the land proposed to be acquired is required to deliver the NSIP. In relation to the associated development proposed, this, quite clearly covers the majority of the land area being acquired and, contrary to the "Guidance on associated development applications for major infrastructure projects"<sup>15</sup> (the Guidance), is entirely disproportionate to the nature and scale of the principal development. There is no explanation as to why the development needs to be situated on the land owned by SHP and no consideration has been given as to the availability of suitable alternative sites in the area. In particular, there has been no regard to the existing oversupply of industrial floorspace of the type proposed by RSP in the vicinity of the Airport.
- 7.7 There are no calculations or forecasts to justify the volume or costs of supporting infrastructure required to service the proposed NSIP development.
- 7.8 RSP's position appears to be that there is very little realistic prospect of ATMs ever reaching beyond the 17,170 freight ATMs set out in the Azimuth reports (indeed given that RSP admits that going above that figure, so 17,171, is a "bare possibility" presumably even reaching 17,170 is similarly remote) – as such the associated development and the accompanying land take included to underpin it go massively beyond what is needed to "*support the construction or operation of the principal development, or help address its impacts*"<sup>16</sup> and cannot be said to be proportionate to the nature and scale of the principal development, or "*typical of development brought forward alongside the relevant type of principal development or necessary to support a particular type of project*". There is no proper link between many of the facilities (e.g. the flight school or the aviation recycling facilities) to support a case for compulsory acquisition of the land.
- 7.9 The associated development requirement that there be a direct relationship between the principal development and the associated development proposed is the first core principle or test set out in the Guidance. The powers in section 122 of the Planning Act 2008 authorising compulsory acquisition require RSP to demonstrate that the land "*is required for the development to which the development consent relates*". The Guidance also requires applicants to explain in their explanatory memorandum which parts of their proposed development are associated development and why.
- 7.10 RSP has not explained why certain works are part of "the NSIP" (without prejudice to SHP's contention that there is in fact no NSIP in the Application) and other works are associated development to that purported NSIP. This means there is no clear justification for the majority of the development proposed. Where, as in the case of RSP's Application, development has been included in the Application which is not properly part of the purported NSIP and not properly to be considered as associated development, the compulsory acquisition for that development cannot be included or justified.
- 7.11 SHP will present detailed evidence in its Written Representation to demonstrate that there is no case for compulsory acquisition powers to be granted over the SHP Land. SHP, also as the principal affected party, will seek to have these matter addressed by way of Compulsory Acquisition Hearings and wishes to appear in person and to present expert evidence at such hearings and, where appropriate to cross examine RSP's evidence to ensure that there is proper testing and interrogation of:

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<sup>15</sup> DCLG April 2013

<sup>16</sup> Paragraph 5(i) of the "Guidance on associated development applications for major infrastructure projects", DCLG April 2013

- 7.11.1 RSP's case that section 23 of the Planning Act 2008 is engaged and the fundamental statutory case for compulsory acquisition, which SHP will say cannot actually be authorised;
- 7.11.2 alternatively, in the event that the Secretary of State, in making his decision on whether or not to grant a DCO for the Application, considers that section 23 is engaged, which elements of the proposed development can be considered to be part of the NSIP or associated development and which elements fall outside both of these descriptions;
- 7.11.3 further, in the event that the Secretary of State, in making his decision on whether or not to grant a DCO for the Application, considers that section 23 is engaged, the land take necessary for a 17,170 freight ATM airport;
- 7.11.4 as referred to in section 5 above, the purported need case presented by Azimuth Associates, which SHP can show is deeply flawed and which forms the basis of the Application;
- 7.11.5 as referred to in sections 8 (Funding) and 9 (Viability) below, the lack of any of the requisite information as to the funding of the proposed development, and information that would allow any credible investor to undertake even the most basic preliminary assessment of the viability and fundability of the proposed development.
- 7.12 It is quite clear that RSP is not only using the 82,330 ATM figure for the purposes of section 23 of the Planning Act 2008 but also for its excessive associated development and land take case. RSP's assertion that it does not need to assess this ATM figure under the EIA Regulations (as referred to above) does not bear scrutiny in light of this.
- 7.13 This needs to be dealt with early on in the Examination.
- 7.14 As mentioned above, it is also of particular concern that the protections for landowners set out in the Crichel Down rules will not apply to RSP (as a private company) and under a DCO. The DCO should prevent RSP being able to abandon its aviation proposals post acquisition and use the land for other non-airport related purposes. Should RSP not be able to make an aviation development economically successful, the site should be offered back to SHP.
- 7.15 SHP considers that the Compulsory Acquisition Hearings would strongly benefit from targeted cross-examination to ensure that complex areas are properly considered in the Examination.
- 8. INADEQUACY AND OPAQUENESS OF FUNDING – SHP ISSUE 6**
- 8.1 SHP notes the comments of the Acceptance Inspector on both the section 55 checklist and the section 51 advice from the Planning Inspectorate published on Acceptance in relation to the "*significant risk to examination*" posed by the poor quality of the funding statement.
- 8.2 SHP agrees with the concerns raised by the Planning Inspectorate, which were also raised by SHP and by the Planning Inspectorate prior to the submission of the Application. RSP has had multiple opportunities to provide sufficient evidence of the availability, and source and adequacy of funding and has failed to do so. SHP considers that funding should be a principal issue for detailed testing and interrogation at examination. RSP has been given the opportunity a number of times to provide requisite proof, now it is time for the matter to be dealt with publicly in the examination without delay, especially given the Inspectorate considers that the Application is suitable for examination.

8.3 Over the last 18 months, RSP has made and failed to keep commitments to provide information about its funding. In its press statement release from 30 March 2017 (Appendix 4), RSP said that:

*"Additional, comprehensive details of our funding partners and investment arrangements will of course be provided to PINS as part of the DCO application providing solid evidence of our ability to meet all of the financial obligations associated with the acquisition, reopening and operation of the airport".*

This information was not supplied.

8.4 SHP's written responses will highlight the complete lack of information regarding the ability of RSP to fund either the land acquisition costs or the costs of construction of the proposed development. As acknowledged in the funding statement, *"almost all of the land required for the project is not owned by RiverOak"*. It does not own any airport assets anywhere else and has no trading history. Again, this all underlines what a highly unusual set of circumstances is presented by this purported DCO.

8.5 Usually, Special Purpose Vehicle ('SPV') companies promoting DCOs are backed either by Government departments or by UK registered parent companies (such as regulated utilities) or by publicly listed companies with audited accounts, extensive assets and track records for delivery of similar projects and detailed public information regarding shareholdings and governance.

8.6 RSP, on the other hand, is a recently incorporated SPV company with no trading history. Its most recent set of accounts filed at Companies House are for the year ended 31 July 2017 and they are dormant company accounts, showing that the company has a share capital of £1 and at that date had never traded (see **Appendix 16**).

8.7 In SHP's direct experience, RSP has defaulted on payment of modest licence fees agreed for access to land, with these sums only paid following threat of a statutory demand being issued. The sums owing were eventually discharged by a third party, Freudmann Tipple Limited, and not by RSP itself or by the shareholders whose resources are relied upon in the Funding Statement, suggesting that RSP itself has not even the financial means to pay for survey access to the land.

8.8 Careful and thorough scrutiny at the Compulsory Acquisition Hearing, (which SHP requests and will attend) is required in order to test whether RSP can meet the level of evidence required to justify the grant of any statutory powers (let alone compulsory acquisition) to such a person or body, which to date can only be described as an empty shell.

8.9 The Secretary of State is asked by RSP to grant extensive powers, interfering with the Article 1 Protocol 1<sup>17</sup> rights of others, to a company with an opaque **offshore** shareholding with no evidence that any money is in fact ring-fenced and available to meet the costs of the land acquisition and compensation.

8.10 RSP's funding statement is entirely silent on the identity and status of Riveroak Manston Limited, a shareholder with a 10% stake in RSP. The funding statement asserts that £15,000,000 has been "committed" by shareholder MIO Investments Limited (a Belize registered company), but there is no evidence of this. No accounts for MIO have been lodged, and there is no information about the trading history or previous investments delivered by MIO Investments to show that this offshore company is in any way a credible backer for a project of this size. RSP's press release on 30 March 2017 (**Appendix 4**) noted that MIO Investments has been established as a specific funding vehicle to hold its (anonymous) investors' financial interests in the proposed development, and therefore it has no other investments.

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<sup>17</sup> Protocol 1, Article 1 of the European Convention on Human Rights, Right to peaceful enjoyment of property

- 8.11 It is noted that RSP has stated that it would be happy to supply further evidence of funds and it has of course been challenged by the Planning Inspectorate and SHP to do so. To date, despite clear guidance that a funding statement "*should provide as much information as possible about the resource implications of both acquiring the land and implementing the project for which the land is required*" ("Guidance related to procedures for the compulsory acquisition of land", DCLG September 2013), RSP has failed to provide sufficient information. RSP has evidently not provided as much information as possible, rather it has, in fact, provided as little as it thought it could possibly get away with, again providing further evidence that this is nothing more than a speculative land grab.
- 8.12 RSP's case is to invite the Secretary of State to rely upon the previous experience of anonymous interested investors, and the experience of RSP's directors, but does not describe what this experience is or who these investors are. It is clear that no reliance can be placed on this.
- 8.13 SHP will set out in detail in its written evidence the history of business failure(s) and financial and other impropriety on the part of some of RSP's directors, which are relevant and makes reliance on these entirely empty assurances untenable.
- 8.14 Beyond that, there is no evidence at all that there is any prospect of a credible investor agreeing to invest the hundreds of millions of pounds necessary to deliver the proposed development given the lack of any business case being set out in RSP's Application. It is SHP's case, which it will support with evidence, that no credible investor would invest £300m (as per RSP's Funding Statement) for the construction of the proposed development. See further section 9 below in relation to viability.

## 9. LACK OF VIABILITY OF THE PROPOSALS (SHP ISSUE 7)

- 9.1 RSP asserts that it has assessed the commercial viability of the proposed development. This does not however form part of the Application materials. There is no evidenced business case for the proposed development that would allow this to be assessed.
- 9.2 As noted earlier, the history of Manston Airport, with its multiple failed attempts at a commercially viable civil aviation aerodrome, clearly illustrates that the Airport has consistently run at a significant loss in the past, unable, due to its poor connectivity and limited market appeal, to generate sufficient freight or passenger traffic to be profitable.
- 9.3 The only publicly available evidence currently is the Avia Solutions studies commissioned by TDC, which demonstrates that freight operations at Manston Airport are not viable. (**Appendices 2 and 6**). The emerging draft Local Plan, which RSP prays in aid as supportive of its proposed development, in fact leaves the airfield known as Manston Airport unallocated and, drawing on the Avia Solutions work, states clearly that "**airport operations at Manston are very unlikely to be financially viable in the longer term, and almost certainly not possible in the period to 2031.**"
- 9.4 SHP's consultants, York Aviation and Altitude Aviation, also share the view of Avia Solutions that airport operations and the freight focussed operation proposed by RSP are unlikely to be commercially viable (see the report attached at **Appendices 8, 11, 12 and 18**).
- 9.5 RSP must be called upon to present a full viability appraisal as part of the examination (which should then be the subject of an Issue Specific Hearing) of the proposed development. This should include as a minimum:
- 9.5.1 details of the land valuations used in the model;

- 9.5.2 details of the assumptions and projections for build costs for each element of the proposed development (including all off site roads, costs for establishing the "Biodiversity Area" and other infrastructure costs); and
- 9.5.3 component revenue assumptions and evidence that there is some prospect of identifiable freight and passenger operators committed to operating flights out of a re-opened Manston.
- 9.6 It is SHP's view that a full and robust viability appraisal will only serve to demonstrate that the RSP proposed development is entirely unrealistic.
- 9.7 A viability appraisal will also demonstrate the extent to which the purported NSIP is being cross subsidised by commercial development, which in reality is entirely unconnected to the airport operation. Any development that forms such a function cannot be consented through a DCO and must be removed. This is because it does not meet the relevant statutory tests.
- 9.8 It is vital, therefore, that thorough examination takes place to determine which elements of the proposed development are not part of the NSIP (without prejudice to SHP's contention that there is no NSIP in this case) and the function that that development performs pursuant to the "Guidance on associated development applications for major infrastructure projects"<sup>18</sup>.
- 9.9 The current Funding Statement and other application materials contain no information on how the estimated land compensation sum of £7.5m has been calculated. SHP does not consider that this figure represents anywhere near a full and proper valuation of the costs of land acquisition for the proposed development.
- 9.10 Similarly, the Funding Statement and other application materials merely assert that the total construction cost of the proposed development will be £300million without any proper breakdown or explanation as to how this figure has been arrived at, or how this expenditure is to be phased through the life of the proposed development
- 9.11 There is no consideration given in the Funding Statement or elsewhere in the application to the lifetime costs of the proposed development, or how ongoing maintenance costs are to be met from expected revenues. It is notable that the Airports NPS sets out the expectation that an Applicant "*should demonstrate in its application for development consent that its scheme is cost-efficient and sustainable, and seeks to minimise costs to airlines, passengers and freight owners over its lifetime*".<sup>19</sup> Whilst the NPS is specific to Heathrow, the same expectation on the type of information necessary to support any Airport NSIP should be applied to RSP's application for Manston. Clearly the likely lifetime costs will have a significant bearing on the likelihood of landing charges being able to be maintained at a level that is commercially viable and attractive to freight and passenger operators.
- 9.12 There is no information on the expected landing charges, which would be necessary in order to inform a view on the likely economic viability of the proposed development. RSP has no firm commitments from any airlines (passenger or freight) that they would use a re-opened Manston Airport, and in the absence of information on the likely charges, clearly no airline would make any binding commitment.
- 9.13 SHP considers that viability is fundamentally linked to the compulsory acquisition case, and that there can be no compelling case in the public interest for compulsory acquisition of land for a project that will never be financially viable or deliverable.
- 9.14 Accordingly, SHP requests that viability is considered as principal issue in the examination into this purported DCO.

<sup>18</sup> DCLG April 2013

<sup>19</sup> Airports National Policy Statement: new runway capacity and infrastructure at airports in the South East of England (June 2018) paragraph 4.39



10. **DEFICIENT ENVIRONMENTAL IMPACT ASSESSMENT (SHP ISSUE8)**

- 10.1 SHP prepared detailed feedback on the Preliminary Environmental Information Report published by RSP with its section 42 consultation (attached to this representation as **Appendix 12**). Despite such detailed feedback, the majority of comments have not been addressed in the final Environmental Statement ("**ES**") submitted with the Application. SHP therefore reiterates the points raised during section 42 consultation and will elaborate on these points as part of its submissions to the examination.
- 10.2 SHP also shares the concerns raised by the Planning Inspectorate in the section 55 checklist and section 51 advice given post Acceptance as to the significant limitations in the ES.
- 10.3 As discussed in section 4 above, SHP considers that RSP is in error in failing to properly or adequately assess and provide information as to the likely significant effects of its proposed development, as no consideration has been given to the effects of the airport operating at capacity, and no constraints in the draft DCO which would prevent that capacity being reached or constrain the environmental effects. As we state in section 4 above, Regulation 14 of the EIA Regulations does not permit applicants to only assess the likely significant effects of the "likely" proposed development, rather applicants must assess the "*likely significant effects of the proposed development...*" (our emphasis). The "proposed development" in this case, is that set out in Schedule 1 of the draft DCO which, according to RSP's Application, would give rise to a capacity of 83,220 freight ATMs. That ATM figure would be the consequence should the draft DCO be authorised and that ATM figure, therefore, should be assessed under the EIA Regulations. It is, quite simply, a farce for it not to be. The only circumstance where that ATM figure should not be assessed, is if the Application were amended so that its effect would be to increase the number of freight ATMs by 17,170 ATMs. Accordingly, the whole ES is currently deficient on the basis of an incorrect assessment; this is an overarching comment across all environmental topics.
- 10.4 Furthermore, and worryingly, there is no draft Operational Management Plan that can be properly tested and examined to determine whether it would present adequate mitigation and control of effects, and no cap on ATMs. SHP considers this is a key issue for examination.
- 10.5 As the Examining Authority will also note, there are significant gaps in survey data which currently undermine the validity and robustness of the ES. These gaps were identified prior to submission by both SHP and the Planning Inspectorate and RSP has chosen to submit the Application without addressing those criticisms. A number of the missing surveys are seasonally sensitive, and will take some time to complete (the estimates in the chapter suggest that the various surveys will be undertaken over the period from December 2018 to September 2019). Case law (*R v Cornwall County Council ex p Hardy*<sup>20</sup>) has long established that decision making cannot be taken without appropriate species surveys, since surveys might reveal significant adverse effects to be likely on protected species. The case clearly establishes that it is not lawful or appropriate for survey results to be deferred until a later decision making stage (in this case on discharge of requirements) as the Secretary of State will not be in a position to know whether the ES before him represents the full environmental information required by the EIA Regulations, or whether the proposed mitigation is adequate, before determining the Application. As with our other comments on the failures of the Application, which have been highlighted to RSP at the section 42 stage, given the Planning Inspectorate now itself considers that the Application is ready for examination, it is time for RSP to be tested, sooner rather than later, in a proper and thorough examination over these significant gaps in environmental data. Any time afforded to RSP to carry out these surveys prior to the start of the

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<sup>20</sup> [2001] Env LR 473

examination would simply go against the Inspectorate's decision to accept the Application under section 55 of the Planning Act 2008.

- 10.6 SHP reiterates the comments raised in its section 42 consultation response (which is attached at **Appendix 12**).
- 10.7 SHP would like to draw the Examining Authority's attention to the following issues and topics (without repeating the matters set out in its section 42 consultation response) in particular which should be considered as principal issues in the examination:
- 10.7.1 RSP's approach of assessing what it considers to be the widest possible envelope of effects is not robust, as in numerous instances it is not informed by sufficient information to be confident that the parameters selected for assessment do in fact represent the realistic worst case scenario for assessment. If the correct parameters were to be used (i.e. the likely significant effects of the 83,220 ATM capability of the proposed development), it is likely that the effects reported in the ES would be incorrect, and the mitigation proposals included in the Application would be inadequate. When properly assessed, there may be a requirement for mitigation measures which require offsite works to be carried out (e.g. to highways) or additional mitigation land (e.g. for ecological mitigation) which does not form part of the Application.
- 10.7.2 There is no information in the ES which accurately describes how the airspace implications of the proposed development have been assessed. Paragraph 3.3.197 of the ES indicates that a "*route envelope*" approach has been used to capture the "worst case" but this "*route envelope*" is not described at all in either the ES or in the CAA Interface Document (Examination Library Reference APP-081). As Manston Airport is currently closed, there is no existing airspace envelope to use as a starting point. There has been no public consultation relating to RSP's proposed development on the approach taken in the ES and there is no transparency as to what airspace assumptions, holding areas/stacks etc. have been factored into the assessments in the ES. This has the potential to affect several topic areas (including ecology, noise and air quality) and is a matter which should be the subject of interrogation as part of the examination process.
- 10.7.3 Any "route envelope" assumptions would need to take into account changes likely to be coming forward to airspace in the South East, as well as the further changes likely to come forward in light of Heathrow's third runway proposal. Unlike Manston, there is already information in the public domain regarding the principles for the future Heathrow airspace changes<sup>21</sup> and this does not appear to be reflected in the ES.
- 10.7.4 For EIA purposes, it is not sufficient to hide behind the separate approval processes for airspace change. The underlying information and assumptions are critical to the assessments required to support the Application.
- 10.7.5 The traffic and transport assessment has not been informed by the outcome of strategic transport modelling. SHP notes and supports the comments of the highway authority, Kent County Council, at section 42 consultation, and considers that this is an area which requires detailed examination. RSP should produce the strategic model. As it has not been carried out prior to submission of the Application, the County Council, Highways England and local communities are unable to comment on it. The process under the Planning Act 2008 is intended to be a front loaded process in which key information is produced and consulted upon prior to applications being

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<sup>21</sup> Heathrow Airspace Consultation 1, January 2018 – March 2018

submitted. This has not happened and whilst SHP considers that the Application is therefore deficient, the Inspectorate has considered the Application suitable for examination. Accordingly, the Examining Authority must, as soon as the examination has commenced, request that RSP carry out this modelling, which in turn will need to be consulted upon under the EIA Regulations. It would be manifestly inadequate that such important data be left until post consent given that the results of the model may result in further additional off-site mitigation, which then needs to be secured, delivered and put into the viability model.

10.7.6 The strategic transport modelling work is necessary in order to demonstrate that the traffic and transport impacts can be accommodated, and to ensure that any mitigation required to support the strategic road infrastructure in the vicinity of the airfield is properly considered as part of the examination. We would note that SHP's own planning application was submitted with the results of the strategic model that also gave rise to various mitigation measures. Given the major commercial component of RSP's scheme (which would be a major EIA development in its own right under the Town and Country Planning Act 1990), we find it incomprehensible that an application for an airport can even be submitted without the strategic modelling being carried out.

#### 10.7.7 Air Quality

- (a) A number of comments raised during section 42 consultation in relation to the PEIR have not been addressed in relation to the final Air Quality assessment in the ES, raising concerns as to the adequacy of the assessment.
- (b) The proposed development is adjacent to the Thanet Urban Area AQMA – the assessment of impacts on air quality are therefore particularly sensitive and must be approached robustly, as the proposed development reintroduces aircraft movements and associated traffic to what is currently a closed airfield.
- (c) The latest emissions factors (published in December 2017) have not been used in the preparation of the ES. This point was raised in the SHP response to section 42 consultation but has not been addressed. RSP should carry out sensitivity testing to ensure that the output of their assessment is not affected by the application of the most up to date emissions factors. No proper consideration has been given to this in the ES.
- (d) The ES chapter notes that the Defra background maps which are used to calculate the future baseline already include the operation of the former airport. The chapter states that “*the small amount of double counting is considered acceptable as a conservative assumption.*” What cannot be ascertained is whether this may result in the incremental contribution of the proposed development being underestimated relative to the baseline.
- (e) The absence of proper strategic transport modelling is also a severe limitation to the air quality assessment. Until the strategic modelling is completed, RSP and the Examining Authority cannot know whether the assessment properly captures the full extent of traffic movements and impacts of potentially needing new road infrastructure. The Air Quality assessment must therefore be revisited once the proper strategic transport modelling has been completed.

#### 10.7.8 Ecology

- (a) A number of the comments raised during section 42 consultation in relation to the PEIR have not been addressed in the final ES. In particular, the lack of survey data (discussed above at paragraph 10.5) remains an issue in relation to the levels of confidence that can be attached to assessment conclusions in the absence of survey data. In particular, the conclusions of the Report to Inform Appropriate Assessment (Examination Library Reference APP-044) are undermined by the lack of a full and appropriate survey baseline.
- (b) The ES makes clear that the compensatory habitat proposed to be located in an off-site location (referred to as parcel 1362) is not as extensive as the areas of habitat proposed to be lost as part of the Application. We would expect to see a proper net gain/biodiversity offsetting calculation, in order to assist the Examining Authority, as national planning policy<sup>22</sup> is clear that sustainable development should seek "*positive improvements in the quality of the built, natural and historic environment, as well as in people's quality of life, including (but not limited to): ...moving from a net loss of biodiversity to achieving net gains for nature*", supported by the Natural Environment White Paper<sup>23</sup>. Paragraph 109 of the National Planning Policy Framework is clear that Government's expectation is that the "*planning system should contribute to and enhance the natural and local environment by minimising impacts on biodiversity and providing net gains in biodiversity where possible*". The area proposed for replacement habitat is not within the Application redline boundary and no information is provided in the Mitigation and Habitat Creation Plan or the ES regarding the ownership of the land and how the measures set out (including in-perpetuity management) are to be secured and delivered.

#### 10.7.9 Report to Inform the Appropriate Assessment

- (a) SHP's consultants are of the view that the conclusions of the report that there are no significant effects likely is likely to be premature (especially following the case of *People Over Wind and Sweetman v Coillte Teoranta*<sup>24</sup>) in the absence of key information in relation to the strategic transport model, flight path data/airspace proposals and ecological survey data. Until assessments have actually been completed which take into account this data, the Examining Authority will not have full and robust information upon which to base a recommendation.

#### 10.7.10 Noise

- (a) The noise assessment should be updated to reflect the output of proper strategic transport modelling, which is currently missing from the assessment.
- (b) There is very little information in the ES chapter to explain the basis on which the assessment of noise arising from the extensive proposed commercial development has been assessed. The proposed development includes industrial uses such as the aircraft recycling facility – noise assessment should be detailed enough to allow the effects of such activities to be properly assessed.

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<sup>22</sup> NPPF paragraph 9

<sup>23</sup> The Natural Choice, Securing the Value of Nature, 2011

<sup>24</sup> *People Over Wind and Sweetman v Coillte Teoranta* (C-323/17)

- (c) It is not clear from the ES what "worst case" assumptions have been made in relation to noise from night time flights. Chapter 3 states that "*a realistic assumption has been made*" for the purposes of noise modelling, and explains the quota system proposed, but neither Chapter 3 nor Chapter 12 set out what has been assessed.
- (d) Significant adverse effects are predicted for 12 non-residential receptors (including 7 school / nursery facilities). Proposed mitigation is providing reasonable costs for insulation and ventilation under the noise insulation scheme. However, the mitigation will only have effect for receptors using the inside of these premises. No assessment of implications of the proposed development on the effectiveness of that outdoor space for sensitive facilities has been undertaken. There is a lot of research on how noise in outside spaces affects the learning of children, and this failure by RSP to address these effects needs to be examined as a principal issue under noise.
- (e) It is not clear from the ES how many properties would fall between the LOAEL and SOAEL, where significant adverse effects could be experienced. It cannot simply be the case that those properties experiencing SOAEL are the only properties that will experience significant adverse effects; that is an arbitrary approach. The methodology section of the ES explains that levels above the SOAEL will be significant for EIA purposes, and that levels between LOAEL and SOAEL will be evaluated against a list of considerations to determine the magnitude of significance of the effect under the EIA Regulations (paragraph 12.6.75). However, it is not apparent that this has been done - the assessment for aircraft noise reports, for impacts on dwellings in Year 20, that 13,046 dwellings are above the LOAEL and 115 dwellings above the SOAEL. At night time 16,465 dwellings are reported above the LOAEL and 225 dwellings above the SOAEL. There is no discussion of how the dwellings between the LOAEL & SOAEL have been considered or the conclusion in EIA terms. The summary of significant effects only refers to properties above the SOAEL as experiencing a "significant" effect. We consider that this is too blunt and does not properly reflect the effects.

#### 10.7.11 Socio-economics

- (a) As raised by SHP in its Section 42 consultation response, the ES assumes that there are no significant changes to the future socio-economic baseline. There is no further explanation of this approach. This assumption is not robust as it fails to take account of the population growth and predicted background economic growth that would take place in Thanet irrespective of whether RSP's proposed development is delivered.
- (b) Assumptions regarding the proportion of the workforce to be sourced from the immediately surrounding communities in Thanet appear to be highly optimistic. If workers are likely to need to move to the area for construction and operation, this is not accurately assessed in the chapter. Elsewhere, Azimuth reference construction workers staying in local hotels, which is inconsistent with the assertion that the workforce will be a local workforce. The ES chapter acknowledges that "*the installation of specialist plant may not be able to be completed by typical or local construction workforces*" (paragraph 13.8.5), but the assessment assumes the

workforce will be local, and will live locally. The information in the chapter is therefore contradictory. This feeds in to the assessment made in the ES of impacts on community facilities, where the ES also makes the assumption that the construction workforce will be local and will therefore not result in additional demands being placed on educational, healthcare and community services.

- (c) The case for tourism benefits to the local area arising from the proposed development is unclear, with the ES acknowledging explicitly that the connection between tourism benefits and the operation of the airport are unclear (see paragraphs 13.8.80-13.8.81). Despite the lack of any evidence to underpin the connection, the ES assesses the socio-economic effects of tourism as a minor beneficial significant effect. This is not a robust conclusion given there is no evidence.
- (d) The socio-economic assessment does not reflect the fact that the need case is based on taking freight away from other UK airports. The effect of this supposed diversion of trade from other UK airports and related effects on employment has not been properly assessed – the text in the ES only focusses on airports in London and the South East, whereas the analysis prepared by York Aviation evidences the likelihood that for the proposed development to make any economic success, trade would have to be diverted from other UK airports who have room for expansion and well established facilities.
- (e) The assessment of impact on housing need is not robust and does not properly address concerns raised by SHP and TDC in relation to the potential for construction worker and operational worker migration to the area and its impact on housing needs.

#### 10.7.12 Landscape and Visual Impact

- (a) Reliance is placed in the ES on mitigation proposals which are not properly described and which cannot be properly taken into account. There are references to various measures including bunding and screen planting but the detail of what the mitigation will comprise is proposed by RSP to be agreed post-consent. Similarly, there is no proper lighting assessment, with RSP proposing to defer consideration of this aspect until post-consent. None of this is adequate and will not allow the Examining Authority or the Secretary of State to draw robust conclusions on the efficacy of the proposed mitigation.

#### 10.7.13 Climate change

- (a) Emissions in relation to end of life and decommissioning activities are not considered in the assessment, and should at least be considered quantitatively.
- (b) A carbon footprint should also be prepared to show the Airport's carbon footprint at re-opening and also when operating at its full capability.

#### 10.7.14 Major Accidents and disasters

- (a) RSP's comments regarding the adequacy of a 1km study area for consideration of major accidents and disasters ahead of the flight

paths for the Airport being determined via the CAA process is inadequate and a wider assessment is required.

- (b) There is no information on the safeguarding zones (in relation to Obstacle Limitation surfaces) around the Airport. These may have implications for the design of new facilities proposed and commercial development on adjacent land and this does not appear to have been considered.
- (c) The future baseline for this topic area has not given consideration to any likely future population changes over the assessment period and is therefore not robust.
- (d) The commentary on incorporated measures to address safety do not give any detail on how the security and resilience of the Airport can and have been addressed in the design process. RSP states that relevant CAP and CAA guidelines will be followed but does not explain how these have influenced design or assess whether the proposed design meets these standards.
- (e) Please see also comments in section 11 below.

10.7.15 The above and the Appendices accompanying this representation set out SHP's current views on the failure of the environmental assessment. SHP reserves the right to produce further evidence on these points once the examination commences and in accordance with the examination timetable.

## 11. **LACK OF PUBLIC SAFETY ZONE INFORMATION– SHP ISSUE 9**

11.1 No information has been provided regarding the likely public safety zone for a reopened Manston Airport, despite the proposed development being for the reopening of an airport with a capability of 83,220 ATMs, and a fleet mix which includes a range of freighters from around the world which are expected to arrive and take off from the Airport heavily laden. The likelihood and size of the required public safety zone and its potential blighting effect should be clearly explained as part of the Application, to allow consideration of "*risks to human health, cultural heritage or the environment (for example due to accidents or disasters) in relation to crash risk*" as required by the EIA Regulations.

## 12. **SHP'S PROPOSALS FOR THE MANSTON AIRPORT SITE - A CREDIBLE AND DELIVERABLE SCHEME IN CONTRAST TO RSP'S PROPOSALS– SHP ISSUE 10**

12.1 SHP is a JV comprising:

12.1.1 80% shareholding by Invicta Asset Management Limited, which is controlled by experienced major mixed-use developers, Trevor Cartner and Chris Musgrave. Trevor Cartner is also Chairman of Helios Property Group. Helios Property Group and Mr Cartner are master-developers with a successful track record of leading major residential and mixed-use schemes. Mr Cartner and Mr Musgrave recently developed the Discovery Park business park scheme in Kent, having successfully revived the site (located near Manston at Sandwich) bringing 2,000 extra jobs following the exit of long term occupier Pfizer. In addition, they are developing Wynyard Park and Tunstall Park in the North East and Flaxby Park in Yorkshire which together account for some 10,000 new homes and 2 million square feet of commercial space. Invicta is providing SHP with an experienced team which has master planned the Manston Airport site as a major vibrant, mixed-use and sustainable new settlement community called "Stone Hill Park" to provide thousands of much needed homes and jobs to the area, with a current planning application submitted and progressing. Further significant

work is being undertaken in relation to the SHP project and proposals are being progressed, though the RSP proposed development is causing delay and uncertainty and consequential losses to SHP given the threat of compulsory acquisition. SHP is strongly committed to progressing the SHP proposals despite the RSP proposed development;

- 12.1.2 20% shareholding by Highland and Universal Investments Limited, a highly experienced private equity investment company.
- 12.2 SHP and its shareholders are all incorporated in England and Wales, and are therefore subject to the transparent filing requirements of Companies House.
- 12.3 SHP has been the freehold owner of the SHP Land since October 2014. Airport operations at the Airport ceased in May 2014, following the failure of repeated efforts to deliver viable airport operations.
- 12.4 SHP wishes to progress proposals to transform this brownfield site into a vibrant and exciting sustainable new settlement, as a dynamic place to live, work and play, delivering a sustainable new community and much needed new housing and jobs.
- 12.5 Given that it has been consistently shown that airport operations at Manston Airport are unviable, and with TDC's own independent report concluding that "*airport operations at Manston are very unlikely to be financially viable in the longer term, and almost certainly not possible in the period to 2031*"<sup>25</sup>, re-development of the Manston Airport site (i.e. the SHP Land) as a mixed use scheme is the only sensible course of action to take. This is in line with officers' repeated recommendations that the site should be allocated for comprehensive mixed used development.
- 12.6 In May 2018, TDC validated SHP's enhanced planning application for a new settlement that incorporates 3,700 homes for all stages of life; a business park focused towards advanced manufacturing and emerging industries (supporting c. 2000 direct jobs); Community facilities (including schools, a GP surgery, dentist, pharmacy, convenience stores etc.); regionally important sports and leisure facilities, including Kent's only 50-metre Olympic sized swimming pool; revamped Aviation museums, together with a 1200 m runway catering for vintage aircraft (acknowledging the aviation heritage of the site); and over 250 acres of open space, including numerous walk ways, cycle tracks and other environmentally friendly features providing sustainable public access to land that had been historically restricted for over 100 years. The target date for determination of the application is 31 December 2018.
- 12.7 There is an acute, sustained housing need in the District and TDC has consistently failed to meet its annual housing delivery targets. SHP's proposals would provide thousands of new homes and jobs for local people including employment opportunities for the young and specialised housing for older people, important transport infrastructure upgrades (including the delivery of a key transport link between the A22 and Manston Road forming part of TDC's Transport Strategy), and essential investment of hundreds of millions of pounds into Thanet District and the Kent region. SHP's plans for a vibrant and sustainable new settlement would provide a huge boost, not just locally, but regionally and nationally in terms of the pressing need for housing, jobs and high quality sustainable development.
- 12.8 The importance of this site locally, regionally and nationally, to housing need and the economy cannot be overstated. The Manston Airport site was judged in the Local Plan Sustainability Appraisal to be the most sustainable location for a new settlement, and would represent the largest opportunity for a strategic housing development within the District, and also the largest brownfield site.

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<sup>25</sup> Avia Solutions – see report attached at Appendix 2



12.9 In contrast to the position in relation to RSP's proposed development, SHP has already submitted to TDC a full viability appraisal for its proposed development, which demonstrates that the development proposed by SHP is deliverable, with underlying data demonstrating that the build costs and land costs have been properly accounted for. The fact that the owners of the Manston Airport site have submitted such an appraisal under the Town and Country Planning Act 1990 regime, when RSP, who are seeking to compulsorily acquire the site and are under the nationally significant regime, has not, demonstrates the complete lack of transparency and scrutiny that is currently the theme of RSP's proposed development. Given the huge implications of RSP's proposed development, this simply cannot be right and SHP urges the Examining Authority to require RSP to provide a full and detailed viability appraisal for scrutiny as indeed SHP has already provided in relation to its own application.

12.10 The existence of credible and fully detailed alternative proposals for the use of the land by its current owners, supported by the emerging Local Plan evidence base, is an important and relevant consideration for the examination.

### 13. CONCLUSION

13.1 As outlined above, SHP **objects** to the Application.

13.2 For the reasons set out in section 1.3, the Application is highly unusual, and affected by several fundamental flaws and material omissions that require it to be exposed to a rigorous examination process by the Examining Authority. The extent of the issues that will need to be tested means that in SHP's view, a panel of experienced Examining Inspectors will be required in order to be able to complete the examination within the statutory six month timeframe.

13.3 SHP considers that RSP has failed to demonstrate that its proposed development meets the thresholds to be considered as an NSIP. Whilst the Application has been accepted by the Secretary of State for examination, this acceptance decision was based on the Application before him but without reference to any other material. Whilst this may be the normal procedure, this Application is like no other that has been submitted under the Planning Act 2008.

13.4 This is not only the first application under section 23 of the Planning Act 2008, but RSP does not even own the airport in question. Unlike other potential NSIPs where it is clear whether or not the thresholds in the Planning Act 2008 are met (for example, a generating station that is above 50MWe is clearly an NSIP), section 23 of the Planning Act 2008 requires the Secretary of State to first identify the current capability of the airport. The Acceptance Inspector, on behalf of the Secretary of State, has based his acceptance decision on the information contained in the Application. However, RSP does not own Manston Airport and clearly has a vested interest in putting forward information that lends itself to satisfying section 23 of the Planning Act 2008. The assumptions used by RSP in its Application on current capability are wrong and need to be examined so that the Examining Authority, and the Secretary of State, can be confident in their respective reporting and decision making that the Application can actually be determined under section 23 of the Planning Act 2008. This point has not been tested under section 55 of the Planning Act 2008.

13.5 Under Section 87 of the Planning Act 2008, it is for the Examining Authority to decide how to examine the Application. In this unique and unusual case, and where this is the first application under section 23 of the Planning Act 2008 and with no NPS, it is imperative that the current capability of Manston Airport is examined and robustly tested.

13.6 Given SHP is the owner of the airfield known as Manston Airport and therefore has the necessary insight into the facilities and infrastructure at the airfield, it is clearly appropriate, indeed essential, for the Examining Authority to now hear from the owner,

SHP, as to its views on the NSIP Justification paper (Examination Library Reference APP-049).

- 13.7 Furthermore, SHP considers that RSP has failed to establish a need case for its proposed development, or to demonstrate a compelling case in the public interest for the compulsory acquisition powers over the SHP Land.
- 13.8 SHP considers that the Application is manifestly deficient in several respects including in relation to missing information in the ES, and the approach to EIA and to the regulation of operational environmental effects.
- 13.9 RSP has failed to provide evidence of the availability of funding to cover the costs of compulsory acquisition and property blight arising from the proposed development. RSP's funding statement does not provide any credible evidence of investors willing to fund the estimated £300m construction costs. There is no information on which to understand how either the land acquisition cost figure quote or the construction costs quoted have been determined.
- 13.10 The independent evidence commissioned by TDC, confirmed by the advice of SHP's expert aviation consultants is that freight operations at Manston are not viable. RSP has not supplied any business case or viability appraisal that would demonstrate that there is any realistic prospect of a re-opened Manston being commercially successful even if the forecasts (which the weight of evidence demonstrates are not credible) were delivered.
- 13.11 There is no NPS support for the proposed development, and the emerging Local Plan does not continue the previous policy support in the adopted Local Plan. The intention of RSP's Application is to acquire a valuable development site and to obstruct the proposals by SHP to deliver a housing-led regeneration of the site. SHP's plans for the site are well advanced and due to be determined later this year. SHP, in contrast to RSP, has a detailed ES and viability appraisal to underpin its proposals, and planning officers at TDC considered the site to represent the most sustainable location for a new settlement, a significant contribution towards meeting the need for new housing in the area.
- 13.12 SHP therefore considers that the Application should be wholly rejected, and will prepare detailed written evidence setting out SHP's case in full.
- 13.13 SHP wishes to appear at Issue Specific Hearings and at Compulsory Acquisition Hearings accompanied by expert witnesses to assist the Examining Authority in interrogating the case for development put forward by RSP.
- 13.14 SHP considers that this is an appropriate case for the Examining Authority to consider whether the services of expert technical assessors would be of benefit to the examination to assist in the proper consideration of the technical evidence on the need for the proposed development, the business case and viability of what is proposed.
- 13.15 SHP also considers that it is likely to assist the Examining Authority and the Secretary of State for certain topic areas to be supplemented by cross examination by Counsel of key witnesses (especially in relation to the compulsory acquisition case advanced by RSP, and the need case, viability and funding cases that are fundamentally linked to it).
- 13.16 SHP asks the Examining Authority to consider the following issues as principal issues for the examination of RSP's Application:
- 13.16.1 Section 23 of the Planning Act 2008, the current capability of the airport and whether the proposed development is an NSIP ;

- 13.16.2 Associated development;
- 13.16.3 Clarity in relation to the scheme description for the purposes of section 23 and for the purposes of EIA;
- 13.16.4 The need case for the proposed development and the need for a cap on freight and passenger ATMs at 17,170;
- 13.16.5 Compulsory Acquisition (which necessitates examination on whether or not section 23 is engaged);
- 13.16.6 Funding;
- 13.16.7 Viability;
- 13.16.8 Environmental mitigation and in particular the regulation of effects during operation; and
- 13.16.9 EIA, including
  - (a) Transport effects and the need for strategic modelling
  - (b) Air quality
  - (c) Noise
  - (d) Ecology
  - (e) Socio-economic effects

SHP and its team of professional advisors are ready to make Written Representations to the examination and to appear at hearings. SHP therefore encourages the Examining Authority to make the necessary arrangements for the Preliminary Meeting and to open the Examination so that these issues, and those of others, can be aired at the earliest opportunity.

**Pinsent Masons LLP**

**8 October 2018**

## Appendices

	Date	Document
1.	N/A	Redline ownership plan showing the SHP Land
2.	September 2016	Report for TDC by Avia Solutions: Commercial Viability of Manston Airport
3.	November 2016	Response by Avia Solutions to issues raised by RSP
4.	30 March 2017	RSP press release
5.	August 2017	Report for TDC by Avia Solutions: Local Plan Representations Final Report
6.	August 2017	Report for TDC by Avia Solutions: Review of Azimuth & Northpoint Forecast for Manston Airport
7.	11 October 2017	Letter from Pinsent Masons LLP to the Planning Inspectorate
8.	13 November 2017	Letter from Pinsent Masons LLP to the Planning Inspectorate.
8a.		Enclosure: York Aviation report dated 10 November 2017
9.	16 November 2017	Letter to TDC from Ministry of Housing, Communities and Local Government
10.	15 December 2017	Letter from Pinsent Masons LLP to the Planning Inspectorate
11.	January 2018	Altitude Aviation report – "Analysis of the Freight Market Potential of a Reopened Manston Airport"
12.	23 February 2018	SHP response to RSP s42 consultation dated 23 February 2018
12a.		Enclosure: York Aviation report "RSP Consultation January 2018 – Further comments on Azimuth Report "Manston Airport – a regional and National Asset"
12b.		Enclosure: WSP report entitled "Consultation Response to Riveroak Strategic Partners (RSP) 2018 Preliminary Environmental Information Report (PEIR) ref Former Manston Airport Site".
13.	23 March 2018	Letter from MHCLG to Councillor Bayford
14.	29 March 2018	Letter from SHP to the Planning Inspectorate enclosing letter from Pinsent Masons LLP of 27 March 2018 and Counsel's advice
14a.		Enclosure – advice note from Pinsent Masons LLP entitled "Response to Applicant's NSIP Justification Paper" dated 27 March 2018
14b.		Enclosure – advice from Counsel – Martin Kingston QC and Celina Colqhoun (No. 5 Chambers) dated 27 March 2018
14c.		Enclosure: Letter from York Aviation dated 27 March 2018
15.	10 April 2018	Letter from Pinsent Masons LLP to the Planning Inspectorate
16.	11 April 2018	Dormant company accounts for Stone Hill Park Limited for year ended 31 July 2017
17.	16 July 2018	Letter from Pinsent Masons LLP to the Planning Inspectorate
18.	18 July 2018	York Aviation report – "Assessment of Current Capability" (submitted to the Planning Inspectorate on 18 July 2018)



**PLANNING APPLICATION SITE BOUNDARY**  
**OTHER LAND OWNED BY APPLICANT**

Rev	Date	Status and Description	Drawn	Apprvd.
02	16.03.18	Planning	CL	JW
01	05.02.18	Planning	CL	JW

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Project Stone Hill Park

Client Stone Hill Park Limited

Drg title Red Line Plan

Drg nr PL1436.1-VW-300

Scale 1:5500@A1 Date: 05.02.18 Drawn CL

Status Planning Revision 02 checked JW




# Commercial Viability of Manston Airport

AviaSolutions FINAL Report for Thanet District Council

September 2016



**aviasolutions**  
A GECAS Company



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## Glossary of Terms

- **Air Journeys:** Also referred to as Journeys. A unit of measurement for the number of flights taken by passengers.
- **Air Traffic Movement:** Abbreviated to 'ATM'. Defined as an aircraft landing or taking-off for commercial purposes.
- **Belly-hold:** A term referring specifically to passenger aircraft (as opposed to freighters). This term refers to the hold of the aircraft that is utilised for the carriage of passengers' baggage and freight.
- **Capacity per ATM:** A unit of measure defined as the number of seats or freight capacity on each ATM. Often an average of a larger sample.
- **Capacity:** The total capacity of an airport or aircraft to transport passengers or freight.
- **Catchment Area:** Airports draw their passengers from within a catchment area. The size of the airport and its network affect the size of the catchment area. Typically, the smaller the airport the smaller the catchment area that it can draw upon.
- **Discovery Park Limited:** Also referred to as Discovery Park. An entity that is closely linked to Stone Hill Park Limited through shared ownership.
- **Freight per ATM:** A unit of measure defined as the number of tonnes of freight loaded on each ATM. Often an average of a larger sample.
- **Freight:** Also referred to as Cargo or Air Freight. This includes all shipments that are transported for commercial purposes on board the aircraft under an Air Waybill excluding 'Mail'.
- **Freighter:** An aircraft specifically designed for the transportation of freight. This type of aircraft has no seats fitted, and in their place, has a cargo hold.
- **Full Service Carrier:** An airline business model that includes carriers who have traditionally offered all services included in one ticket price. This includes carriers such as British Airways, Lufthansa, Air France-KLM and Virgin Atlantic.
- **IATA Airport Code:** A three letter code designated by IATA to many airports around the world. All major airports are assigned a code, the most commonly used in this report are.
- **Kent Airport Limited:** Formally Infratil Kent Airport Limited. An entity whose main purpose is the operation of Manston, Kent's International Airport.
- **Kent Facilities Limited:** Formally Infratil Kent Facilities Limited. An entity whose main purpose is the provision of facilities to the operator Manston, Kent's International Airport. This entity in effect owns the airport site.
- **London System:** Also referred to as London Area Airports. A term referring to six airports of London (LHR, LGW, STN, LTN, LCY, SEN).
  - London City - LCY
  - London Gatwick - LGW
  - London Heathrow - LHR
  - London Luton - LTN
  - London Southend - SEN
  - London Stansted - STN
- **Low Cost Carrier:** Abbreviated to LCC. Low cost carriers are one of the major airline business models. Major European LCCs include Ryanair, easyJet, Norwegian, Wizz, and Vueling.
- **Million Passengers per annum:** Abbreviated to mppa. A standard unit of measurement for airport capacity or throughput.
- **Narrow-Body:** A type of aircraft, typically distinguished as one which has a fuselage wide enough for one passenger aisle. Includes aircraft such as Boeing B737 series and Airbus A320 family.
- **Passenger Movement:** A unit of measure referring to the number of passengers arriving or departing from an airport.
- **Passenger:** Abbreviated to PAX. The fare paying passengers on board an aircraft. Excludes those travelling on non-revenue tickets such as airline employees.
- **Passengers per ATM:** Abbreviated to PAX per ATM. A unit of measure defined as the number of passengers carried on each ATM. Often an average of a larger sample.
- **Peak Demand:** The demand at its highest point for an airport. There are several forms of peak demand, these include a daily peak (often early morning) and annual peaks (often around holiday seasons).
- **RiverOak Investment Corporation LCC:** Also referred to as RiverOak. An American investment firm that is seeking to acquire the Manston Airport site.
- **RTK:** Revenue tonne kilometre. A unit of measure in the freight industry. Calculated as the tonnes uplifted multiplied by distance flown.

- **Stone Hill Park Limited:** Previously Lothian Shelf (718) Limited. The current entity that owns Manston Airport.
- **Unaccommodated Demand:** A term referring to the demand that cannot be accommodated at a particular airport or combination of airports due to it exceeding the capacity available.
- **Wide-Body:** A type of aircraft, typically distinguished as one which has a fuselage wide enough for two passenger aisles. Includes aircraft such as Boeing 767, 777 and 787 series and Airbus A330, A340 and A350 family.

# 1. Introduction

## 1.1. Context

Thanet District Council (“TDC”) appointed AviaSolutions to provide independent advice on whether a re-opened Manston Airport might have a financially viable future as an operational airport.

The airport closed in May 2014 and the current owner, Stone Hill Park (formally Lothian Shelf 718), has submitted a planning application for a mixed-use development on the site, comprising 2,500 dwellings, general business and commercial areas which is reported to support the creation of up to 4,000 jobs, and a range of leisure and sports activities.

RiverOak Investment Corporation (“RiverOak”) is an American investment firm that wish to acquire the Manston site and re-establish airport operations. The re-established airport would be freight focussed but would also offer passenger services along with ancillary businesses. RiverOak are seeking a Development Consent Order (DCO) under the Planning Act 2008 to compel the sale of the site as a Nationally Significant Infrastructure Project.

TDC is seeking guidance on whether the airport has a reasonable prospect of operating as a financially viable, standalone entity within the period of the Local Plan which extends to 2031.

AviaSolutions commenced this study on 13<sup>th</sup> July 2016.

## 1.2. Scope and Limitations

The scope of AviaSolutions work was set out in the procurement document issued in June 2016 by TDC and our proposal for services submitted in the same month. Specifically, the scope requested:

“The Council requires an independent assessment advising whether or not it is possible to run a viable and economically sustainable free-standing airport operation from Manston. The Council is seeking advice from an independent expert aviation consultant who can make this assessment within the context of the national and international air traffic market, the viability of airport operations at a national and international scale and likely future developments in airport operations.”

*Source: TDC Briefing Document*

Our proposal and this subsequent report have been developed in the context of these requirements. It is therefore necessary to indicate specifically those areas which fall outside of the scope of our works, and to which we have given no credence in the application of our analysis. These areas include:

- Whether Manston Airport is an asset of national significance
- The effect of any scenario on the wider Kent economy, or subsequently the effect on the UK economy as a whole
- The legal, planning, environmental, or social effects of any scenario, or whether these elements would present any challenges
- The economic benefit or need for industrial or housing units in the Thanet area
- The comparison between any airport scenario and any other alternative use of the airport site
- Passing judgement on the use of the site beyond that of whether an airport may be viable
- We take a neutral view with regards to the local campaign groups, both those for and against the airport

It should also be noted that many of the stakeholders engaged by AviaSolutions sought to broaden the discussion to include a wide range of airport-related topics. Whilst this has provided useful context and highlights the political sensitivity of the airport, AviaSolutions study is restricted to commercial analysis and does not seek to provide any legal, environmental or socio-economic advice or comments.

### 1.3. Our Approach

AviaSolutions commenced the study with a review of the various documents that describe the history of Manston Airport, the local and national planning context and the current development proposals for the site. The two main aspects of our work however were seeking the views of stakeholders relevant to the specific topic of airport commercial viability, and an extensive analysis of the relevant air transport market.

In conjunction with TDC, we agreed the primary and secondary stakeholders to be contacted for this engagement. Our interview programme was not intended to canvass the views and opinions of the many parties and individuals with views, many strong held, about the airport and its future. It was intended to seek facts about its historic development and proposed future development from the two prospective developers (Stone Hill Park and RiverOak) and from a range of parties within the air transport and freight industries. It is these parties and their like who will determine whether commercial aviation activities could be viable on the Manston site. Whilst conducting these interviews, many companies and individuals spoke on the condition of anonymity.

Our analysis added to our existing knowledge of the air transport industry the specifics that are associated with Manston Airport, namely its historic traffic performance, details of its catchment area, and the experiences of previous airline and freight users of the airport. AviaSolutions has developed two models specifically for this study. The first assessed the capacity of six airports serving the London Area and how future passenger and freight traffic might be distributed between these airports including Manston, and the second was a financial model to assess the potential cashflow outlook for Manston Airport.

### 1.4. Report Structure

In this report, we first summarise the history of Manston Airport and describe the different visions of its future put forward by Stone Hill Park and RiverOak. We next describe different scenarios for possible air transport use of Manston Airport, before investigating the passenger and freight traffic potential of each scenario. We then describe our financial model, setting out the basis of our revenue and cost assumptions if Manston were to be brought back to use as an operational commercial airport. Finally, we bring together the different threads of our analysis and reach our conclusions on the financial viability of Manston Airport.

### 1.5. AviaSolutions' Qualifications

AviaSolutions has been appointed to provide an independent assessment of the prospects for Manston Airport. We are an aviation management consultancy, established in 2001. In October 2012, GE Capital Aviation Services acquired 100% ownership, adding consultancy to the leasing business for which it is known. Since then, AviaSolutions has grown rapidly, building an airline business in addition to our traditional airport advisory services. Over the past 15 years AviaSolutions has earned a strong market reputation in a number of key areas:

- Airport Strategy and Support
- Airline Strategy and Support
- Airport and Aviation Transactions
- Air Service Development
- Regulation, Policy and Planning
- Passenger and Cargo Traffic Forecasting
- Route and Network Strategy
- Ground Handling
- Business and Commercial Advisory

## 2. Executive Summary

### 2.1. Summary

AviaSolutions was appointed by Thanet District Council (“TDC”) to advise on whether viable airport operations could be re-instated on the site of Manston Airport. Following ownership by the Ministry of Defence, three separate private companies tried and failed to operate Manston Airport profitably and the airport closed in May 2014. TDC needs to prepare its next Local Plan looking forward to 2031, and has two proposals for the use of the site: an operating airport or a mixed residential, business and leisure development.

AviaSolutions has discussed the re-opening of Manston Airport with a number of organisations and individuals, and carried out a detailed assessment of the air transport market and the potential finances of a re-opened Manston Airport. On this basis of this work, we have concluded that it is most unlikely that Manston Airport would represent a viable investment opportunity even in the longer term (post 2040), and certainly not during the period of the Local Plan to 2031.

The assessment of financial performance of a re-opened Manston Airport is based on relatively favourable assumptions for Manston Airport. We would typically position the financial forecast as a ‘High Case’ as a number of tailwinds are required to deliver the financial forecast in terms of passenger and freight volume and the revenue yield that can be achieved. Throughout the research AviaSolutions has consistently taken a positive outlook with regards to the underlying demand assumptions. Specifically, this means that we have opted for the upper bounds of traffic, the upper bounds of unit operating revenue, the lower bands of unit operating costs, and minimal asset costs and capital investment requirements.

### 2.2. Background

Since the Ministry of Defence sold Manston Airport in 1998, three separate private sector investors have attempted to develop the airport as a viable commercial undertaking. These ventures have all been unsuccessful and have incurred substantial losses in the process. The airport closed in May 2014. TDC has undertaken extensive exercises to find new investors prepared to re-open the airport, but has failed to identify an appropriate party. One interested party, RiverOak Investment Corporation LLC (“RiverOak”), has though emerged from this process, and is interested in acquiring the site and developing Manston Airport as a freight airport. RiverOak has been critical of previous owners, considering that they were not sufficiently active in seeking to develop and market Manston as a freight airport. In contrast, the current owner of the site, Stone Hill Park Limited (“Stone Hill Park”), has brought forward plans to develop the area for mixed residential, employment and leisure uses. TDC has identified a need to understand whether an airport would be a viable use for the site, and whether there is a reasonable prospect of that occurring within the period of the Local Plan to 2031.

### 2.3. Historic Performance of Manston Airport

During its years of operation as a commercial airport, Manston had a range of air services to domestic and short haul Europe points, and handled around 30,000 tonnes of freight a year, almost exclusively imports of fresh produce coming on dedicated freighter aircraft. The scale and nature of the passenger traffic suggests that Manston has relatively few air journeys originating or destined for a catchment area of East Kent that it might reasonably be expected to serve: we estimate that demand from this catchment area is about a third of the size of the demand in a catchment area of Southend Airport. While we consider that a re-opened Manston Airport would attract some passenger services and regain freighter operations at a level similar to its historic performance, our financial assessment is that this would be insufficient to support financially viable operations of the airport.

### 2.4. Manston as an Overflow Airport for London

Manston is located in the South East of England, where there is a need for additional runway capacity. This issue has been researched extensively over recent years, including the Davies Commission which recommended in 2015 that a third runway be constructed at Heathrow. A decision on the new runway

capacity is expected to be made in October 2016. In addition to the recommendation for Heathrow, Davies also considered a second runway at Gatwick, opening up the possibility of alternative decisions, including of course that either both or neither runway may be approved. We have developed a detailed model of how future passenger and freight demand might be distributed around the six airports in the London area under different airport capacity scenarios, in order to assess how much unaccommodated demand would be generated by 2050. We have also assessed how much traffic might be attracted to a re-opened Manston Airport.

These traffic estimates have been inputs to a financial model which AviaSolutions has developed to assess Manston's viability to 2050. We have based our estimates of unit aeronautical revenue, commercial revenue and operating costs on those levels achieved at other UK airports of a similar scale to that projected for Manston. We have also assumed that the site could be acquired for £10 million, and that further capital expenditure of £27 million would be required to re-commission the site as a licensed commercial airport. We further assume that the business is financed initially through an equity injection from shareholders of £50 million with no debt funding.

The scenario recommended to Government by the Davies Commission is the construction of a third runway at Heathrow. Under this scenario, the forecast passenger traffic at Manston would initially grow to almost 2.5 million passengers per annum (mppa) immediately before the opening of the third runway in 2030, but would fall materially afterwards. Retained earnings would not become positive until around 2040, preventing payment of dividends to equity investors until around that date. EBITDA margin would become positive in the early 2030's and grow and reach 41% by 2050. On this basis, we would very much doubt that an informed private sector investor would consider an equity stake in Manston Airport.

The scenario which most supports the re-opening of Manston Airport is one in which no new runways are built in the South East of England in the period to 2050. In this scenario, forecast operating cash flow of Manston Airport is negative until 2025; re-financings of £20 million are required in both 2028 and 2029 to fund terminal expansion; and retained earnings remain negative until 2029 preventing the payment of dividends. Thereafter, financial performance improves significantly, but it is 2043 before EBITDA margin reaches 50%.

It should be noted that these conclusions are based on a set of assumptions that favour Manston Airport at all times, with examples including above market aeronautical yield, aggressive cost reduction projections and minimal acquisition costs, which, while in our opinion are achievable, would nonetheless require some significant management attention. This attention would be focused on two aspects, securing new business at advantageous aeronautical revenue per passengers from LCC's and structuring the business to take advantage of unit cost reduction through scale. . These would not be assumptions which AviaSolutions would suggest are presented as a Base Case to an Investment Committee considering the proposition, but rather ones describing a potential upside scenario. In our experience, it is likely that an Investment Committee would not consider investing on this basis.

This scenario of no runway development in the South East of England before 2050 is also a low probability scenario in our view. It also carries a high risk that a decision in 2016 not to commission another runway could be reversed at any time in the future. If Manston were operational at the time a decision were reversed the impact on the business would be considerable, and the decision is not one in which the owners would have any control whatsoever To give just one minor illustration of the risk, it was reported in early September 2016 that Heathrow Airport Limited was considering requesting permission to operate an additional 19,000 ATMs each year, which if granted would reduce the traffic that might spill to Manston.

The other runway scenarios which collectively are more likely than 'no runway development', produce worse financial forecasts for Manston Airport.

## 2.5. Conclusions

AviaSolutions concludes that airport operations at Manston are very unlikely to be financially viable in the longer term, and almost certainly not possible in the period to 2031.



## 3. Manston Airport: History and Development Proposals

### 3.1. Introduction

In this chapter, we briefly describe the history of Manston Airport and the different development proposals that are currently being tabled. We also summarise the information and views that we gathered during our interviews with each prospective developer of the site.

### 3.2. Manston Airport History

The history of Manston Airport has been well documented in a series of reports and investigations about its prospects. Like many airports, it started life as a military airfield and played an important role during the Second World War. Although it continued as an Air Force base after the war, civilian operations were permitted. In 1998, the Ministry of Defence sold the site to the Wiggins Group plc, which endeavoured to build up commercial operations, including investment in an airline (EU Jet) to provide passenger services. However, the airline quickly ceased operations in July 2005 and the parent group (renamed Planestation), went into administration.

The following month, Infratil Limited acquired Manston Airport from the administrators, and sought to continue commercial air transport operations. However, without the support of a based airline, passenger numbers returned to the historically low levels experienced prior to EU Jet. In each year that Infratil Limited owned Manston it incurred losses of more than £3 million per annum and wrote off the purchase price of £17 million. Infratil disposed of the airport and associated liabilities in November 2013 for the notional price of £1.

Manston Skyport Limited completed its acquisition of the airport in December 2013, but in the face of continuing financial losses gave notice to staff in March 2014. The airport closed for operations on 15 May 2014.

TDC then explored the possibility of using a Compulsory Purchase Order (CPO) to buy the airport, and then sell immediately onto a private sector investor willing to use the site as a commercial airport. A month-long search yielded a small number of interested parties but further scrutiny indicated that none provided the Council with sufficient confidence that it would be indemnified were it to exercise its CPO rights. This led the Council to reach an initial conclusion in December 2014 that it was unable to find a CPO Indemnity partner.

At the request of RiverOak Investment Corporation (one of the previously interested parties), in May 2015 it started a review of this decision and in October 2015 reached the same conclusion. Nonetheless, at the start of 2016, the Council launched a further search for a CPO Indemnity partner, but this again proved unsuccessful.

In the meantime, the former airport site was sold in September 2014 to the current owners, Stone Hill Park Limited

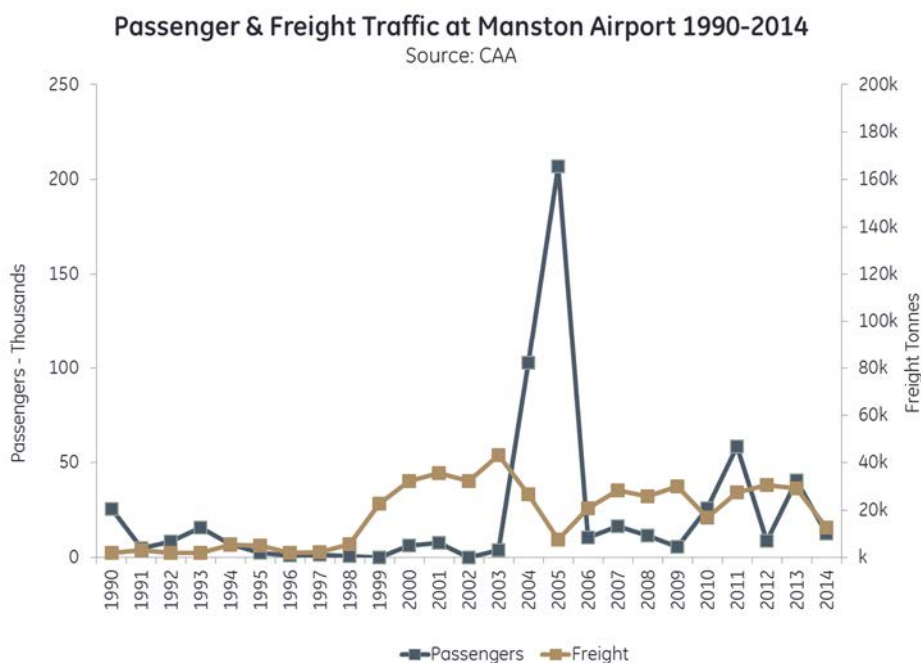
### 3.3. Commercial Activity at Manston Airport

Immediately after Wiggins Group plc acquired the airport Manston saw an increase in freight traffic. This grew rapidly to circa 30,000 tonnes per annum, however the passenger element of the business stagnated. After Wiggins Group plc invested in an airline specifically for the region, EUJet, the airport saw rapid growth in passengers increasing to 200,000 in 2004. EUJet however, quickly fell into financial difficulty and ceased operations in July 2005 bringing an abrupt halt to the passenger growth.

In the years since, through the ownership of Infratil and Manston Skyport, freight volumes were maintained at circa 30,000 tonnes per annum. Passenger volumes increased with the introduction of Flybe in 2010 but

fell back as the routes were withdrawn. Most recently, KLM began operations from the airport in 2013 but were also withdrawn due to the announcement of the airports closure.

Since being taken into private ownership the airport has averaged 30,500 passengers and 25,000 tonnes of freight per annum, with the peak being 207,000 passengers in 2005 and 43,000 tonnes of freight in 2003.



### 3.4. Stone Hill Park Development Proposal

Stone Hill Park Limited has lodged a planning application with TDC to construct a mixed development of residential and business units on the site of the former airport.

Stone Hill Park set out its position with regard to the history of the airport, indicating its years of financial losses under various ownerships. The company also outlined the steps that had been taken by management and consultants, both when the airport was operational as Manston SkyPort, and when it came into its ownership, to revive the airport’s fortunes. It should be noted that Stone Hill Park indicated that no documents or reports were available to evidence these efforts. Stone Hill Park concluded that the airport site would be better utilised as a redevelopment site than as an airport<sup>1</sup>.

### 3.5. RiverOak Investment Corporation Development Proposal

RiverOak was perhaps the most interested party in TDC’s search for an Indemnity Partner to support its consideration of a CPO. It has indicated that its plan for the re-opening of Manston Airport is based on attracting 10,000 annual movements by freighter aircraft.

During AviaSolutions interviews, RiverOak provided a high level review of why it wished to acquire the airport and its vision of the airport’s future development. The strategy is to develop a freight hub with supporting passenger services. RiverOak criticised the previous owners’ lack of effort to develop air freight traffic at Manston.

<sup>1</sup> The scope of this report does not extend to a consideration of other uses for the airport, and AviaSolutions is therefore not able to comment on the reasonableness or otherwise of the alternative use proposals.

RiverOak was unwilling to disclose any material detail of its Business Plan for reasons of commercial confidentiality. Therefore, the discussion over future viability was at a more generic high-level basis, with RiverOak not disclosing any traffic projections, revenue projections, cost base or specific airlines (passenger or freight) with whom it had discussed plans (with the exception of Ryanair). It did not name any parties that had given firm commitments to use a re-opened Manston<sup>2</sup>.

A critical factor for RiverOak's proposal is that in order to establish an airport on the Manston site it will need to obtain ownership of the site from the current owners. They have not secured the site's sale through negotiation with the owners and are currently preparing for a DCO process, a part of which shall aim to demonstrate to the relevant authorities that the airport site is nationally significant transport infrastructure. If successful, RiverOak may then be granted the ability to purchase the site on a compulsory basis. Without this power, there appears little prospect at present of the group securing ownership.

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<sup>2</sup> For the avoidance of doubt, AviaSolutions therefore does not offer any opinion about the reasonableness or otherwise of RiverOak's commercial plans for the airport.

## 4. Potential Development Scenarios

### 4.1. Introduction

In this chapter, we describe a number of possible development scenarios for Manston Airport. These scenarios have been developed on the basis of our experience of the air transport industry and provided the background for our discussions stakeholders within the air transport industry.

We first describe two scenarios (4.2 and 4.3) that consider possible developments at Manston with regards to cargo and passengers. These scenarios are considered in isolation from decisions made in relation to the provision of a runway in the London area. However, given that Manston is in the South East of the UK, its potential development is likely to be directly influenced by any runway decision. Consequently, we incorporate the first two scenarios into a wider consideration of possible developments in the London area in view of the possibility that Manston might provide some 'over-flow' airport capacity. These considerations are drawn together in our four distinct demand scenarios for Manston Airport.

### 4.2. Cargo Activity

In the past, Manston Airport was able to attract a certain level of cargo activity, and a potential future role would be for it to again serve this market. In our assessment, we assume as a minimum that Manston attracts this previous freight, totaling 30,000 tonnes per annum.

We also consider whether the scale of activity might be greater than experienced in the past. There would be two possible causes for this:

- The selection of the East Kent area by a major multinational manufacturing (e.g. an Asian electronics or white goods company) or retail group (e.g. Amazon) as the location of its distribution network. Such location decisions can have a significant impact on freight volumes. However the UK's planned exit from the EU leaves makes this less likely.
- As a consequence of their lower sensitivity to airport location, freighters are generally amongst the first category of traffic to be 'squeezed' out of busy airports. With the pressure on runway capacity in the South East of England, it is possible that freighters currently operating through the London airport systems might seek to move to an alternative airport. We discuss this further throughout the remainder of this chapter.

We also considered the role of integrators in the air freight market. Whilst general cargo traffic tends to be more flexible about the location of the airport it uses than passenger traffic, this does not apply to the major integrated freight operators. The business model of operators such as DHL, FedEx and UPS is based on a hub and spoke principle involving both aircraft and road feeder services: the surface element of the network has a greater requirement for a central location within the market being served. We consider the geographic location of Manston precludes it from being a suitable base airport for an integrator in particular when compared to UK competitors such as East Midlands Airport.

### 4.3. Regional Passenger Airport

Manston Airport played a role from the early 2000s until its closure as a local airport serving the East Kent region. Although our research and analysis (described in Section 5) has indicated that its core catchment area produces significantly less demand for air travel than the area around Southend Airport, we consider that it might nonetheless be able to support an operation equivalent to one or two 150-200 seat passenger aircraft operated by a LCC based at Manston. However, the longevity of such a development may be limited since if a new runway were to be built at Heathrow or Gatwick, the LCC concerned would in all probability transfer its aircraft to the new runway. There are many reasons why these aircraft would be re-based, including:

- Gaining access to vitally important catchment area

- Competitive positioning, the major LCCs are likely to fiercely compete and attempt to gain first mover advantages
- The airlines will need to base multiple aircraft at the airport with a new runway in order to achieve economies of scale on the cost lines of their business
- Securing slots at valuable airports to secure slots
- Airlines have finite resources, including the number of aircraft they have to operate. A major structural change in the runway capacity environment will demand that those resources be reviewed and the optimum allocation revised.

In our analysis we make the assumption that the airport quickly ramps up to 800,000 passengers per annum on this basis until such a time as a new runway is opened, at which point the aircraft are re-based and the passenger traffic lost. This volume of annual passengers is equivalent to two B737-800 based aircraft with a typical LCC seat configuration. We also assume that Manston would not feature in the network plans of airlines for non-based aircraft.

#### 4.4. Runway Development in the South East

The shortage of airport capacity in the South East of England has been widely debated for many years, if not decades. The most recent public investigation was undertaken by the Davies Commission which reported to Government in 2015. No decision on its recommendation to provide a third runway at Heathrow has yet been made, although one is expected in October 2016. Even if a decision is made as currently planned, it could be ten years or more before that runway would be operational. The Davies Commission considered a long list of possible locations for additional runway capacity in the South East, although it should be noted that Manston Airport (still open at the time) was not one of them, and despite its available capacity a new runway was still deemed necessary.

The Commission short-listed two schemes at Heathrow for a third runway (LHR3) and the provision of a second runway at Gatwick (LGW2), and recommended LHR3. During the next ten years, there will be a shortage of airport capacity in the South East, leading to a scenario in which Manston acts as an overflow airport for demand that cannot be accommodated elsewhere. We consider that there are four possible outcomes from the Government's current decision process:

- Build LHR3: While in line with the Davies Commission recommendation, this choice would nonetheless be the most controversial, and probably take the longest time to deliver.
- Build LGW2: It is likely that a runway at Gatwick would be available earlier than at Heathrow. It is probably the outcome that would be least supportive of a re-opening of Manston Airport, since Gatwick is the closest airport to Manston, and a runway there is likely to be operational several years before one at Heathrow.
- Build both: Should Government indicate that its policy would permit both to be built, Gatwick shareholders might well conclude that while its runway could be operational first, there would be a significant risk of loss of traffic to Heathrow as and when its additional runway opened.
- No expansion: It is possible that Government will not sanction any runway expansion in the South East. It is the outcome that would be most supportive of a re-opening of Manston Airport, albeit an outcome that could be reversed at any time in the future, thereby depriving a re-opened Manston of traffic.

It is feasible that there would be a legal challenge, irrespective of which of the above possibilities were chosen (possibly less so with the fourth 'do nothing' option), further delaying the opening of a new runway. It is unclear whether the Government's decision would indicate simply its preferred location with the airport operator then following the normal planning process to obtain the necessary permissions, or whether it would seek to provide the permissions through a Parliamentary process.

#### 4.5. Dynamics of Traffic in the London Airport System

The six airports of the London Airport system all have different owners, and each has a particular characteristic in the traffic which it handles. However, there is a dynamic in the distribution of traffic between the airports, which also have a particular hierarchy.

Heathrow is the premier airport, and there are numerous examples of airlines moving services there when they are able to do so. This has been evidenced with airlines purchasing slots from incumbent Heathrow

airlines, for example in February 2016 Oman Air purchased a pair of Heathrow slots from Air France-KLM for a reported \$75 million.

Gatwick is clearly the second airport in the system, and secondary slot trading is also beginning to take place. The airports of Stansted and Luton to the north of London play similar roles in supporting the low cost airline market. London City Airport is very much a niche airport and has marginally relieved pressure on Heathrow by serving an increasing range of short haul (often business-oriented) destinations. The least busy airport is Southend which has grown again in the last few years as a result of easyJet basing two to three aircraft at the airport.

## 4.6. Model Scenarios

Before the construction of a new runway at Heathrow and/or Gatwick, there is expected to be a shortage of airport capacity with passenger demand growing. We have developed a simulation model to estimate the size of unaccommodated demand at one airport, and how the demand might respond to an airport capacity shortage. Our demand cascade follows the form of:

- Some passengers using the airport to connect between flights will choose to use other airports as their connection point (voluntarily to avoid over-crowded facilities and delayed flights, or as a consequence of airlines increasing fares to such passengers);
- Some passengers will choose not to travel, or not to travel by air (as air fares are increased);
- Some passengers will endeavour to use another London airport; and
- The remaining potential travellers are available for attraction by UK airports other than the six London area airports.

We have used our experience and discrete analyses to determine the likely sizes of the first two categories above, and then estimated the passenger handling capacities of the airports. In general, this is based on the number of Air Transport Movements (ATMs) that each airport's runway system can handle<sup>3</sup> and the average number of passengers per ATM at the airport. There is a long-term and widespread trend for passengers per ATM to increase, meaning that the passenger handling capability of an airport can grow even though there may be no change in the number of ATMs that it can handle. We have also divided the maximum ATMs between passenger and freighter operations, maintaining freighter operations at the average level seen over the five years 2011 to 2015<sup>4</sup>, except at Stansted. Within this model we have also considered freight demand and the ability of airlines to carry this demand, either on the dedicated freighter ATMs or in the belly-holds of passenger aircraft.

Once the total unaccommodated demand for the London System has been identified we then apply analysis to identify the share of this unaccommodated demand Manston might attract. These 'spill' demand scenarios are in addition to the base loads of 800,000 passengers (up until a new runway) and 30,000 tonnes of freight. Our demand scenarios are therefore:

- LHR3: The spilled passenger demand Manston would capture if a third Heathrow runway were developed and in addition 800,000 passenger per annum and 30,000 tonnes of freight per annum until FY2030.
- LGW2: The spilled passenger demand Manston would capture if a second Gatwick runway were developed and in addition 800,000 passenger per annum and 30,000 tonnes of freight per annum until FY2025.
- Both: The spilled passenger demand Manston would capture if a third Heathrow runway were developed and a second Gatwick runway were developed and in addition 800,000 passenger per annum and 30,000 tonnes of freight per annum until FY2025.
- No Runway: The spilled passenger demand Manston would capture if no new runway were developed and in addition 800,000 passenger per annum and 30,000 tonnes of freight per annum until FY2050.

<sup>3</sup> In the cases of Heathrow, Stansted and London City there are also statutory limits

<sup>4</sup> One of Stansted's S106 conditions specifies the division of ATMs between passenger and freighter, with freighter ATMs being 20,500 per annum, and passenger ATMs 243,500 per annum

## 4.7. Development Options Outside of Scenarios

We have not included in the possible scenarios any development that does not include commercial air transport operations. Hence, we do not consider the potential use of the Manston site as; a Maintenance, Repair and Overhaul (MRO) centre, an aircraft refurbishment or fit-out location, aircraft 'tear-down' or storage centre, or flight training facility. These and similar activities are often sought by owners of airports with low levels of aircraft activity as a means of generating ancillary revenue to boost income. However, the operators of these businesses are often flexible about the location of the works, and as such, the businesses providing these types of activities are highly sought-after by existing airports and the businesses are able to negotiate favorable commercial terms.

Given the intense competition that exists for these types of business, in our judgment no private sector investor would re-open Manston Airport based primarily on this type of activity. Similarly, while the site has an historic position in aviation and has a heritage centre, and this activity could add to viability, this would be only a marginal financial contribution and would be dependent on there being a commercially viable airport around which to build such an activity.

We also discounted the possibility of Manston developing as a business aviation (GA) centre: it is simply too distant from London to be an attractive offering to corporations and high net-worth individuals using private jets and would struggle against established airports such as Farnborough and London City.

# 5. Passenger Analysis

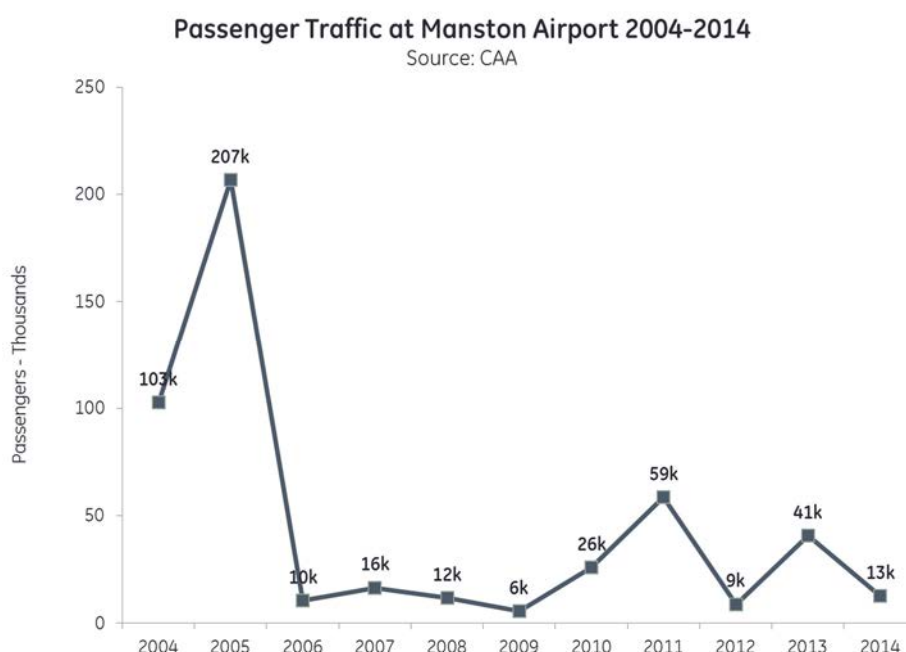
## 5.1. Introduction

In this section, we discuss the passenger market both at Manston and in the London Area as a whole. We then explore the potential demand scenarios outlined in section 4.6.

## 5.2. Historic Passenger Traffic at Manston Airport

Various passenger services have operated at Manston Airport in the past. In general, they were consistent with the type that might be expected at a small UK regional airport, namely scheduled services to major short haul domestic and European destinations, supplemented by charter flights to the more popular Mediterranean holiday resorts.

Passenger volumes peaked in 2005, when EUJet, then a subsidiary of Planestation, was operating from Manston Airport. A large number of destinations were served, although EUJet was achieving a load factor of only 41% when it ceased trading in July 2005.



### Destinations/Origins of Manston Airport Passengers, 2005

Airport	Passengers	Airport	Passengers
Edinburgh	32,259	Gerona	6,177
Dublin	26,879	Newcastle	5,118
Amsterdam	16,600	Belfast	4,563
Manchester	15,091	Barcelona	4,351
Malaga	14,119	Ibiza	3,657
Prague	10,434	Shannon	2,897
Nice	9,848	Valencia	2,316
Murcia	9,774	Glasgow	2,200
Alicante	7,822	Madrid	2,077
Palma	7,584	Other international	12,186
Geneva	6,801	Other domestic	18
Faro	6,502	Total	209,273

Source: CAA Airport Statistics



After EUJet ceased trading, passenger volumes fell dramatically, and remained persistently below 20,000 per annum until 2010/11 when Flybe commenced some limited flying to domestic destinations. The service to Manchester performed poorly, with an average load factor of 26% (source: CAA) and was soon terminated. A Belfast service had a marginally better load factor at 44% but ultimately was unsustainable. The highest performing route in terms of load factor was to Edinburgh which reached a load factor of 53%. Passengers were mainly outbound from Manston and travelling for personal or leisure reasons resulting in fare yields being relatively low. The culmination of this poor demand resulted in Flybe ceasing services from the airport (source: Flybe Interview).

In 2013, KLM commenced a twice daily service on weekdays from and to Amsterdam, aiming to feed its connecting hub at Schiphol as well as facilitating travel to and from the city. KLM operates to many airports in the UK on this basis and in 2013, KLM carried nearly 36,000 passengers. However, in that same year, a further 48,000 passengers from Manston's core catchment area travelled to Amsterdam from other London Area Airports, meaning that the Manston service captured just 42% of the demand that arose from Manston's core catchment area (albeit services started only in April 2013).

### Passengers to Amsterdam, 2013

London Area Airport	Passengers to Amsterdam from Manston Catchment Area, 2013
Heathrow	22,008
Gatwick	20,048
London City	4,091
Stansted	1,932
Luton	596
Total	48,675
Passengers on KLM service from Manston	35,854 (42%)
Total Catchment Area Passengers to Amsterdam	84,529 (100%)

Source: CAA Passenger Survey (N.B. Southend not included in survey)

### 5.3. Local Demand

We have defined an area of eastern Kent as Manston's core catchment area, as shown in the diagram below.



To gauge the demand from Manston Airport's core catchment, we analysed the number of journeys from the core catchment to a basket of easyJet destinations (using Southend Airport's easyJet network as a typical example). The London airports captured 517,000 air journeys to these UK domestic and short haul

European destinations<sup>5</sup>. This figure does not include the small number of passengers that travelled via Manston to Amsterdam in the first three months of the year.

District	Passengers from Manston's Catchment Area
Ashford	59,463
Canterbury	78,339
Dover	48,575
Maidstone	74,279
Medway	131,123
Shepway	41,159
Swale	47,074
Thanet	37,315
<b>Total Using London Area Airports</b>	<b>517,327</b>
<b>Passengers on Services from Manston</b>	<b>12,344</b>
<b>Total Catchment Area Passengers to these points</b>	<b>529,671</b>

Source: CAA Passenger Survey (N.B. Southend not included in survey)

In contrast, in 2014, the core catchment area for Southend generated more than 580,000 passengers to and from these points flying from the other London Airports. This is in addition to the passengers carried by easyJet from Southend to these destinations.

A proportion of the passengers that used services from Southend will have come from outside the airport's core catchment area. The analysis indicates that the maximum proportion of demand from a core catchment area that a small airport might attract is around 60%. This assumed percentage capture is broadly in line with the 42% capture by KLM from Manston during its first nine months of operations in 2013.



Airport Used	Passengers from Southend Catchment Area
Gatwick	270,450
Stansted	251,443
Heathrow	21,978
London City	20,868
Luton	16,820
<b>Total using London Area Airports</b>	<b>581,559 (38%)</b>
<b>Passengers on easyJet services from Southend</b>	<b>959,523 (62%)</b>
<b>Total Catchment Area Passengers to these points</b>	<b>1,541,082 (100%)</b>

Source: CAA Passenger Survey (N.B. Southend not included in survey)

If this same percentage were applied to the 2014 demand from Manston's core catchment area, it suggests that the maximum number of passengers that might be attracted to these points on services from a re-opened Manston would be some 330,000 per annum (529,000 x 62%). To sustain operations, it is therefore conceivable that Manston would, like Southend, almost certainly need to attract passengers from outside its catchment area. Southend is some 55 minutes from central London by rail (with pedestrian access between airport terminal and station), while Manston is scheduled to be 75 to 105 minutes from

<sup>5</sup> Barcelona, Belfast, Amsterdam, Faro, Alicante, Ibiza, Malaga, Jersey, Palma. Geneva, Venice, Edinburgh, Berlin, Krakow, Tenerife

Central London. Manston would face a significant challenge to match Southend's attraction to passengers from central London.

#### Train to London from airport, (Assumes Ramsgate connection for Manston)

Airport	Train to London	Connect to Terminal	Vs. Manston
Heathrow	15 minutes every 15 minutes from Paddington	Direct to terminal	75 minutes quicker
Gatwick	30 minutes every 15 minutes from Victoria	Direct to terminal	60 minutes quicker
Stansted	50 minutes every 15 minutes from Stratford / Liverpool Street	Direct to terminal	40 minutes quicker
Luton	40 minutes every 10 minutes to Kings Cross St Pancras	10 minute shuttle	50 minutes quicker
London City	On the DLR Line	Direct to terminal	Variable
Southend	53 minutes to Liverpool Street, 44 minutes to Stratford. 8 trains an hour at peak	Direct to terminal	37 minutes quicker
Manston	75 - 105 minutes to Ramsgate, four trains per hour to Kings Cross St Pancras	15 minute shuttle	n/a

Source: Airport website, national rail

This potential level of passenger demand at Manston for short haul services would be approximately equal to that which could be handled by one 150 seat narrow-body aircraft (such as a Boeing B737 or an Airbus A319) operated by an LCC based at Manston.

## 5.4. Airline Interviews

AviaSolutions spoke to several passenger airlines with regards to potential future operations at Manston airport. More detailed notes are provided in Appendix A.

Ryanair provided the most positive indication of future service concluding that:

*'Ryanair are constantly reviewing their network and remain open to approaches from any airport. If the airport became operational, the airline would review its potential and fit within the wider airline network in due course, and is available to discuss terms with the owners at any time'*

██████████, Deputy Director of Route Development, Ryanair

Whilst Ryanair remained somewhat open to the possibility of future services, it was in our opinion, far from a commitment to serve Manston airport if it should re-open. We received a similar position statement from KLM, effectively citing that a re-opened Manston would be included in the annual network review.

Discussions with other carriers indicated a less positive outlook for the airport, with Flybe, an airline that had previously served Manston stating:

*'It is unlikely that, even if Manston should reopen, the airline would choose to serve the airport.'*

██████████, Flybe

Other airlines and individuals interviewed had similar stances, stating that:

*'...Manston would not be a consideration for us...'*

Major European LCC

and that:

*'Following the BREXIT vote many airlines will be considering their approach to the UK. During a period of uncertainty, it will be difficult for Manston to convince carriers to open routes to the airport'*

Ex-Director of Network Route Development for Major European LCC

We also discussed with a major UK carrier its views on Manston Airport as part of an operational resilience strategy. This is an aspect of the airport which has been made promoted as a potential benefit to the UK aviation sector. Flight Operations within an airline is a highly scrutinised function, in particular with regards to fuel and diversionary airport selection. When calculating a Flight Plan, airlines plan contingency fuel based on regulatory standards that ensure sufficient fuel is available upon landing, meeting this minimum landing fuel is a core part of the duty of all aircraft commanders. Our contact stated that:

*'It is my personal view that Manston does not offer any safety or resilience benefits of a material nature to the UK system. The airport is located in close proximity to six London airports which offer excellent resilience already'*

Manager, Flight Operations, Major UK Carrier

Based on AviaSolutions interviews in relation to passenger services, we conclude that whilst there is some notional interest in passenger services at Manston Airport, no airline was committed at present, or in the future seeking to serve to the airport should it re-open. No airline wished to give any more commitment beyond that it would consider Manston as part of their process of reviewing their network.

## 5.5. Potential Overflow from London Area System - Model

We outlined in Section 4 the principles on which we have based our model of how passenger traffic might cascade around the London Area Airport system. In this section we set out the main assumptions and results.

### Capacity

The starting point of our assumptions is the ATM capacity of the London airports. At a number of airports, the ATM capacity has a statutory cap (as opposed to an estimate based on its physical capacity). At these airports we have assumed up to 97.5% of the movement cap to reflect constraints on the optimal scheduling and peak demand profiles.

#### Airport ATM Capacity

Airport	Annual ATM Capacity	Comment
Heathrow	480,000	With two runways. Statutory limit
	720,000	With three runways, from 2030 if added
Gatwick	280,000	Estimated capacity of single runway
	480,000	With two runways, from 2025 if added
Stansted	264,000	Statutory limit. Includes 20,500 for freight flights
Luton	100,000	Estimated. Statutory passenger cap of 18 mppa
London City	111,000	Statutory cap (noise-adjusted) - passenger limit of 6.5 mppa
Southend	53,300	Statutory cap

These ATM capacities are converted into a passenger capacity by multiplying by the average number of passengers per ATM. Passengers per ATM have historically increased over time as a result of larger aircraft with more seats and the increase in the number of seats occupied (the load factor).

We have assumed a continuation of this trend, although at a rate of 0.5% per annum, much lower than seen in recent years. It may be seen that even by 2050, the number of passengers per ATM with this assumption never exceeds 200 at any airport. This assumption acts to increase the demand that cannot be accommodated at the six London Area airports. However, it is likely that when faced with runway capacity constraints, airlines will increase passengers per ATM at a faster rate than would otherwise be the case. Our assumed rate of increase is consequently likely to lead to an over-estimation of the demand that is available to be handled at Manston.

#### Passengers per ATM

Airport	Passengers per ATM					CAGR 2011 to 2015	CAGR 2015 to 2050	Pax per ATM 2050
	2011	2012	2013	2014	2015			
Heathrow	146.6	149.5	155.0	156.8	159.7	2.2%	0.5%	190.2
Gatwick	137.9	142.5	145.2	149.7	153.5	2.7%	0.5%	182.8
Stansted	142.3	144.1	146.3	149.2	155.9	2.3%	0.5%	185.6
Luton	136.4	139.0	141.8	143.3	145.1	1.5%	0.5%	172.8
London City	49.2	46.9	49.7	52.0	54.5	2.6%	0.5%	64.9
Southend	33.8	84.9	102.4	95.5	100.4	5.7%*	0.5%	119.5

\* 2012 to 2015

## Demand

We have based our forecasts of future passenger traffic on those set out in the Davies Commission Report - unconstrained carbon traded forecast (the most optimistic). Given that the early forecast volumes have been superseded by actual performance, we have uplifted the forecast figures to reflect actual demand seen across the London System in the intervening years.

## Demand Allocation London System

Demand is then compared to capacity available, and assigned to the airport which Davies assumes is its natural first choice. The greatest demand is for Heathrow, and traffic not accommodated there is assumed to (a) spill to other non-London Area airports for connecting traffic, (b) 5% is assumed not to travel (by air), or (c) spill to Gatwick.

A similar process is then followed for Gatwick, with any unallocated demand being allocated to one of the other four London Area airports, until each has reached its capacity. At this point, any unaccommodated demand becomes available for other airports outside the London System to handle. We summarise below the forecast demand at the London Area airports in 2050 for each of our defined scenarios, together with unaccommodated demand.

### **Forecast Passenger Demand (mppa) at London Area Airports, 2050**

Airport	Scenario			
	LHR R3	LGW R2	Both	Neither
Heathrow	134	89	134	89
Gatwick	51	88	88	51
Stansted	45	45	45	45
Luton	17	17	17	17
London City	7	7	7	7
Southend	2	2	2	2
Unaccommodated	44	40	5	79

### **Unaccommodated Demand (mppa) by Scenario and Year**

Year	Scenario			
	LHR R3	LGW R2	Both	Neither
2020	5	5	5	5
2025	11	9	9	11
2030	17	6	2	25
2035	9	9	4	36
2040	16	16	5	49
2045	27	27	3	61
2050	44	40	6	79

## Demand Allocation - Regionals

This Unaccommodated Demand is potentially available to airports other than the six London airports and specifically to airports in regions other than the South East as well as to Manston. Using CAA data, we have calculated the origin and destination distribution of passengers at the London Airports split by the part of the UK they are travelling either to or from. This indicates that 49% of total passengers are travelling to or from Greater London and 4% to or from Kent. We have assumed that the distribution of future Unaccommodated Demand matches the pattern of demand seen in 2014, such that if 100 passengers were unaccommodated, 49 of those are travelling to or from Greater London and 4 to or from Kent.

We have then estimated how much of this Unaccommodated Demand Manston may reasonably be assumed to capture. Given its location in Kent it is reasonable to assume it would capture a large share of the Unaccommodated Demand for Kent (4 passengers in the example above). We have assumed that this share is 90% (90% of the 4 passengers). Applying a similar logic, we assume that the Greater London passengers would have more choice and therefore Manston would capture a smaller share of this market. We have assumed Manston will capture 10% of the Greater London market (10% of the 49 passengers).

It is also important to recognise that currently 27% of passengers using the London Area airports do not have origins or destinations in the South East region, but use surface means to access the air services at the London airports. It is our view that airlines will consider adding additional capacity at airports to the North and West of London (potentially Southampton, Bournemouth, Cardiff, Birmingham, Manchester) to dissipate this excess demand and permit the London System to absorb the demand growth in the Greater London area. These non-London airports, in general, have a wider catchment area already provide services from many carriers with the associated economics of scale and mature presence in these markets.

#### Surface Origin/Destination of Terminating Passengers at London Area Airports, 2014 (mppa)

Area	LHR	LGW	STN	LTN	LCY	Total	%
<b>South East</b>	36.0	28.1	11.6	10.2	3.3	84.2	73%
of which							
Greater London	24.9	15.0	10.1	5.3	3.1	56.7	49%
Kent	0.9	2.5	0.4	0.1	0.1	4.1	4%
<b>Other UK regions</b>	11.3	7.2	7.5	5.0	0.3	31.2	27%
<b>Total Terminating</b>	47.3	35.2	19.1	10.2	3.6	115.4	100%
<b>Connecting</b>	25.8	2.6	0.8	0.2	0.1	29.5	
<b>Total Terminal</b>	<b>73.1</b>	<b>37.9</b>	<b>19.9</b>	<b>10.4</b>	<b>3.6</b>	<b>144.9</b>	

Source: CAA Passenger Survey

In addition to this overflow of unaccommodated demand, in each of our scenarios we have added the introduction of an LCC base of two aircraft supporting 800,000 passengers per annum from 2018, equivalent to two Ryanair B737-800 aircraft. This base continues at Manston until a new runway is opened at Heathrow and/or Gatwick. In the year when new capacity is introduced, the Manston based aircraft are assumed to transfer to the airport with the new runway, as the airline concerned seeks to establish presence at that airport at the same time as consolidating its operations in the London area.

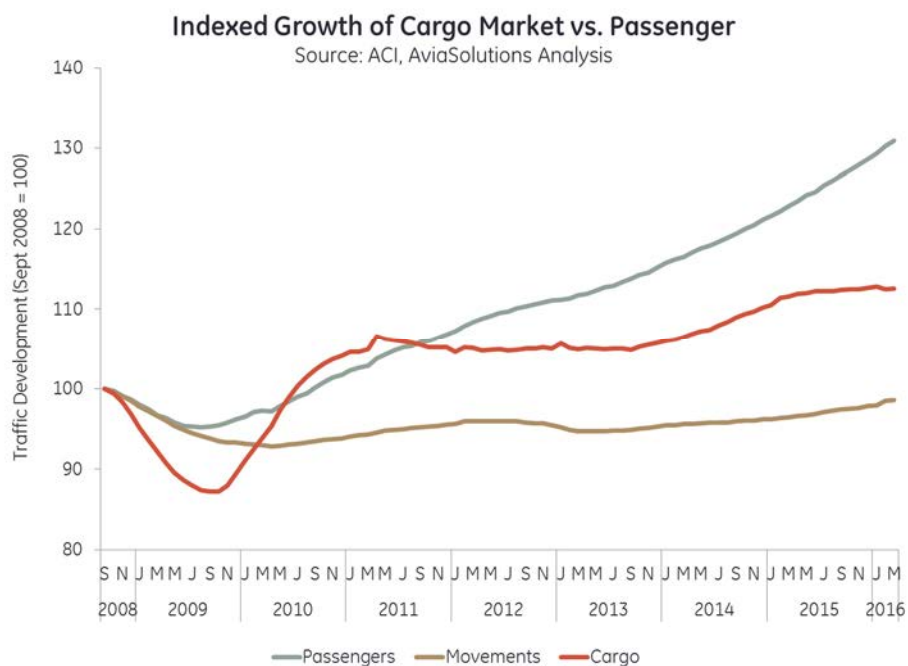
# 6. Cargo Analysis

## 6.1. Introduction

In this chapter we examine the air cargo market and its overall prospects. We also consider how freight traffic might develop at Manston Airport in our scenarios.

## 6.2. Overall Cargo Market

The air cargo market declined significantly after the global financial crisis of 2008. Although cargo volumes recovered to previous levels within two years following the crash in 2008, growth over the last five or six years has been modest.

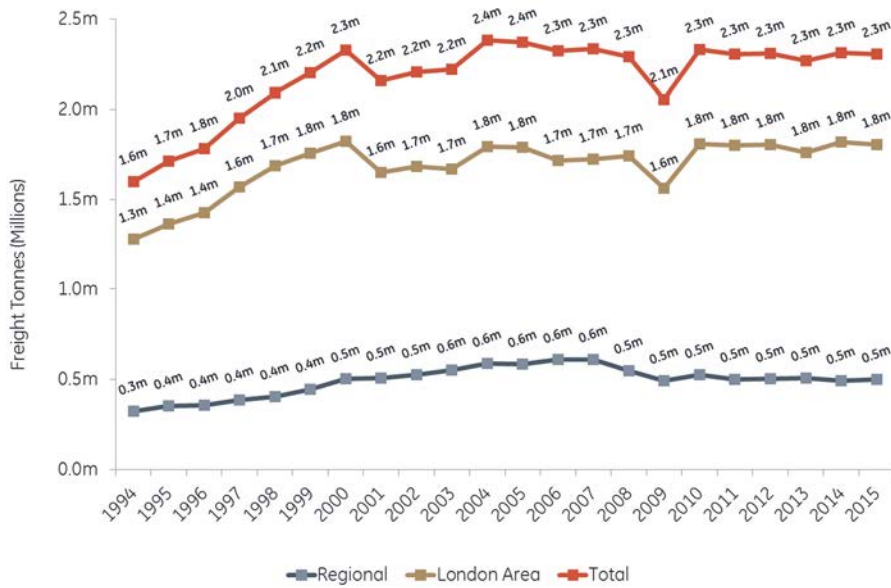


A similar pattern has been observed in the UK. Indeed, total air freight handled at UK airports has been virtually constant at around 2.3 million tonnes per annum since 2000, with the exception of reductions immediately after the start of the recession in the early 2000s and the financial crisis in 2008. Prior to this period, demand for air freight had grown at CAGR of 8% since 1990.

There is a reasonably even split between freight set-down (imports for international freight) at 52.5% and freight picked-up (exports) at 47.5%. More than 95% of UK air freight in 2015 was international.

## Total UK Freight Freight by Airport Type

Source: CAA, AviaSolutions Analysis



Within this national context, individual airports' performance has varied, with the five London area airports (Heathrow, Gatwick, Stansted, Luton and City) increasing their aggregate share slightly to just under 80%, with regional airports reducing by an equivalent amount.

The busiest airport for freight has consistently been Heathrow, responsible for two thirds of the country's air freight. This position owes much to the very considerable cargo capacity in the holds of the wide-body aircraft providing the many long haul passenger services from the airport. In contrast, East Midlands' position as the second busiest freight airport is due to its role as the centre of the UK distribution network of the integrated cargo carriers, especially DHL but also UPS and Royal Mail. Stansted is preferred by FedEx and is also used by the cargo operations of a number of airlines. These included British Airways before it discontinued its all-freighter operations in April 2014 and switched to the freighter operations of Qatar Airways.

It has been argued by, for example, York Aviation on behalf of the Freight Transport Association that the stagnation of growth in UK air freight market since 2000 has been caused by a lack of airport capacity in the London area and specifically at Heathrow. Whilst the lack of ATM growth at Heathrow has undoubtedly hampered the development of the national air freight market, it is also true that over this period there was adequate airport capacity available at both Stansted and Manston to support additional dedicated freighter movements. Freighter movements at Stansted decreased over the period<sup>6</sup>, while Manston closed. This strongly suggests that the stagnation of UK airfreight is not a consequence of capacity constraints given the excess capacity at Stansted and Manston.

Air freight activity in the UK is highly concentrated, with just six airports handling 95% of the UK's air freight volume.

<sup>6</sup> Stansted's freight ATMs declined from 13,967 in 2000 to 9,956 in 2015



## Freight by UK Airport

Airport	Freight (Tonnes)		% of 2015 Total	Cumulative Share	% carried on Freighters in 2015
	2013	2015			
Heathrow	1,422,939	1,496,551	65%	65%	5%
East Midlands	266,968	291,689	13%	78%	100%
Stansted	211,952	207,996	9%	87%	100%
Gatwick	96,724	73,371	3%	90%	0%
Manchester	96,373	100,021	4%	94%	10%
Manston	29,306	-	0%	94%	100% (2013)
Belfast International	29,288	30,389	1%	95%	100%
Luton	29,074	28,008	1%	97%	96%
Birmingham	21,067	7,164	0%	97%	0%
Edinburgh	18,624	19,322	1%	98%	99%
<b>Total</b>	<b>2,267,812</b>	<b>2,304,345</b>			<b>30%</b>

Source: Analysis of CAA Statistics

In 2015, there were around 60,000 ATMs by all-freight aircraft across UK airports. These were split almost equally between international and domestic operations. Freight movements are relatively concentrated on a small number of airports, with East Midlands and Stansted accounting for 64% of movements in 2015.

Airport	Freighter ATMs			Int. as % of 2015 Total
	Domestic	International	Total	
Heathrow	3	2,385	2,388	8%
East Midlands	9,603	12,516	22,119	42%
Stansted	3,445	6,511	9,956	22%
Gatwick	0	3	3	0%
Manchester	205	830	1,035	3%
Belfast International	4,091	17	4,108	0%
Luton	183	1,519	1,702	5%
Birmingham	0	0	0	0%
Edinburgh	3,883	1,088	4,971	4%
Other	10,136	5,032	15,168	17%
<b>Total</b>	<b>31,549</b>	<b>29,901</b>	<b>61,450</b>	<b>100%</b>

Source: Analysis of CAA Statistics

It is important to note that, in the UK market, only 30% of airfreight is carried on dedicated freight aircraft. This is substantially less than the global average, where approximately 56% of RTK's are transported on freighters. In part, this disparity is due to the excellent belly-hold networks available from UK airports and in particular from Heathrow.

As passenger demand increases additional belly-hold capacity will enter the market. This capacity growth is unhooked from the demand scenario for belly-hold cargo and can result in excess capacity in the market. As a result airlines will often sell this belly-hold capacity using a marginal cost pricing structure. This pricing structure does not need to account for the high cost of the aircraft and must only meet the additional marginal cost that each kilogram of cargo incurs. Through the application of this pricing

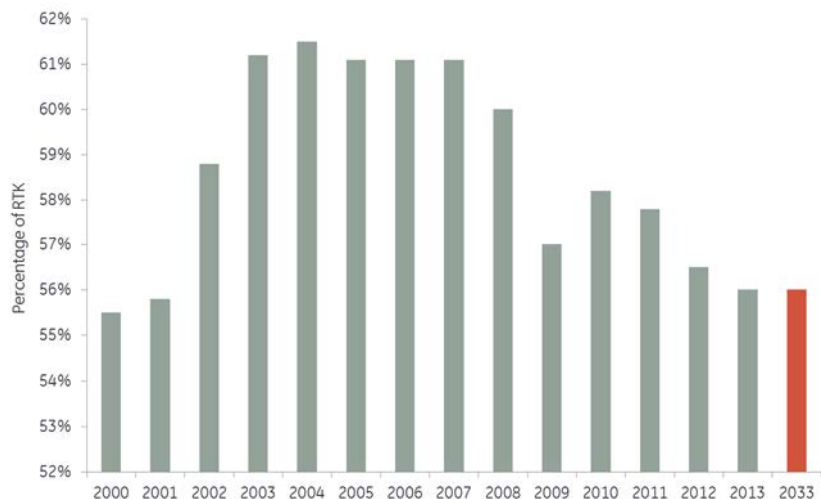
structure, belly-hold cargo often undercuts the minimum price that can be charged on dedicated freighter operations.

As a result of this market dynamic, an airport focused on airfreight carried by dedicated freighters may be overly exposed to a declining or stagnant total market, or at best to a market that is not exposed to strong potential.

However, there are some elements of the market that appear to be limiting the increase in belly-hold capacity. These include

- Some of the newer aircraft types have a smaller belly-hold cargo capacity than the aircraft they replace; and
- Low Cost Carriers (such as easyJet and Ryanair) are gaining market share but generally ignore the freight market.

**World RTK's Carried on Freighters by Percentage**  
Source: Boeing



### Manston

Before its closure in 2014, Manston Airport was the sixth busiest airport in the UK for freight. For the last ten years of operations the airport handled between 25,000 and 30,000 tonnes of freight annually, representing just over 1% of the UK market (refer table 'Freight by UK Airport' on previous page)

In 2013, the overwhelming majority of the airport's freight was carried on all-freight aircraft, CargoLux being the primary operator. There were 511 freighter movements (landings or take-offs) during the year, with an average of 57 tonnes of freight per movement. In reality Manston was almost exclusively used for imports, and this averaged 107 tonnes per import, with virtually no export volume.

## 6.3. Freight Industry Interviews

Our discussions with representative of the cargo industry indicate that much of the cargo at Manston was fresh produce from Africa. The airport was popular with shippers as it was uncongested, offered good quality handling services (provided by airport staff) and the airport charges were competitive. While it is close to continental Europe, airlines/shippers nonetheless had to incur the costs of flying freight aircraft virtually empty on the return leg to their base airport (e.g. Luxembourg, Ostend and Liege) after off-loading. When Manston closed, it is understood that some movements transferred to Stansted, whilst others switched to airports on the near-Continent and their loads trucked across the Channel to the UK.



Our primary interest in interviewing representatives of the freight industry (current and former executives), and previous users of the airport was to assess potential future use. It was clear from these discussions that whilst the airport clearly offered a professional service, the strategic position of the airport was a clear disadvantage.

*'Airlines base the decision on where to operate their freighters based on a multitude of factors. However, the overriding factor is based on where investments in infrastructure have been made by*

*their clients, freight forwarders. These capex investments by freight forwarders are required to ensure they maintain economies of scale through their transit facilities and distribution centres. In the UK, these investments are centred at Heathrow, and more recently Stansted'*  
Senior Executive in Cargo Division for airline operating freighters at Stansted.

The individual went on further to discuss the possibility of relocating his freighters to Manston Airport and was unequivocal in his position:

*'The airline would be extremely unlikely to consider moving services to Manston, even if we were no longer able to serve Stansted, regardless of the commercial terms offered. If the airline had to move services, we would consider East Midlands and Manchester or other centrally located airports before Manston'*  
Senior Executive in Cargo Division for airline operating freighters at Stansted

This view was echoed by Mr. Stanley G. Wraight, a cargo professional with a global reputation, and over 40 years' experience in the cargo industry:

*'The conclusion is there is virtually no incentive for operators to move operations to Manston, there are alternative UK airports that offer competitive services on reasonable terms. The UK doesn't need another airport for freight that has no USP. If Manston were to be developed it would be essential for it to gain a niche market such as becoming an Amazon or Alibaba e-commerce base'*  
[REDACTED] - Senior Executive Director Strategic Aviation Solutions Limited

Balancing this view were those of an air cargo charter broker who had previously used Manston for charter services. The airport had offered excellent service and, while the broker's use might be for a moderate level of ATMs, it would be keen to re-establish a presence, provided the right commercial terms could be agreed:

*'...we would certainly be interested in using the airport again if it re-opened but in order to do so, we would be looking to secure competitive rates for landing, parking and screening charges...'*  
Air Cargo Charter Broker - UK

We conclude therefore that there is limited interest from the cargo industry in using a re-opened Manston Airport for air freight. The larger scheduled freighter operators are unlikely to relocate their services to the airport, particularly if the airport does not have a unique product offer. We believe it is more likely that were Manston Airport to re-open, the most likely role would be to serve smaller freight operators and the larger operators on an *ad-hoc* basis. There is no compelling reason to believe that the airport would be able to generate appreciably more freight activity than previously, other than in the context of a shortage of airport capacity in the London area.

## 6.4. Potential Future Freight Operations - Model

Based on our research and analysis, it is AviaSolutions' view that if Manston were to re-open as an airport, it would attract some dedicated freighter operations. However, in the absence of a firm commitment from a multinational to establish a distribution centre near Manston, the growth of freight activity at the airport would be in line with historic performance, with incremental growth resulting from a general expansion of the UK cargo market and a diversion of freighter flights if these were constrained at Stansted.

### Demand

There are very few national forecasts for the development of air freight. One example is the report developed by Oxford Economics and Ramboll for Transport for London as part of the investigation of the development of an estuary airport for London. A potential cause of the stagnation of growth in air cargo since 2000 was identified as the increase in oil and jet fuel price. Trend forecasts were based on average growth from 2000 to 2012 (the Lower Bound) and from 1990 to 2012 (the Upper Bound). The difference in growth rates of the two periods produce very different forecast outcomes.

Average Annual Growth	Period	London Area Airports	UK
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<b>Belly Hold Cargo</b>	1990-2012	2.95%	2.87%
<b>Belly Hold Cargo</b>	2000-2012	0.49%	0.48%
<b>Dedicated Cargo</b>	1990-2012	2.76%	3.52%
<b>Dedicated Cargo</b>	2000-2012	0.02%	0.40%

Source: Oxford Economics

We note that despite being one of the world's leading economics consultancy's, Oxford Economics relied on a forecasting technique based on historic trends, rather than econometric regression analysis seeking to correlate historic growth in air cargo with changes in external/exogenous variables such as GDP, international trade etc. that might be driving the freight growth. Boeing and Airbus base their long term forecasts on GDP changes. The Oxford Economics' approach is consistent with it either not being confident in any relationships that exist, or simply not finding any explanation for the stagnation of air freight. Certainly, the forecasts produced have an exceptionally large range between low and upper bounds, which indicate the difficulty of forecasting cargo growth with confidence.

We have used the mid-point of these forecasts to drive our cascade model of how traffic might be distributed across the London area airports as and when airport capacity becomes constrained. We have estimated available capacity for cargo based on belly hold capacity generated on passenger services and on dedicated freighter flights.

### Capacity

We have considered only belly-hold capacity Heathrow and Gatwick. At Heathrow with a significant number of wide-bodied aircraft (35%), we estimate the average belly-hold freight capacity to be 7 tonnes per ATM at LHR (2015), significantly higher than the actual freight per ATM of 3 tonnes. In an environment of freight growth, we have assumed this figure would increase at 1% per annum, reaching 4.3 tonnes per ATM in 2050, a load factor of 61%.

Currently, the majority of flights (85%) at Gatwick are narrow-bodied aircraft to short haul destinations, and likely to carry minimal volumes of freight. We estimate Gatwick's belly-hold capacity to be two tonnes per ATM. In 2015, actual belly-hold loads averaged less than 0.3 tonnes per ATM. We have assumed that this increases at 1.5% per annum, and reaches just over 0.3 tonnes per ATM in 2050, reaching a load factor of 15%.

We have assumed that the number of dedicated freighter flights remains at the average activity of the last five years at Heathrow and Luton. However, at Stansted permitted freighter movements may approach the statutory cap of 20,500 per annum. We have not included freighter movements at any of the other London airports. As the capacity per ATM on freighters at both Heathrow and Stansted was significantly above the loads actually carried, we have assumed that loads on freighters at these airports would grow by 1.5% per annum if UK freight market was growing at the forecast rate noted above. These assumptions take average loads on freighters to 55 tonnes and 53 tonnes respectively in 2050, still materially lower than the available capacity. We have assumed that the average load on freighters at Luton continues at 2015 levels.

Airport	Capacity Type	2011	2012	2013	2014	2015	Capacity 2015
<b>Heathrow</b>	Belly Hold load (tonnes)	3.0	3.0	2.9	3.0	3.0	7
	Freighter ATMs	2,456	2,380	2,365	2,084	2,388	2,388
	Freighter load (tonnes)	31.3	30.0	29.9	32.8	32.9	83
<b>Gatwick</b>	Belly Hold load (tonnes)	0.4	0.4	0.4	0.3	0.3	0.3
<b>Stansted</b>	Freighter ATMs	9,359	9,602	9,788	9,340	9,741	20,500
	Freighter load (tonnes)	20.3	21.3	21.2	21.7	21.0*	80*
<b>Luton</b>	Freighter ATMs	1,717	1,810	1,716	1,520	1,701	1,693
	Freighter load (tonnes)	15.6	15.9	16.3	15.1	15.8	15.8

\* The average load in international freighter ATMs in 2015 was 31.7 tonnes per ATM, and the capacity on these movements 80.3 tonnes. We have used this as our forecasting base since most freight traffic is international.

## Demand Allocation

These assumptions indicate that all forecast freight demand can be accommodated in all scenarios up to 2045. It is only in this year that some demand remains unaccommodated in two of the scenarios, although by 2050 there is unaccommodated demand in all scenarios.

### Unaccommodated Demand (Tonnes x 1,000) by Scenario and Year

Year	Scenario			
	LHR R3	LGW R2	Both	Neither
2020	0	0	0	0
2025	0	0	0	0
2030	0	0	0	0
2035	0	0	0	0
2040	0	0	0	0
2045	0	35	0	123
2050	173	178	62	278

There is strong anecdotal evidence that a material proportion, probably around 20%, of air freight flying to and from the UK actually originates or is destined for continental Europe and is trucked across the channel. We have assumed that 20% of unaccommodated demand is lost to the UK air freight industry and flies from continental European airports. For the purposes of our assessment and in recognition of RiverOak's stated intention to develop Manston as a freight airport, we have assumed that half of the remaining unaccommodated demand is flown via Manston, with the other half going to other UK regional airports, potentially led by East Midlands and Manchester.

# 7. Financial Analysis

## 7.1. Introduction

In this section, we present the findings of our financial analysis based on the passenger and cargo forecasts set out in the earlier sections following an assumed re-opening of Manston Airport. The principles of the financial model and underlying assumptions are explained, followed by the outputs of the model for the Heathrow Third Runway scenario as it is the recommendation of the Davies Commission to Government. Finally, we present summary results of the other scenarios. A more comprehensive description of the outputs for the other scenarios is given in Appendix C.

## 7.2. Model Description and Input Assumptions

### 7.2.1. Financial Model

AviaSolutions has developed a model to assess the financial viability of a re-opened Manston Airport. This model assesses the financial performance of the airport based on various assumptions for four London area capacity scenarios which result in different demand scenarios for Manston. The assumptions have been developed in a number of different ways and draw on a wide range of sources including; analysis of the wider aviation industry, published financial accounts of the companies responsible for Manston Airport, benchmarking of comparable airports, information from our stakeholder interviews and our independent judgment based on knowledge and expertise within the aviation industry.

### 7.2.2. Brief Overview of Model

The model simulates the financial performance of the airport under different scenarios. This performance is measured through simplified financial statements including a Profit and Loss Statement (P&L), Cash Flow Statement and Balance Sheet. It should be noted that these are simplified statements used to illustrate performance and have not been produced to GAAP standards. The financial statements are modelled over a period from FY2017 to FY2050, on the assumption that the airport is reinstated on the site in FY2018. The Financial Year is assumed to correspond to the calendar year. This time period is typical of that used to evaluate long term infrastructure assets such as an airport, and the specific dates correspond with the period of the passenger forecasts used by the Davies Commission.

### 7.2.3. Approach to Assumptions

Throughout the research AviaSolutions has consistently taken a positive outlook with regards to the underlying demand assumptions. Specifically, this means that we have opted for the upper bounds of traffic, the upper bounds of unit operating revenue, the lower bands of unit operating costs, and minimal asset costs and capital investment requirements.

We therefore conclude that the assumptions and analysis that follow present the prospects of Manston airport in a very favourable context. We would consider these outputs to represent a 'High Case' and believe they present the airport in a situation where there is a very limited prospect of additional revenue or lower cost structures.

### 7.2.4. General Assumptions

#### Revenue

Airports generate revenue from two primary sources: from the charges levied on airlines for using their facilities (referred to as Aeronautical Revenue), and from more discretionary activities including retail, car parking and property (referred to as Non-aeronautical or Commercial Revenue). Manston Airport historically provided ground handling services to its customer airlines, and revenue from these activities is included in Aeronautical Revenues. Previously Manston Airport supplied fuel to some airlines, and our model includes this as a separate revenue line (as a net revenue so that the cost of the fuel does not need to be considered).

## Revenue Assumptions within AviaSolutions Model

Revenue	
Aeronautical Revenue per Passenger	£7.00
Revenue per Tonne of Freight	£50.00
Commercial Revenue per Passenger	£5.00
Fuel Revenue per WLU	£0.93

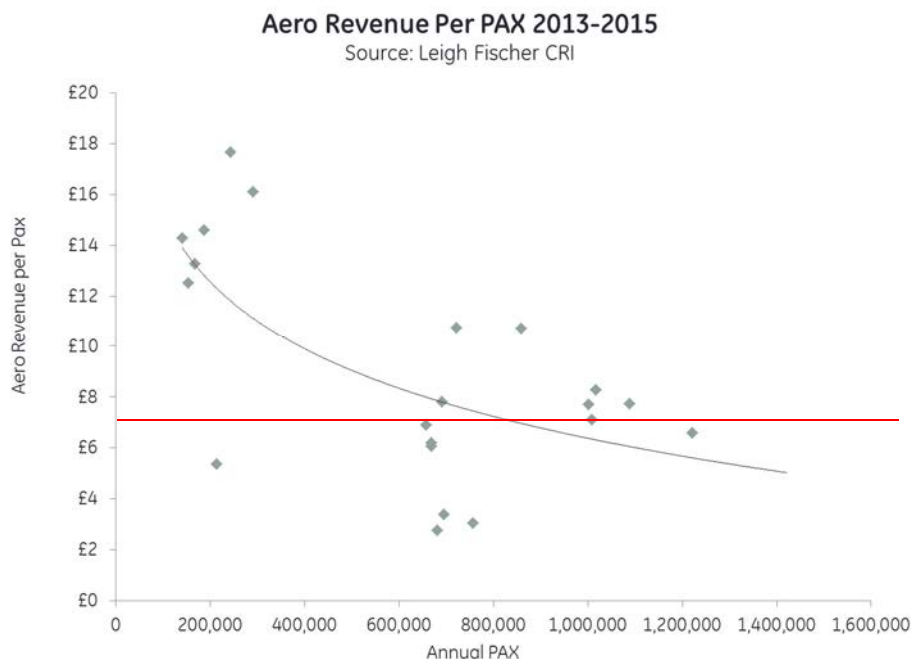
### Aeronautical Revenue per Passenger

This revenue includes all airline related fees, including landing charges, passenger charges, and aircraft parking charges. However, it excludes Air Passenger Duty (APD), which is collected by the airline but passed on directly to the UK HMRC. It is normal industry practice, however, and for LCCs in particular to agree a fixed fee per passenger covering the entire range of airport operations (excluding any property rental).

Our experience is that the fees generated by the airport are greatly affected by the type of airline operating at the airport and the level of throughput achieved by the airline. Ryanair's airport charges, across its entire European network in 2015, amounted to €7.80 per total passenger (€15.60 per departing passenger) and during our stakeholder interview the airline indicated it would need to secure a highly competitive airport charge to base aircraft at Manston. The Ryanair average airport charge of €7.80 will include many capital city airports where the airline is very likely to be paying significantly above this average.

We also considered the average aeronautical revenue per passenger of airports that operate with a large share of LCC traffic, as would be expected at a re-opened Manston Airport. In the most recently published accounts (2015) Luton and Bristol airports reported aeronautical revenues of £5.66 and £4.24 per total passenger (£11.32 and £8.48 per departing passenger) respectively.

We have also assessed the aeronautical revenue per passenger achieved across a large sample of similar sized airports in the UK.



Based on these comparisons, we have concluded that a reasonable aeronautical revenue assumption for Manston Airport would be £3.50 per total passenger (£7 per departing passenger) for LCC traffic, and £7.00 per total passenger (£14 per departing passenger) overflowing from the London area.

### Revenue per Tonne of Freight

The published accounts of Kent Airport Limited from 2013 identified revenues generated by freight activities. These revenues will reflect the landing charges from freighter movements, the use of the freight warehouses and the handling services provided to the airline. We have confirmed through an independent source that the historic revenue per tonne for freight achieved at Manston is consistent with market rates generally in the UK.

### Commercial Aeronautical Revenue

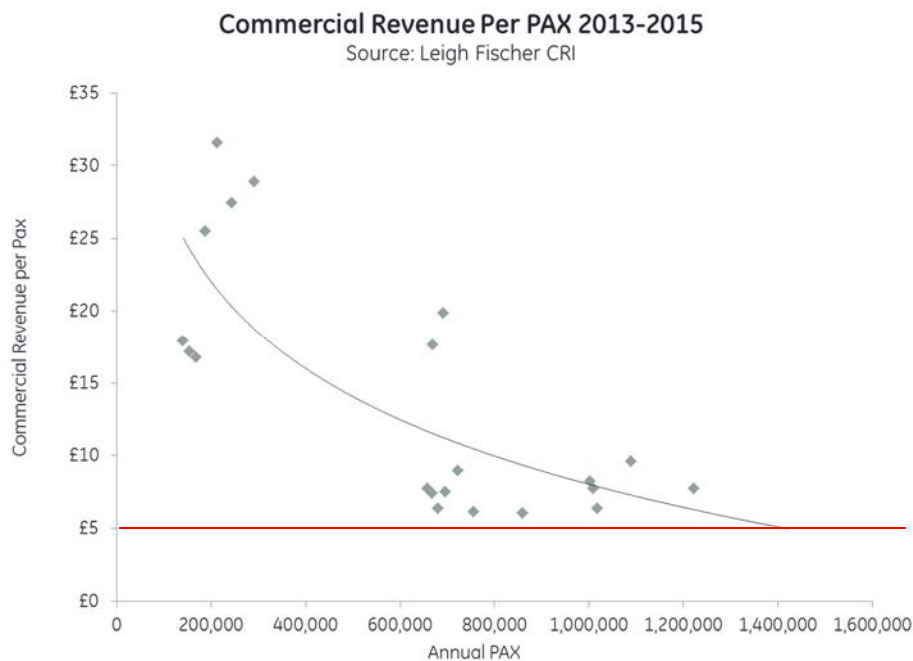
Commercial revenue is generated from passenger-facing services at the airport. One of the main sources of revenue are the airport concessions to operators of the retail shops (including duty free), food and beverage (F&B) outlets, car rental and currency exchange services. The operator will typically pay a percentage of turnover to the airport. Car parking is another source of revenue, with some airports managing operations in-house, whilst others out-source to specialist operators, such as APCOA or NCP.

Property revenue at Manston was £110,000 in 2014, and we have assumed that at a re-opened Manston Airport arrangements would continue on a similar basis.

We have built-up an estimate of potential commercial revenue per passenger by considering typical passenger spending and concession rates (turnover rent) that could be expected at a relatively small airport such as Manston.

In aggregate we have assumed that Manston could generate around £5.00 per total passenger (£10 per departing passenger).

We have also compared the unit commercial revenues generated at a number of smaller UK regional airports. It may be seen that there are a number of airports with low passenger throughputs which record high levels of commercial revenue per passenger. This is almost certainly caused by dividing a relative fixed rental income by a small number of passengers leading to an artificial inflation of the commercial revenue when measured on a per passenger basis.



We therefore conclude that a reasonable initial assumption for commercial revenue per passenger across all non-aeronautical activities is £5.00.



We have also considered the forecast expansion of the terminal to provide the necessary passenger capacity in later years under some scenarios. The terminal expansion would be expected to improve the retail and F&B offer and is assumed to contribute increased commercial revenue by £2 per passenger.

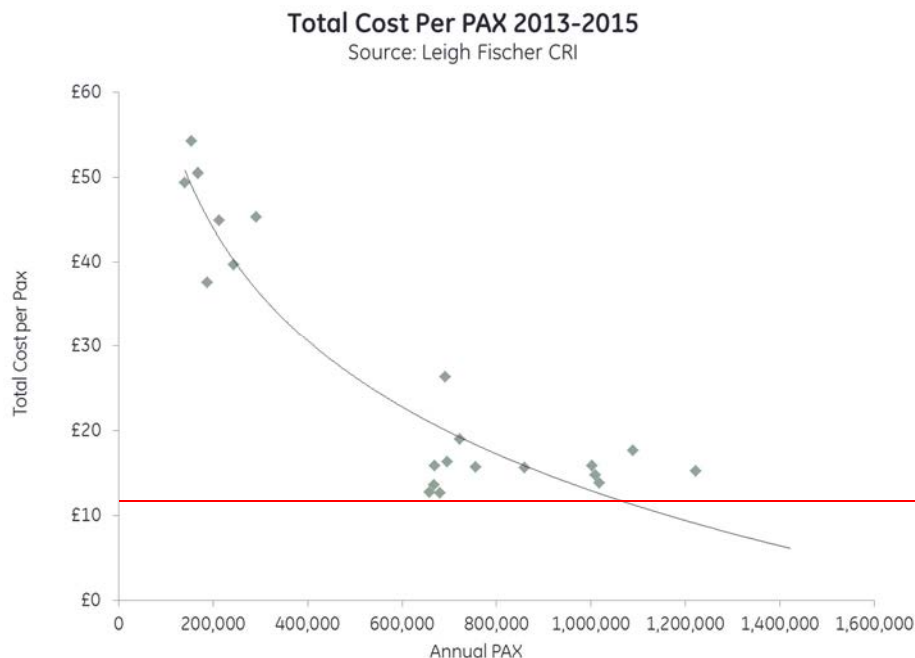
**Aviation Fuel**

The forecast for aviation fuel revenue is based on the net revenue after cost of fuel has been subtracted. The revenue is effectively the margin payable to the airport for fuel flowage. The margin has been estimated based on industry experience ranging from 3.5% - 7.5%. We have assumed Manston is able to achieve a margin of 5.5% and applied this to the total fuel revenue published in Kent Airport Limited’s accounts (2014) to identify the fuel revenue per passenger or tonne of freight.

**Total Operating Costs**

Airports with very low throughput have a high cost of operation per passenger: the fixed cost of airport operations can only be distributed across a low volume. Within a limited range, the marginal operating cost of an additional passenger is zero, but the marginal revenue of an additional passenger will be close to the average revenue per passenger.

This financial characteristic is common to capital intensive infrastructure assets. The chart below illustrates the relationship between volume and unit operating costs (per passenger) at a sample of small UK regional airports.

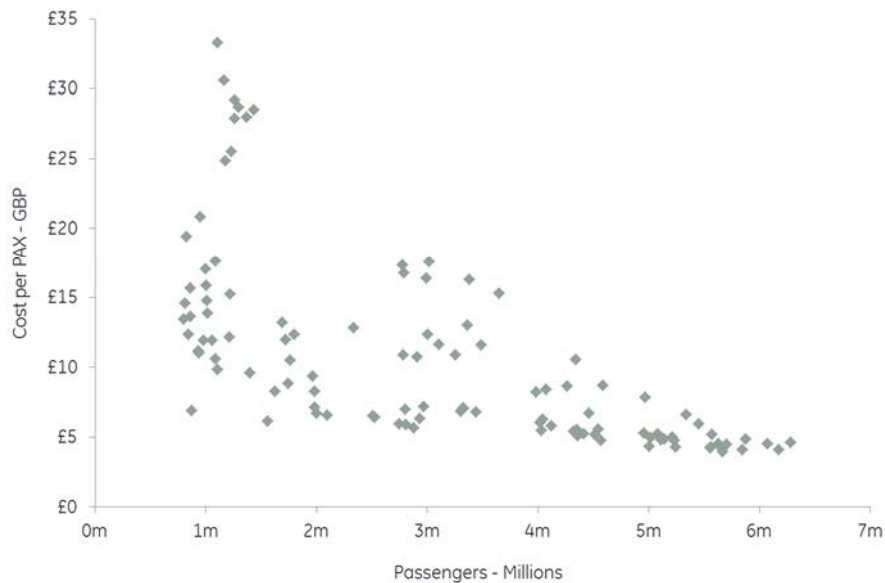


To reflect the expected evolution of the airport’s operating costs over the forecast period we have assumed a fixed total operating cost of £7 million when annual passenger throughput is below 0.5 million. As passenger volume increases beyond 0.5 million we assume that the total operating cost per passenger will decline on a linear basis to reach £12 per passenger at around 1.0 million passengers. This would position Manston Airport amongst the best in class cost per passenger within its UK peer group.

It is reasonable to assume that unit operating costs will continue to decline with further increases in throughput leading to additional economies of scale, as illustrated below. We have linked unit costs to annual passenger throughput such that when annual throughput reaches 6.5 million passengers the unit cost would be £5.00.

### Total Cost per Passenger - Larger Airports

Source: Leigh Fischer CRI



Costs specifically associated with freight have been estimated at circa 60% of freight revenue based on the historic performance at Manston.

#### Overheads

Overheads have been obtained from the published accounts of Kent Airport Limited (2014) and exclude any restructuring costs. In a standard business plan these would often be linked with elasticity to revenue growth. However, as growth would come from a very low base AviaSolutions' view was this would have introduced too many additional costs into the business. Therefore, we estimated that these costs grew at a rate of 0.1x Work Load Units.

#### Other Assumptions

We have made several assumptions about the initial equity and purchase price of the airport. These assumptions have come from our stakeholder interviews and other research. They are for illustrative purposes only and may differ significantly from any actual investment.

Our estimate of the site purchase price is derived from the recognised value of the airport in Kent Facilities Limited's 2014 published accounts (£7 million) inflated by circa 50%. It is believed that this could be considered a conservative valuation of the site, dependent on the designation of the land at the time of acquisition. The current owners (Stone Hill Park) are seeking planning permission for up to 2,500 dwellings, should this permission be granted, we would assume the land to be valued far in excess of £10m.

We have developed our own estimate of the costs of re-establishing the site as an operational airport based on our industry experience and a site visit. The estimate includes the necessary work to return the airport to a serviceable condition that would satisfy the CAA and facilitate the handling of up to about 2 million passengers annually. We have excluded any advisory or legal fees associated with the Development Consent Order, though these may be considerable.

Cash Flow & Balance Sheet	
Initial Capital Injection	50,000,000
Airport Site Purchase Cost	10,000,000
Airport Site Development Costs	27,000,000
Debt Interest Rate P.A	3.0%
Straight Line Depreciation Years	60
Effective Tax Rate on Net Income	20%
Dividend Payment % of Profit / Cash	0%

We have also assumed that the investment in Manston is funded solely by equity with no debt facility. This is in part to reduce the assumed cash outflow in the early years of operations, but also because we believe that debt-financing would be difficult to secure and relatively expensive.

### **Additional Capital Expenditure (CAPEX)**

Additional capital expenditure is assumed to be required at the point when the airport reaches 2.0 million passengers per annum and is forecast to remain at this level or above. Where the airport is growing rapidly (notably in the 'No Runway' scenario), the additional capacity investment is in two £50 million stages. Where the airport is expected to grow more slowly, additional capacity investment is assumed in a single £30 million stage.

### **Financial Statements**

Taking the combined effect of the financial assumptions and the demand scenarios we have developed a number of illustrative financial statements. These include:

#### **Profit and Loss:**

- Operating Statistics
- Revenue Lines
- Direct Cost Lines
- Gross Income
- Overheads
- EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation)
- EBITDA Margin (EBITDA as a percentage of revenue)
- EBIT (Earnings Before Interest and Tax)
- Net Income (EBIT less Interest and Tax)

#### **Cash Flow Statements:**

- Opening Cash Balance
- Net cash flow from Operating activity
- Net cash flow from Investing activity
- Net cash flow from Financing activity
- Closing Cash Balance

#### **Balance Sheet:**

- Total Assets
- Long Term Liabilities
- Owner Equity
  - Retained Earnings (which in part determines the ability to dividends to equity investors)
  - Share Capital

### 7.3. Outputs for LHR Third Runway Scenario

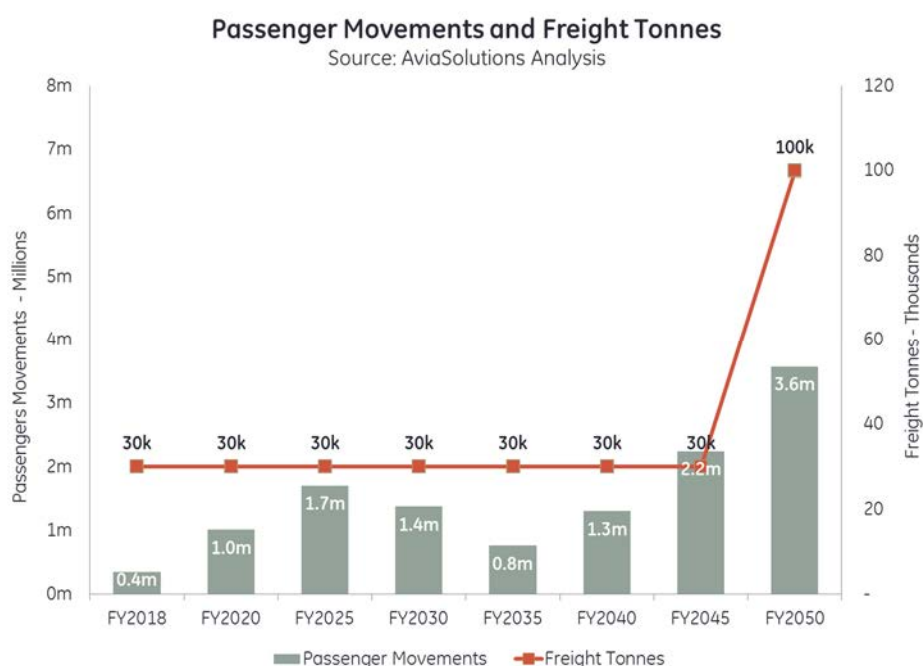
In the following paragraphs we explore the financial viability of Manston Airport based upon there being a third runway at Heathrow. This is the option which was recommended by the Davies Commission and therefore may be presumed to be the most likely outcome. However, the likelihood is that a runway at Heathrow would take longer to commission than one at Gatwick so consequently, Manston may have an initial boost to traffic before falling back and then growing again. This scenario takes spill from the London system in addition to a base level of activity generated from the presumed small LCC operation and freighters. This scenario is more favourable for Manston Airport than a development at Gatwick, and is perhaps the most likely.

#### 7.3.1. Volume Profile

Passenger numbers are forecast to grow to nearly 2.5 million by 2029, the year before the assumed opening of the third runway at Heathrow Airport, but immediately fall back from 2030 and decline to a low of 0.5 million in 2033. From this low point, traffic volume grows as a result of the resumption of overflow, reaching 3.5 million passengers in 2050. Overall growth between FY2018 and FY2050 averages 10% annually.

Freight is not forecast to grow beyond the 30,000 tonnes of the core freighter operations until FY2040, but at that point, freight is assumed to spill from the London Area taking it to some 100,000 tonnes by FY2050.

	FY2018	FY2020	FY2025	FY2030	FY2035	FY2040	FY2045	FY2050
<b>Passenger Movements</b>	350k	1,010k	1,700k	1,370k	760k	1,300k	2,240k	3,570k
<b>Freight Tonnes</b>	30k	30k	30k	30k	30k	30k	30k	100k
<b>Total ATMs</b>	1,100	2,900	6,400	9,600	5,300	9,200	15,800	28,000



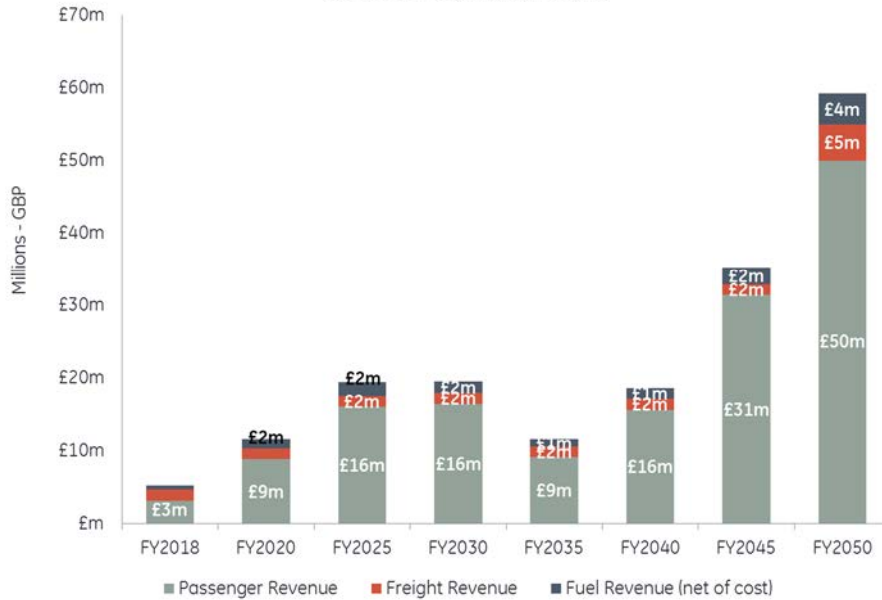
#### 7.3.2. Revenue Profile

Airport revenue is forecast to grow at CAGR 12% between FY2018 and FY2030, driving revenues to about £20m by FY2030, and at CAGR 8% between FY2018 and FY2050 to reach total annual revenues of around 0m by FY2050.

	FY2018	FY2020	FY2025	FY2030	FY2035	FY2040	FY2045	FY2050
<b>Total Revenue</b>	<b>£5m</b>	<b>£12m</b>	<b>£19m</b>	<b>£19m</b>	<b>£12m</b>	<b>£19m</b>	<b>£35m</b>	<b>£59m</b>

### Revenue Profile

Source: AviaSolutions Analysis



### 7.3.3. Cost Profile

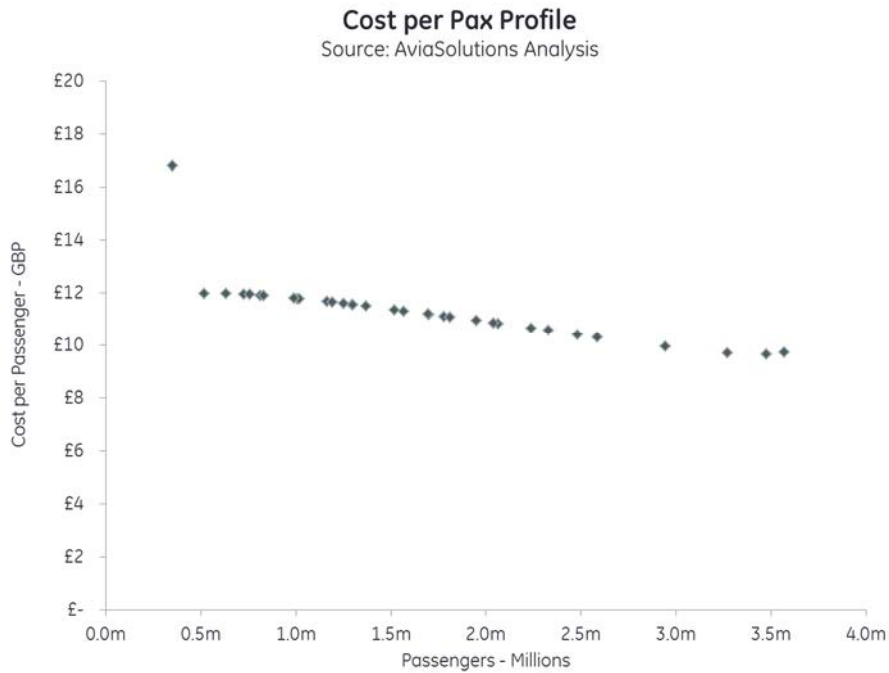
Total Costs are forecast to grow at 8% per annum on average between FY2018 and FY2030, resulting in total costs of about £15m by FY2030, and at 5% per annum between FY2018 and FY2050 to produce total annual costs of £35m by FY2050.

	FY2018	FY2020	FY2025	FY2030	FY2035	FY2040	FY2045	FY2050
<b>Total Cost</b>	<b>£7m</b>	<b>£12m</b>	<b>£19m</b>	<b>£16m</b>	<b>£10m</b>	<b>£16m</b>	<b>£24m</b>	<b>£35m</b>

### Costs Profile

Source: AviaSolutions Analysis

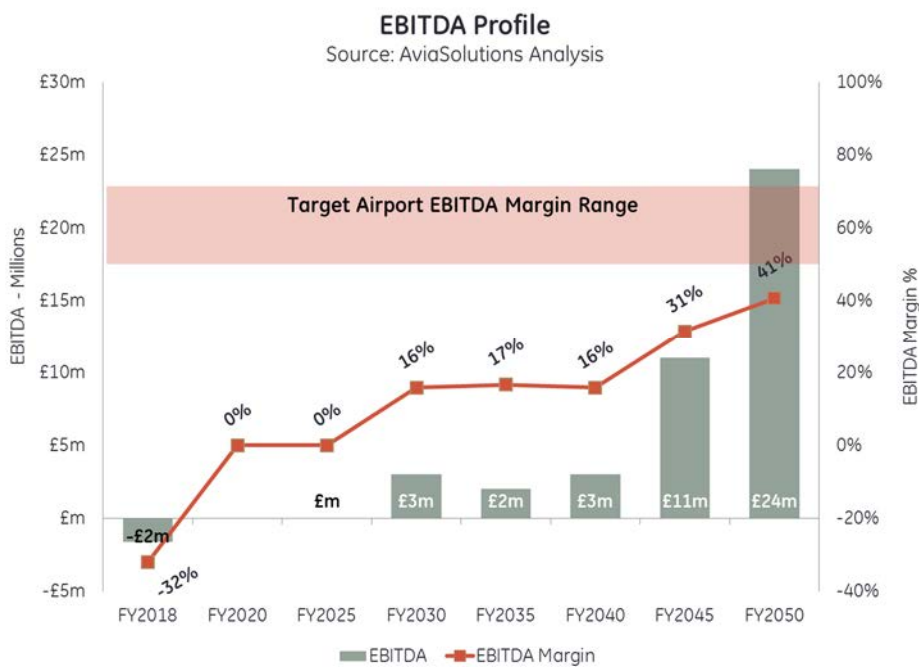




### 7.3.4. EBITDA Profile

EBITDA is initially forecast to be negative, indicating that the airport would be loss making in the early years at an operational level. It first returns an operating profit in FY2030, generating £9m of operating income and an EBITDA margin of 16%. As the third Heathrow runway comes on-stream, EBITDA at Manston would stagnate due to the lack of available volumes. The EBITDA margin in the long term is forecast to reach 41%, with an EBITDA of £24m in FY2050. This level of EBITDA is significantly below that which we would typically expect for an airport to be attractive to the investment community.

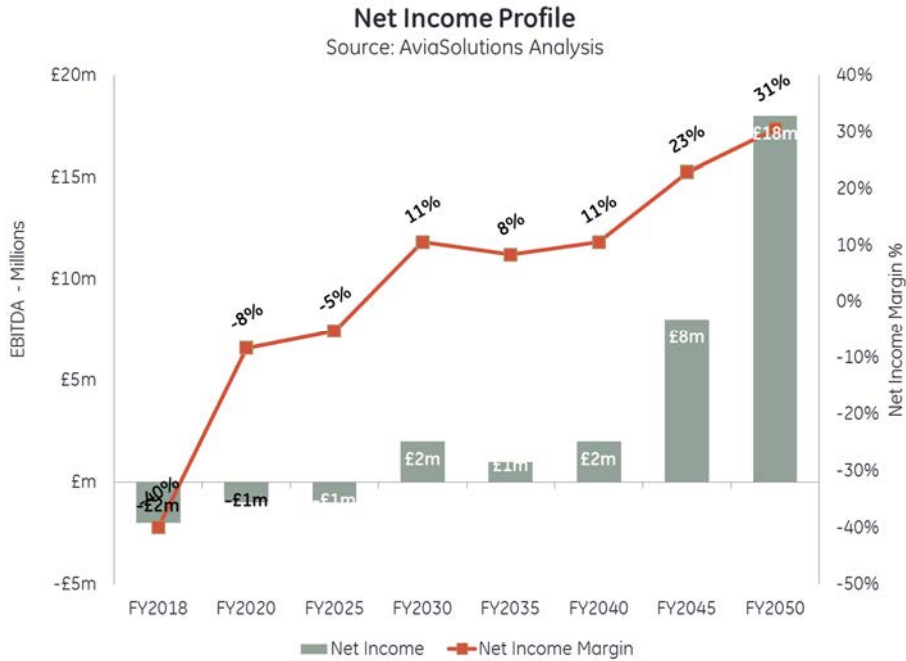
	FY2018	FY2020	FY2025	FY2030	FY2035	FY2040	FY2045	FY2050
<b>EBITDA</b>	<b>-£2m</b>	£m	£m	£3m	£2m	£3m	£11m	£24m
<b>EBITDA Margin</b>	<b>-32%</b>	0%	0%	16%	17%	16%	31%	41%



### 7.3.5. Net Income Profile

Net income, the profit after deductions, is forecast to be negative until FY2025. The first positive results are generated around FY2030 when the airport is expected to generate net income of £2m. The income stream remains constant for the following 15 years before increasing as capacity becomes constrained once more in the London system. It reaches £18m in FY2050.

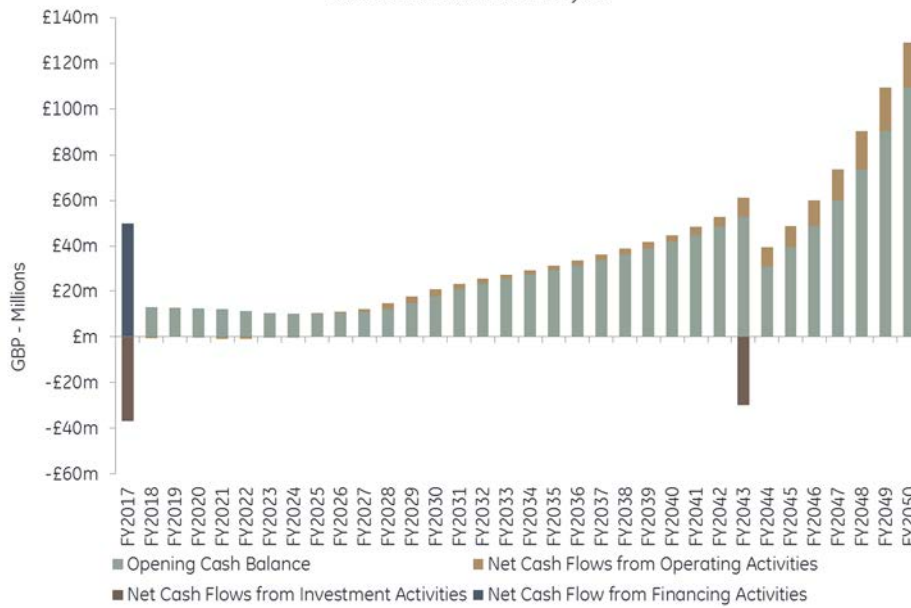
	FY2018	FY2020	FY2025	FY2030	FY2035	FY2040	FY2045	FY2050
Net Income	-£2m	-£1m	-£1m	£2m	£1m	£2m	£8m	£18m
Net Income Margin	-40%	-8%	-5%	11%	8%	11%	23%	31%



### 7.3.6. Cash Flow

The airport is forecast to develop its cash position with limited additional capital requirements until FY2042 when there would be a requirement to expand the terminal. We have assumed that although demand would exceed terminal capacity in the late 2020s, new terminal capacity would not be provided in anticipation of the loss of traffic following the commissioning of the third runway on 2030. The position shown below excludes any dividend payments that the owner may wish to extract from the asset: such payments would reduce its cash position.

**Cash Flow Profile**  
Source: AviaSolutions Analysis



### 7.3.7. Debt and Shareholder Capital

Whilst the exact nature and mixture of debt and shareholder capital would be subject to complex financial optimisation, we have illustrated below a simple capital structure used in the analysis to illustrate the need for additional capital throughout the period. To maintain the business no further financing would be required. Whilst the business does not generate significant revenues or income, there is little requirement for significant CAPEX investments, thereby eliminating the requirements for additional financing

	FY2018	FY2020	FY2025	FY2030	FY2035	FY2040	FY2045	FY2050
<b>Debt</b>	£m	£m	£m	£m	£m	£m	£m	£m
<b>Share Capital</b>	£50m	£50m	£50m	£50m	£50m	£50m	£50m	£50m

**Debt and Shareholder Capital Profile**  
Source: AviaSolutions Analysis

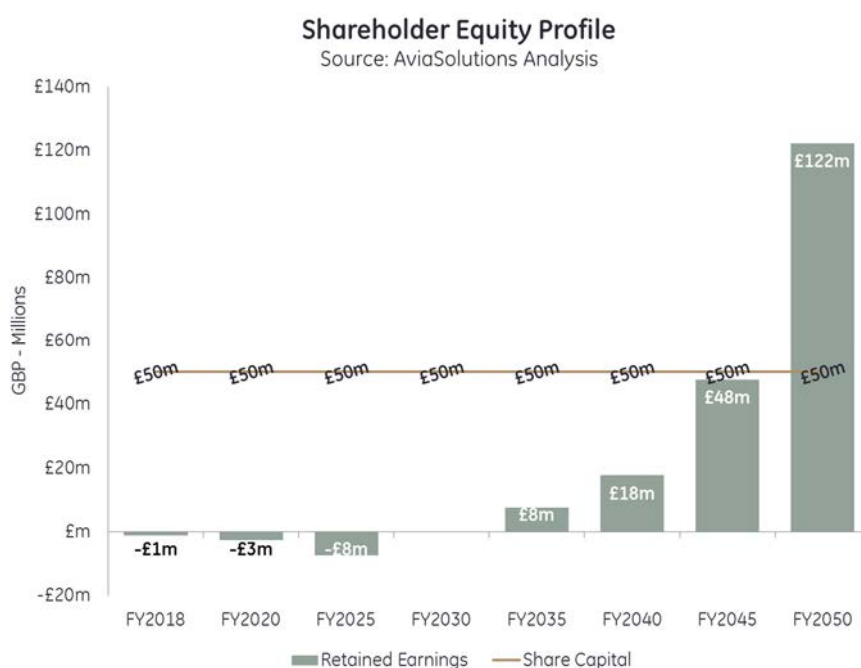




### 7.3.8. Shareholder Equity

Considering the effects of earnings on shareholder equity, the business does not post positive retained earnings until nearly FY2035. This in effect limits the business's ability to pay dividends to shareholders until this point at the earliest.

	FY2018	FY2020	FY2025	FY2030	FY2035	FY2040	FY2045	FY2050
Retained Earnings	-£1m	-£3m	-£8m	£m	£8m	£18m	£48m	£122m
Share Capital	£50m	£50m	£50m	£50m	£50m	£50m	£50m	£50m



### 7.3.9. Conclusion

The asset would require significant long term investment but would only generate a marginal return on the capital invested. These returns are also predicated on a large number of external variables over which the owner of Manston Airport has limited influence. It is AviaSolutions' view that based on this scenario there is no viable long term prospect of an economically viable airport being established at Manston. It should also be noted that the scenario outlined above excludes any return to the investor, and we have therefore effectively weighted the cost of equity at zero in our model. Investors will always be seeking to maximise the return on their investment in a manner appropriate to the risk they bear in the asset. Given the risks involved with Manston, it would be right to consider that any investor would be seeking the potential for above average returns, which, according to the analyses, may not materialise.

### 7.3.10. Non-Technical Summary

AviaSolutions' analysis indicates that the airport, operating as a standalone trading entity and in the scenario where a third runway is built at Heathrow, is unlikely to be a financially viable proposition. Airport operations are not anticipated to generate material profit until FY2040.

This is due to the relatively low level of revenue that can be generated and the high level of fixed costs required to operate the airport. This in turn means that the airport would not be able to distribute profits to investors in the airport for many years.

Generally, investors seek to achieve a return on their capital with an expected return commensurate with the risk of the investment. As the risks of investing in Manston are significant there would need to be reasonable prospects of a high return, which does not appear likely based on our analysis.

## 7.4. Summary of Other Scenarios

We have presented in this main body of text the scenario deemed most likely to occur e.g. LHR3. This is the current recommendation of the Davies Commission and therefore, at the time of writing, believed to be the Government's current preferred option. Details of the three other capacity development scenarios are given in Appendix C.

## 7.5. Comparison of Scenarios

We compare some key aspects of the four scenarios below.

Measure	LHR R3	LGW R2	Both	Neither
First year retained earnings positive	2031	2032	N/A	2029
Retained Earnings at 2050	£122m	109m	-£20m	£516m
<b>Refinancing</b>				
When?	None	None	None	2028, 2029
Why?	n/a	n/a	n/a	Capex
How much?	n/a	n/a	n/a	£40m
<b>EBITDA Margin</b>				
Year first greater than 50%	n/a	n/a	n/a	2043
or in 2050	41%	40%	34%	60%
Probability	40%	40%	10%	10%

## 8. Conclusions

### 8.1. Introduction

In this chapter we draw together the conclusions of our research and analysis to form our conclusions, specifically to opine on whether there is a realistic prospect of a financially viable airport operating on the Manston Site.

### 8.2. Summary

It is AviaSolutions view that having considered the stakeholder interviews and independent research and analysis into historic accounts and 'reasonable' adjustments for one-off costs that there is little prospect of a financially viable airport on the site.

The only circumstances in which we believe the airport may be viable is that in which no new runway were developed in the South East of England. However, this scenario presents extreme risk to the investor, as a decision to increase runway capacity at those not physically constrained (e.g. legally constrained LHR and STN) could be made at any time, or a new runway may be authorised at any time in the future.

### 8.3. Stakeholder Interviews

Our stakeholder interviews were split between those focused upon passenger development and those focused upon freight development. The range of interviews provided an understanding from the industry as to their position on the airport.

Our passenger service interviews suggested that overall there is little interest in serving the airport, in particular from airlines that had previously served the airport such as Flybe. There was some limited interest from airlines such as Ryanair and KLM, who would consider the airport as part of their standard UK market review, however they were not actively seeking to serve the airport. It is our view that we must consider this in light of its context; for an airline that bears no risk in an airport's reinstatement and for whom its reinstatement may present upside risk, it would be illogical to rule out the possibility of serving it. Overall, our interviews suggested there was very limited interest in the airport for passenger services thus suggesting a long term viable passenger service may be difficult to sustain.

Our freight interviews indicated that the demand to use the airport for freight was very limited. This, in large parts, is due to two factors; the infrastructure investments that have already been made by the industry around Heathrow and Stansted, and the geographical location of the airport. Infrastructure, and the associated knowledge, skill and supporting industry at airports such as Heathrow and Stansted, as well as the major European hubs such as Frankfurt, and Paris, would be almost impossible for Manston to replicate. The geographic location of the airport, tucked into the corner of the UK, cannot compete with airports such as East Midlands for Integrator services that are sold as fast delivery, due to the increases in surface transportation times. The interviews did however indicate that charter services and ad-hoc freighter flights would certainly return, providing some revenue income for the airport. In summary, we conclude that freight would return to the airport in limited quantities, not dissimilar to the tonnage previously processed at the airport.

### 8.4. Simulations

AviaSolutions' models provided simulations of the financial performance of an airport on the site under different demand scenarios. These scenarios were developed with a positive view of the potential demand profile, unit revenue and unit cost and investment costs. Two simulations (LHR3 and LGW3) suggested that the airport was unlikely to generate profits at an operational level (EBITDA) until circa FY2025, and that these profits would remain muted through until FY2040. The EBITDA profile suggests that, based on recent industry exit multiples, it would not be possible to recover the initial equity through a sales process as this point. Furthermore, these scenarios suggest that retained earnings would not turn positive for 15 to 20 years, thus limiting the ability of an investor to recover their costs of equity. In summation, these scenarios present very large risks with small returns over a long time horizon.

Our 'Both' runway scenario, naturally, provides an even less favourable result for Manston airport. If this runway scenario were to materialise there would be no prospect of Manston operating on a sustainable basis.

Our 'No Runway' scenario presents some opportunity for the airport. As demand through the London System increases and capacity remains muted, this demand will be spill to alternative airports. Manston, located within reasonable distance to London could be an airport to benefit from this spill, along with airports such as Southampton and Birmingham who are well connected by train to London. In our simulation, this scenario generated sufficient operational income (EBITDA) to support itself, and only required additional financing to expand. However, we must caution that this scenario is balanced in a careful equilibrium, should this be disturbed through the introduction of additional capacity via a new runway or loosening of regulation, the prospects of Manston could be severely diminished.

## 9. Appendix A: Stakeholder Interviews

Throughout the study, AviaSolutions spoke to many companies and individuals to gather their feedback. Given that these companies operate in a competitive commercial environment, it is not unsurprising that many of those spoke on the condition of anonymity. This is not unusual, particularly given the particular sensitivities around the project. In the following section detailing our interviews, and summarising the comments made, any company or individual that spoke on the basis of anonymity has been identified by only their sector and seniority.

AviaSolutions spoke to the follow stakeholders and / or their representatives:

- Discovery Park / Stone Hill Park
- RiverOak Investment Corporation
- Ryanair Ltd
- Flybe
- KLM
- [REDACTED]
- [REDACTED]

Anonymous Sources

- Major European LCC
- Freighter Operator at Stansted
- Air Cargo Charter Broker – UK
- Ex-Director of Network Planning – Major European LCC
- Manager, Flight Operations, Major UK Carrier
- Ex-Senior Executive DHL

***Disclaimer: The following Stakeholder Interview notes are representative of the views and opinions of the stakeholders only and not that of AviaSolutions. The notes represent, in AviaSolutions view, an accurate account of the interview but are not a verbatim account of our interview.***

**[REDACTED], Managing Director, Discovery Park**

[REDACTED] is the Managing Director of Discovery Park, and represents the current owners of the airport site.

- [REDACTED] outlined the ownership structure of the airport site. The airport is owned by Lothian Shelf 718 which is ultimately owned by [REDACTED]
- [REDACTED] is Managing Director and responsible for the day-to-day running of Discovery Park which is the *de facto* administrator of the site.
- The current owners, [REDACTED] and [REDACTED], are specialists in the redevelopment of the brownfield sites; they have redeveloped Discovery Park and a second site in the north of England.
- [REDACTED] gave a frank view as to the difficulties PricewaterhouseCoopers had when attempting to dispose of the site. After two years the only offer made on the site was from [REDACTED] for £1. Thus, in the view of the current owners, demonstrating the lack of financial interest in the site as an airport.
- During the period of ownership by both Manston Skyport, and under Lothian Shelf 718, [REDACTED] was heavily involved in the airport. Whilst under Manston Skyport, Mr Welch was chairman of the airport. Later in his career [REDACTED] became Managing Director of Southend Airport and was responsible for introducing EasyJet to Southend.
- Throughout the period of ownership whilst the airport was open Mr. Welch made high-level contact with every reputable airline and not a single airline was interested in operating from Manston, even with aeronautical charges at zero. The only airline that even considered operations was Ryanair, but the option was declined within 48 hours.
- Whilst the airport was open for operations freight was the main source of income. This freight was predominantly import driven from Africa. Whilst the site was able to offer quick access from aircraft to road there was little value-add to clients.

- Thanet Parkway Railway Station will add little value. It is not certain if or when it will be operational, and costs appear to be overrunning already. There is a funding gap and it does not improve journey time to London by more than 10-12 minutes.
- Due to the lack of airlines operating from the airport [REDACTED] stated that the airport losses were running at close to £5.0m per annum.
- [REDACTED] and [REDACTED] bought into the airport site after the airport had closed. They had no stake in the business whilst it ran as an airport. The business men approached [REDACTED] given their proximity to the airport and specialisms in the development of brown field sites.
- Stone Hill Park Ltd was formed with [REDACTED], [REDACTED] and [REDACTED]. The company believe that Thanet District Council require an additional 15,600 homes. The development will offer around 2,500 of these homes, mixed between starter homes up to five bed executive homes. The planning application includes a provision for social infrastructure such as schools.
- At present there are some small costs associated with the site, but these are mainly the single employee and the security of the site, and utilities. The current owners are not fundamentally against the concept of an airport being run, however they see no credible business plan to evidence its possibility, nor do they believe it is best economical use of the site.
- When pressed on RiverOak's desire to reopen the airport, Discovery Park "don't know where RiverOak are coming from stating an airport is viable". Discovery Park has not had sight of any business plan from RiverOak and RiverOak have not made any credible offers for the site.

### RiverOak Investment

*AviaSolutions met with RiverOak Investment and its representatives:*

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

- RiverOak Investment (RiverOak) became interested in Manson airport due to a previous project in the U.S.A. A RiverOak Partner (Nial Oldman) had organised a bond for a U.S airport that was freight driven and found excellent returns on the investment, thus sought an investment of similar characteristics.
- With regards to the asses itself, RiverOak believes the airport is geographically well positioned to capture freight, being in the South East and near the Channel Tunnel. It acknowledges that considerable investment will be required to return the airport to an operational state. However, they are confident through their initial plans that this is feasible and the asset can quickly be returned to a state in which is can handle in excess of 10,000 freighter movements per annum.
- The total investment that RiverOak would seek to make is in the region of £300m over the course of a 12 year period. This would ensure the airport site delivers a high level product and service. Further to this investment, the group would need to sink costs in the DCO process, the DCO purchase cost (circa. £4m in RiverOak's view) and finally in compensation to the current owners (although RiverOak have a value in mind, they are unable to disclose). RiverOak believe the minimum investment needed to bring the airport back to viability is circa £20m, excluding DPO, site purchase and compensation.
- The driving force behind the business plan is air freight and is the vital link to secure a NSIP designation.
- The absence of a national freight strategy is an opportunity which RiverOak seek to influence and develop.
- When probed as to the previous failures at the airport, the RiverOak team held strong views as to the causes of this, and what could be done to overcome this situation in the future. The team had strong views that whilst the airport offered excellent service, the previous owners had done nothing to exploit the asset, or its niches, or to improve its market position. In particular, the team felt strongly that the airport had not made any efforts to promote the airport to Freight Forwarders.
- It is RiverOak's understanding that the airport should be heavily involved in the sale of capacity on board freighters. They believe the previous owners were satisfied to allow freighters to depart with unutilised capacity, and this is an area they would seek to address as owners. ***(Note, AviaSolutions understand this to be an irregular market position to take and pressed to clarify this point during our interview).***
- RiverOak have also considered the geographic location of Manston airport and how it feeds into the ATC systems. They believe Manston is ideally located for aircraft to plug in and out of the national ATC

network. Furthermore, they would expect to receive an EASA license and have had discussions with the CAA to understand the processes required to re-license the airport.

- Further to passenger and freight traffic, RiverOak believe the airport would offer additional services as a diversionary airport within the UK system. There may also be revenue streams from permitting the airport to be used for training purposes.

### Traffic

The team talked to AviaSolutions briefly on their Traffic forecast, this area of the business plan has been developed by [REDACTED].

- Initially, [REDACTED] began by reviewing the currently available literature. York Aviation's report of January 2015 suggested that due to capacity constraints 2.1m tonnes of freight will be lost from the London system if no runway is built. RiverOak estimate that this is the equivalent to 100,000 truck movements across the Channel, should this freight all be lost to Europe.
- With regards to capacity type, RiverOak stated that capacity is 70/30 split in the UK with only 30% of capacity offered on Maindeck-freighter services. In Europe, it is stated that this is much closer to 60/40. It is RiverOak's belief that this is caused through a lack of slot availability for freighters in the UK, thus the demand is being constrained.
- The business plan forecast that Manston would achieve 10,000 freighter ATMs in the fifth year of service, these ATMs would be predominantly wide-body aircraft. This level of freighter movement is supported, in RiverOak's view by the wider industry.
- The airport would also seek to develop a passenger business and seek volume from several sources. RiverOak believe that KLM would be keen to return to the airport (despite low load factors). They also state that they are in advance discussions with Ryanair over the potential to base two to three aircraft at the airport. RiverOak are also in preliminary discussions with EasyJet. Finally they believe there is a potential to develop Charter traffic, in particular with the cruise markets and Dover port.
- Taking all these considerations together RiverOak state that they would 2m passengers per annum in the second year of operations.

### [REDACTED], Deputy Director of Route Development, Ryanair

- Ryanair have recently discussed with RiverOak potential future operations at Manston airport. These conversations have been on the same basis as Ryanair is open to discussions with any airport wishing to obtain services from the airline.
- Previous to these discussions, Ryanair held talks with the owners of Manston airport prior to its closure. These talks were halted when the airport closed and therefore not concluded.
- If Manston were to become an operational airport once again, it is not a foregone conclusion that Ryanair would serve the airport. The airline would look to base any decision on a multitude of factors, including the size and depth of the catchment area and also the commercial terms proposed. Securing a low cost base to the airline is a core aspect of the analysis; this includes the handling and airport charges, effects of APD, operating economics of the route, and in the case of the UK, FX rates to Euros.
- When considering the Catchment delivered from population size Ryanair would look to the airport to sell the benefits of their specific catchment. It is difficult to comment at present on the quality of the Catchment.
- When considering the effects of the London System, Ryanair are not currently concerned with spillage from the London System to periphery airports. The airline is comfortable that there is room for expansion at Stanstead.
- If Ryanair were to serve the airport, the depth of the network would permit the airline to serve it without necessarily basing aircraft at Manston. However, it is possible in the future that the airline could choose to base a single aircraft at the station.
- Once a decision to operate had been reached, generally a lead time is permitted to allow the sales and marketing processes to embed. This also ensures the airline can plan its schedule appropriately, working approximately six to nine months in advance.
- As has been recently stated in the media, BREXIT remains a concern for Ryanair and any effects of the UK's exit from Europe would be factored in to a decision to operate.
- In summary, Ryanair are constantly reviewing their network and remain open to approaches from any airport. If the airport became operational, the airline would review its potential and fit within the wider airline network in due course, and is available to discuss terms with the owners at any time.

## [REDACTED], Flybe

- Europe's largest regional airline, Flybe, operated several routes from Manston in the years' preceding its closure. The airline did not base aircraft at Manston. In their experience the service offered was excellent with no issues arising from handling or passenger services. The passengers traffic was were mainly leisure and VFR, with very few business passengers.
- Mainly outbound e.g. Manston to the destination, very little in terms of other end originating
- These routes closed predominantly due to poor load factors, there was insufficient demand for the service from the local catchment area and very little demand for inbound traffic to Manston. Furthermore, the yield profile of the traffic did not meet with the airlines expectations.
- In normal circumstances the airline would permit a two to three year ramp up period following a route opening, however given the operating conditions the airline ceased operations within 12 months.
- The reasons the route performed below expectations are varied, but these are believed to have been exacerbated by the relatively small local catchment, less favourable average economic development and poor public transport infrastructure links to London.
- The airlines have reservations as to whether the airport could serve the South East catchment, and do not believe that the airport could realistically serve spilled traffic from the London system.
- It is unlikely that, even if Manston should reopen, the airline would choose to serve the airport.

## Major European LCC

- Manston is not an airport the airline is considering. The company focuses on core catchment areas with less than 60 minute travel to the airport, and at most 90 minutes.
- Manston has a weak demand and the local catchment area is not overtly wealthy.
- Alternative airports offer better options, Southend and Stansted tap the London catchment area and can be really cost-effective airports
- Manston would have to tap into Gatwick's catchment and price would need to be very low (no more than a few pounds per passenger).
- The airport is probably not for the LCC in question. If there was no runway capacity available in the South East, the LCC would opt for a larger aircraft type before selecting Manston and would probably consider alternatives such as Southampton and Bournemouth first.
- Other carriers without a footing in Gatwick might consider Manston, as might freighters.

## Ex-Director of Network Route Development for Major European LCC

- Following the BREXIT vote many airlines will be considering their approach to the UK. During a period of uncertainty it will be difficult for Manston to convince carriers to open routes to the airport.
- LCC's would look to secure deals with minimal aeronautical charges. Without an extremely competitive rate there is no possibility an LCC would locate services at an airport. In some cases, LCC's have walked away from airports offering negative aero-charge deals due to poor volumes.

## Manager, Flight Operations, Major UK Carrier

- The individual plays a key role in the Flight Operations team at a major UK carrier.
- It is the individual's view that Manston does not offer any safety or resilience benefits of a material nature to the UK system. The airport is located in close proximity to six London airports which offer excellent resilience already.
- The airline would also not consider using Manston airport as diversion airport except in an on-board Mayday emergency (which are extremely rare).
- When considering diversion airports the airline considers multiple factors such as; does the airline already offer services at the airport, the size of the airport, the facilities at the airport to handle passengers, the local facilities to provide hotel and accommodation, the equipment at the airport to handle all types of aircraft required e.g. GSE equipment, and other legal requirements such as the provision of sufficient Fire Cover. On these measures, it is considered unlikely that Manston would be selected as an alternative airport, when Gatwick, Heathrow and Stanstead can all provide superior services within London.
- In the individuals view, whilst Manston would be used in an absolute emergency, it would be very unlikely to receive regular diversions for routine operational reasons, such as weather or runway closures.



## **KLM Position**

- We are evaluating our network to the UK on a yearly basis. We are constantly being approached by airports who would like us to operate to their airports. These opportunities that arise are being looked into and MSE could be one of them.
- It is not possible to say how likely the chance would be that this would materialize in a new operation in the next 5 years in case MSE airport would be operational again

## **Senior Executive in Cargo Division for Airline Operating Freighters at Stanstead**

- Airlines base the decision on where to operate their freighters based on a multitude of factors. However, the overriding factor is based on where investments in infrastructure have been made by their clients, Freight Forwarders. These CAPEX investments by Freight Forwarders are required to ensure they maintain economies of scale through their transit facilities and distribution centres. In the UK, these investments are centred at Heathrow, and more recently Stanstead.
- The airlines first choice of destination was Heathrow, as the majority of Freight Forwarders have their major infrastructure in and around Heathrow. The airline was unable to access slots at Heathrow and so selected Stanstead due to runway length, a mature offering including infrastructure development and third party handlers
- Stanstead operates a world class facility and has the competencies to handle freighters. It is questionable whether this would be possible, at least initially, at Manston.
- The airline would be extremely unlikely to consider moving services to Manston, even if they were no longer able to serve Stanstead, regardless of the commercial terms offered. If the airline had to move services they would consider East Midlands and Manchester or other centrally located airports over Manston.
- The individual also believes that there is virtually no chance that a Freight Forwarder would choose to relocate services to Manston.
- Furthermore, as air cargo is a commodity virtually all operators offer the same service and compete on prices. Therefore, most operators implement similar strategies and business models. The result of this is that, in the individual's opinion, other freighter operators would also take a similar stance.

## **Air Cargo Charter Broker – UK**

- The company had made use of Manston Airport in the past (circa. Up to 2 x flights per week) and found it to be a reliable and efficient airport that was well placed for access to the South East of England. The airport had the facilities to handle many aircraft gauges, from small freighters right through to B747F operations. The airport provided good access and the company had no difficulty in obtaining slots. The cost of operating from Manston was more effective than at Stansted, this included the aeronautical landing fees and associated handling costs.
- The company's over riding view was that Manston was an easy airport to use, it provided a good service and gave priority to freight.
- The airport provided all services on the ground, including ramp handling for freight.
- The company was aware that many of its competitors also used the airport along with scheduled operators such as Cargolux and ANA.
- The company was cognizant that, whilst the inbound demand for freight existed, there was little demand for outbound freight, which resulted in aircraft departing with unutilised capacity. The inbound demand was largely from West Africa, with strong volumes of fresh flowers and produce imported. Manston was particularly efficient at handling this cargo and permitted road feeder services to access the apron which resulted in quick access to the UK road network.
- Alongside produce, the airport had a reputation as being able to handle oversized freight such as engines and turbines.
- The airport's location prohibited its use for more northern destinations, East Midlands and Doncaster were favourable in these instances
- The Air Cargo Charter Broker confirmed that they would certainly be interested in using the airport again if it re-opened but in order to do so they would be looking to secure competitive rates for landing, parking and screening charges.

### **Ex-DHL Aviation Senior Sales Executive**

*The individual has held senior positions in the cargo industry for over 15 years.*

- Whilst Manston may offer an opportunity for some it is unlikely that DHL would relocate its operations. The setup at East Midlands is tuned to its needs. Further, East Midlands is geographically well located for quick access to the UK road network which is exceptionally important for the courier business model.
- In their experience, they believe it unlikely that any integrator would be interested in moving their operations to Manston.
- Generally, more and more freight is being shipped as General Cargo from Heathrow. Given the six hour close out period, it is reasonable to assume carriers could then use road feeder services to distribute this via Manston.
- Regarding other freight uses, Charter operators and scheduled all cargo operators may wish to locate services at Manston but this is highly dependent on the commercial offer. The sole purpose of utilising Manston would be to reduce cost, either through reduced flight operations or lower airport charges.
- One point of note is that the UK is a lot cheaper to export from at present. Thus, a lot of freight originates in continental Europe and moves via belly hold.
- Overall the individual's view was that whilst Manston would undoubtedly attract some business it is unlikely to be significant volumes.

### **██████████ – Senior Executive Director Strategic Aviation Solutions Limited**

██████████ is an industry veteran with over 40 years' experience in the air cargo industry. Previously, ██████████ held the position of CEO at AirBridgeCargo, and Senior Executive roles at Atlas Air and KLM.

- The airport offered a good location for freight being imported from Africa; this was the predominant origin market. Generally, the freight that was imported was pre-packed shop-ready fruit and vegetables that could be transported directly into the supply chain.
- When the airport closed, Doncaster and Stanstead tried to win the business from Manston, whilst some gains were made, the majority of the business relocated to European hubs as they are more closely located to the final destination, thus reducing overall cost.
- There are few all-cargo operators who would consider locating operations at the airport. Operators will be tied into their networks, in part due to their clients locating their facilities at the main airports (Heathrow and Stanstead). One opportunity could be Cargo Logistics, an off chute of AirBridgeCargo.
- In order to secure freighters movements at the airport, it will be necessary to demonstrate a cost advantage over competitors. This could be through a reduction in the overall Flight Hours required for operations, however the ability to do this is limited given much of the freight is destined for Europe. The ideal origin market for freight, on minimum Flight Hours basis is the USA.
- With regards to Integrators basing operations at Manston, the probability of this is viewed as slim. The Integrators have committed large capital expenses to existing operations at Stanstead and East Midlands, these barriers to exit are substantial and would be difficult to overcome, in particular given Manston's inferior geographical position within the UK.
- It would be difficult for Manston to compete with East Midlands or Stanstead. EMA in particular offers 24/7 cargo operations with customs available 24/7. They have developed economies of scale in both service and cost.
- Further to this, the saturation of regional airports in the UK and Scotland in conjunction with additional wide-body passenger aircraft create difficult trading conditions for a new regional airport.
- Finally, the centre of power within the industry is held by Freight Forwarders, the majority of whom are based at LHR. As the industry is ever increasingly commoditised, Forwarders refuse to divert their business from Heathrow, instead choosing to truck cargo in from the regions to feed the facilities and consolidation business centred there and achieve the necessary economies of scale required to compete.
- The conclusion being that there is virtually no incentive for operators to move operations to Manston, there are alternative UK airports that offer competitive services on reasonable terms. The UK doesn't need another airport for freight that has no USP. If Manston were to be developed it would be essential for it gain a niche market such as becoming an Amazon or Alibaba e-commerce base.

## AviaSolutions Meeting with Sir Roger Gale MP – 13th Sept 2016

As part of the stakeholder engagement process AviaSolutions has, at his request, interviewed [REDACTED] (MP for North Thanet) to seek his perspective on the commercial viability of and political support for, Manston Airport. The following comments are intended to reflect the substance of the meeting, rather than a verbatim transcript.

- [REDACTED] stated that Manston Airport and its associated runway are national assets of strategic importance to UK PLC.
- [REDACTED] noted that he does not support any particular group wishing to use the asset as an airport and that his interest is in solely in keeping the airport open. He notes, however, that to date RiverOak offers the only sustained and viable interest in operating Manston as an airport. [REDACTED] noted that he had seen the outline River Oak business plan which in his view was credible. [REDACTED] was not surprised that River Oak did not disclose the plan to AviaSolutions, and was not willing to divulge any of the details for reasons of commercial confidentiality. However, [REDACTED] also added that all of RiverOak's case would be made public when the company submitted its application for a Development Consent Order to a Planning Inspectorate that was qualified to subject the submission to detailed public scrutiny and inquiry.
- [REDACTED] said that it was clear that the intentions of those currently in control of the site were to develop the land for residential and commercial purposes, rather than invest in the airport facilities and expand the air service network.
- [REDACTED] provided a brief summary of the historical evolution of the airport, including services by Silver City to Jersey and Clive Bourne, a logistics operator.
- With regards to the development of a railway service to the airport [REDACTED] noted the scope to develop the railway is limited by the physical constraints of laying the line and precludes a link directly into the airport. The practical alternative is a Thanet Parkway station, which would initially be linked by a shuttle bus service, and ultimately could be linked by a Gatwick-style monorail.
- [REDACTED] is of the view that the primary reason that the airport has not been financially sustainable in the past is the nature of the business model that has been pursued. Previous operators have focussed on developing the passenger business, rather than the freight capacity of the airport, which is the reverse of the model that [REDACTED] believes, would be more sustainable.
- [REDACTED] noted that UK PLC is losing business to Europe already, with freight being switched from the UK to other European hubs (Frankfurt, Amsterdam, and Paris). [REDACTED] also noted that a major courier has expressed an interest in relocating to Manston. He was of the view that the UK has reached maximum capacity for London originating freight services and that excess demand was being lost to other hubs.
- [REDACTED] observed that post-Brexit it was going to be vital that the UK develops additional and alternative markets outside the European Union. These greater distances will inevitably mean an increase in the demand for air freight capacity between Britain and the rest of the world if the country is not to lose still more aviation business to mainland Europe.
- In terms of runway capacity [REDACTED] suggested that freighter traffic currently using Heathrow could be relocated to Manston, freeing these slots to facilitate additional passenger services to the Far East. [REDACTED] also noted that operators that were forced to re-locate following the closure of Manston were waiting for the airport to reopen and would be keen to return.
- [REDACTED] stated that Low Cost Carriers are very interested in operating from the airport, and that if the airport were to re-open, would be very likely to start services at the appropriate time in the airport's re-development. However, [REDACTED] was not willing, for reasons of commercial confidentiality, to disclose the source of this information nor the airline in question.
- [REDACTED] was keen to stress the importance of ancillary businesses to the airport's viability, which included aircraft dismantling and engineering firms. SRG also noted the Search & Rescue operations which had recently been permanently located at Lydd. Further options for the airport would include General Aviation (GA) which would be able to access London via Battersea Heliport.
- [REDACTED] noted the widespread political support for Manston Airport, including [REDACTED], the former Transport Minister, The Minister of State for Aviation, [REDACTED] and David Cameron when Prime Minister. He indicated that that political support at national and local levels was, particularly in the light of the Brexit decision, on-going. [REDACTED] also noted that there would not be any need for financial support from Central Government and that the airport should be able to attract sufficient private capital to exist as a standalone business.
- [REDACTED] spoke at length on the alternative proposal by Stone Hill Park for the site, noting that that the ability to develop the site for residential and commercial purposes was questionable, with several potential challenges including the likely presence of a war grave, buried low level radio-active waste,

archaeological interests, and issues with the effect upon Thanet's aquifers all needing to be addressed prior to any redevelopment. He indicated that any alternative development would, prior to change of use, require the same intensive Environmental Impact Assessment as that currently being undertaken by RiverOak for airport purposes. Furthermore [REDACTED] noted that there is limited demand for additional industrial space in the area, that there is already a more than adequate supply of industrial land available in East Kent and that the number of new jobs generated at Discovery Park is, contrary to the claims made by the Leader of Kent County Council, low.

- With regard to a new runway in the South East, [REDACTED] indicated that he believed that a runway decision would be made fairly soon but that any actual new runway would not be operational for at least 15 years. It is his belief that, even with a new runway in the London airport system, the Manston Airport remains a viable facility with freight as its primary purpose supported by passenger traffic.

#### **Non-Reply**

- The following airlines were sent a request for their position on Manston airport but chose not to submit a response.
  - Monarch
  - Thomas Cook
  - Tui

# 10. Appendix B: Condition Report Manston Airport

## Introduction

The following section contains our report on the condition of the airport assets, it should not be read as a definitive summary of the asset condition. Our report is based on a visual inspection of the airport on 3 August 2016 under the supervision of the current airport owner's representative.

## Terminal Building

### Summary

The current facility has an approximate footprint of 1,900m<sup>2</sup> and in general would have been suitable for single and dual aircraft operations simultaneously. On balance we would suggest that the building in its current configuration could be re-instated but that the cost of such modifications may make it more economically viable to demolish it and erect a purpose built low cost facility. In general the basic fabric of the building was intact, although there is evidence of water entering the building via the roof at various locations.

### General

We observed that the drop off/pickup area was located adjacent to the front of the terminal building. This is in contravention to current security requirements and would necessitate the offsetting of the drop off pickup area. In-turn, this would require the transforming some land currently allocated to parking. The current site could facilitate this change through lateral expansion of the parking area.

We note that the current configuration of the terminal building, along with the apron, limits lateral expansion. To accommodate significant traffic volume would require a significant change to the current layout.

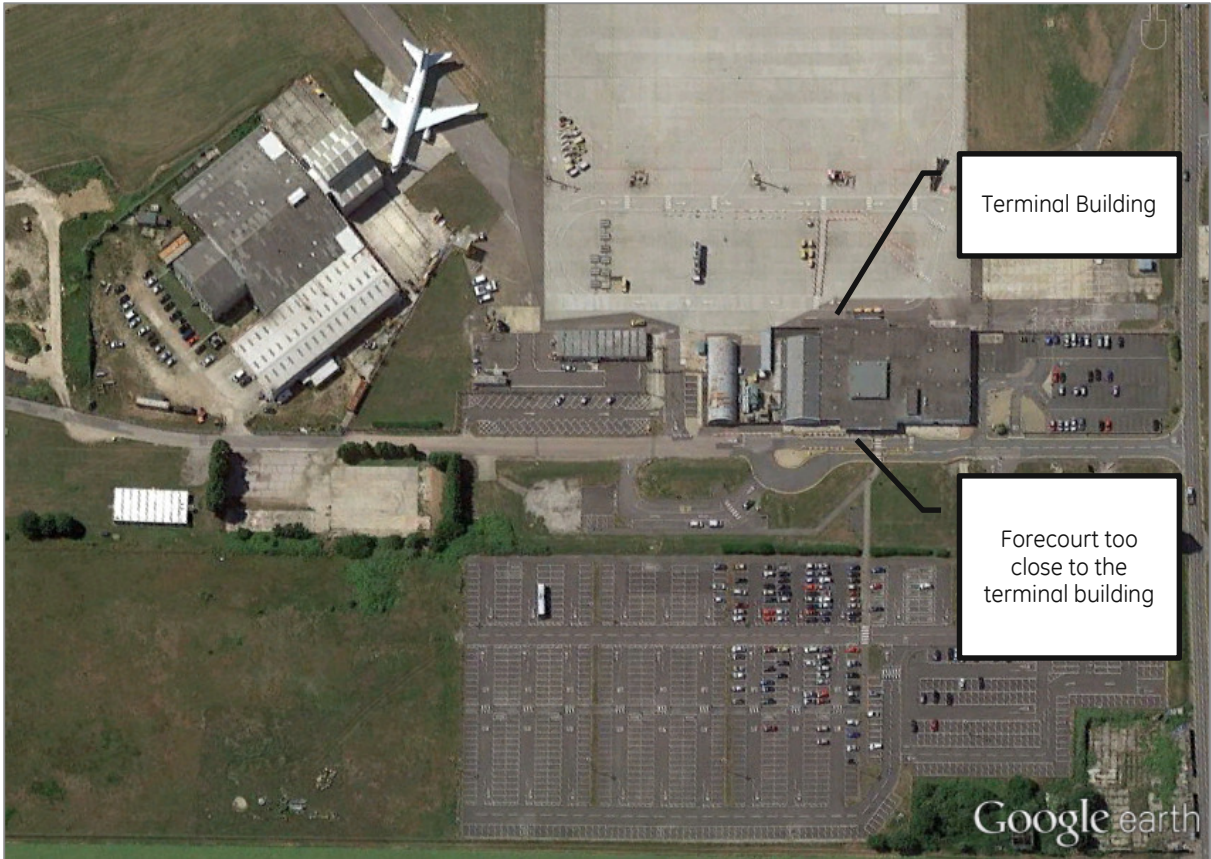


Figure 1: Google Earth image of aircraft maintenance hangar, terminal, parking area and apron (prior to the closure of the airport)



Figure 2: Evidence of water entering terminal building



Figure 3: Main foyer of terminal building from arrivals. Check-in area to the left of the image.



Figure 4: Evidence of water damage in may foyer.



Figure 5: Check in hall (desks removed)

## **Movement Areas**

### **Apron**

#### Summary

The fabric of the apron appeared to be in relatively good condition with space for up to four simultaneous Code C or two Code E operations.

#### General

Of note was the significant depth of the apron which accommodated a large GSE storage area at the head of the stand. To become compliant the apron marking would need to be re-established, which is relatively straight forward to accomplish.



Figure 6: Apron as viewed from terminal





Figure 7: Apron Drainage. Some growth of plants which will need to be addressed.

## **Taxiways**

### Summary

In general we observed that the taxiways were of relatively good condition with only minor spot repairs required. To re-establish services appropriate lighting and marking would be required.

## **Runway**

### Summary

A visual inspection of the runway indicated that overall it is in very good condition. There is evidence of some vegetation appearing. Discussions with the current owner's representatives identified a surface friction issue. We note that there were plans to address this through surface treatment issues but to our knowledge this work was not carried out.

### General

The runway approach and edge lighting has been removed and require re-installing to permit operations. Additionally, the runway has been painted to accommodate 'Operation Stack'. Considerable work is required to remove the current markings from the runway and repaint it with appropriate aviation markings. However, it is our understanding that this work will be completed as part of the current agreement with the Department for Transport.



*Figure 8: Runway (Rwy) 29 Threshold*



*Figure: 9 Large aggregate used for wearing course may be impacting surface friction characteristics*



Figure 10: Shoulders of runway are paved. Evidence of plants establishing a presence in cracks



Figure 11: Runway 27 and evidence of plants establishing presence in cracks

## **Systems**

### **Navigation**

#### **Summary**

It is our understanding that the Instrument Landing System and supporting systems were sold upon the airport's closure. These systems, including backup power supply, would need to be re-instated.



Figure 12: Radar tower with radar removed

### **Lighting**

#### Summary

It is our understanding that the approach, runway, taxiway and apron lighting systems and supporting elements were sold upon the airport's closure. These systems including backup power supply would need to be re-instated.

### **Control Tower**

#### Summary

No appreciable control tower facilities were available to inspect. To facilitate commercial operations it would be necessary to install a new control tower and associated support systems, including appropriate radar systems.

### **Rescue & Fire Fighting**

#### Summary

The current Fire Station is unsuitable for use. We believe it would require demolishing and the construction of a new Fire and Rescue Station.



Figure 13: Dilapidated Rescue & Fire Fighting Facility

## **Ancillary Buildings**

### **Maintenance Hangar**

#### Summary

Adjacent to the primary apron is a large aircraft maintenance hangar with a unique addition allowing it to accommodate aircraft larger than what it was originally designed for. It is our understanding that this building is currently under lease by a maintenance company undertaking limited maintenance work. The building fabric appeared to be in reasonable condition.



Figure 14: Maintenance hangar



*Figure 15: Interior of maintenance hangar*



*Figure 16: Bespoke tail enclosure of hangar*

## **Cargo Hangars**

### Summary

During the visit we undertook a preliminary inspection of several cargo facilities on the airport site. The location of the facilities was ideal for this type of operation, having access to the local road network and the taxiway system. In general the buildings appeared to be in reasonably good condition. We foresee no reason as to why they could not be re-instated as cargo facilities.



Figure 17: First cargo hangar exterior



Figure 18: First cargo hangar interior





Figure 19: Second cargo hangar exterior



Figure 20: Second cargo hangar interior

### **Re-Establishment Cost Estimate**

The following is an estimate of costs associated with re-establishing the required infrastructure to operate commercial services from the airport.

For the avoidance of doubt, these costs do not include the costs associated with any acquisition of the airport site.

<b>Element</b>	<b>Cost Estimate £</b>	<b>Note</b>
Old Terminal Demolition	400,000	Demolition of existing terminal building
Terminal Building	7,500,000	Construction of new modular single story terminal
Approach Road	750,000	Relocation of approach road to accommodate security requirements
Apron Repairs	200,000	Repairs to apron surface
Airport Lighting	3,000,000	Complete airport navigation lighting system
Navigation Systems	2,500,000	ILS/DME/DVOR
Radar	3,500,000	Secondary Radar System
Runway Treatment	1,500,000	Grooving of runway to address low friction characteristics
Cargo Building Repair	400,000	Minor repair to cargo buildings
Power System	2,500,000	Complete power back up system to accommodate CATI ILS approaches
Mobilisation	1,200,000	Ancillary mobilisation costs of re-instating airport operations
Contingency	3,517,500	15% contingency
	<u>£ 26,967,500</u>	

# 11. Appendix C

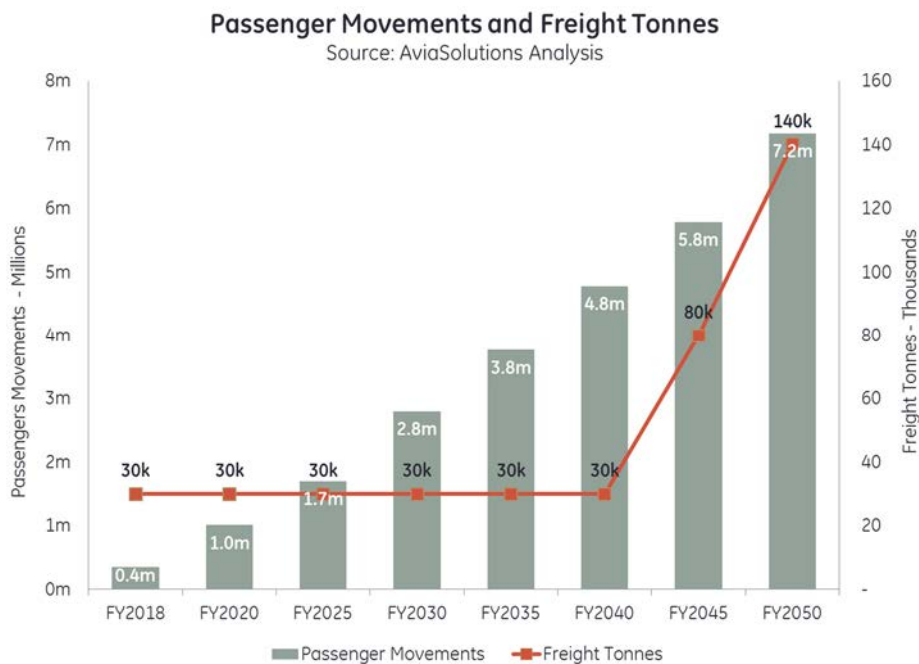
## 11.1. Outputs for No Runway Development Scenario

In the following paragraphs, we explore the financial viability of the airport based upon there being no new runway in the South East. This scenario takes spill from the London system in addition to a base level of activity generated from the presumed small LCC operation and freighters. Whilst this scenario is the most favourable for Manston airport, as it generates the largest number of passengers and freight, it is perhaps the least likely.

### 11.1.1. Volume Profile

Passenger movements are forecast to grow at CAGR 19% between FY2018 and FY2030, totalling circa 2.8m passengers by the close of FY2030, growth FY2018 to FY2050 is estimated to be at CAGR of 10%. Freight is not forecast to grow beyond the 30,000 tonnes of the core freighter operations until FY2040, but at that point, freight is assumed to spill from the London Area taking it to some 140,000 tonnes by FY2050.

	FY2018	FY2020	FY2025	FY2030	FY2035	FY2040	FY2045	FY2050
<b>Passenger Movements</b>	350k	1,010k	1,700k	2,800k	3,770k	4,780k	5,790k	7,180k
<b>Freight Tonnes</b>	30k	30k	30k	30k	30k	30k	80k	140k
<b>Total ATMs</b>	1,100	2,900	6,400	14,100	20,900	28,100	37,200	49,500



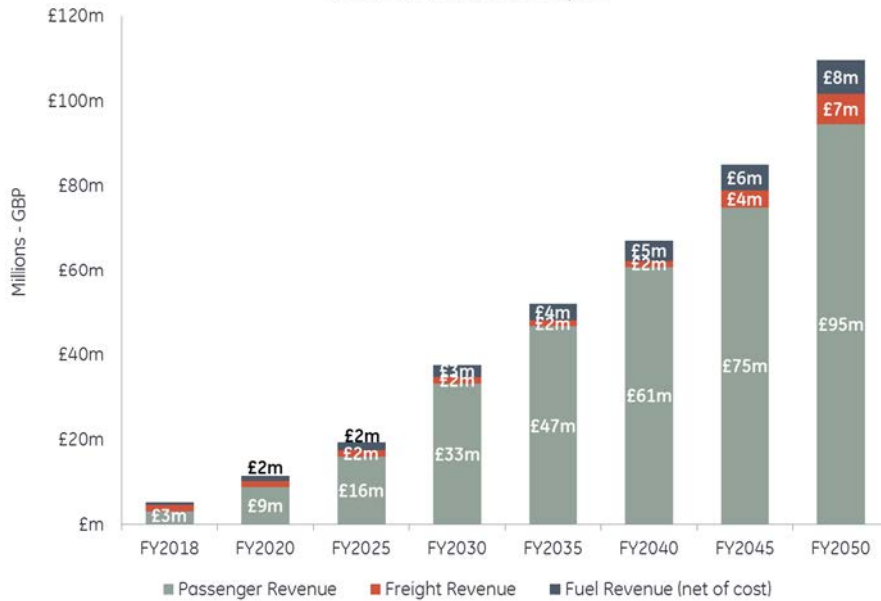
### 11.1.2. Revenue Profile

Revenue generation is forecast to grow at a CAGR of 18% between FY2018 and FY2030, driving revenues to £38m by FY2030, and at a CAGR of 10% between FY2018 and FY2050 to reach total annual revenues of £110m by FY2050. The revenue profile is exponential in nature due to the increasingly constrained London System environment permitting increasing spill to Manston.

	FY2018	FY2020	FY2025	FY2030	FY2035	FY2040	FY2045	FY2050
<b>Total Revenue</b>	£5m	£12m	£19m	£38m	£52m	£67m	£85m	£110m

### Revenue Profile

Source: AviaSolutions Analysis



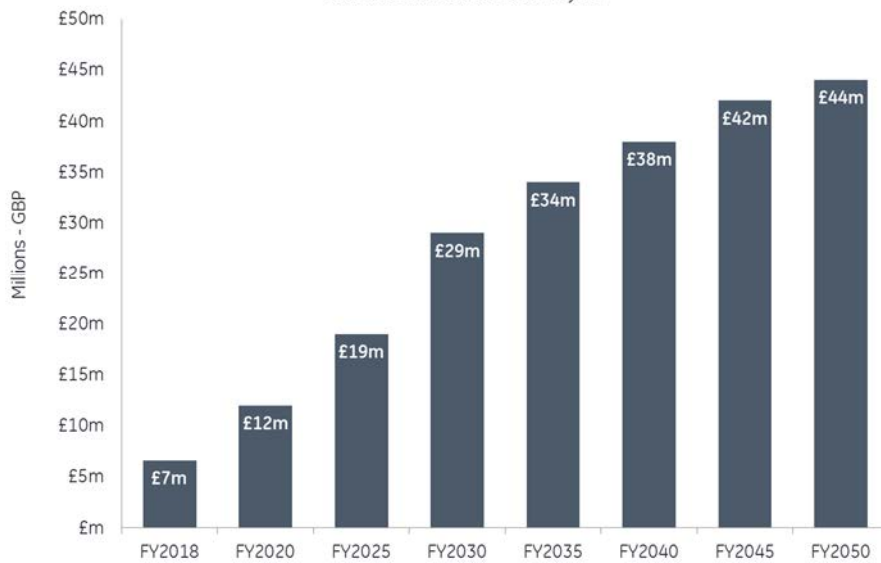
### 11.1.3. Cost Profile

Total Costs are forecast to grow at 13% per annum on average between FY2018 and FY2030, resulting in total costs of £29m by FY2030, and at 6% per annum between FY2018 and FY2050 to produce total annual costs of £44m by FY2050. Costs are increasing more slowly than revenue, leading to greater margin generation. We consider that as the airport generates increased volumes of traffic, it is able to achieve increasing economies of scale, in particular within its passenger operation. Furthermore, as the passenger volume increases, the non-unit driven costs are distributed over an increased base, thereby reducing the average cost per passenger to the airport, an essential element in increasing margin.

	FY2018	FY2020	FY2025	FY2030	FY2035	FY2040	FY2045	FY2050
<b>Total Cost</b>	£7m	£12m	£19m	£29m	£34m	£38m	£42m	£44m

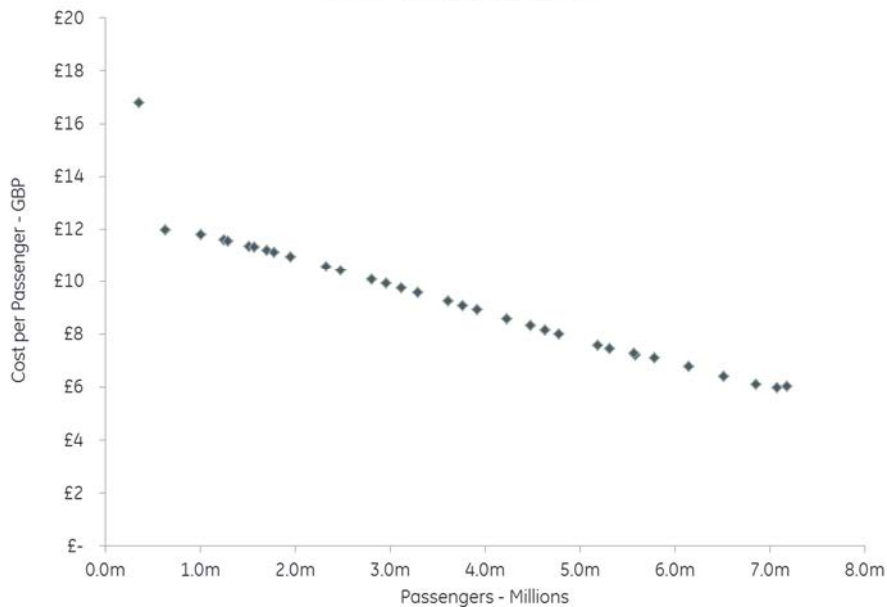
### Costs Profile

Source: AviaSolutions Analysis



### Cost per Pax Profile

Source: AviaSolutions Analysis



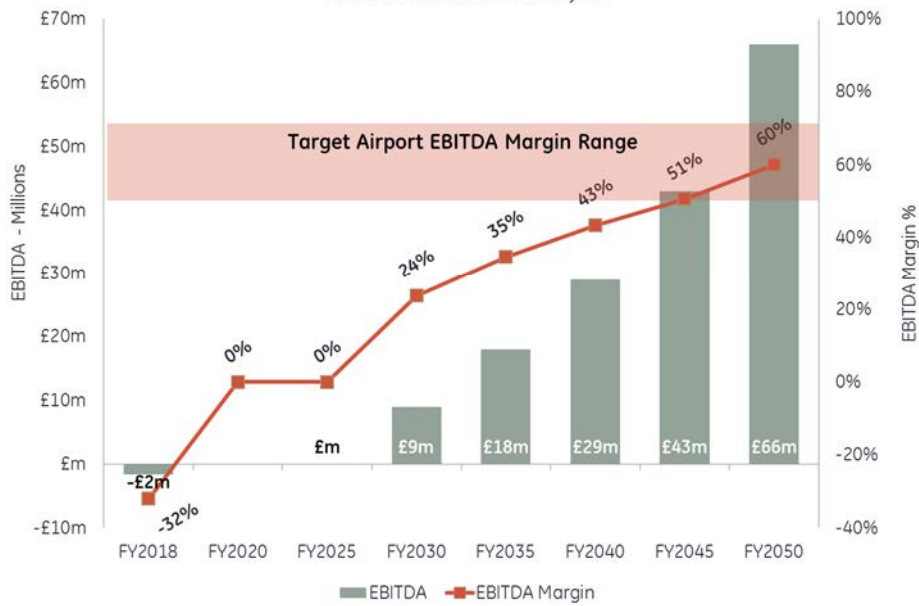
#### 11.1.4. EBITDA Profile

EBITDA is initially forecast to be negative, indicating that the airport would be loss making in the early years at an operational level. It first turns an operating profit in FY2030, generating £9m of operating income and an EBITDA margin of 24%. The EBITDA margin in the long term is forecast to reach 60%, generating £66m of EBITDA in FY2050. This level of EBITDA is much more akin to a typical airport which requires sufficiently high EBITDA margins to cover the ongoing costs and CAPEX of a large asset base.

	FY2018	FY2020	FY2025	FY2030	FY2035	FY2040	FY2045	FY2050
<b>EBITDA</b>	<b>-£2m</b>	£m	£m	£9m	£18m	£29m	£43m	£66m
<b>EBITDA Margin</b>	<b>-32%</b>	0%	0%	24%	35%	43%	51%	60%

### EBITDA Profile

Source: AviaSolutions Analysis



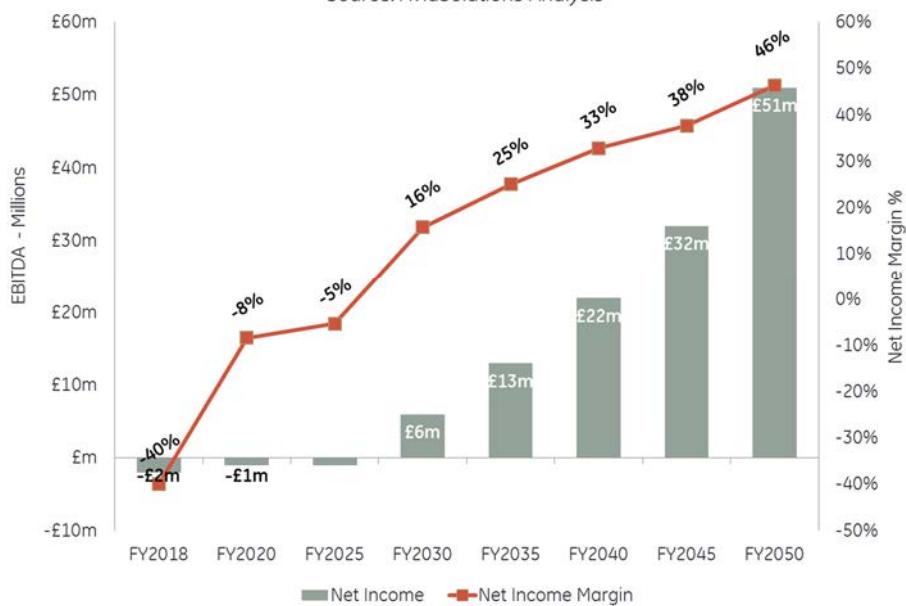
### 11.1.5. Net Income Profile

Net income, the profit left after all deductions, is forecast to be negative until FY2025. The first positive results fall circa FY2030 when the airport is expected to generate net income of £6m. This income stream steadily increases through to FY2050 at which point it is expected to be circa £51m per annum.

	FY2018	FY2020	FY2025	FY2030	FY2035	FY2040	FY2045	FY2050
<b>Net Income</b>	<b>-£2m</b>	<b>-£1m</b>	<b>-£1m</b>	<b>£6m</b>	<b>£13m</b>	<b>£22m</b>	<b>£32m</b>	<b>£51m</b>
<b>Net Income Margin</b>	<b>-40%</b>	<b>-8%</b>	<b>-5%</b>	<b>16%</b>	<b>25%</b>	<b>33%</b>	<b>38%</b>	<b>46%</b>

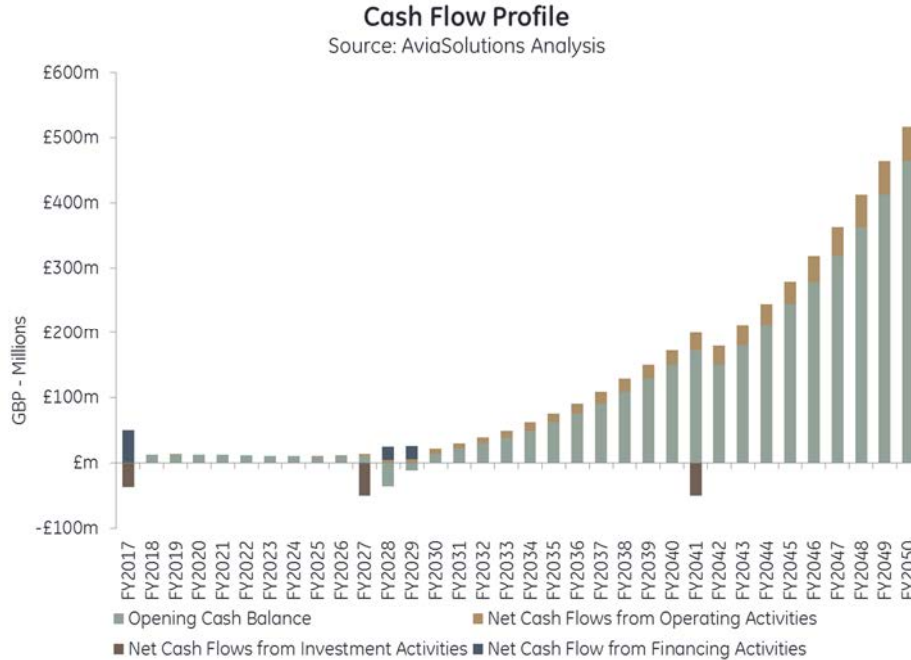
### Net Income Profile

Source: AviaSolutions Analysis



### 11.1.6. Cash Flow

The airport is forecast to develop its cash position with limited additional capital requirements except those required to expand the terminal in FY2027. The position shown below is excludes any dividend payments that the owner may wish to extract from the asset: such payments would reduce its cash position.



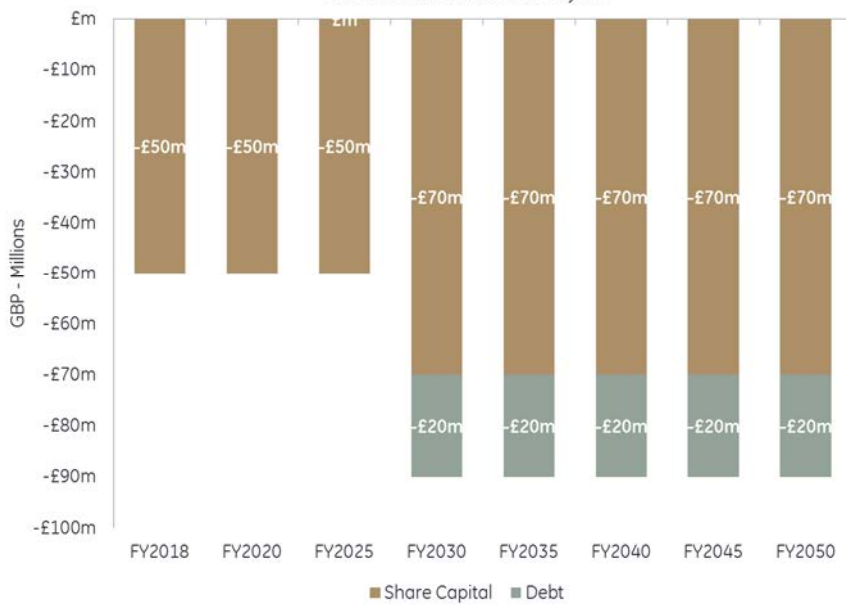
### 11.1.7. Debt and Shareholder Capital

Whilst the exact nature and mixture of debt and shareholder capital would be subject to complex financial optimisation, we have illustrated below a simple capital structure used in the analysis to illustrate the need for additional capital throughout the period. To maintain the business it would be necessary to acquire circa £40m in additional capital around FY2027. For the purposes of modelling this additional capital has been split between debt and equity.

	FY2018	FY2020	FY2025	FY2030	FY2035	FY2040	FY2045	FY2050
<b>Debt</b>	£m	£m	£m	£20m	£20m	£20m	£20m	£20m
<b>Share Capital</b>	£50m	£50m	£50m	£70m	£70m	£70m	£70m	£70m

### Debt and Shareholder Capital Profile

Source: AviaSolutions Analysis



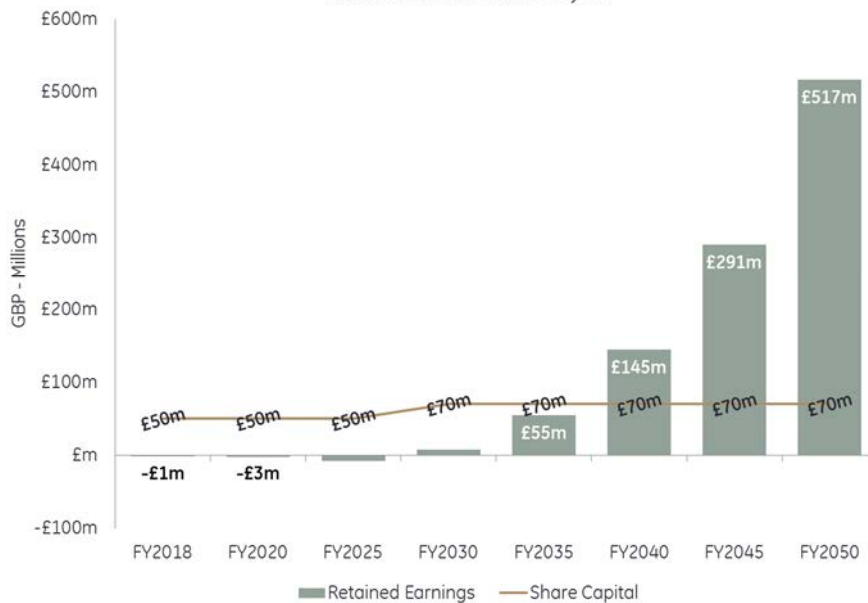
#### 11.1.8. Shareholder Equity

Considering the effects of earnings on shareholder equity, the business does not post positive retained earnings until circa FY2030. This in effect limits the business's ability to pay dividends to shareholders until this point at the earliest.

	FY2018	FY2020	FY2025	FY2030	FY2035	FY2040	FY2045	FY2050
<b>Retained Earnings</b>	-£1m	-£3m	-£8m	£8m	£55m	£145m	£291m	£517m
<b>Share Capital</b>	£50m	£50m	£50m	£70m	£70m	£70m	£70m	£70m

### Shareholder Equity Profile

Source: AviaSolutions Analysis





### 11.1.9. Conclusion

Given the parameters of this specific scenario it could be feasible to operate a commercially viable airport on the site. However, the risks in doing so are high and many of the elements that cause the proposal to payback can be reversed (such as a new runway being authorised) and are out of the control of the asset manager.

Whilst we believe an airport on the site may be feasible in this scenario, the probability of there being no new runway in the South East is very low, even if a decision is delayed, it is still expected that a new runway will be required at some point. If Manston were to become an established airport it would need many years to reach a point of maturity where it would be able to withstand a new runway becoming operational. The probability of this occurring, given the Government's current position on runway capacity, is uncertain at best. Therefore we conclude that whilst potentially feasible, this scenario is improbable.

## 11.2. Outputs for LGW Second Runway Scenario

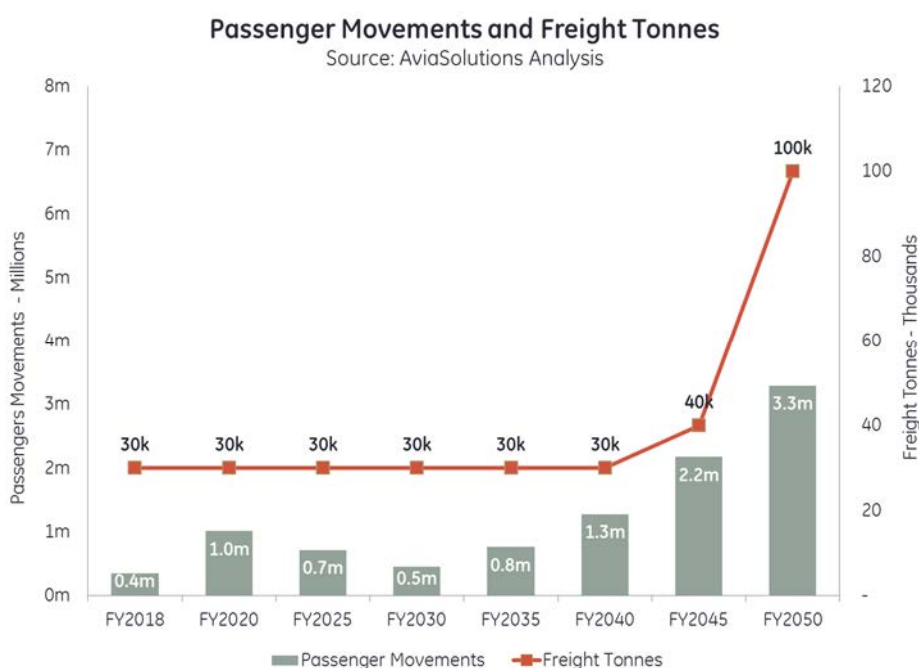
In the following paragraphs, we explore the financial viability of Manston Airport based upon there being a second runway at Gatwick. This was an option short-listed by the Davies Commission and while not finally recommend has a body of support based on its lower environmental impacts and the consequent ability to be delivered earlier (assumed here to be 2025). Manston may have a short initial boost to traffic before the second runway becomes available but then traffic falls before growing again. This scenario takes spill from the London system in addition to a base level of activity generated from the presumed small LCC operation and freighters. This scenario is less favourable for Manston Airport than would be a development at Heathrow.

### 11.2.1. Volume Profile

Passenger numbers are forecast to grow to more than 1.5 million in 2024, the year before the assumed opening of the second runway, but immediately fall back starting in 2025 and declines to a low of 0.5 million in 2033. From this low point, it grows as a result of the resumption of overflow, reaching 3.5 million passengers in 2050. Overall growth between FY2018 and FY2050 averages 7% per annum.

Freight is not forecast to grow beyond the 30,000 tonnes of the core freighter operations until FY2040, but at that point, freight is assumed to spill from the London Area taking it to some 100,000 tonnes by FY2050.

	FY2018	FY2020	FY2025	FY2030	FY2035	FY2040	FY2045	FY2050
<b>Passenger Movements</b>	350k	1,010k	710k	450k	760k	1,270k	2,170k	3,290k
<b>Freight Tonnes</b>	30k	30k	30k	30k	30k	30k	40k	100k
<b>Total ATMs</b>	1,100	2,900	5,000	3,200	5,300	8,900	15,900	26,000



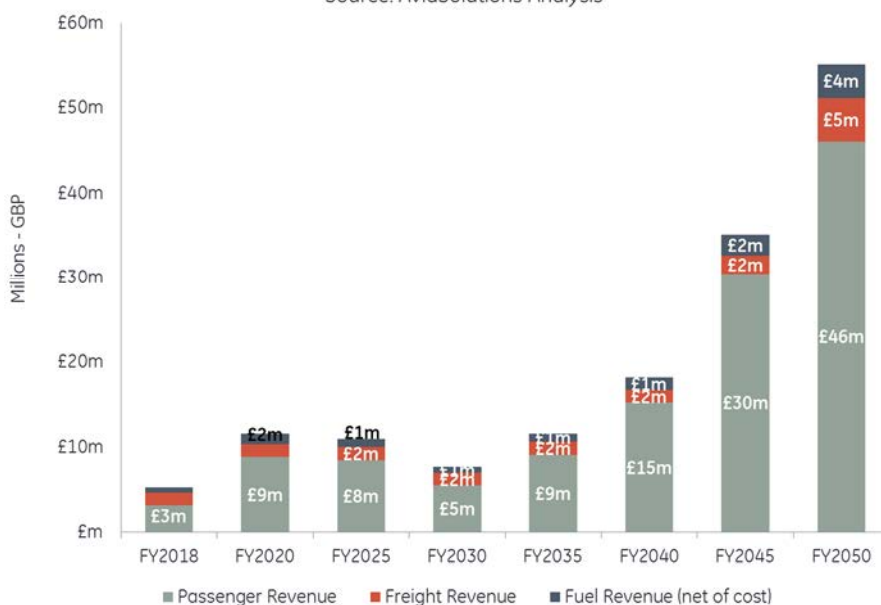
### 11.2.2. Revenue Profile

Revenue generation is forecast to grow at a CAGR of 4% between FY2018 and FY2030, driving revenues to £8m by FY2030, and at a CAGR of 8% between FY2018 and FY2050 to reach total annual revenues of some £55m by FY2050.

	FY2018	FY2020	FY2025	FY2030	FY2035	FY2040	FY2045	FY2050
<b>Total Revenue</b>	£5m	£12m	£11m	£8m	£12m	£18m	£35m	£55m

### Revenue Profile

Source: AviaSolutions Analysis



### 11.2.3. Cost Profile

Total Costs rise prior to the opening of the second runway, but then fall back to £7 million in FY 2030. Thereafter, they increase to nearly £35 million in 2050, representing an average increase between FY2018 and FY2050 of 5% per annum. Cost per passenger falls over the period of the projections.

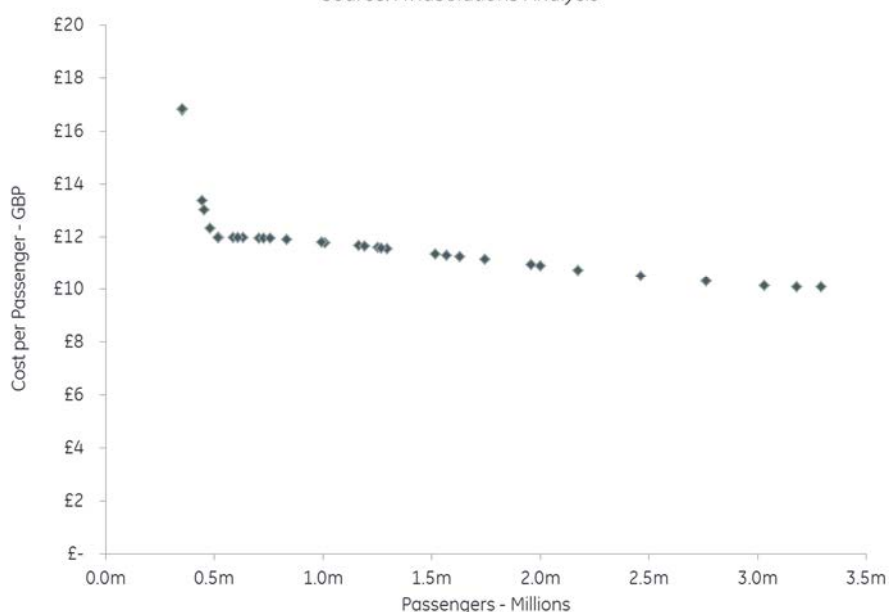
	FY2018	FY2020	FY2025	FY2030	FY2035	FY2040	FY2045	FY2050
<b>Total Cost</b>	<b>£7m</b>	<b>£12m</b>	<b>£9m</b>	<b>£7m</b>	<b>£10m</b>	<b>£15m</b>	<b>£24m</b>	<b>£33m</b>

### Costs Profile

Source: AviaSolutions Analysis



**Cost per Pax Profile**  
Source: AviaSolutions Analysis



### 11.2.4. EBITDA Profile

EBITDA is initially forecast to be negative, indicating that the airport would be loss making in the early years at an operational level. It first returns an operating profit in FY2025, generating £2m of operating income and an EBITDA margin of 18%. As the second runway at Gatwick comes on-stream, EBITDA at Manston would stagnate due to the lack of available traffic volumes. The EBITDA margin in the long term is forecast to reach 40%, with an EBITDA of £22m in FY2050. This level of EBITDA is significantly below that which we would typically expect for an airport to be attractive to the investment community.

	FY2018	FY2020	FY2025	FY2030	FY2035	FY2040	FY2045	FY2050
<b>EBITDA</b>	<b>-£2m</b>	£m	£2m	£1m	£2m	£3m	£11m	£22m
<b>EBITDA Margin</b>	<b>-32%</b>	0%	18%	13%	17%	17%	31%	40%

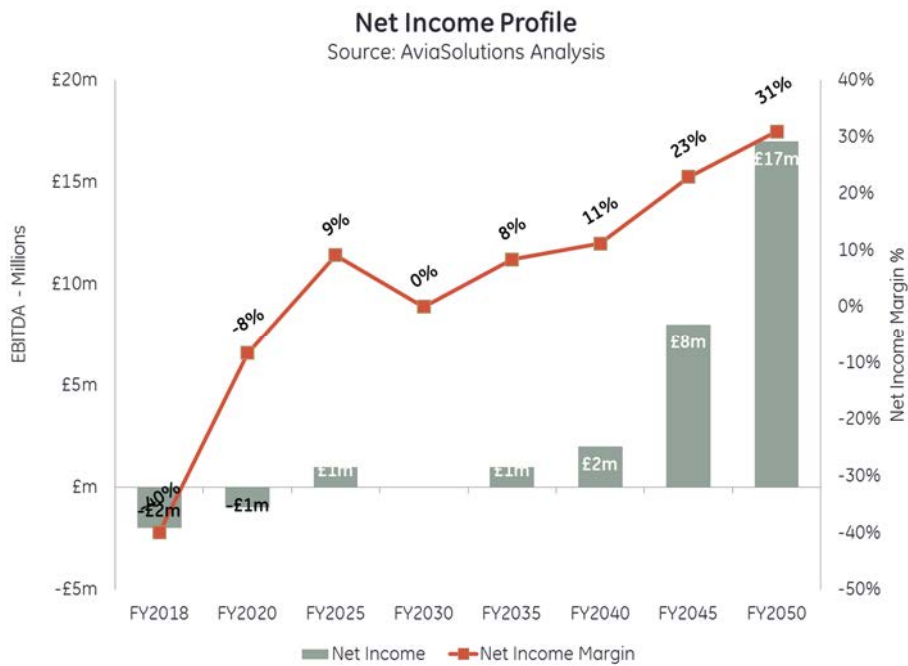
**EBITDA Profile**  
Source: AviaSolutions Analysis



### 11.2.5. Net Income Profile

Net income, the profit left after all deductions, is forecast to be negative until after FY2020. The first positive results are generated around FY2025 when the airport is expected to generate net income of £2m, although it falls slightly thereafter as Gatwick’s new runway absorbs traffic. The income stream then remains broadly constant for the following 15 years before increasing as capacity becomes constrained once more in the London system. It reaches £17m in FY2050.

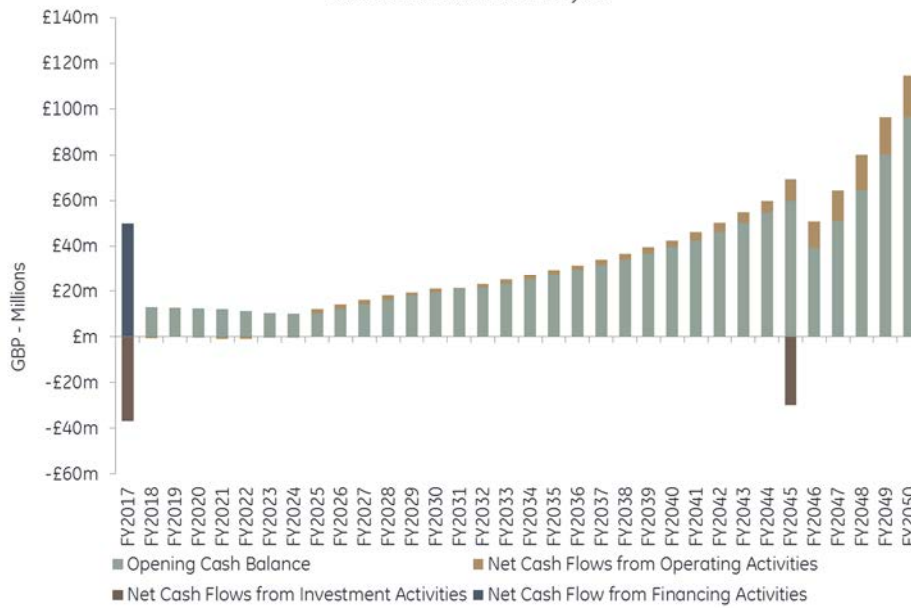
	FY2018	FY2020	FY2025	FY2030	FY2035	FY2040	FY2045	FY2050
Net Income	-£2m	-£1m	£1m	£m	£1m	£2m	£8m	£17m
Net Income Margin	-40%	-8%	9%	0%	8%	11%	23%	31%



### 11.2.6. Cash Flow

The airport is forecast to develop its cash position with limited additional capital requirements until FY2045 when there would be a requirement to expand the terminal, by which time the company could have built up sufficient cash to be able to finance the CAPEX from reserves. The position shown below excludes any dividend payments that the owner may wish to extract from the asset: such payments would reduce its cash position.

**Cash Flow Profile**  
Source: AviaSolutions Analysis



### 11.2.7. Debt and Shareholder Capital

Whilst the exact nature and mixture of debt and shareholder capital would be subject to complex financial optimisation, we have illustrated below a simple capital structure used in the analysis to illustrate the need for additional capital throughout the period. To maintain the business no further financing would be required. Whilst the business does not generate significant revenues or income, there is little requirement for significant CAPEX investments, thereby eliminating the requirements for additional financing

	FY2018	FY2020	FY2025	FY2030	FY2035	FY2040	FY2045	FY2050
<b>Debt</b>	£m	£m	£m	£m	£m	£m	£m	£m
<b>Share Capital</b>	£50m	£50m	£50m	£50m	£50m	£50m	£50m	£50m

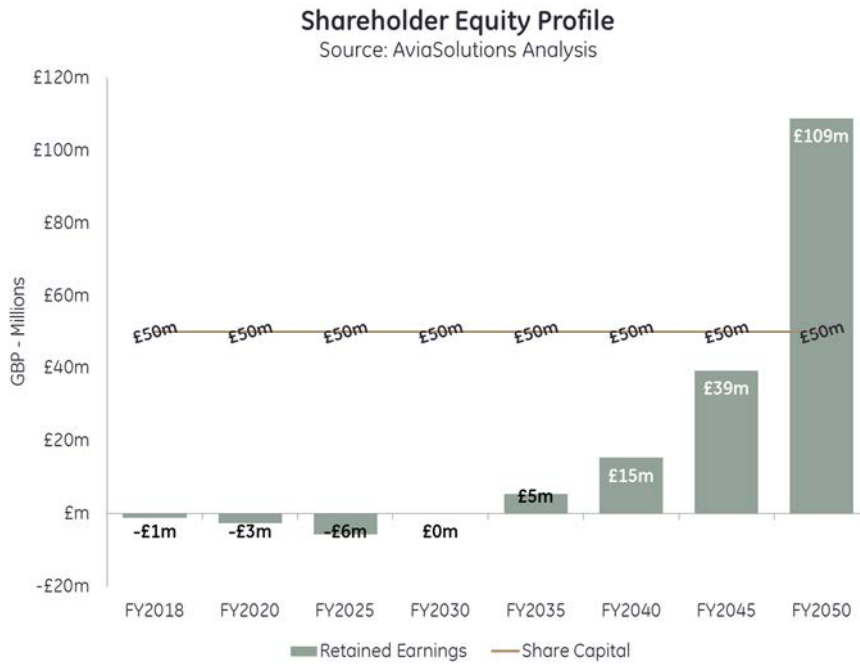
**Debt and Shareholder Capital Profile**  
Source: AviaSolutions Analysis



### 11.2.8. Shareholder Equity

Considering the effects of earnings on shareholder equity, the business does not post positive retained earnings until nearly FY2035. This in effect limits the business's ability to pay dividends to shareholders until this point at the earliest.

	FY2018	FY2020	FY2025	FY2030	FY2035	FY2040	FY2045	FY2050
<b>Retained Earnings</b>	<b>-£1m</b>	<b>-£3m</b>	<b>-£6m</b>	<b>£m</b>	<b>£5m</b>	<b>£15m</b>	<b>£39m</b>	<b>£109m</b>
<b>Share Capital</b>	<b>£50m</b>	<b>£50m</b>	<b>£50m</b>	<b>£50m</b>	<b>£50m</b>	<b>£50m</b>	<b>£50m</b>	<b>£50m</b>



### 11.2.9. Conclusion

The asset would require significant long term investment but would only generate a marginal return. These returns are also predicated on a large number of external variables over which the owner of Manston Airport has very little influence. It is AviaSolutions' view that based on this scenario there is no viable long term prospect of an economically viable airport being established on the site.

### 11.3. Outputs for Both Runways Scenario

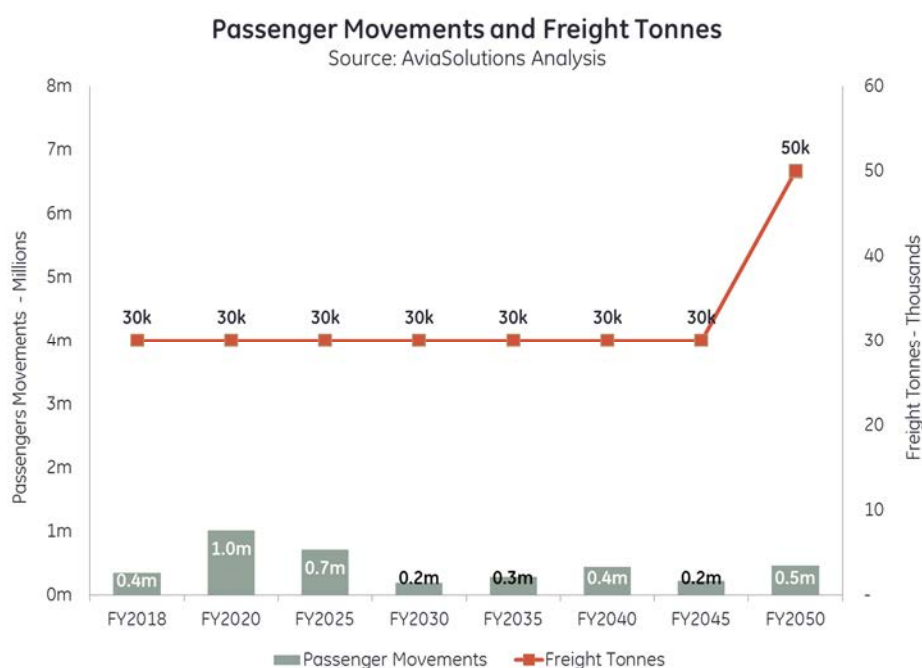
In the following paragraphs, we explore the financial viability of Manston Airport based upon there being two runways constructed in the South East, one at Gatwick and the other at Heathrow. It is clear from this assessment that in the longer term there is forecast to be sufficient demand to require two additional runways. In our assessment, we have assumed that the runway at Gatwick would be opened first, followed later by that at Heathrow. It is though possible that Gatwick might decide to postpone its second runway given its likely loss of traffic Manston would have a short initial boost to traffic before the first of the runways becomes available but then traffic falls and only resumes growth towards the end of the forecasting period. This scenario is the least favourable for Manston Airport.

#### 11.3.1. Volume Profile

Passenger numbers are forecast to grow to more than 1.5 million in 2024, the year before the assumed opening of the first of the runways, but immediately fall back starting in 2025. Passenger traffic remains minimal for the remainder of the forecasting period.

Freight is not forecast to grow beyond the 30,000 tonnes of the core freighter operations until after FY2045, but might reach some 50,000 tonnes by FY2050.

	FY2018	FY2020	FY2025	FY2030	FY2035	FY2040	FY2045	FY2050
Passenger Movements	350k	1,010k	710k	190k	290k	440k	220k	460k
Freight Tonnes	30k	30k	30k	30k	30k	30k	30k	50k
Total ATMs	1,100	2,900	5,000	1,300	2,000	3,100	1,600	4,300



#### 11.3.2. Revenue Profile

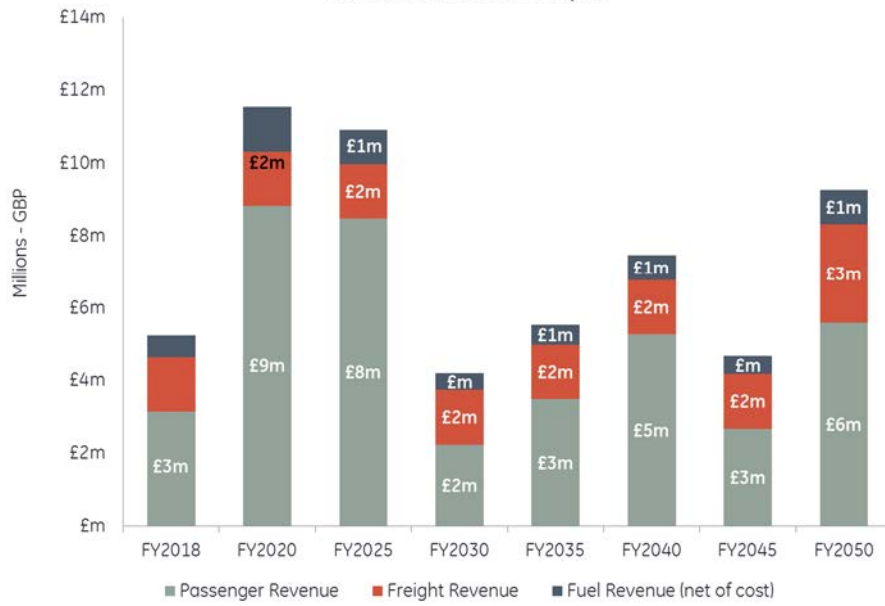
Revenue generation reflects the lack of traffic volume and peaks in the period up to FY2025.

	FY2018	FY2020	FY2025	FY2030	FY2035	FY2040	FY2045	FY2050
Total Revenue	£5m	£12m	£11m	£4m	£6m	£7m	£5m	£9m



### Revenue Profile

Source: AviaSolutions Analysis



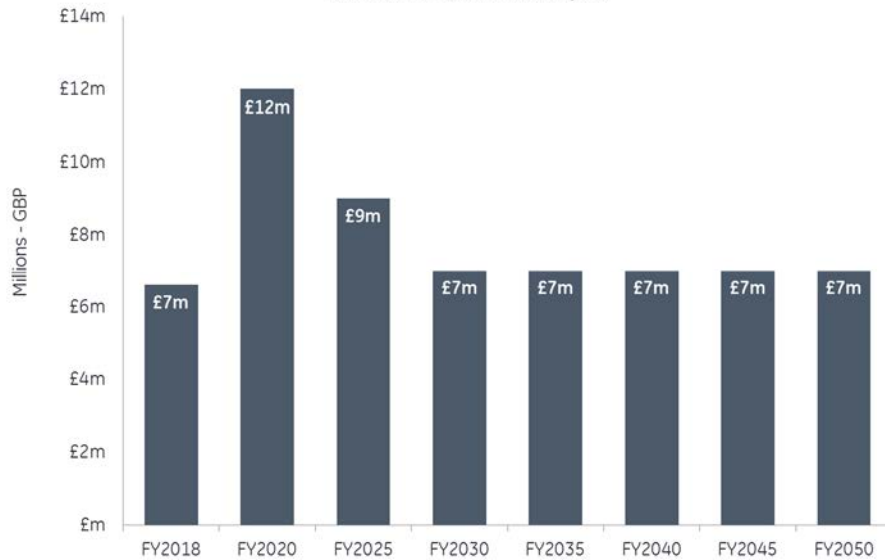
### 11.3.3. Cost Profile

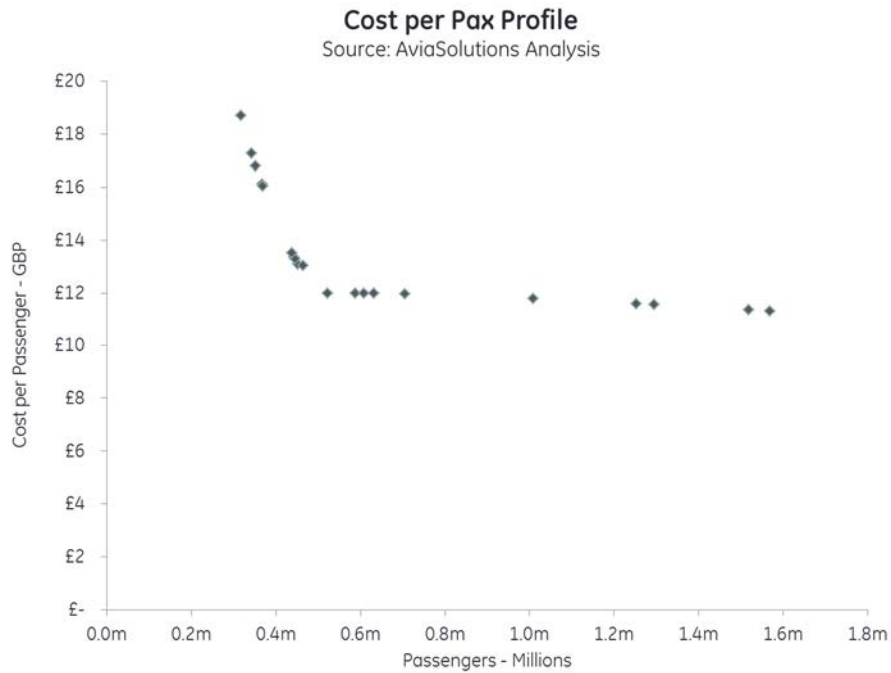
Total Costs rise a little before the opening of the first of the runways, but then fall back to the core essential fixed costs associated with having the airport open

	FY2018	FY2020	FY2025	FY2030	FY2035	FY2040	FY2045	FY2050
<b>Total Cost</b>	<b>£7m</b>	<b>£12m</b>	<b>£9m</b>	<b>£7m</b>	<b>£7m</b>	<b>£7m</b>	<b>£7m</b>	<b>£7m</b>

### Costs Profile

Source: AviaSolutions Analysis

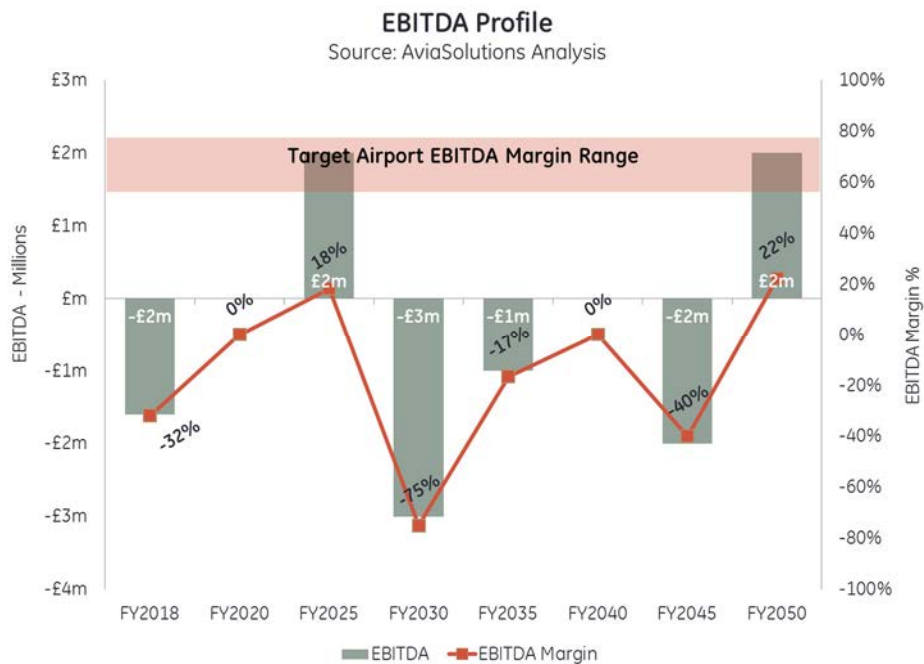




#### 11.3.4. EBITDA Profile

EBITDA is forecast to be negative for the majority of the forecast period, except for the period up to FY2025 and at the very end

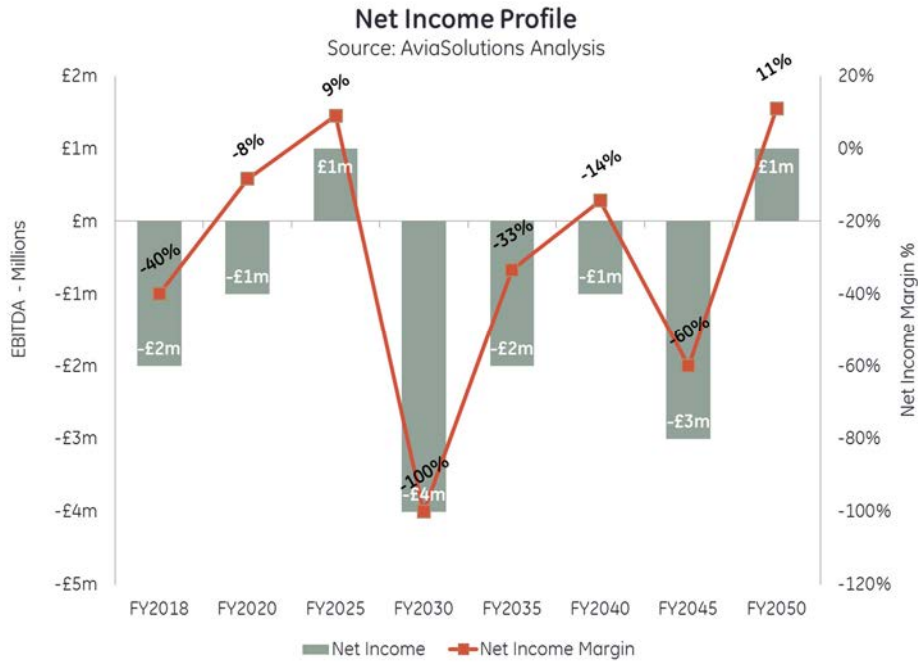
	FY2018	FY2020	FY2025	FY2030	FY2035	FY2040	FY2045	FY2050
EBITDA	-£2m	£m	£2m	-£3m	-£1m	£m	-£2m	£2m
EBITDA Margin	-32%	0%	18%	-75%	-17%	0%	-40%	22%



### 11.3.5. Net Income Profile

Net income, the profit left after all deductions, is forecast to be negative for almost the entire period.

	FY2018	FY2020	FY2025	FY2030	FY2035	FY2040	FY2045	FY2050
Net Income	-£2m	-£1m	£1m	-£4m	-£2m	-£1m	-£3m	£1m
Net Income Margin	-40%	-8%	9%	-100%	-33%	-14%	-60%	11%



### 11.3.6. Conclusion

If two runways were to be constructed in the South East, then it is clear that there is no realistic prospect of long term viability for a re-opened Manton Airport. The potential profits in the period to FY2025 would not be adequate to justify the costs of acquiring and re-commissioning the airport, and prospects thereafter would be exceptionally poor.



# RiverOak Response 28<sup>th</sup> October 2016

AviaSolutions for Thanet District Council

November 2016



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# 1. Introduction

## 1.1. Context

Thanet District Council (“TDC”) has asked AviaSolutions to prepare a short response to a letter (hereafter “the letter”) received by the Council Chief Executive, [REDACTED], on 28<sup>th</sup> October 2016 regarding AviaSolutions’ report into the viability of Manston Airport and the Local Plan process. The letter was issued by Bircham Dyson Bell LLP on behalf of its client, RiverOak.

This letter purports to provide explanation as to why, in RiverOak’s opinion, it considers AviaSolutions’ report to be “...wholly inaccurate, inadequate and misleading”. The letter puts forward nine key points as to why RiverOak has reached the above conclusion. This response document addresses these key points.

AviaSolutions has only sought to address the points raised in the letter that are concerned directly with its report. This letter does not seek to address any of the wider subjects raised by RiverOak (e.g. the Local Plan and the way in which the Council wish to utilise the findings of AviaSolutions’ report).

## 2. Response to RiverOak’s Key Points

### 2.1. It relies upon interviews with anonymous contributors which prevents an open and fair assessment of their contributions.

The report contained details of 13 stakeholder interviews and responses. Over half (7) of the interviewees are identifiable by the company and individual representing the company.

Where comments are not attributable to an individual, this is because their inclusion in AviaSolutions’ report was conditional upon an anonymous basis. However, the report does identify the individual’s role and therefore suitability for inclusion as a qualified stakeholder.

### 2.2. It is authored by an organisation which is heavily involved in advising on Heathrow Airport and gives rise to a serious concern over a conflict of interest.

AviaSolutions is not currently engaged by Heathrow Airport in any capacity. AviaSolutions’ most recent engagement by Heathrow Airport Ltd was in 2011.

### 2.3. It deliberately ignores all the information provided to it by RiverOak

RiverOak provided links to seven reports, all of which were reviewed by AviaSolutions in the course of compiling its report. Several of these reports had already been considered and one of these reports (Oxford Economics / Ramboll for TfL) forms the basis of the UK freight demand forecast within AviaSolutions’ report.

## **2.4. It does not divulge the data or modelling on which it heavily relies, instead it asserts its conclusions without setting out its evidence, rendering it impossible for a reader to assess its conclusions**

AviaSolutions has set out in chapters 4, 5 and 6 details of its methodology. In chapters 7 and 11 the specific analysis with regards to Manston Airport is set out. Full details of the working model and underlying modelling assumptions have been provided to Thanet District Council.

## **2.5. On cargo demand it is in direct conflict with the conclusions of (and does not even acknowledge) at least six respected studies showing considerable unmet demand/future forecasts for dedicated air freight, although it does seek to dismiss the findings of York Aviation (page 27)**

Whilst the six reports are not specifically identified, we assume RiverOak is referring to the following. Many aspects of our report align with the conclusions of these reports, even though they may not be directly referenced.

### **1. Civil Aviation Authority (2013), *Appendix E: Evidence and analysis on competitive constraints*. Available from [REDACTED]**

This report is not a freight traffic forecast.

The report considers the effect of competitive constraints in the UK airport market and whether airlines can easily switch from Heathrow to other airports. In terms of freight, the report highlights:

- “BA cannot switch its hub and spoken operation to another airport .... BA has invested some £800 million in its new world cargo terminal”.
- “Nearly all [freight] (more than 99 per cent) of this is carried in bellyhold of passenger aircraft”.
- The report concludes “The potential loss of cargo revenue may also be an incremental switching cost for certain airlines, as the feed of cargo at Heathrow is the largest in the UK, due to the concentration of the air cargo community around Heathrow. In addition, airlines are likely to have sunk costs from marketing and other related costs from promoting its services”.

### **2. Civil Aviation Authority (2016), *Strategic themes for the review of Heathrow Airport Limited's charges (“H7”) Technical Appendices*. Available from [REDACTED]**

This report is not a freight traffic forecast.

The report considers the main themes for reviewing Heathrow Airport’s published charges. In terms of freight, the report highlights the following:

- “Given the nature of the operation at Heathrow where 95 per cent of cargo is carried by passenger aircraft, we consider that the interests of cargo owners will generally be closely aligned to those of passengers” (pg. 34).
- The report also sets out a summary of the trends in cargo traffic since 2000 in the UK (pg.75) which highlights that there has been virtually no growth since 2000 and that Heathrow is by far the most dominant airport.

**3. Department for Transport (2009), The Air Freight End-to-End Journey: An analysis of the end-to-end journey of air freight through UK international gateways. Available from**

This report is not a freight traffic forecast.

The report considers the end-to-end journey of freight, focusing on East Midlands and Heathrow airports. Some highlights include:

- Details as to why rail access is not used for airfreight anywhere in the UK, which explains why Thanet Parkway is not a relevant consideration for airfreight purposes (pg. 41).
- Evidence of how much international trucking takes place at Heathrow to and from continental Europe (pg. 50). This indicates the extent of the pull of large airports such as Heathrow, Paris (CDG), Amsterdam (AMS) and Frankfurt (FRA), and illustrates that road feeder services are an integral part of a freight network and not necessarily due to airport capacity being constrained.

**4. Gardiner, J. (2006), An International Study of the Airport Choice Factors for Non-Integrated Cargo Airlines. Doctoral Thesis, Loughborough University**

This report is not a freight traffic forecast.

This PhD thesis considers the reasons why cargo airlines select airports for operations. The report concludes with the most important factors which are set out below:

- Origin and Destination (O&D) Demand; actual evidence from the previous twenty years indicates minimal O&D demand from Manston Airport.
- Freight Forwarder Presence; Heathrow and Stansted have both developed large freight forwarding communities. Manston Airport would be in direct competition with these established cargo centres that are centrally located and offer users significant scale economies.
- Passenger Airline Ops for Transshipments; Manston is highly unlikely to have long-haul operations which are required to support an extensive transshipment product (for example at Heathrow or the other major European hub airports).
- Presence of Partner Airlines; Cargo airlines often partner other cargo airlines to obtain greater network coverage through hub transshipments. This requires the freight hub to have many carriers operating, such as at Stansted or Luxemburg.
- Flying Time/Cost; Manston Airport would offer some marginal gains in flight time over other London Airports for inbound flights from Africa and Asia.
- Access to Market: Manston Airport's location in the South-East corner of the UK make it very unattractive for the UK market compared with established alternatives.

The principles set out in this report are in line with those of AviaSolutions and underpin our approach to this project. Therefore, whilst the study has not been directly referenced, we believe that contrary to being "in direct conflict with the conclusions of the report", there are a number of areas where AviaSolutions' report puts forward similar themes and draws similar conclusions.



## 5. Implication for the Air Freight Sector of Different Airport Capacity Options by York Aviation

This report studies the effect of capacity options on the air freight market in London and includes a freight forecast.

The report demonstrates the importance of a large hub airport and does not advocate alternative or regional airports to support freight growth. Some highlights of the report are detailed below:

- “Overall, it seems to [sic] reasonable to suggest that the air freight market in London is already being constrained by the capacity issues at Heathrow. It also seems clear that to a significant degree other airports cannot step in to provide relief as they do not have the long-haul networks to support bellyhold capacity.” (pg. 11)
- It concludes with a snapshot forecast of demand in 2050, which suggests that in a 3<sup>rd</sup> Heathrow Runway scenario there will be insufficient capacity for freight (as does AviaSolutions report). Back-solving the demand (based on CAGR) suggests that capacity at London airports will not be exceeded until 2037 according to the York Aviation report. AviaSolutions’ report suggests this will be in 2047.

Therefore, contrary to dismissing York Aviation’s report, AviaSolutions own findings broadly concur with those of York Aviation.

## 6. Impacts on the Air Freight Industry, Customers and Associated Business Sectors by Oxford Economics / Ramboll

This report is the basis of AviaSolutions’ freight traffic forecast, therefore it is difficult to see in what way AviaSolutions’ forecast is either in direct conflict with, or fails to acknowledge the report.

### **2.6. It assumes that all demand for air freight will be met by existing flights having greater loads until 2050 and that there is therefore no demand for air cargo to or from new destinations for 34 years, which is incorrect (page 31)**

This statement is factually incorrect.

AviaSolutions’ report assumes 240,000 additional ATMs at Heathrow, many of which may serve new destinations. We also assume an increase of 7,000 freighter ATMs at Stansted.

We do assume that in an increasing demand scenario, the average freight load per aircraft will marginally increase on passenger flights<sup>1</sup>, though well within existing capacity. We also assume that the average load per flight on freighters will increase as transshipments are displaced with higher yielding UK-based freight.

<sup>1</sup> This is a method common throughout AviaSolutions and York Aviation’s reports.

**2.7. It assumes that Manston would reopen in the same configuration as before given the underestimate of the considerable investment RiverOak will make, when in fact its capacity will be expanded considerably (pages 30 and 37)**

In our experience, even when an airport has ambitious development plans, these are introduced in a phased manner in line with expected demand, rather investing in facilities that have a capacity for volumes forecast in 20 or 30 years' time. AviaSolutions capital investment assumptions are aligned with the demand forecast.

RiverOak appear to have focused on the supply side (which is currently well ahead of current demand in the London system), rather than the demand fundamentals.

**2.8. Insofar as its passenger analysis is comprehensible it assumes that very little of 5m rising to 44m unallocated demand for passenger services in the south east would use Manston if it reopened (page 24)**

This is correct.

The analysis is based upon the origin of passengers currently using Heathrow Airport, and in turn where they may choose to fly from if the London airports are full.

Of these passengers, 4% are from Kent. We assume that 90% of these passengers would choose Manston. The Greater London area accounts for 49% of Heathrow passengers and we assume 10% of the unaccommodated demand from Greater London chooses Manston Airport. The proportion of the Greater London Area selecting Manston Airport is far lower as they have many more alternative options all within reasonable reach (Southampton, Birmingham and East Midlands). The remaining 47% of UK unaccommodated demand for Heathrow (UK total demand less 4% from Kent and 49% from Greater London) is assumed to use airports within their regions which would be more convenient.

**2.9. It assumes a turnover of 2.2m passengers would be unviable, but at least ten airports within the UK currently operate viably with fewer than 2m passengers and no significant freight component, and passenger flights are only a minor component of RiverOak's plans**

It is not clear where '2.2m passengers' is quoted from.

Many regional airports in the UK struggle to achieve profitability as they are unable to generate sufficient passenger volume and revenues required to cover the costs of operation and necessary investment in facilities. These airports include a number that have closed or ceased to operate commercial passenger services in recent years (Manston Airport, Plymouth Airport, Coventry Airport, Blackpool Airport). Other UK airports have required public investment to remain open (Prestwick Airport and Cardiff Airport).

AviaSolutions' report indicates that passengers would grow quickly at Manston Airport until a new runway (at either Heathrow or Gatwick) is opened. At that point, we believe that passenger volumes would then fall away very quickly before slowly recovering.

Given the scale of upfront investment required to acquire the airport and rehabilitate the operational facilities (terminal, runway, control tower, fire station etc.), retained earnings are not expected to be positive until 2035.

The table below sets out passenger volumes and profit (EBIT) for UK airports sourced from CRI and published accounts. It suggests that airports with low passenger volumes typically find it difficult to generate positive earnings on a sustainable basis.

Source: CRI and Published Accounts*	Profit (£'000)**	Passengers ('000)
Heathrow	987,000	72,332
Gatwick	174,700	35,868
Manchester	84,889	21,152
Stansted	70,250	17,995
Edinburgh	44,859	9,786
Birmingham International	30,626	9,251
Bristol	29,439	6,075
London City	28,670	3,381
London Luton	28,296	9,711
Glasgow	18,107	7,359
Newcastle	17,617	4,415
Aberdeen	15,282	3,488
East Midlands	7,647	4,343
Southampton	3,563	1,723
Belfast International	2,461	4,018
Humberside	569	292
Bournemouth	157	668
Highlands & Islands	-442	1,367
Liverpool	-800	4,013
Exeter	-1,438	860
Durham Tees Valley	-2,639	154
Cardiff International	-2,851	1,222
Leeds Bradford	-3,226	3,329
Southend	-3,763	1,002
Doncaster Sheffield	-4,968	696
Prestwick	-8,900	827

\*2014/15 (CRI), or most recently available (Companies House)

\*\*EBIT



## The formation and funding of RiverOak Strategic Partners

Published on March 30th, 2017

We know that there is considerable interest in the formation and funding of RiverOak Strategic Partners, particularly the identity of our investors and we understand that this is born of a desire by many local people to feel confident that the DCO can proceed successfully and Manston can reopen as swiftly as possible.

We share your determination! The creation of RiverOak Strategic Partners meets our long held commitment to have a UK operating company. Our investors are represented on the RiverOak board by Nick Rothwell, Rico Sykes and Gerard Heusler. M.I.O Investments Limited has been established by our investors as a specific funding vehicle for their financial interests in the Manston project, which is standard practice. MIO Investments Limited is a company registered in the Commonwealth territory of Belize.

We have provided all required details of our company ownership structure to Companies House and also informed the Planning Inspectorate of the creation of RiverOak. Additional, comprehensive details of our funding partners and investment arrangements will of course be provided to PINS as part of the DCO application, providing solid evidence of our ability to meet all of the financial obligations associated with the acquisition, reopening and operation of the airport.






# **Manston Airport Local Plan Representations - FINAL REPORT**

**Report for Thanet District Council**

**By AviaSolutions**

August 2017



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## Executive Summary

AviaSolutions has reviewed the Local Plan Representations that referred specifically to AviaSolutions' earlier report prepared for Thanet District Council "Commercial Viability of Manston Airport" (September 2016) that Thanet District Council is using as evidence in the Local Plan process.

AviaSolutions' opinion, based on updated market information since the publication of our previous study, is consistent with our earlier view that Manston Airport does not represent a financially viable investment opportunity under normal market conditions.

The objections raised through the Representations are similar across the eight documents under review and variously suggest that AviaSolutions' report did not fully consider the excess demand for air freight and passenger movements in the congested London airport system nor the full range of commercial opportunities available to the operator of Manston Airport. This argument is put forward alongside a range of counter-proposals for Manston Airport. However, it is evident that these counter proposals do not stand up against scrutiny on a variety of regulatory, commercial and financial aspects.

The Local Plan Representations do not make a credible case, nor provide the evidence for AviaSolutions' to change its views on the financial viability of Manston Airport. We remain of the view that whilst Heathrow Airport continues to offer substantial freight capacity to a truly global network, and Stansted Airport utilises only around half of the statutory provision of air freighter movements, the London air freight market has capacity to grow without the re-introduction of capacity at Manston Airport. Freight Forwarders have invested heavily in infrastructure around these core airports, carriers have developed their networks as such, and without clear value drivers that support relocating services to Manston Airport, the case remains to be made that demand exists for a freight facility at Manston Airport. This view is reinforced by the empirical evidence of multiple failed attempts to develop profitable operations at the airport.





# 1. Introduction

## 1.1. Introduction

Thanet District Council (TDC) commissioned AviaSolutions on 26<sup>th</sup> June 2017 to provide support pertaining to TDC’s treatment of Manston Airport within the Local Plan, and more specifically, to provide commentary as required with regards to Local Plan Representations ("Representations") it received through the public consultation period.

This work scope follows the previous engagement of AviaSolutions by TDC to report on the financial viability of Manston Airport (AviaSolutions: Commercial Viability of Manston Airport<sup>1</sup>) and a subsequent Frequently Asked Questions report<sup>2</sup>.

## 1.2. Documents Reviewed

AviaSolutions has reviewed the following Representations, copies of which may be found in the Appendix of this report.

██████████	Comment ID 136
██████████	Comment ID 527
██████████	Comment ID 826
██████████	Comment ID 950
██████████████████	Comment ID 1221
██████████	Comment ID 1316
██████████	Comment ID 1425
Supporters of Manston Airport	Comment ID 734

<sup>1</sup> [https://www.thanet.gov.uk/media/3500741/Final-Report-for-TDC-Manston-Airport-Viability-Oct2017\\_2.pdf](https://www.thanet.gov.uk/media/3500741/Final-Report-for-TDC-Manston-Airport-Viability-Oct2017_2.pdf)

<sup>2</sup> <https://www.thanet.gov.uk/media/3553836/AviaSolutions-FAQ-for-TDC.pdf>

## 2. Local Plan Representations

### 2.1. [REDACTED] – Comment ID 136

#### Representation Details

Comment ID: 136

Respondent: [REDACTED]

Response Date: 30 Jan 2017

Response Type: Object

#### Summary of Representation

[REDACTED] surmises that the former Manston Airport site should be reinstated as an airport dedicated to the carriage of airfreight, but also with a parallel development of a rail-head, permitting intermodal freight. It is further suggested that this rail-head would permit the carriage of the Road Feeder Service ("RFS") vehicles on board the freight trains and disperse them via strategic locations throughout the UK. The support for this type of service, would, in [REDACTED] opinion, be forthcoming from the rail freight industry.

#### AviaSolutions Response

In the UK, there are currently no intermodal airfreight to rail freight exchanges<sup>3</sup>, and the major freight hubs of Heathrow, East Midlands and Stansted are no exception. The reasons are multifaceted and revolve around key areas. Firstly, current legislation permits the carriage of bonded 'Known' freight by Road Feeder Services (trucks) but this does not extend to rolling stock. Secondly, the structure of the industry is highly concentrated amongst the large Freight Forwarders; they have invested heavily (strategically, presenting barriers to entry of new competitors) in their current infrastructure which is centred around hub airports and the distribution channels they can already access.

<sup>3</sup> 3. Page 41- Department for Transport (2009), *The Air Freight End-to-End Journey: An analysis of the end-to-end journey of air freight through UK international gateways*. Available from <http://webarchive.nationalarchives.gov.uk/+http://www.dft.gov.uk/about/strategy/transportstrategy/tasts/userexperience/endtoendjourney.pdf>



## 2.2. [REDACTED] – Comment ID 572

### Representation Details

Comment ID: 572

Respondent: [REDACTED] – Save Manston Airport Association

Response Date: 13 March 2017

Response Type: Object

### Summary of Representation

The Representation by [REDACTED] is strongly pro-Manston airport and raises several areas of objection. These include:

- Stating that “There is ... ‘currently unmet demand for freight in the South East, which for the South East of the UK is calculated to be around 80,000 movements ....’ – this is nearly 10 times the movement requirement for the Development Consent Order, which is 10,000 movements per year. So, to say that there is no need for aviation at Manston Airport requires wilful blindness”
  
- In the RiverOak non-statutory consultation document, they say, additional facilities proposed include:
  - a base for at least one passenger carrier;
  - an aircraft recycling and engineering facility;
  - a flight training school;
  - a fixed base operation for executive travel; and
  - business facilities for aviation related organisations.

### AviaSolutions Response

Several of the URL’s provided by [REDACTED] link to a secure site that has restricted access permissions, so it has not been possible to ascertain the source of these quotes. Notwithstanding this, AviaSolutions believes that the points raised regarding demand / capacity is invalid.

As one of the premier UK freight hubs, Stansted Airport currently handles c. 10,000 ATM annually for dedicated air freighters. This less than half of the statutory 20,500 ATM allocated under its licensing agreement for dedicated freighter operations. Whilst some of these slots are arguably less favourable, or less cost attractive, if demand for these slots were as much as 80,000 ATM, it is difficult to understand why they remain at less than half of their allocation. Furthermore, the industry fully expects a new runway to be built in the South East (the Government currently opting for Heathrow) which will bring additional belly-hold capacity into the market. The strong, mature, long haul market from Heathrow is one of the prime reasons that freight flourishes in the UK; it offers a far wider, more frequent set of destinations than dedicated freighters could ever achieve. Finally, whilst not definitive, it is believed the ‘80,000’ freighters quoted may be a reference to a

York Aviation<sup>4</sup> report in which (p19), it presents various scenarios and the residual unmet demand. 80,000 ATM in this case correlates to a 'No Expansion' scenario, which is clearly at odds with industry expectations. Furthermore, the report purely considers the effect on the London Area Airports; the residual demand could be met by regional airports such as the national freight centre at East Midlands, or Manchester Airport (same ownership as Stansted under MAG).

In addition, Manston Airport whilst operational, offered the air freight industry additional cargo capacity, though annual cargo throughput remained relatively constant from 2000 to 2013 at around 30,000 tonnes.

With regards to the facilities it is stated RSP wish to provide at Manston Airport:

- A base for at least one passenger carrier - a plausible option - this was explored in the AviaSolutions viability study. This would most likely be a Low-Cost Carrier, seeking to pay the minimal landing and passenger charges. The AviaSolutions Viability Study used a proxy yield of £3.5 per passenger which is above the rates paid by Low Cost Carriers at many regional airports.
- An aircraft recycling and engineering facility - these facilities are courted by many airports around the world, and in the UK. Whilst it is acknowledged that at least one party has expressed an interest in Manston Airport due to a personal tie, this does not substantiate a sustainable economic industry interest.
- A flight training school - many airports offer flight training schools, it is difficult to justify what Manston Airport's unique proposition would be given the relatively thin catchment for such activities.
- A fixed base operation for executive travel - Executive travel in private jets is likely to be undertaken by wealthy individuals and business people. The offer at Manston Airport, located so far from central London, is highly questionable. It is challenging to understand why users would opt to travel to Manston over Farnborough, Biggin Hill, London City Airport or similar mature and more convenient airports.
- Business facilities for aviation related organisations - whilst aviation related organisations would undoubtedly support the airport, the revenue generated by the airport from these activities is relatively small. Typically, this comes in the form of property rent, the market rates for which are not likely to be sufficient to turn the airport into a financially viable entity.

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<sup>4</sup> [http://www.fta.co.uk/export/sites/fta/\\_galleries/downloads/air\\_freight/air-freight-implications-from-new-capacity.pdf](http://www.fta.co.uk/export/sites/fta/_galleries/downloads/air_freight/air-freight-implications-from-new-capacity.pdf)

## 2.3. David Stevens – Comment ID 826

### Representation Details

Comment ID: 826

Respondent: [REDACTED]

Response Date: 17 March 2017

Response Type: Object

### Summary of Representation:

The Representation by Mr. Stevens objects to the SP05 proposal along the following lines:

- It is the view of [REDACTED] that the information put forward by RSP and its associates, in conjunction with the forthcoming proposed DCO process, demonstrates that there is a reasonable prospect of the Manston Airport site being utilised as a fully operational airport.
- Furthermore, it is [REDACTED] view that the AviaSolutions Viability Study, which is being used as evidence from by Council, is not evidence based and is opinion, which has been shown to be unreliable by [REDACTED], a consultant for RSP for the following reasons:
  - Excluded the RiverOak business plan because Avia would not or could not sign a non-disclosure agreement.
  - When the RiverOak plans are run through the Avia model it shows that the airport is viable.
  - Was based on an out of date growth rate of 1% when it should be nearer to 3.7%.
  - Worked on a modest investment of £77m when RSP are looking to invest up to £300m.
  - Assumed that cargo tonnage would remain static at 30,000 tons when two experts working independently using different models project figures of between 220,000 to 230,000 tons.
  - Uses the assumption that belly hold capacity will be able to take up all the demand, which is simply not the case.
  - Ignored the income and jobs generated from general aviation activities, which is worth between 20%-25% of a smaller airport's total revenue.
  - Ignored the plans for maintenance, repair and tear down which will generate substantial income as well as providing skilled jobs.
  - Focused primarily on passenger not freight which is the basis of the RSP plan.
  - Stated that Manston was in the wrong place, but the key to freight operations is trucking time and Manston is within three to three and a half hours of most of the South East.

### AviaSolutions Response

AviaSolutions' Viability Study examined the financial viability of Manston Airport under various demand scenarios. The majority of these scenarios resulted in the airport being financially unviable, predominantly due

to the competitive landscape reducing Manston Airport's ability to attract sufficient cargo and / or passenger traffic.

With regards to the proposal put forward by RiverOak Strategic Partners and its associates, and the forthcoming DCO, it is unclear which material this refers to specifically. In any case, given the DCO is yet to be submitted, AviaSolutions has not had access to this material and cannot provide comment on the probability of its success, or whether it would then result in a financially viable entity as its substance and detail is not known.

With regards to Mr. Stevens comments pertaining to [REDACTED] evidence and the effect this has on the AviaSolutions viability study.

- AviaSolutions client throughout has been Thanet District Council, therefore all and any work AviaSolutions conducts must be done in a manner that can be shared with Thanet District Council. RiverOak, at the initial meeting between AviaSolutions and RiverOak, made it clear that it did not intend to share its Business Plan, in the same way it had not been shared with Thanet District Council. It is thought that an NDA would not have altered this course of action.
- It is suggested that RiverOak's Business Plan, against the AviaSolutions Viability Study indicates a profitable business, however no information has been provided to this effect. AviaSolutions has not shared publicly its financial model so it is difficult to understand how such a claim could be substantiated.
- [REDACTED] indicates that the AviaSolutions report is based on '1% growth', however it is unclear what this refers to. A search on the document reveals the only growth rate of '1%' is the 'Tonnes per ATM' at Heathrow when considering the average freight carried on-board passenger aircraft. The actual growth rate in the AviaSolutions model for total freight in the London System is 1.9%.
- The investments used in the AviaSolutions model were based on the demand forecast. In infrastructure investment, normal practice is to stagger facilities investment in line with demand to ensure maximum return on capital investment. The investment is a function of the growth in demand, thus increasing the investment to £300m would simply reduce the free cashflow requirement to service the debt and / or shareholder returns.
- AviaSolutions' model assumed cargo throughput could be between 30,000 tonnes and 140,000 tonnes by 2050 depending on the development of additional capacity at alternative London airports. This is based on a cascade model that AviaSolutions has developed to mimic the most likely business behaviour in a capacity constrained environment. The suggestion that Manston might achieve 220,000 tonnes does not specify which experts have predicted this, although for the purposes of this report it is assumed to be Sally Dixon<sup>5</sup>. This level of freight activity would place

<sup>5</sup> Sally Dixon – Manston Airport: A National and Regional Aviation Asset: Volume III pg. 1

Manston Airport as the 3<sup>rd</sup> busiest freight airport in the country within 10 years, a case that is simply unachievable under normal market conditions given the level of maturity of the cargo operation at Heathrow, Stansted and East Midlands.

- AviaSolutions has not assumed belly-hold capacity will absorb all freight demand. However, given the extremely mature aviation networks operating from the UK, that belly-hold will continue to represent the largest share of capacity. Bellyhold capacity tends to be cheaper (except on the busiest of freight routes), more frequent, and offers more destinations than freighters.
- General aviation income is usually derived from an FBO license fee and landing fees. By way of a comparator, a highly successful regional UK airport might expect to generate revenues of £1million annually from GA, and after operating costs and overheads are deducted the impact on EBITDA at an airport the size of Manston is limited.
- MRO and Tear-down facilities are large, complex investments that often require operating partners to be involved in the infrastructure proposal and development thus ensuring the facility has a means of revenue generation from the outset. Whilst RiverOak state they will develop these facilities, it has yet to be demonstrated that such facilities are in demand in Manston. Notwithstanding such demand issues, the revenue the airport actually generates from such operations usually only constitutes rent and licenses, which are generally low value operations for the airport.
- Manston Airport is located in the south east of Kent. Viewed on a map, 3/5ths of the circle around it is the sea. It is not realistic that it could be considered as an excellent location for RFSs. Freight transported to Heathrow, Stansted and East Midlands has instant access to the UK motorway network, is much more closely located to large conurbations, and therefore reduces RFS time and cost.

## 2.4. [REDACTED] – Comment ID 950

### Representation Details

Comment ID: 950

Respondent: [REDACTED]

Response Date: 17 March 2017

Response Type: Object

### Summary of Representation

The Representation by [REDACTED] objects to the SP05 proposal through an objection to the AviaSolutions Viability Report:

- The AviaSolutions report ignores the impact of BREXIT.
- The AviaSolutions report ignores the impact of the Paramount Theme Park or Ebbsfleet Garden City.
- New runway capacity at Heathrow or Gatwick will not be ready until 2036 so the need for freight capacity at Manston is more pressing.
- The AviaSolutions viability report does not consider the diversified income streams available, as indicated by [REDACTED] in his evidence.
- Lessons to be learnt from other benchmark airports.

### AviaSolutions Response

The objections put forward have been considered by AviaSolutions:

- Brexit was not considered directly in the report which was written a few months after the referendum, at which point little was known on the impact Brexit may have. Now, more than a year on from the vote, the impact of Brexit is still unclear, as is the potential positive or negative impact on the freight industry. At present, huge volumes of freight move in both directions across the Channel seeking the most advantageous prices, however, due to the networks available from the UK, generally this is to the UK's advantage and it is believed to be a net-beneficiary. A Brexit agreement that increases the friction in this operation may result in less freight moved across the Channel, and therefore more residual capacity from the UK. However, the UK Government has stressed that it will seek an arrangement with the EU that has the least possible impact on the free movement of goods between the UK and EU states, therefore we would expect the impact to moderately suppress air freight demand in any case.
- In June 2017, it was announced that Paramount has pulled out of the proposed an entertainment park development in Swanscombe, Kent. Despite this, the developers are continuing the planning and though there is clearly a risk that the project may never materialise, therefore incorporating any incremental demand assumptions would not be prudent. Furthermore, the airports at Gatwick and Southend will both be closer to the theme park than Manston, therefore any benefit to Manston Airport is considered marginal at best.





- New runway capacity consensus amongst the industry is that it will be operational by 2030, which leaves a limited period of time for Manston Airport to develop its infrastructure and operation to recoup its investment. Currently there is residual capacity at Stansted airport to handle freighter operations, and airports in the Midlands have additional capacity. This again indicates that should Manston Airport re-open, it will face stiff competition from the outset.
- Whilst the income available from diversified business opportunities certainly augments airport profitability, the ability to generate such income on a long-term basis is challenging. Businesses of these type require high levels of investment meaning that barriers to entry are high, furthermore once they are established at an airport their barriers to exit are high. It is AviaSolutions' opinion that such businesses are unlikely to invest in Manston Airport until such time as they can be sure of its long-term future. Manston Airport presents significant risk, particularly in light of its recent track record of unprofitable operations.



## 2.5. Dover District Council – Comment ID 1221

### Representation Details

Comment ID: 1221                      Respondent: Dover District Council  
 Response Date: 23 March 2017      Responses Type: Observation

Dover District Council’s representation raised no objections, rather it provided a commentary on the process thus far, and the position of the Council. In summary, it stated that Dover District Council upheld its previous resolution with regard to the airport;

“This Council supports the campaign to retain Manston as an operational airport, recognising the role and place it can have in the UK aviation industry, making the better use of regional capacity in accordance with the views of the South East Local Enterprise Partnership, while making a significant contribution as one of the strategic priorities for regeneration of the East Kent area”

The Council came to this conclusion through an appraisal of the process to date including:

- A summary of DDCs agreed representations to TDC, including; an encouragement on TDC to more actively engage in the Duty to Cooperate (DCT) system, until any DCO process is concluded not to change the designation of the site away from ‘Aviation Use Only’; a clear specification of other potential uses of the site, and a consideration of the impact on DDC of such uses.
- The chronology since its original resolution was passed in July 2014
- A summation of potential interested parties including RiverOak Strategic Partners and City financier [REDACTED]
- A summary of the potential challenges DDC has to a housing and commercial development, including; employment and leisure floor space demand, the district centre and its effect on trade in across the two authorities’ constituencies, and the visual impact on the landscape of any redevelopment.

### AviaSolutions Response

DDC do not raise any objections specifically related to the viability of Manston Airport, rather it focuses on the process and political aspects. As such, AviaSolutions has not provided further comment at these areas of concern are outside of its remit.

## 2.6. [REDACTED] – Comment ID 1316

### Representation Details

Comment ID: 1316

Respondent: [REDACTED]

Response Date: 13 February 2017

Response Type: Object

### Summary of Representation

The Representation by [REDACTED] objects to the SP05 proposal through an objection to:

- Manston’s location has been described as being remote from a reasonable catchment area to support passenger flights but this is exactly the opposite for cargo where it is located close to dual carriageway and motorway routes avoiding the capital, railway infrastructure and ferries for efficient payload ground handling. The airport can deliver similar services for air cargo that the three-year-old London Gateway does for marine containers currently transferred from/to about five Freightliner/DB Cargo rail services in each direction per day.
- Manston has the potential to also develop some passenger services; some perhaps linked to operation of regional combi aircraft with a cargo capacity of (say) 3,000kg-4,000kg and 50 passengers to destinations beyond a reasonable time achievable by road or rail for time critical business and able to mix passenger and cargo capacity to ensure a high overall load factor.
- With its 2,750m runway the airport also has the potential to accept the largest aircraft for maintenance and end of life recycling which was a minor business under previous owners but is increasingly important for aircraft manufacturers’ life cycle planning. The process removes reusable equipment that might then be reconditioned and form part of maintenance of equivalent aircraft with a continuing working life, the remainder of the body being deconstructed for removal to specialist recycling businesses.
- Turning to ground transport, there is a fairly high volume of air cargo moved by road between airports. As an example, the German operator Lufthansa operates about 200 HGV services, Mondays to Fridays, serving UK airports. Attracting cargo from/to Manston can, as with marine containers, allow for air cargo to be conveyed directly by rail from/to inland terminals in a similar way to present Royal Mail rail services and the planned international “Euro Carex” rail operation (Eurotunnel being the UK partner, the trains planned to use Deutsche Bahn’s rail freight terminal at Dagenham via HS1).



**AviaSolutions Response**

AviaSolutions has reviewed the representation and provides the following response:

- Manston Airport is located in the south east of Kent. Viewed on a map, 3/5ths of the circle around south east Kent is the sea. It is not realistic that it could be considered as an excellent location for RFSs. Freight transported to Heathrow, Stansted and East Midlands has instant access to the UK motorway network, is much more closely located to large conurbations, and therefore reduces RFS time and cost.
- In the UK, there are currently no intermodal airfreight to rail freight exchanges<sup>6</sup>, and the major freight hubs of Heathrow, East Midlands and Stansted are no exception. The reasons are multifaceted and revolve around certain key features. Firstly, current legislation permits the carriage of bonded 'Known' freight by Road Feeder Services (trucks) but this does not extend to rolling stock. Secondly, the structure of the industry is highly concentrated amongst the large Freight Forwarders; they have invested heavily (strategically, presenting barriers to entry of new competitors) in their current infrastructure which is centred around hub airports and the distribution channels they can already access.
- Whilst the income available from diversified business opportunities certainly augments airport profitability, the ability to generate such income on a long-term basis is challenging. Businesses of these type require high levels of investment meaning that barriers to entry are high, furthermore once they are established at an airport their barriers to exit are high. It is AviaSolutions' opinion that such businesses are unlikely to invest in Manston Airport until such time as they can be sure of its long-term future. Manston Airport presents significant risk, particularly in light of its recent track record of unprofitable operations.
- The suggestion for operators to utilise 50 seat combi aircraft is an interesting consideration, however, there are no airlines operating these aircraft types in the UK or Europe, and the concept is largely out-dated globally in all but the most remote regions; it would be challenging for the airport to attract such an operator. Furthermore, the range of such an aircraft would be considered limited, only able to operate to destinations that are currently operated to by aircraft from Heathrow and Gatwick. Such short haul flights attract very little freight which is generally transferred throughout Europe by RFS.

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<sup>6</sup> 3. Page 41- Department for Transport (2009), *The Air Freight End-to-End Journey: An analysis of the end-to-end journey of air freight through UK international gateways*. Available from <http://webarchive.nationalarchives.gov.uk/+http://www.dft.gov.uk/about/strategy/transportstrategy/tasts/userexperience/endoendjourney.pdf>



## 2.7. [REDACTED] – Comment ID 1425

### Representation Details

Comment ID: 1425

Respondent: [REDACTED]

Response Date: 10 February 2017

Response Type: Object

### Summary of Representation

The Representation by [REDACTED] objects to the SP05 proposal through an objection to various aspects:

- [REDACTED] has a clear belief that Aircraft Tear Down and Recycling would be suitable for Manston Airport and that this should be consider further.

### AviaSolutions Response

AviaSolutions has reviewed the representation and provides the following response:

Whilst it is evident that [REDACTED] has domain knowledge of the Aircraft Recycling sector it remains questionable whether:

- Aircraft recycling alone could support Manston Airport’s viability.
- Any investor has the desire to invest in potentially the world’s largest aircraft recycling centre in Manston Airport.
- Investors are willing to invest in Manston Airport given its uncertain future, or at what point in the future they may wish to invest. It is not unreasonable to assume they may defer investment for two years to ensure the airport is viable.
- Manston or the wider region in Kent has the labour knowledge and skills to support an operation in its start-up phase.
- How competitors will react. It would be highly unlikely that those businesses already operating in this sector would simply accept a loss of business.
- How such a business located in Manston, with its relatively high cost base vs. emerging economies, will compete in a labour-intensive industry.

## 2.8. Supporters of Manston Airport (SuMA) - Comment ID 734

### Representation Details

Comment ID: 734                      Respondent: [REDACTED], on behalf of Supporters of Manston Airport  
 Response Date: 16 March 2017      Response Type: Object

This document has been supplied as a non-submitted Representation.

The objections are as follows:

- AviaSolutions Viability Study cannot be used as evidence as it failed to meet the brief in that it did not consider ALL options, including various diversified businesses.
- The AviaSolutions report does not consider opportunities to offer short term capacity at Manston Airport whilst a new runway is developed, and then transfer/ redistribute services to a new runway at Heathrow or Gatwick.

### AviaSolutions Response

AviaSolutions has considered the document supplied and has provides the following response:


- AviaSolutions considered what it believed to be the most viable means of ensuring the airport became a financially viable entity. This approach has been adopted because an airport must have a profitable core service offer. It is not conceivable that an investor would invest c. £75m - £300m to develop a business where its core service is unable to generate profits. In airport terms, this means the airport needs to be profitable from either its passenger or cargo operations, or a combination of the two. Additional and auxiliary services, no matter their number or diversity, should serve to improve EBITDA margins and generate incremental profit. If these businesses are required simply to break-even, the risk is likely to be considered too great for investors.
- With regards to a joint venture / share of operations with either Heathrow or Gatwick, airports in the UK operate in a free market and compete to attract airline customers. Airlines in turn operate their fleet, network and schedule for commercial objectives. In our view, Manston Airport (working with either London Heathrow or London Gatwick) could not develop the above proposition as neither Manston nor Heathrow/Gatwick has the authority to 'direct' aircraft to alternative airports. Furthermore, the commercial proposition to the airline is simply not the same, as operations from Manston Airport (when compared with Heathrow for example) will not generate the same levels of demand or average seat yields. A further key feature of Heathrow Airport is the diversity of connecting options, which would not be available at Manston. The concept of an airport seeking to 'redistribute' airline traffic is simply untenable in the UK aviation sector.



# **Review of Azimuth & Northpoint Forecast for Manston Airport – FINAL REPORT**

*Report prepared by AviaSolutions  
for Thanet District Council*

August 2017



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## Executive Summary

AviaSolutions has reviewed the cases for Manston Airport prepared by Azimuth Associates and Northpoint on behalf of RiverOak Strategic Partners in February 2017. Azimuth's case for Manston Airport is based on an assessment of the airport's ability to capture a significant share of the air and road freight market in London and the south east. Northpoint's forecast is based on a similar premise coupled with the introduction of multiple aviation related auxiliary activities.

AviaSolutions' view is that the Azimuth and Northpoint forecasts both represent a highly ambitious outlook for air freight volume at Manston Airport and the likelihood of the forecasts being realised is very low. We do believe that there may be scope for the reintroduction of passenger services, broadly consistent with the volume projections set out in AviaSolutions report, although this alone would not generate sufficient revenue to develop profitable operations.

Neither report puts forward a sufficiently credible case, nor provides the evidence, for AviaSolutions to change its views on the financial viability of Manston Airport.

We remain of the view that whilst Heathrow Airport continues to offer substantial freight capacity to an extensive global network, and Stansted Airport offers capacity for air freighter movements, the London air freight market has capacity to grow without the re-introduction of capacity at Manston Airport. Freight Forwarders have invested heavily in infrastructure around the UK's core cargo airports and carriers have developed their networks as such. Without clear value drivers that support relocating services to Manston Airport, the case remains to be made that demand exists for a freight facility at Manston Airport.

Provision of capacity alone is no guarantee of financial success, a view reinforced by the empirical evidence of multiple failed attempts to develop profitable aviation operations at Manston Airport.

# 1. Introduction

## 1.1. Context

AviaSolutions (“Avia”) has been commissioned by Thanet District Council (“TDC”) to undertake a detailed analysis of the reports prepared by Sally Dixon of Azimuth Associates (“Azimuth”) for RiverOak in February 2017.

- Volume I – Demand in the south east of the UK
- Volume II – A qualitative study of potential demand
- Volume III – The forecast

Additionally, a Representation to the Local Plan was produced, entitled “The Shortcomings of the AviaSolutions Report and an Overview of RSP’s Proposals for Airport Operation at Manston” prepared for RiverOak Strategic Partners by Chris Cain of Northpoint Aviation Services (“Northpoint”). The Representation is largely a repeat of the Appeal prepared on behalf of RiverOak Strategic Partners, which has already been the subject of review by AviaSolutions in March 2017. In the second part of this document, AviaSolutions presents the earlier critique of Northpoint’s appeal, updated to reflect some additional airport benchmarks included in the Representation.

Avia has previously been engaged by TDC to assess the financial viability of Manston Airport. The report was completed in September 2016 and concluded that it is unlikely that the airport would be financially viable in the long term, and almost certainly not possible in the period to 2031. This conclusion was reached after interviewing key stakeholders and industry experts and analysing extensive market data. In the UK, today and into the foreseeable future, there is excess market capacity for air freighter movements due to the strength of the bellyhold market at Heathrow, which continues to grow despite the statutory movement cap. Stansted and East Midlands, which both are much more centrally located than Manston Airport, provide ample capacity for air freighter movements in the short to medium term, by which time we expect the south east market to introduce new capacity at Heathrow.

Azimuth Associates is an independent aviation and business research consultancy providing analysis and insight into the future direction and potential for airport development around the world (source:

████████████████████

In March 2017, RiverOak Investment Corp., LLC announced that RiverOak Strategic Partners Limited, a newly UK-registered joint venture company had acquired all rights and interests and has assumed full financial and operational responsibility for the Development Consent Order (DCO) with respect to Manston Airport and the future reopening and operation of the airport. The new operating company, which is not affiliated with RiverOak Investment Corp., LLC, will pursue the DCO application to acquire and reinstate Manston as a fully operational

airport and if successful, will be operated, owned and managed completely independently of RiverOak Investment Corp., LLC (source: [REDACTED])

The stated objective of the Azimuth report is to consider whether there is a compelling case in the public interest to create a freight focused facility at Manston Airport. The report contends that the decision for Manston Airport to be returned to operational use hinges on three key questions:

1. Does the UK require additional airport capacity in order to meet its political, economic, and social aims?
2. Should this additional capacity be located in the south east of England?
3. Can Manston Airport, with investment from RiverOak, relieve pressure on the UK network and meet the requirement of a nationally significant infrastructure project?

The report considers a range of data sources and publications to answer the above questions, concluding that there is an overwhelming case to support planning and development at Manston Airport.

In this review of the Azimuth and Northpoint reports, Avia considers the supporting evidence, rationale and the case put forward by the authors to inform subsequent discussion on the future of Manston Airport.

## 2. REVIEW OF AZIMUTH ASSOCIATES REPORT

### 2.1. Volume I – Demand in the south east of the UK

#### 2.1.1. Overview

The first document prepared by Azimuth (Volume I) sets out an overview of airport capacity in the UK, focussing on the south east of England. This is followed by a review of air freight capacity in the south east that may fulfil excess air freight demand in the short to medium term. The report proceeds with an outline of the political context for UK aviation decision making before focussing on Manston Airport's potential as a freight focussed airport and the various external influences on the airport's future.

The report by Azimuth draws on a range of data sources and publications although there are several aspects of the report which we believe merit further scrutiny and challenge which are set out below.

#### 2.1.2. Requirement for additional airport capacity in the UK and South East

There is little to add with regards to Azimuth's assessment of the lack of capacity in the UK airport sector and its impact on the UK economy (Chapter 2). Supporting information is drawn from extensive material available on the subject including a range of data sources referred to in the Airports Commission publication on UK airport capacity, July 2015. We do note however that the conclusions drawn from the research are centred on air passenger traffic rather than air freight.

In Chapter 3 of Volume I, the focus of the report shifts to air freight, drawing on information from Boeing and Airbus forecasts which consider the global aviation markets and intercontinental trends in production and supply, citing long term air freight growth rates of 4.2% and 4.0% respectively. Azimuth further note that the UK air freight market has become constrained at London airports, with the implication that a lack of air freight capacity is one of the causal factors behind the stagnation of the UK air freight market, the annual performance of which is set out below.

UK Air Freight ('000 Tonnes)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2016 Vs 15	CAGR (2006-16)
London Airports	1,717	1,724	1,743	1,564	1,808	1,803	1,806	1,761	1,820	1,806	1,869	3.5%	0.9%
UK Airports	2,315	2,325	2,282	2,048	2,325	2,298	2,302	2,262	2,304	2,299	2,385	3.7%	0.0%

Source: CAA

We would also highlight the excess capacity that exists in the UK market today which supported air freight growth of 3.7% in 2016, and in the London market which increased by 3.5%. Stansted Airport (the second largest UK airport by freighter ATMs after East Midlands Airport) increased freight tonnage by 7.3%, though utilised only around half of the airport's statutory freighter movement cap (20,500 per annum). Further, load factors from Heathrow in bellyhold remain well below constrained levels. Azimuth has not commented on the market's ability to continue driving freight throughput out of the existing infrastructure as evidenced by the above growth in 2016.

A key observation is Azimuth's absence of comment on the uniqueness of the UK air freight market, particularly in London. Only around 30% of UK air freight is carried on dedicated freighter aircraft, substantially lower than the global average, where 56% of revenue tonne kilometres (RTKs) are transported on freighter aircraft. This is at least in part due to the significant bellyhold capacity and network diversity available to exporters and importers from an airport as large as Heathrow. The lack of excess air transport movement (ATM) capacity at Heathrow (480,000 annual movement cap) has led to a sustained increase in aircraft size, which increases bellyhold capacity and keeps the price of bellyhold air freight low, relative to dedicated freighter based capacity. Around 35% of ATMs at Heathrow are widebody, long haul aircraft resulting in an average bellyhold cargo capacity of around 7-8 tonnes per aircraft and an extensive network of direct flights to destinations around the world that is unrivalled by any other European airport.

A central tenet of the Azimuth reports appears to be that the bellyhold and dedicated freighter markets are mutually exclusive, whereas the reality is that they are intrinsically linked and overlapping markets with some minor exceptions (low density bulk freight), and where price per kg plays a pivotal role in determining the movement of goods by shippers and freight forwarders. Bellyhold freight tends to be far more cost effective than freighters for an equivalent distance and density from Heathrow which, especially when coupled with the extensive network, ensures the predominance of Heathrow in the UK air freight market.

### **2.1.3. Can Manston Airport relieve pressure on the UK aviation system, and be considered a nationally significant infrastructure project?**

The Azimuth report concludes that the London Airports will be at capacity by 2030 based on the Airports Commission findings. As noted earlier, the findings of this report relate mainly to passenger plus freighter movements, and AviaSolutions' view is that excess cargo capacity (combining bellyhold and freighter capacity) will continue to exist in the south east of England beyond 2030.

Azimuth put forward a case for the re-introduction of Manston Airport to relieve pressure on the London airport system. However, AviaSolutions view is that the provision of airfield and terminal capacity alone is not sufficient to develop financially viable air freight based airport operations as there must be a corresponding demand scenario to support such operations. In the long term, only if additional runway capacity is not delivered at Heathrow / Gatwick is there likely to be excess demand that will spill from the London system to Manston Airport, but that is a very long term, risk-laden investment proposition.

The stated objective of RiverOak is to develop an air freight focussed business at Manston Airport, but the provision of capacity is not the determinant of profitability. It is AviaSolutions' view that Azimuth's report does not provide sufficient evidence of demand at Manston Airport from air freight operators to support the required investment in facilities and profit generation potential to re-establish Manston Airport as a going concern.

Manston Airport continued to provide a gateway to the UK air freight market until ceasing operations in 2014. It is therefore difficult for Azimuth to argue that the UK air freight market has stagnated due to a lack of capacity, without also acknowledging that one of the providers of air freight capacity in the UK and south east market during this period (Manston Airport) was unable to attract sufficient cargo volume throughput to operate profitably, leading to its eventual demise as a London based air freight focussed facility. The Azimuth report does not acknowledge nor address the fact that even if there has been a lack of air freight capacity in the UK and south east causing the cargo market to stagnate (a hypothesis that is not supported by Avia), the market still chose not to utilise Manston Airport as a solution to this capacity shortfall.

Overall, taking these issues into consideration, whilst the airport envisioned by inference from RiverOak Strategic Partners' proposal would technically be capable of handling more than 10,000 freighter ATMs, it is Avia's view that the demand would not exist at Manston Airport to support such a number of ATMs, and by deduction, therefore Manston Airport would not serve to relieve pressure elsewhere on the aviation system.

## 2.2. Volume II – A qualitative study of potential demand

### 2.2.1. Overview

The second document prepared by Azimuth sets out an assessment of the expected demand for Manston Airport as a freight hub for the south east of the UK. The objective is to provide a 20-year demand forecast for freight and passenger movements based on a thorough review of the market, existing literature and stakeholder interviews. The report contends that Manston Airport has the location, airspace, capacity potential and demand required to grant a DCO which would allow the redevelopment of the airport.

Azimuth acknowledges the challenge of reliably forecasting freight demand and instead of extrapolating past trends seeks to establish a body of qualitative evidence to underpin the proposal to retain Manston Airport as a freight based airport serving London and the south east market. The report identifies specific opportunities for Manston Airport based on constraints in the London airport market and aviation related activities which could improve the prospects of profitability at the airport.

### 2.2.2. Methodology

The report sets out an extensive review of the air freight market characteristics and the available air freight forecasting literature, acknowledging not only the lack of academic research into this subject but also the differences between forecasting cargo and passenger movements. The review concludes that instead of adopting a mathematical model, a qualitative approach that gathers opinions from industry experts will allow areas of potential demand for Manston Airport to be identified and explored. There follows an outline of the methodology to identify and select interviewees and the freight related questions that would inform the demand forecast model for Manston Airport.

Chapter 5 sets out the stakeholder responses which are almost entirely favourable and present Manston Airport as a solution to the challenges caused by an air freight market operating in London's highly congested air travel system. Chapter 6 provides a summary of these findings and their influence on expected freight and passenger demand at Manston Airport, including sector and geographic market opportunities.

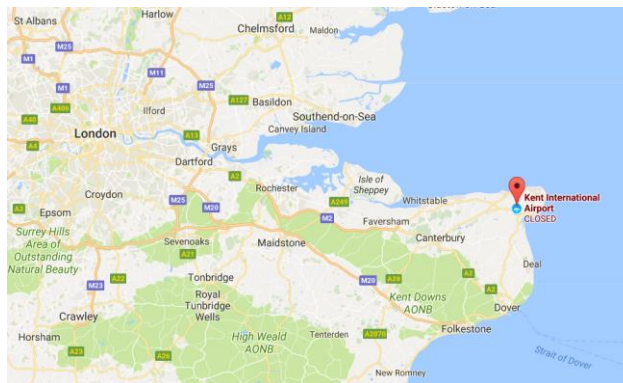
### 2.2.3. Conclusions

The report concludes with a summary of the stakeholder feedback which is considered to be an affirmation of the findings in Volume I, namely a significant and deteriorating lack of aircraft movement capacity in London and the south east. The report ends with statements outlining the implications of the research outcomes for UK aviation policymakers and RiverOak.



Avia’s assessment of this report is that it reflects a wider body of evidence that supports an urgent need for additional movement capacity in the London air travel market. Similarly, we would concur with the view that UK aviation policymakers do not have the same depth of knowledge about the air freight market that they do about the air passenger travel market and a National Air Freight Demand Model would be a useful development.

The findings of the stakeholder interviews do however contrast markedly with Avia’s own findings, published by Thanet District Council in September 2016 (“Commercial Viability of Manston Airport”, Chapter 6.3). Avia’s primary research indicated that whilst Manston Airport offered some service quality and processing time benefits, the cargo market did not value these over the remote geographic location which is 3/4 surrounded by the English Channel. When considered against its competitors such as Stansted Airport and East Midlands Airport, the location of Manston Airport and its relative access to the south and south east of the UK is inferior.



Source: Google

### 2.2.4. Additional Considerations

We would also add that the perceived advantages and opportunities that exist for Manston Airport reported by Azimuth are not new. This is not to underestimate the value of introducing these non-core activities at the airport, more to highlight the fact that previous owners will also have sought to exploit these opportunities, though no previous owner has been able to do so successfully.

- Maintenance, Repair & Overhaul (MRO) base
- Fixed Base Operator (FBO) facility
- Integrator operations
- Aircraft recycling

## 2.3. Volume III – The forecast

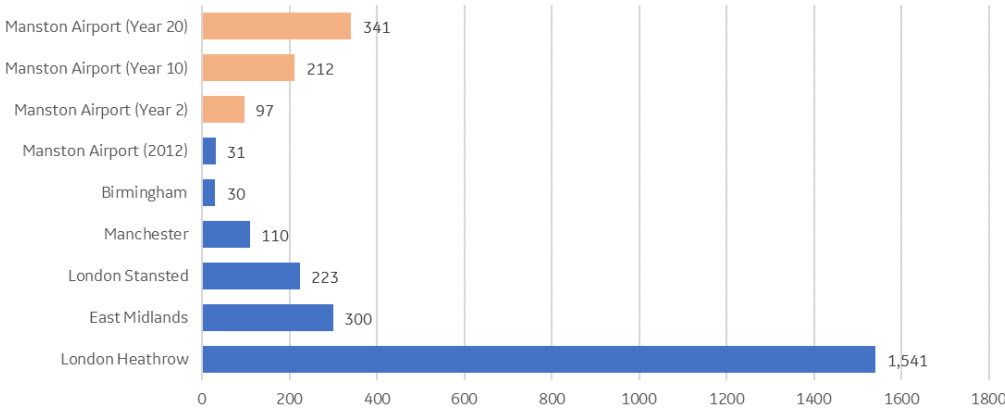
### 2.3.1. Overview

The third document prepared by Azimuth presents the air traffic forecasts for Manston Airport including freight and passenger movements for the first 20 years of operation (notionally 2020 to 2040). The report also sets out the expected infrastructure requirements to provide suitable facilities to accommodate the demand.

### 2.3.2. Forecast Results

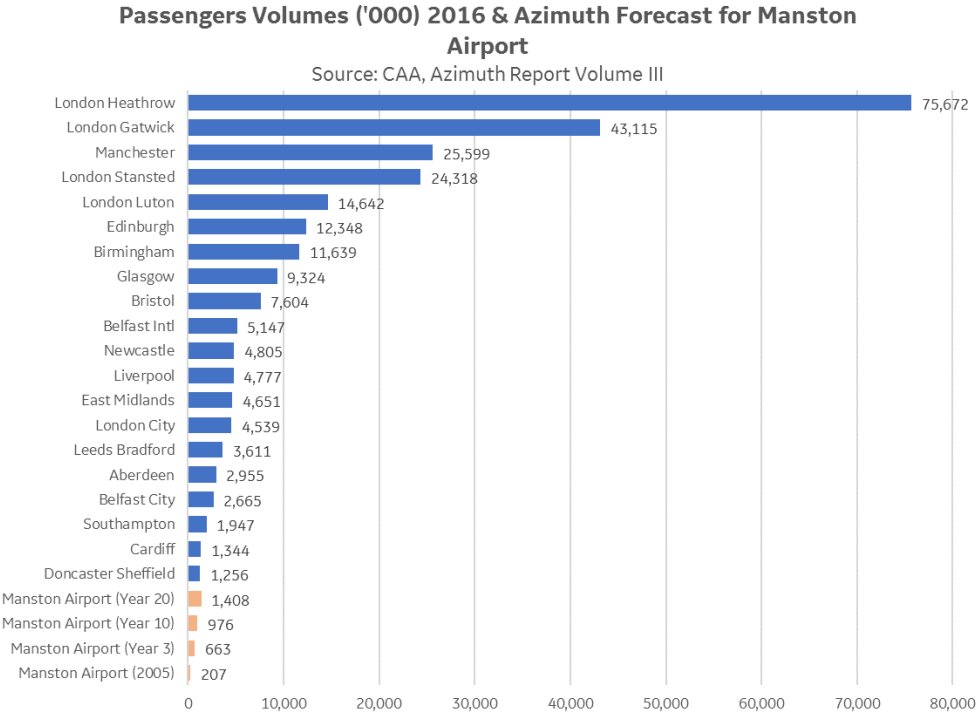
The chart below illustrates the expected volume of freight (tonnes) at Manston Airport as set out in the Azimuth report (Volume III). The forecasts are compared with the most recent air freight tonnage throughput (2016) at the UK’s five largest air freight airports. Manston Airport is forecast to become a significant provider of air freight capacity by Year 2, which would see the airport rank alongside Manchester, and towards the end of the forecast horizon would be competing with London Stansted and East Midlands (assuming limited growth of the UK air freight market more generally over the next 20 years).

**Air Freight (Tonnes) 2016 & Azimuth Forecast for Manston Airport**  
Source: CAA, Azimuth Report Volume III



The report notes that the bottom-up approach to the air freight forecast, based on specific traffic types, is considered ‘... more conservative than those derived by a macro-level, top down method’. The approach utilises the outcomes of the stakeholder interviews (primary data) and industry forecasts from IATA, Boeing and Airbus *inter alia* (secondary data). The report asserts that the ‘push’ and ‘pull’ factors at Manston and more widely in the London and south east air freight market will catalyse a change in the air freight model, in a similar way that the low-cost passenger model has led to a paradigm shift in fares and demand for passenger air travel.

The chart below illustrates the forecast passenger volume at Manston Airport as set out in the Azimuth report (Volume III). For context, the forecasts are compared with the most recent passenger throughput (2016) at UK passenger airports with more than 1 million annual passengers.



The report notes that the short to medium term passenger forecast is based on market intelligence rather than an extrapolation of past performance or an allocation of spill from London’s congested airports. This includes *inter alia* a scheduled carrier with twice daily services to a European hub, two based low cost aircraft during years 3-5 and a further based aircraft thereafter and a small number of other charter operations. Longer term forecasts reflect recent industry projections from IATA, Boeing and Airbus.

**2.3.3. Forecast Review**

The projections set out in the Azimuth Report claim to be supported by stakeholder interviews and an extensive review on the literature available to inform the approach to air freight forecast modelling. The forecast growth reflects the combined expectation that Manston Airport can benefit from the spill resulting from a lack of air freighter capacity in the London and south east market and stimulate market growth by capturing a share of the freight market that is currently transported by road to and from Europe.

Avia's assessment of the forecast methodology is that the approach adopted by Azimuth is reasonable, though the reliance on primary data (interviews) to develop the bottom-up freight forecast has significant potential to exaggerate or overstate the market appetite to introduce services at Manston Airport.

For example, the forecast inputs set out in chapter 2.1 and 2.2 of the report focus exclusively on the opportunity, and do not take into consideration the many risks that would be incurred by a cargo operator or freight forwarder choosing to commence operations at Manston Airport. Many of the commercial risks which precipitated the recent air freight decline and subsequent closure of Manston Airport are still in evidence today. Azimuth continues to cite the lack of capacity at other airports in the south east as a major push factor in favour of services at Manston Airport, despite the evident excess combined freighter and bellyhold capacity at Heathrow and Stansted and mature air freight bases at both airports.

Furthermore, the use of OEM forecasts, which are developed around global trading patterns, as a base for long term development of air freight at Manston Airport is unsuitable, particularly given the static volumes seen in the UK air freight market over the last decade. Global trends are significantly ahead of recent trends in the UK market. To use global trends as the basis of forward projections for the UK market given the historic divergence between the two markets is at best naïve and without the necessary qualification is disingenuous.

Therefore, whilst there is the possibility given the right macro and micro economic conditions for Manston Airport to regenerate itself and act as catalyst for air freight operations transitioning away from Heathrow and Stansted, the probability of such an outcome remains very low. In our view this represents a significant risk to investors at the airport, and a significant operational risk to any airline that places services at the airport.

#### **2.3.4. Infrastructure Review**

The assessment of infrastructure requirements to meet the forecast demand has been developed by other independent consultants; Viscount Aviation, Osprey Consulting Group and RPS Group. The approach appears methodical, resulting in various capacity solutions covering aircraft stands, terminal buildings for international arrivals and departures and car parking. Fuel storage and transportation requirements are also considered, though the report appears to overlook air traffic control, security and fire service facilities which add significantly to the upfront capital cost of restoring commercial services.

## 2.4. Conclusions

Avia has considered the material set out in the Azimuth report which presents traffic forecasts for Manston Airport and is intended to establish the rationale for retaining Manston as an operational facility that contributes to the national aviation network.

Traffic forecasts are inherently subjective, but should be based on professional experience and judgement. However, at the heart of the Azimuth forecast is an assumption that there will be a paradigm shift in the approach to air freight in the London and south east, which will stimulate a switch from road freight to air freight and see significant air freight capacity move eastwards from London's Heathrow and Stansted airports. Given that Heathrow continues to offer substantial bellyhold capacity to a truly global network, and Stansted is utilising only around half of its statutory provision of air freighter movements, Avia's view is that the Azimuth forecast represents a highly ambitious outlook for air freight at Manston Airport, and one where the probability of such an outcome arising is very low under normal market conditions. We do however believe that there may be scope for the reintroduction of passenger services, broadly consistent with the projections set out by Azimuth and AviaSolutions' earlier report.

Avia's opinion, based on updated market information since the publication of our previous study (September 2016) is consistent with our earlier view that Manston Airport does not represent a financially viable investment opportunity under normal market conditions. As such, our conclusions are very much at odds with those of Azimuth, which in our opinion do not sufficiently consider or recognise the risks associated with investment in an airport which has failed to generate adequate financial returns since privatisation in 1998.

## 3. REVIEW OF NORTHPOINT REPORT

### 3.1. The Shortcomings of the AviaSolutions Report and an Overview of RSP’s Proposals for Airport Operation at Manston

#### 3.1.1. Summary of Evidence

Chris Cain indicates the position that he holds with Northpoint Consulting and its relevance to the project. He also states his relevant experience that qualifies him to opine on the project in hand. Northpoint then set out the three key elements of the AviaSolutions Viability Study that the report seeks to challenge, namely freight projections, cross channel transshipments and substitutable bellyhold capacity. Finally, the report sets out suggestions for alternative forecasts for Manston Airport.

#### 3.1.2. AviaSolutions Review

Northpoint’s Proof of Evidence focuses on three key aspects of the AviaSolutions Viability Study, namely the overall freight projections, cross Channel transshipments and substitutable belly hold capacity.

#### 3.1.3. Manston Airport Benchmarks

Northpoint put forward several benchmark airports as comparable to a re-opened Manston Airport offering air cargo, air passenger links and aircraft servicing and re-cycling. We set out our reasoning why the comparison with Manston Airport is incongruous due to the vastly differing location and catchment characteristics of each benchmark airport.

**Alliance Fort Worth:** The airport in the centre point of an 18,000-acre industrial complex, with a multi-modal railway head located some 2km away and handling around 400k tonnes in 2016. The airport is at the heart of a huge complex of industrial and manufacturing companies with the business park specifically designed for large-scale manufacturing, distribution and industrial use. Many areas of the campus have direct access to the taxiway and airport apron to increase the speed of logistics. Additionally, it sits to the north of Fort Worth and the West of Dallas which have a combined GDP believed to be close to that of London.

**Hamilton Ontario Airport:** The airport’s website indicates it handled a total of 439k tonnes of freight in 2016, behind the Northpoint forecast for Manston in 2040. It also handled 300k passengers. It is an express cargo hub for domestic and international shipments with multiple airlines offering flights on international routes as far as South America. Additionally, the airport is the local point of access to the air travel market for the city of

Hamilton, with a population of c. 500k. Cargo partners include UPS and DHL who use it as their international Canadian hub and Canada Post.

**Bergamo:** Secondary hub for DHL / UPS facility, handling 117k tonnes of air freight in 2016, with DHL as a base operator and with UPS also present. The airport has 24/7 customs facilities with no restrictions on night operations. Most of Milanese cargo volume is processed through Milan Malpensa (550k tonnes in 2016) due to the large number of widebody aircraft offering bellyhold capacity across its extensive long haul network.

**Liege:** Located at the centre of the golden-triangle (Paris / Amsterdam / Frankfurt), the airport offers quick connections to all European destinations. It's breadth of airline customers is huge and offers a resilience from changes in mix. Operations are 24 hours a day with a limit of 90 ATM per night with no time restrictions. Offers aircraft landing to first truck leaving in 1 hour.

**Leipzig:** DHL's European hub, with the airport handling over 1m tonnes in 2016 which has grown rapidly in 10 years from 100k tonnes. The growth coincides with DHL making the airport its European hub and the birth of Aerologic, a JV between DHL and Lufthansa that has its base at the airport. The airport is a multi-modal hub with train line in terminal. The airport has a 24-hour operating permit for cargo flights and direct link to the trans-European motorways and railway network.

There are clearly structural and geographical reasons as to why each of these airports is different to the proposal for Manston Airport. As such, suggesting these are comparable benchmarks is not realistic. In order for Manston Airport to acquire the status of these airports it would need to demonstrate key elements of development, namely; commitments from key express players (DHL / UPS / FedEx / Amazon / Alibaba); an ability to operate night operations with few regulatory restrictions; and geographical advantages from nearby cities, industrial parks, and population centres.

### 3.1.4. Freight Projections

There are very few long term forecasts for the UK air cargo market, a position supported by Dr Dixon's report. However, RiverOak and AviaSolutions have both considered a report by York Aviation, and another by Oxford Economics / Ramboll. RiverOak consider that both these reports support their position.

Of these reports, York Aviation's forecast (produced for the Freight Transport Association) assumes that unconstrained cargo growth would be in line with UK GDP growth, a method that Dr Dixon appears to disagree with in the body of her report. York Aviation's study also assumes that freight growth is bellyhold focussed. This report also questions Boeing and Airbus' forecast growth rates, which are utilised in the long term growth forecast by Dr Dixon.

The cargo forecast produced by Oxford Economics and Ramboll was produced for Transport for London (TfL). The forecast produced was based upon various extrapolations of historic trends and provided high and low case projections.

AviaSolutions did not prepare its own UK cargo market forecasts (outside the scope of the original study) and instead adopted the mid-point of the most recent local forecast available for the UK market, namely that prepared by Oxford Economics. The UK market forecast was allocated by AviaSolutions based upon a cascade / preference model across the systems' airports (e.g. LHR, STN). As such, the AviaSolutions report does foresee some growth in the UK air cargo market, despite the market's stagnation for the last 16 years.

The differences between Northpoint's view and the assessment in the AviaSolutions Viability Study arise from alternative views of overall market growth and the airports that will handle the increase in demand. AviaSolutions' conclusions were based in part on inputs from industry experts, from its own knowledge of the sector, and from a detailed quantitative analysis of the freight capacity (bellyhold and main deck) which individual airports would be able to offer. Northpoint's views are based on the opinion that demand will be supply driven, and the evidence of the experts with whom RiverOak consulted.

It should also be noted that recent growth in the UK freight market is driven in large part through the weakening of UK Sterling (GBP) since the EU Referendum in June 2016. European shippers can access capacity to the West and East at more competitive rates than on continental Europe and channel traffic through the UK accordingly. Secondly, fears of cross-border tariffs in an increasingly protectionist environment are believed to be driving an element of inventory build-up in many economies, as the UK prepares to leave the EU and the USA focuses inwardly.

### **3.1.5. Cross Channel Transshipments**

Northpoint's second point is in relation to the trucking of freight to and from continental Europe. This practice is recognised in the AviaSolutions report, largely in the context of UK airfreight being flown in and out of continental European airports. It is important though to note that a reverse flow also exists with continental European freight being trucked across the Channel to be flown into and out of UK airports. A lack of verifiable data on these flows hinders quantitative analysis, although the practice has existed for many years and despite this the freight industry chose not to use Manston Airport when it was open.

UK carriers rely heavily on European-originating freight to fill services ex-UK and on European-destined freight to fill services inbound to the UK. This freight is often priced at a discount to the direct-flight option as it is a sub-optimal routing, and the airline offers this routing to fill residual capacity it cannot fill otherwise with point to point shipments. The same is true in reverse for European carriers. It should also be noted that most freight shipped across the Channel in either direction will be flown from Heathrow in the UK and from the major



European hubs on the continent. This is driven through the large-scale passenger networks available at these airports, with bellyhold capacity to an extensive range of destinations, at a competitive price. This is a market position that would be difficult for Manston Airport to replicate.

Northpoint cite a York Aviation estimate of 55,000 additional dedicated freighter movements in the south east by 2050. This evidence cannot be located in the York Aviation report. Northpoint further cite York Aviation stating 'recognising that Manston is the only realistic opportunity to meet that scale of demand [55,000 freighter ATM]', again, this reference is not apparent in the York Aviation report.

### **3.1.6. Substitutable Bellyhold Capacity**

Northpoint's final observation is in relation to the competitive dynamic between bellyhold capacity and pure freighters. Carriage of airfreight is a commodity and price is often the determining factor when selecting an airline for carriage (assuming all options are from airlines of a similar high regard).

AviaSolutions' experience in the freight industry is that many bellyhold operators can, when supply exceeds demand, reduce rates to such a level as to cover the marginal cost of freight plus a margin. The business is often operated as an addition to the passenger service, and therefore its real marginal costs are low. It is simply impossible for a freighter operator to reduce its rate to match this marginal cost and operate at profitably. Therefore, freighters tend to operate on thick routes where the economies of scale of a freighter operation can be realised. These routes are also curtailed by a non-related market, that of passenger demand. Where large scale passenger demand exists e.g. UK to USA, a residual effect of this is large scale freight capacity, which is unmatched to demand. The reverse can be seen on routes to the East, where passenger demand is less, but freight demand, particularly inbound to the UK, is high. As such, many freighters operate on these routings.

Given these market dynamics, AviaSolutions is unable to reconcile Northpoint's stance, but note that none of Azimuth's 24 interviewees were from a passenger airline providing bellyhold capacity, the segment of the industry responsible for most of the airfreight to and from the UK.

While not all cargo can be flown in the bellyhold of passenger aircraft, the extent of freight that can be carried may surprise the casual observer. Dependent on the aircraft type, heavy shipments up to seven tonnes can be transported, and regularly many wide-body aircraft transport pallets of 4,500kg. Shipments can easily be accommodated up to 2.43M x 3.17M and up to 1.6M in height, with some larger items able to be split across multiple ULD. An example of this includes the carriage of luxury cars, which are a regular component of many wide-body passenger services. Many passenger airlines now offer express services that guarantee the shipment will travel, and can also provide carriage for many types of dangerous goods.

AviaSolutions also disagrees with the assertion that, because 50% of global airfreight is flown on freighters, and within the UK only 30% is flown on freighters, that therefore the UK must be suffering from a lack of freighters

slots. In fact, it could be argued that this difference is due to the highly developed passenger network available from the UK providing sufficient bellyhold capacity such that freighters cannot operate the routes on an economically sustainable basis.

### 3.1.7. Additional Comments

Northpoint appears to argue that Manston would be attractive because it would be available for night time operations, while at the same time indicating that freighter movements at German airports can be scheduled in daylight hours. The report does not therefore highlight how it proposes to handle Express Freight (e-commerce) which is almost exclusively handled through night operations.

The report also (inadvertently) recognises that passenger operations are more remunerative to airport operators than freight only movements, hence AviaSolutions in its report on the possible viability of a re-opened Manston Airport thoroughly investigated the passenger market, an investigation criticised by both Northpoint and Azimuth.

Northpoint is misleading in suggesting that airport operators always give preference to passenger operators, as the allocation of slots is not in their gift. In the UK, slots are allocated by an independent body (Airport Co-ordination Limited) and provided that airlines utilise the slots allocated to them, they may hold them in perpetuity. This situation would also mean that Manchester Airport Group (the owner of Stansted Airport) may have some difficulty in displacing “...several thousand freighter movements to create ‘new’ passenger slots...”, notwithstanding the legal ring-fencing of annual freighter movements that exists at Stansted.

It should be noted that the passenger numbers given in Table 1 of Northpoint’s Evidence relate to travel to all destinations from the catchment area, while the figures in the AviaSolutions report relate to passengers travelling just to destinations which a Low-Cost Carrier might serve from Manston. While of course Manston’s core catchment area “...does not have a large airport like Stansted close to it like as Southend does...” (Paragraph 3.3), the wider area corresponding “...closely to the industry standard 60-minute drive time...” is of course very close to Gatwick Airport.

Northpoint also discusses various aviation-related activities which could be attracted to a re-opened Manston Airport. However, such activities tend not to need an airport to be in a specific location. Consequently, there is considerable competition in these markets, both national and international, from airports with limited commercial traffic but considerable unoccupied real estate for such activities.

Northpoint concludes by indicating that the RiverOak vision is a completely different model from that envisioned in the AviaSolutions report, which focussed on passenger driven revenues. While AviaSolutions does not accept this categorisation, it notes that its remit from TDC was to assess if a re-opened Manston Airport could be viable,

and not per se to express an opinion on the RiverOak proposal. In view of Northpoint's own words, "...the preference airports will always give to more remunerative passenger operations...", we investigated the passenger market. Additionally, it was also necessary to establish the scale of belly hold capacity on passenger services likely to be available to be able to assess the volume of freight that might be available for freighters at Manston Airport.

Northpoint asserts that "...the AviaSolutions work...does not stand-up to close scrutiny...". It does not however identify any factual errors in the work and its evidence merely highlights areas where different interpretations of facts, and different assumptions about the future apply.



# Pinsent Masons

BY E-MAIL AND POST

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11 October 2017

Dear Sirs

**THE FORMER MANSTON AIRPORT SITE  
LETTER OF CONCERN REGARDING THE PROPOSED APPLICATION FOR A  
DEVELOPMENT CONSENT ORDER TO UPGRADE AND RE-OPEN MANSTON AIRPORT  
AND INAPPROPRIATE USE OF THE PLANNING ACT 2008**

We confirm that we act for Stone Hill Park Limited ("**SH**P"), the freehold owner of the former Manston Airport site (the "**Site**").

Further to our meeting with the Planning Inspectorate on 27 September 2017, we write to express our serious concerns over the attempted use of the Planning Act 2008 (the "**2008 Act**") by RiverOak Strategic Partners Limited ("**RSP**") in order to try and seek a development consent order ("**DCO**") for its proposal for an alteration of the airport by upgrading and re-opening the airport primarily for cargo, with some passenger services, at the Site.

For the reasons set out in this letter:

1. RSP's proposals do not meet the statutory thresholds under the Planning Act 2008 ("**2008 Act**") to be considered a "nationally significant infrastructure project" ("**NSIP**"). Its proposed application for a Development Consent Order ("**DCO**"), therefore, cannot proceed, and should not be proceeding, under the 2008 Act. For this reason alone, RSP should be asked to withdraw its proposals from the DCO process forthwith. In addition to this fundamental issue, the following points are other reasons why the proposed DCO application cannot lawfully proceed. They are made independently of and without prejudice to the fundamental issue;
2. RSP's proposed DCO application is proceeding unlawfully by seeking to circumvent the Infrastructure Planning (Environmental Impact Assessment) Regulations 2017 (the "**2017 Regulations**") in respect of how applicants should approach the environmental assessment of their proposals. RSP is unable to proceed on this basis;

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3. There has been inadequate pre-application consultation undertaken by RSP in respect of the proposed DCO application and it is unable to proceed on this basis;
4. There has been, and remains, a lack of clarity over both the identity of the proposed applicant and its financial standing throughout the process. The proposed DCO application cannot proceed as there is no evidence of the ability of RSP to meet the financial liabilities relating to costs and compensation arising in relation to the application process. Any attempt to move forward with proposals should be supported by evidence related to the ability to fund them, including the costs of the application process (including challenges), compulsory land acquisition costs and compensation including proceedings, blight (including noise, air quality and property depreciation blight) caused by airport operations as well as blight affecting the SHP development proposals, required impact mitigation, construction, licensing, and operational requirements required to deliver the RSP proposals. There is an absence of any evidence of sufficient financial capability for RSP to be in a position to reimburse both SHP's costs from SHP's objections in relation to the proposed application (should SHP's objections succeed or due to the conduct of RSP in relation to the application process), or the consequential losses which SHP has suffered and is continuing to suffer from the blight and delay caused to SHP's own major new settlement-led proposals for the Site arising from RSP's proposals, not to mention potential costs claims from other parties. The proposed DCO application cannot appropriately proceed on this basis;
5. The proposed applicant does not own or control any part of the Site and is unable to progress any application for compulsory acquisition powers as it has not demonstrated that compulsory acquisition powers are a last resort following meaningful attempts to negotiate to acquire the Site or otherwise deliver the proposals by agreement with the owners of the Site, nor has it justified the extent of the land identified or evidenced any real and meaningful attempts to consider alternatives;
6. Flowing from all of the above, the proposed application is incapable of acceptance under section 55(3)(f) of the 2008 Act in that it will plainly not be of a satisfactory standard. The proposed application has no reasonable prospect of being granted or the proposals successfully proceeding – in reality, the proposals are unrealistic and an attempted abuse of the DCO process.

It is blatantly obvious that the only reason why RSP has sought to attempt to promote its proposals under the 2008 Act is so that it can try and take advantage of the wide powers available under the 2008 Act to secure unfair commercial advantage by threatening the use of compulsory acquisition. The history of the proposals makes this clear, including the background to the involvement of a number of particular individuals in RSP itself.

You and your team at the Planning Inspectorate are requested to please carefully consider the contents of this letter, and revert with confirmation to us of the Planning Inspectorate's position on the points raised. No doubt you will wish to discuss these matters with RSP in the ongoing pre-submission discussions we understand are taking place.

Before presenting the detail in support of the points we have set out above, we first set out our client's interest in the matter and the importance of these issues from their point of view.

1. **BACKGROUND TO SHP, ITS OWNERSHIP OF THE SITE, AND SHP'S EXPERT TEAM**

1.1 Further to our meeting with you, as explained, SHP is a JV comprising:

1.1.1 80% shareholding by Invicta Asset Management Limited, which is controlled by experienced major mixed-use developers, [REDACTED] and [REDACTED]. [REDACTED] is also Chairman of Helios Property

Group. Helios Property Group and [REDACTED] are master-developers with a successful track record of leading major residential and mixed-use schemes. [REDACTED] recently developed the Discovery Park business park scheme in Kent, having successfully revived the site (located near Manston at Sandwich) bringing 2,000 extra jobs following the exit of long term occupier Pfizer. In addition they are developing Wynyard Park and Tunstall Park in the North East and Flaxby Park in Yorkshire which together account for some 10,000 new homes and 2 million square feet of commercial space. Invicta is providing SHP with an experienced team which has master planned the Site as a major vibrant, mixed-use and sustainable new settlement community called "Stone Hill Park" to provide thousands of much needed homes and jobs to the area, with a current planning application submitted and progressing. Further significant work is being undertaken in relation to the Stone Hill Park project and proposals are being progressed, though the RSP proposals are causing delay and uncertainty and consequential losses to SHP given the threat of compulsory acquisition of the Site. SHP is strongly committed to progressing the Stone Hill Park proposals despite the RSP proposals;

- 1.1.2 20% shareholding by Highland and Universal Investments Limited, a highly experienced private equity investment company.
- 1.2 SHP and its shareholders are all incorporated in England and Wales, and are therefore subject to the transparent filing requirements of Companies House.
- 1.3 SHP has been the freehold owner of the Site since October 2014.<sup>1</sup> This of course means that SHP is a "Category 1" person under section 44(1) of the 2008 Act.
- 1.4 It should be noted that RSP has no legal or equitable interest in the Site whatsoever.
- 1.5 The closure of Manston Airport in May 2014 and the emergence of our client's proposals was preceded by a series of unsuccessful attempts over more than 10 years to run a viable airport operation from the Site, as set out in summary below:
  - 1.5.1 the owner of Manston Airport from 1998-2005 (Wiggins Group) went into administration in 2005 with a long track record of failing to achieve anywhere close to their forecast increase in passenger numbers and freight;
  - 1.5.2 Manston Airport was acquired from administrators by Infracore Ltd (a well respected global infrastructure company which owned airports around the world) who owned the Airport from 2005 – 2013. During this period, Infracore Ltd made repeated attempts to increase passenger and freight growth to sustainable levels. However, the company incurred substantial losses (c.£50m) at Manston Airport and the Airport was put up for sale in March 2012;
  - 1.5.3 Manston Airport was sold to Manston Skyport Limited at the end of December 2013. As expansion opportunities with Ryanair and cargo operators failed to materialise, and with the scale of losses at a level that could no longer be sustained, the Airport closed in May 2014;
  - 1.5.4 SHP acquired the Site in October 2014, with airport operations at the Site having ceased in May 2014, following the failure of repeated efforts to deliver viable airport operations at the Site, as highlighted above. SHP wished to progress proposals to transform this brownfield site into a vibrant and exciting sustainable new settlement, as a dynamic place to live, work and

<sup>1</sup> Stone Hill Park Limited, Company number 09223403, previously named Lothian Shelf (718) Limited.

play, delivering a sustainable new community and much needed new housing and jobs (see further below in section 2);

- 1.5.5 Although airport operations at the Site had closed, despite the failure of repeated efforts to keep it open, Thanet District Council ("TDC") wished to explore whether airport operations could be viably and sustainably re-commenced. TDC therefore embarked on a process to try to find an indemnity partner (which included detailed consideration of the former applicant of the current RSP proposals – a company called RiverOak Investment Corporation LLC ("RIC") incorporated in the United States of America ("USA")) in order to potentially compulsorily acquire the Site or acquire it by agreement and re-commence airport operations. However, despite such a process, the Council's cabinet decided on two occasions, most recently in October 2015, to take no further action to progress a compulsory purchase order of the Site as there was no credible indemnity partner who could demonstrate a viable and deliverable plan for airport operations to re-commence on the Site. Part of its decision in October 2015 was that RIC did not fulfil the requirements of the Council for a suitable indemnity partner.
- 1.6 Following this unsuccessful attempt to find an indemnity partner, TDC commissioned AviaSolutions, an aviation industry consultancy, to provide an independent assessment of the prospects for re-opening airport operations at the Site. AviaSolutions' findings (published in September 2016 in a report titled "Commercial Viability of Manston Airport"), found that *"airport operations at Manston are very unlikely to be financially viable in the longer term, and almost certainly not possible in the period to 2031"*. With this independent evidence base, and with the consistent demonstration for over 10 years that airport operations at the Site have simply not been viable, together with the clear national, regional and local need for more homes and jobs, and recognising that the Site is the largest brownfield opportunity site in TDC's area, TDC progressed the Site through the TDC Local Plan process for allocation as a major mixed use new settlement (see section 2 below).
- 1.7 SHP has since been working closely with TDC to deliver the aims and aspirations of the emerging Local Plan. As is explained in section 2 below, the Site is a highly significant site in the delivery of TDC's required housing numbers. Given that it has been consistently shown that airport operations at the Site are unviable, and with TDC's own independent report looking ahead into the future and concluding that *"airport operations at Manston are very unlikely to be financially viable in the longer term, and almost certainly not possible in the period to 2031"*, re-development of the Site is the only sensible course of action to take.
- 1.8 In order to both continue to move its new settlement plans forward for the Site, and to deal with the RSP proposals and the effect of them, SHP has engaged a highly experienced team of professionals, including as follows:
  - 1.8.1 [REDACTED] Q.C., Leading Counsel;
  - 1.8.2 Pinsent Masons LLP, legal advisors;
  - 1.8.3 GVA, DCO, planning and compulsory acquisition advisors;
  - 1.8.4 AECOM, transport and surface access advisors;
  - 1.8.5 WSP, environmental impact consultants; and
  - 1.8.6 Three very well respected mainstream UK and internationally recognised airport consultants;

- (a) York Aviation, specialists in freight and passenger airports;
- (b) Altitude Aviation Advisory, specialists in freight and passenger airports;
- (c) Oxera Consulting LLP, specialists in airport economics, funding and viability.

It is worth noting that RSP's aviation consultant, [REDACTED] of Azimuth Associates, has incorrectly cited York Aviation's work in support of its proposals, which York Aviation will be dealing with as part of SHP's evidence to deal with the RSP proposals in the event that they are not withdrawn forthwith. We note that RSP describes [REDACTED], a former colleague of [REDACTED] at Wiggins Group (owners of Manston Airport from 1998 – 2005, and where [REDACTED] was involved in producing the Master Plan for Manston Airport in 2000-2001), as an "aviation academic". It has not been confirmed if [REDACTED] has any tangible experience or track record of advising on commercial airport operations, successful or otherwise.

1.9 Input from all of the above expert professionals has been received in assessing the RSP proposals.

## 2. SHP'S PLANS FOR THE SITE

2.1 SHP is actively promoting a major new settlement on the Site. Overall, the Site has capacity for around 3,500 to 4,000 new homes; a major Advanced Manufacturing Park creating over 2,000 jobs; a major sports and leisure village including destination attractions and a hotel, the first 50m Olympic sized swimming pool and leisure complex in Kent; visitor attractions including revamped heritage Spitfire and RAF Museums, heritage trails and attractions honouring the airfield and airport history of the Site; and a country park incorporating most of the old runway to promote healthy living. A heritage aviation component is also being progressed. The proposals would provide thousands of new homes and jobs for local people including employment opportunities for the young and specialised housing for older people, important transport infrastructure upgrades, and essential investment of hundreds of millions of pounds into Thanet District and the Kent region. SHP's plans are for a vibrant and sustainable new settlement, providing a huge boost, not just locally, but regionally and nationally in terms of the pressing need for housing, jobs and high quality sustainable development.

2.2 A planning application for a phase comprising 2,500 homes, the Advanced Manufacturing Park, a community centre, the sports and leisure village and the major country park has been lodged with TDC. This planning application covers the whole Site, but with development focused on the southern part of the Site (see the red line plan and illustrative masterplan submitted with the application in 2016 contained in **Enclosure 1**). SHP is currently finalising requests from TDC for some additional information, which will be submitted to TDC shortly.

2.3 This planning application accords with the January 2017 emerging Local Plan policy for the Site and is supported by Council officers. Draft policy SP05 allocates the Site for a new settlement, with *at least* 2,500 homes and up to 85,000sqm employment and leisure floorspace to be delivered in the plan period, community business space and leisure uses/recreational facilities, as well as green space and significant highways and transport improvements. TDC officers have prepared the policy in reliance on its independent evidence base, which confirms that airport operations on the Site are not viable (as summarised in section 1 above) and that this large brownfield site should not be left sterilised by out of date planning policy.



- 2.4 SHP is also progressing work on further planning applications for the new settlement, with a further and enhanced iteration of the overall new settlement masterplan also being progressed. It is intended to lodge these applications within a number of months, following and informed by the appropriate pre-application consultation and engagement. These additional applications will increase the number of homes and employment uses on the entirety of the Site.
- 2.5 The importance of the Site locally, regionally and nationally, to housing need and the economy cannot be overstated. The Site is the largest strategic site allocation within the District, and also the largest brownfield site. The allocation of the Site for *at least* 2,500 homes in the next Plan Period accounts for 14% of total housing provision based on TDC's current projections (a significantly higher proportion than any other individual site, the next largest site contributing 8% on greenfield land). The Site's overall capacity means it can deliver significantly more homes beyond the Plan Period. TDC is due to submit its draft Local Plan to the Secretary of State for examination in early 2018. If TDC submits its draft Local Plan prior to the end of March 2018, the Council will need to identify sites to accommodate 17,140 homes over the Plan Period. However, to accord with the recently proposed new method by DCLG to calculate housing need across England, if submission of the TDC Local Plan was to be delayed beyond March 2018, TDC would need to identify sites for 20,563 homes. The contribution of at least 2,500 homes at the Site to meet this housing need is clearly highly significant in either case.
- 2.6 RSP's proposals for the Site are plainly incompatible with the emerging Local Plan whereas SHP's proposals fully accord with it. RSP's proposals would sterilise and prevent the delivery of a development with significant local, regional and national benefits to housing supply and job provision. RSP's proposals have the prospect of de-railing a district council's Local Plan, given that the removal of or delay to the coming forward of any part of the Site as a strategic housing site would result in TDC having to renew its evidence base and renew its search for a series of major housing sites in lieu. In turn, this would open up the prospect of a number of new greenfield sites having to be identified and allocated given the increase in housing numbers (compared with a brownfield site allocated to deliver at least 2,500 units in the Plan Period). The delay this would cause to the Local Plan would hold back the future development growth of the whole District. This hugely damaging impact of RSP's proposals has not even been assessed or addressed by RSP. The implications of losing or delaying the largest strategic site for housing delivery in the whole of TDC's area is simply ignored by RSP to the significant detriment of the whole of the Council area.
- 2.7 TDC have, in their consultation response to the RSP proposals, raised a number of serious concerns in relation to the proposals which we assume you have seen (see **Enclosure 2**).

### 3. **RSP'S PROPOSALS DO NOT QUALIFY AS A NSIP**

- 3.1 We understand from the public timetable on the Planning Inspectorate website (rather than from RSP), that RSP is intending to submit an application for a DCO in Q4 of 2017. This application, as noted on the website, would be for the *"upgrade and re-opening of Manston Airport primarily as a cargo airport, with some passenger services, with a capacity of at least 12,000 air cargo movements per year."* However, it is noted that there does not seem to be any reference to 12,000 air cargo movements anywhere else in the documents on the Planning Inspectorate website or the consultation documents made available by RSP. RSP forecasts that by year 20 of opening, there would be 17,171 freight ATMs per annum.
- 3.2 It is, however, clear that the proposals do not meet the thresholds to qualify as a NSIP under the 2008 Act. These thresholds are statutory and obviously important, as their

purpose is clearly to "filter out" proposals which are not properly considered to be of national importance, and for any such proposals to continue to be determined at local level, subject to the appropriate planning application and related processes.

- 3.3 This is not surprising, given entry into the 2008 Act process enables applicants to include in their application for development consent wide-ranging powers that are intended to be reserved only for projects of proper national significance. These powers are not made available to speculative development of less than national significance, which can be determined through other routes. Projects which benefit from designation as "nationally significant" are able to access these wide ranging powers, including, importantly, powers of compulsory acquisition, which are plainly to be used only as a matter of last resort, and involve significant interference with human rights; they should not be capable of being applied for under the 2008 Act unless the project clearly and properly meets the description for a NSIP. Whether the application fully satisfies the 2008 Act threshold tests for a NSIP is therefore a fundamental principle that must be thoroughly tested before the application can proceed any further and in any event on submission of any application. Of course, that is a core principle included in the acceptance process under section 55 of the 2008 Act. This is particularly so in this case given the extent of the compulsory acquisition being sought (i.e. the whole of the Site) and the speculative nature of the proposals.
- 3.4 Despite this, it is evident that the pre-application consultation materials from RSP fail to explain how RSP's proposals meet the tests to be considered a NSIP under the applicable statutory provisions (sections 14 and 23 of the 2008 Act).
- 3.5 Section 14(1)(i) prescribes airport-related development as a NSIP. Section 23 then defines what description of airport-related development falls within section 14. It is not a general inclusion of all airport-related development. Instead, it sets out three categories of development:
- (a) the construction of an airport in a case within subsection (2)
  - (b) the alteration of an airport in a case within subsection (4), or
  - (b) an increase in the permitted use of an airport in a case within subsection (7).
- 3.6 The descriptions provided by RSP make it clear that the development for which consent is sought is an **alteration** of the existing infrastructure at the Site and RSP acknowledge that the Site is a closed airport.
- 3.7 In this respect, an **alteration** of an airport proposal must meet the tests in subsection (4) of section 23 of the 2008 Act.
- 3.8 Subsection (4) requires that the airport is in England or in English waters, and the alteration is expected to have the effect specified in subsection (5).
- 3.9 Subsection (5) states that the effect is:
- "(a) to increase by at least 10 million per year the number of passengers for whom the airport is capable of providing air passenger transport serves, or*
- (b) to **increase by at least 10,000 per year** the number of air transport movements of cargo aircraft for which **the airport is capable of providing air cargo transport services**". (Emphasis added)*
- 3.10 The materials published by RSP to date do not demonstrate that RSP's proposals would meet either of the statutory thresholds in sub-section (5). The materials indicate that the proposal is focussed on freight and there is no suggestion that passenger

numbers will reach the required level for NSIP designation. For freight aircraft movements, the proposals must therefore have the effect of **an increase of at least 10,000 ATMs per year of cargo aircraft for which the airport is capable of providing air cargo transport services.**

- 3.11 The Statement of Community Consultation ("SoCC") at paragraph 1.2 and the Consultation feedback form describe the proposals as follows:

*"The airport would include **the ability to handle at least 10,000 air freight movements per year**, which means the project is classified as a 'Nationally Significant Infrastructure Project' by the Planning Act 2008".*

- 3.12 The SoCC goes on in section 2 to describe the existing airport, and the proposals to "secure the future of this valuable national asset by redeveloping and reopening it as a successful hub for international air freight which also offers passenger, executive travel and aircraft engineering services" (paragraph 2.1) and "RiverOak's plans to redevelop and reopen Manston as a mixed-use airport are anchored by a significant and much needed freight hub **able to handle at least 10,000 air freight movements a year**" (paragraph 2.2).

- 3.13 The same description as appears in paragraph 2.2 also appears in:

3.13.1 paragraph 1.3.1 of the Interim Consultation Report which was published in June 2017;

3.13.2 page 12 of the 2017 Consultation Overview Report; and

3.13.3 paragraph 5 of the Outline Business Case.

- 3.14 By contrast, paragraph 1.1.7 of the PEIR describes the test in different terms, and states that the development is considered to be a NSIP because it "*involves an alteration to an airport that is located within England, which is expected to lead to an increase in airport capacity of at least 10,000 ATMs of cargo aircraft **than currently provided by the airport***" (our emphasis).

- 3.15 The words highlighted in bold text above are those relied upon by RSP in its PEIR. However, these words plainly do **not** appear in the 2008 Act, and this interpretation plainly does **not** appear in the explanatory notes to the 2008 Act or any published guidance.

- 3.16 To take a starting position of no ATMs is simply manifestly incorrect with reference to section 23. The clear statutory wording and intention of section 23 is to capture projects where the effect of the development proposed would be to increase the number of ATMs that the airport is **capable** of handling by at least 10,000 ATMs per year of cargo aircraft. It would be nonsense for an airport site to have to go through the 2008 Act where its capability already exists at 10,000 ATMs per year or more simply because no aircraft currently fly from that airport. It is important (and obvious) to recognise that an airport's *current* ATM figure may not be the same (and rarely is the same) as its *capability* ATM figure.

- 3.17 The present planning permission for the Site is unconstrained in relation to both annual passenger throughput and in relation to annual freight ATMs. The only restriction on the operation of an airport at the Site is a restriction contained in a section 106 agreement dated 26 September 2000 in relation to noise limitations for night time flights.

- 3.18 Notwithstanding that it is currently closed, the permitted use in planning terms of the Site remains as an "airport" and that is obviously RSP's position too, both in its

proposed DCO application consultation material and in the fact that RSP objected to change of use proposals made by SHP on the basis that the existing airport use and the airport safeguarding of the Site should not be undermined by any change of use, even a temporary one.

- 3.19 SHP's expert aviation team have considered the number of ATMs of cargo aircraft for which the Site is capable of providing air cargo transport services. At this stage, their conclusion is that the Site is capable of providing at least 21,000 ATMs per year of cargo aircraft. Given RSP's year 20 forecast is 17,171 ATMs for freight, the Site is therefore perfectly capable of accommodating RSP's proposals without the need for seeking a DCO under the 2008 Act. RSP's proposals would clearly not, therefore, lead to an increase of at least 10,000 ATMs per year of cargo aircraft as the airport at the Site can already deliver at least 21,000 ATMs. The capability to handle the RSP forecast throughput is already there and is unconstrained by any planning conditions restricting cargo ATMs. The development proposed by RSP is therefore actually about "improving facilities at the Site" whilst "operating within the existing capability of the airport". That clearly does not qualify as a NSIP and no DCO can lawfully be applied for.
- 3.20 By way of illustration, this is no difference in concept to the development that has been undertaken at the new Heathrow Terminal 2 (which was granted planning permission under the Town and Country Planning Act 1990), which improved facilities for passengers whose flights could already be accommodated within the existing planning limitations on passenger throughput and ATMs, or the recently approved new passenger terminal at Stansted (approved under the Town and Country Planning Act 1990), or changes at East Midlands Airport to aprons (also approved under the Town and Country Planning Act 1990).
- 3.21 In planning, licensing and practical terms, what would be required for anyone seeking to deliver the so-called "business plan" outlined by RSP to progress the Site as a freight focussed airport, would be simply to:
- 3.21.1 apply to the CAA for an Aerodrome Licence to be granted (under the EASA Aerodrome regulations);
  - 3.21.2 reinstate/refurbish the internal fittings of existing buildings;
  - 3.21.3 rely on the permitted development rights conferred on airport operators to make any alterations required to the cargo aprons and to reinstate approach lighting and other airport equipment;
  - 3.21.4 apply for planning permission under the Town and Country Planning Act for any required replacement cargo sheds (if any such sheds were needed); and
  - 3.21.5 obtain the necessary agreement of the site's owner to such works and operations.
- 3.22 None of this would increase the "capability" of the Site by 10,000 ATMs of cargo aircraft as the airport at the Site has more than sufficient capability to accommodate the ATMs projected in RSP's so-called "business plan". It is therefore a clear attempted misuse of the 2008 Act for RSP to claim that its proposals meet the thresholds for a NSIP.
- 3.23 In order for affected parties and the public to be able to understand the nature of the development proposed and its effects on them, it must be clear on the face of the project description whether it is or is not a project which falls within sections 14 and 23 of the 2008 Act. In addition, it is obvious that in blight terms, particularly where compulsory acquisition powers are applied for, it is crucial that proposals which do not

clearly meet the required NSIP thresholds must not be allowed to proceed under the regime. RSP's proposals clearly do not meet the required thresholds.

#### 4. ASSOCIATED DEVELOPMENT AND THE STATUTORY TESTS

- 4.1 Entirely without prejudice to the above point (i.e. that RSP's proposals clearly do not amount to a NSIP), even if it were the case that providing capacity for at least 10,000 ATMs of cargo aircraft per annum (page 3, RSP's Overview Report) at the Site did bring RSP's proposals within the scope of section 23 of the 2008 Act, there are a number of elements of the RSP proposals that could not properly be said to form part of an airport-related NSIP in any event.
- 4.2 RSP sets out its proposed description of development in paragraph 3.2 of the PEIR on page 25. Additional development not mentioned in the list on page 25 of the PEIR is identified in the Outline Business Case published by RSP with its statutory consultation.
- 4.3 Under section 115 of the 2008 Act, development consent may be granted for development which is "*development for which development consent is required*" (i.e. the NSIP) or "*associated development*." Only some of the elements of the proposed development described by RSP could be considered to be operationally part of an airport, or integral for the operation of an airport, and therefore potentially part of a NSIP (should the statutory tests for a NSIP be met, which is obviously not accepted, as above).
- 4.4 Equally, only some of the elements described by RSP could be considered to be associated development. Section 115(2) defines "associated development" as development which "*is associated with*" the development for which development consent is required (i.e. the NSIP).
- 4.5 The DCLG "*Guidance on associated development applications for major infrastructure projects*" (April 2013) sets out the core principles that the Secretary of State will use in determining whether development should be treated as associated development. The first of these principles is that there is a requirement for "*a direct relationship between associated development and the principal development. Associated development should therefore either support the construction or operation of the principal development, or help address its impacts*" (Paragraph 5(i)).
- 4.6 Principle (iii) set out in the DCLG Guidance is that "*Development should not be treated as associated development if it is only necessary as a source of additional revenue for the applicant, in order to cross-subsidise the cost of the principal development. This does not mean that the applicant cannot cross subsidise, but if part of a proposal is only necessary as a means of cross-subsidising the principal development then that part should not be treated as associated development*".
- 4.7 In the opinion of SHP's expert aviation advisors, there are a number of components of RSP's proposals that are neither a NSIP nor part of the NSIP and do not satisfy the tests on associated development. For example, the purported NSIP in this case is airport-related development that is expected to have the effect of increasing by at least 10,000 ATMs per year the number of cargo aircraft for which the airport in question is capable of providing. The RSP consultation materials provide no explanation as to how, for example, any of the below are necessary for any of the reasons given in principle (i) of the DCLG Guidance described above:
- 4.7.1 a "museum quarter";
- 4.7.2 the creation of an "aircraft teardown and recycling facility";

- 4.7.3 a "flight training school";
- 4.7.4 a "fixed base operation for executive travel"; and
- 4.7.5 "business facilities for aviation related organisations".

On the face of the consultation materials, these facilities are required by RSP in order to provide early revenue streams and to subsidise the capital costs of the core airport proposal (the freight operations). As such, they are "only necessary" to cross subsidise and thus cannot be validly considered to be associated development. They are speculative uses necessary only to try and prop up what is in reality a commercially unviable scheme.

- 4.8 Indeed, RIC's Scoping Report described these facilities as being merely "*to complement*" freight services (paragraph 2.1.8 of the Scoping Report). However, associated development cannot be promoted (with accompanying powers of compulsory acquisition) for proposals which are not required to support construction or operation of the principal development (the development which meets the NSIP threshold). Merely "nice to have" or "complementary" proposals such as these do not justify inclusion in a statutory order with draconian compulsory acquisition powers. The Annex to the DCLG Guidance listing examples of the types of associated development that may be expected for an airport-related development lists only "*Freight distribution centre, including freight forwarding and temporary storage facilities*". RSP's proposals go far beyond what the 2008 Act regime was intended to cover as associated development, and include no justification beyond being necessary to create the asserted financial viability.
- 4.9 It should be clear to consultees which components of the proposal are considered to be part of the NSIP (noting above that SHP considers that RSP has not demonstrated that its proposals meet the thresholds for NSIP status), and which are associated development. Where they are proposed to be associated development, it must be made clear how those elements meet the definition set out in section 115 of the 2008 Act.
- 4.10 These are matters which require resolution now, at the pre-application stage, given the blighting effect on land included for such uses for intended compulsory acquisition. The inclusion of these uses is not justified for a project which not only fails to meet the thresholds in section 23, but also fails to demonstrate how the requirements of section 115 and the related guidance are met for the elements claimed as associated development.

## 5. THE IDENTITY OF THE APPLICANT

- 5.1 The pre-application materials are unclear as to the identity of the applicant. This is material at this stage in the process for the reasons set out above and later in this letter.
- 5.2 The "*upgrade and re-opening of Manston Airport primarily as a cargo airport, with some passenger services, with a capacity of at least 12,000 air cargo movements per year*" was originally notified to the Planning Inspectorate as a potential NSIP by RIC, a company incorporated and registered in the USA. It was RIC that submitted the request for a scoping opinion pursuant to the Infrastructure Planning (Environmental Impact Assessment) Regulations 2009, and carried out the first public consultation on the proposal to upgrade and re-open Manston Airport. Throughout the public consultation materials published in 2016, RIC was described as "RiverOak".
- 5.3 However, the current promoter and applicant of the proposal to upgrade and re-open Manston Airport is an unconnected company, RSP, which was incorporated in

England and Wales on 8 July 2016 with Anthony Freudmann listed as the sole director and shareholder on Companies House records. The total issued share capital of RSP has a value of £1 (as evidenced by the confirmation statement filed at Companies House on 23 March 2017). The company's recent incorporation means it has no filed accounts.

5.4 The current shareholders of RSP are listed at Companies House as being RiverOak Manston Limited and M.I.O Investments Limited. [REDACTED] was no longer a direct shareholder with effect from 15 December 2016.

5.4.1 **M.I.O Investments Limited** is a company registered in the Commonwealth territory of Belize. The RSP website states that this company "was established by our investors as a specific funding vehicle for their financial interests in the Manston Project, which is standard practice". However, by being registered in Belize, there is no information in the public domain regarding the ownership of this company, or its financial standing.

5.4.2 **RiverOak Manston Limited** is a company registered in England and Wales which was also incorporated in July 2016. As with RSP, there are no filed accounts, as it is a recently established company. Its issued share capital is reported to be owned by [REDACTED], [REDACTED] and **GY Manston LLC**. GY Manston LLC is a company incorporated in the USA, registered in Delaware. The financial standing of the individuals is not known and the foreign incorporation of GY Manston LLC again means no information is in the public domain about the company or its financial means.

5.4.3 Only M.I.O Investments is mentioned on RSP's website, and no substantial information is given. Statements on RSP's website (see **Enclosure 3**) appear to suggest that anonymous investors channelling undisclosed amounts of funding through a Belize registered company is "standard practice" for the promotion and operation of an airport, a statement which cannot be substantiated and does not in any event address the applicant's responsibility for transparency when threatening the use of powers of compulsory acquisition regarding how the project costs, land acquisition costs and blight costs are to be met.

5.4.4 An applicant that is seeking to promote a supposedly nationally significant freight airport clearly needs to substantiate that it has sufficient financial standing to fund the costs of:

- (a) the application process (including challenges);
- (b) compulsory land acquisition costs and compensation and proceedings (including challenges);
- (c) blight (including noise, air quality and property depreciation blight) caused by airport operations as well as blight affecting the SHP development proposals;
- (d) required impact mitigation for the construction and operational phases of the proposed development;
- (e) construction of the proposed development;
- (f) licensing of the proposed development and predicted/claimed operations; and

- (g) operational requirements in connection with the proposed development and predicted/claimed operations.
- 5.4.5 In this case, it is also of especial importance given the applicant is seeking the wholesale compulsory acquisition of a site totalling 296 ha which is being promoted by its landowner and experienced developers for a major new settlement with hundreds of millions of pounds of investment planned.
- 5.4.6 The applicant must be held to account in terms of financial transparency and robustness in relation to all these areas. Please also refer to section 8 below.
- 5.5 It is clear following detailed examination that there is no connection between the original promoting entity and applicant, incorporated in the USA, and the new promoting entity and applicant, incorporated in England and Wales. This fact was not made clear. Indeed, our client only found out that RSP had been established and, we understand, acquired all rights and interests in the work paid for to date by RIC in the project through a planning application appeal process unconnected to this matter. Only when that occurred did RSP confirm that they were the new applicant (see press release dated 14 March 2017 at **Enclosure 3**). The press release states that RSP purchased from RIC all of RIC's interests in the development of the project. RIC's press release on 24 March 2017 (again in **Enclosure 4**) states that RSP "*is not affiliated with RiverOak Investment Corp., LLC,*" and confirmed that it will have no ongoing involvement in the project, stating that the re-opening of Manston Airport "*will be operated, owned and managed completely independently of RiverOak Investment Corp., LLC*".
- 5.6 RSP's solicitors, Bircham Dyson Bell (who previously also acted for RIC) only confirmed the change of applicant in a letter dated 30 March 2017, stating that RIC's exit from the project had taken place under an agreement dated 15 December 2016 (over three months earlier). In the meantime, RSP had purported to take entry to land under powers granted to RIC on 16 December 2016, claiming to be authorised to do so. In fact, RIC had not given any authority for RSP to enter land under the section 53 licence granted to RIC, and sent an email to SHP's solicitors which confirmed only that RIC was no longer involved in the project (also dated 30 March 2017).
- 5.7 The Planning Inspectorate confirmed in a letter dated 27 March 2017 that the section 53 authorisation granted was to RIC as a legal entity in its own right and not to RSP. RSP then proceeded to submit a new application to the Planning Inspectorate for authorisation to enter land, clearly acknowledging that the identity of the applicant was material.
- 5.8 In the same way that RSP failed to make clear that there had been a change of applicant in seeking to rely on section 53 access rights, the pre-application consultation materials do not clearly explain that there has been a change in the promoting entity. Pre-application advice recorded on PINs' website dated 8 March 2017 states "*If the Applicant for Manston Airport chooses to report on its non-statutory consultation in the CR submitted with an application, it would be reasonable to expect any change in name to be explained and for the steps the Applicant took to clarify the change to consultees to be summarised*". The change here is clearly much more significant than a change of name (as presented in the advice) – it is in fact a change of legal entity. In this case RSP is a different legal company and in fact registered in a different continent. No clarificatory statement or explanation was included in the consultation materials. No explanation has been given to consultees.
- 5.9 Instead, the promoted statutory consultation undertaken in 2017 is cryptic and unclear as to the identity of the promoter and applicant, and as to which entity has undertaken which parts of the project development. The consultation materials use the term



"RiverOak" to refer both to RSP and to the original promoter, who has no ongoing involvement in the project. See for example:

- 5.9.1 Page 12 of the Consultation Overview, where the current promoter, RSP is referred to as "RiverOak".
  - 5.9.2 Paragraph 1.1.3 of the Interim Consultation Report, in which RSP is referred to as "RiverOak", which states that the previous 2016 consultation was carried out by "RiverOak". However, it was, in fact, not carried out by the current promoter and applicant, RSP, but by RIC, a different entity altogether.
  - 5.9.3 The materials do not give the full company name, or number of RSP, making it very difficult for consultees to discern that a change of entity (as opposed to just a change of name of the same entity) has occurred.
- 5.10 Clarity on the identity of the promoting entity and applicant is much more than an administrative matter – it is clearly material to the pre-application processes including those relating to access to land, pre-application consultation, environmental impact assessment and the proposals for compulsory acquisition. It is also material generally as to the financial standing of the promoter and their ability to deliver and fund the costs and compensation of their proposals. The landowner of the Site (whose land is threatened by compulsory acquisition), other stakeholders and members of the public need to be able to clearly understand who the applicant is and the financial position of that applicant for all the reasons set out above. There is clear prejudice arising.

## 6. **ATTEMPT TO UNLAWFULLY CIRCUMVENT THE INFRASTRUCTURE PLANNING (ENVIRONMENTAL IMPACT ASSESSMENT) REGULATIONS 2017**

- 6.1 It is clear from the information provided to date that the proposed development (if it was considered to meet the NSIP thresholds, which is clearly not the case as set out above), requires Environmental Impact Assessment ("EIA"). Projects seeking consent under the 2008 Act must carry out an assessment in accordance with the current regulations, which are the Infrastructure Planning (Environmental Impact Assessment) Regulations 2017 (the "**2017 Regulations**"). These 2017 Regulations were enacted to implement material changes to the consultation and publicity for EIA development, to the nature of the information to be contained in a PEIR and in an Environmental Statement compared to the previous Infrastructure Planning (Environmental Impact Assessment) Regulations 2009 (the "**2009 Regulations**"). Applicants must comply with these 2017 Regulations unless they fall within the specified transitional arrangements in Regulation 37.
- 6.2 Regulation 37 states that the earlier 2009 Regulations continue to apply where, before the commencement of the 2017 Regulations (on 16 May 2017):

*"(a) the applicant has –*

*(ii) requested the Secretary of State or the relevant authority to adopt a scoping opinion (as defined in the 2009 Regulations) in respect of the development to which the application relates;" (our emphasis)*

- 6.3 The proposed application by RSP clearly does not fall within those transitional arrangements, as **the applicant**, RSP, did not seek a screening or scoping opinion on the project prior to 16 May 2017. Instead, the applicant is claiming that it may rely upon a scoping opinion sought by RIC, (which, as described above, is a separate and unconnected company which no longer has any interest in promoting a re-opened airport at the Site). A scoping opinion sought by another party does not satisfy the

requirement for **the applicant** to have sought an opinion to come within the transitional arrangements.

- 6.4 The transitional provisions are very clear that it is **the applicant** which must have sought the scoping opinion. This wording is clear and deliberate (see further below). As such, the applicant is obliged to comply with the current 2017 Regulations. RSP has not done so during its consultation carried out in June 2017.
- 6.5 This point is clearly a material one, as EIA is a process which includes not only the written Environmental Statement submitted with the final application for a DCO, but also (as defined in regulation 5) "*the carrying out of any consultation, publication and notification required under these [2017] regulations*". Ensuring that it is the applicant who submits the application who has undertaken the whole of the (correct) EIA process throughout ensures consistency in the EIA process which is fundamental to the front-loading of any NSIP application. The processes summarised below are a fundamental part of the EIA process under the Directive and the implementing regulations, and must be carried out on the correct legal basis:
- 6.5.1 Consultation on and publication of a SoCC, under section 47 of the 2008 Act and Regulation 12 of the 2017 Regulations – RSP has not complied with Regulation 12 under the 2017 Regulations;
- 6.5.2 Regulation 8 notice – this requires "*A person who proposes to make an application for an order granting development consent*" before carrying out consultation under section 42 of the 2008 Act "*to notify the Secretary of State that **the person** proposes to provide an environmental statement in respect of that development*" (our emphasis). The identity of the applicant is material here – it is not something which can be done by another party. RSP has not complied with Regulation 8 under the 2017 Regulations;
- 6.5.3 Section 48 of the 2008 Act (Duty to Publicise) and Regulation 13 of the 2017 Regulations (**the applicant** must send copies of the section 48 notice to the prescribed consultation bodies). RSP has not complied with Regulation 13 of the 2017 Regulations;
- 6.5.4 Preliminary Environmental Information required in Regulation 12 of the 2017 Regulations, which must contain information which has been "*compiled by **the applicant**; and is reasonably required for the consultation bodies to develop an informed view of the likely significant environmental effects of the development and of any associated development*" (our emphasis) (the comparable definition of preliminary environmental information was materially different in the 2009 Regulations). RSP has not complied with Regulation 12 of the 2017 Regulations; and
- 6.5.5 The content of the final Environmental Statement, as set out in Regulation 14 and Regulation 5 of the 2017 Regulations (again, the scope of what was prescribed as the content of an Environmental Statement was materially different in the 2009 Regulations). RSP's PEIR did not contain preliminary information on the areas set out in Regulation 14 and Regulation 5 of the 2017 Regulations.
- 6.6 The purpose of the 2017 Regulations was to implement the changes introduced in the EIA Directive to improve the quality of information available to the consultation bodies during the pre-application stage, to the decision maker once an application is submitted, and to the public to aid public engagement in decision making. In seeking to rely upon transitional provisions which are not available to RSP as applicant, RSP is seeking to circumvent the proper application of the Directive and the 2017

Regulations. In short, RSP became the applicant too late to be able to rely on the 2009 Regulations.

- 6.7 As set out above, RSP is required to comply with the current 2017 Regulations unless the transitional provisions in Regulation 37 apply, which they do not. It is prejudicial to SHP and to other affected parties that RSP has not complied with the 2017 Regulations.
- 6.8 Identifying the correct regulations which apply to the proposed application by RSP is not simply a procedural point – it goes materially to defining the nature of the information to be provided at each stage of the process. This is not a matter which is capable of being rectified post-submission – it is a substantive point which informs the information which consultees are entitled to receive to be able to form "*an informed view of the likely significant environmental effects of the development and any associated development*".
- 6.9 A summary of the key points of difference is as follows:
- 6.9.1 revised definition of EIA process (Regulation 5);
  - 6.9.2 revised definition of an ES (in Regulation 14);
  - 6.9.3 revised definition of PEIR (in Regulation 12);
  - 6.9.4 new requirement for environmental information to be prepared by "competent experts" and for a statement of competence to be given (Regulation 14(4));
  - 6.9.5 new requirement for an Environmental Statement to be based upon the most recent scoping opinion adopted (in Regulation 14);
  - 6.9.6 a longer minimum consultation period of 30 days (Regulation 9 Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009 and Regulations 19 / 20 / 22 / 24 of the 2017 Regulations);
  - 6.9.7 changes to the prescribed content of an EIA in Schedule 4:
    - (a) a longer list of matters that the EIA must consider, including additionally population, human health, and climate (for example greenhouse gas emissions, impacts relevant to adaptation);
    - (b) description of the **reasonable alternatives** studied by the applicant, which are relevant to the proposed development and its specific characteristics, and an indication of the main reasons for the option chosen, taking into account the effects of the development on the environment...;
    - (c) Regulation 21 and Schedule 4 Paragraph 7 require a consideration of appropriate **monitoring measures**, and for an EIA to include a full description of monitoring arrangements proposed;
    - (d) Regulation 5(4) and Schedule 4 Paragraph 8 require the EIA to provide information on the expected significant effects arising from the **vulnerability of the proposed development to major accidents or disasters** that are relevant to that development.
- 6.10 The PEIR prepared by RSP and published with its purported statutory consultation in 2017 does not comply with these requirements, and does not allow consultees to have

an informed view of the likely significant environmental effects of the project in accordance with the 2017 Regulations. The EIA consultation and publicity processes have therefore been carried out in a deficient manner and not in accordance with the requirements of the 2017 Regulations.

- 6.11 If an application was to be submitted by RSP in reliance on consultation undertaken to date, the requirements of Chapter 2 of Part 5 to the 2008 Act would also not have been complied with. Should an application be submitted, it would fail the test under section 55(3)(e) of the 2008 Act when the Secretary of State would need to decide whether to accept the application. The application would also not be of a satisfactory standard as the Environmental Statement would have been prepared under the incorrect EIA Regulations, therefore the application would fail the test under section 55(3)(f) of the 2008 Act.
- 6.12 Allowing an application to proceed to submission when it has clearly failed to comply with the correct pre-application consultation requirements for the EIA process would be highly prejudicial, and would make a mockery of the integrity of both the EIA and the acceptance process as part of the 2008 Act. Should the application be accepted without the correct process being followed, there would be no immediate opportunity for SHP or others to seek judicial review of that acceptance decision, forcing SHP and others to expend very significant sums of money having to engage with an inappropriate Examination process, including preparation and submission of relevant representations, preparation of legal and other submissions at the Preliminary Meeting, written representations, attendance at hearings and compulsory acquisition hearings. This is highly prejudicial.
- 6.13 The applicant would need to prepare a compliant PEIR and consult on it correctly under the 2017 Regulations before any application could proceed to be considered for acceptance. This is necessary to allow those affected sufficient information to understand the proposals and the likely significant environmental effects in accordance with the 2017 Regulations.
- 6.14 Section 7 below considers the inadequacy of the content of the PEIR. The costs implications are set out in Section 9.

## 7. **INADEQUACY OF CONSULTATION**

- 7.1 The promoted statutory consultation carried out in relation to RSP's proposed application has clearly been inadequate, and the consultation has not enabled informed, meaningful engagement from the community and affected landowners due to the absence of appropriately detailed information and clarity as to the precise nature of what is being proposed and the likely significant and other environmental effects as a result.
- 7.2 **Inadequacies with the statement of community consultation:** The statutory consultation was required to be carried out in accordance with the SoCC. However, the SoCC is clearly inadequate, as supported by TDC's response on the draft SoCC dated 9 March 2017, and the way in which a great number of TDC's comments have been disregarded or ignored by RSP. It is clear TDC was very concerned about the draft SoCC and raised points highlighting various deficiencies, which have been simply ignored by RSP. SHP shares these concerns.
- 7.3 **Insufficient detail to allow for meaningful consultation:** It is clear that TDC has significant concerns in relation to the inadequacy of consultation. TDC raised concerns about the lack of information available regarding details of the RSP proposals, and that the level of information available may not allow meaningful comment by the local community. As we have set out elsewhere in this letter, SHP's team of highly qualified and experienced expert consultants is not clear from RSP's consultation documents

as to what is actually proposed with respect to the development and consider it is clearly not a NSIP, and therefore is ineligible to be assessed under the 2008 Act. If experienced expert consultants with a huge amount of expertise in the aviation industry cannot adequately decipher RSP's proposals, then members of the public cannot be reasonably expected to do so. This serves to highlight the inadequacy of the information available on consultation; it is abundantly clear that a proper opportunity for meaningful consultation on sufficiently clear and eligible proposals has not been afforded to the community and others whose interests may be affected by RSP's proposals if they were to proceed. PINS will no doubt be aware of the confusion and dissatisfaction surrounding the consultation carried out by RSP, based on the volume of section 51 correspondence it has received from members of the community.

- 7.4 **Deficiencies with the PEIR:** It is clear that the statutory consultation carried out on the preliminary environmental information was both flawed and premature, and that further consultation would be needed in order to rectify the identified failures and inadequacies, and to ensure that there is a proper opportunity for meaningful engagement. Not least, RSP has not complied with the 2017 Regulations which it must do for the reasons expressed in section 6 above.
- 7.5 Under the 2009 Regulations, a PEIR must contain such information as is "*reasonably required to assess the environmental effects of the development (and of any associated development)*." Under the 2017 Regulations, a PEIR must contain such information that is "*reasonably required for the consultation bodies to develop an informed view of the likely significant environmental effects of the development (and of any associated development)*."
- 7.6 The 2017 Regulations, inter alia, put into legislation the requirement of Advice Note Seven.<sup>2</sup> For example, paragraph 2.4 of Advice Note Seven states that "*[A] good PEI document is one that enables consultees (both specialist and non-specialist) to understand the likely environmental effects of the proposed developments and helps to inform their consultation response.*"
- 7.7 SHP's expert consultants have reviewed the PEIR. The view of the professional team is that the PEIR information in relation to the likely significant environmental effects of the proposals is not such as to enable consultees to provide a properly informed view of RSP's proposals. For example, on a non-exhaustive basis:
- 7.7.1 **Transport** – the transport chapter has a deficient methodology, is missing key information and is incomplete. For example, despite RSP's proposals being for a freight air cargo hub, there is no trip generation for the operational phase of the development. Without such information, no-one can identify the likely transport impacts and whether any off-site mitigation measures are required and, if so, how they will be secured. It is therefore not possible to draw any conclusions regarding the likely significant or other impacts of RSP's proposals on the transport network;
- 7.7.2 **Air Quality** - the PEIR accepts that no transport data is available upon which to base an assessment for the operational phase of air quality effects. Consequently, many of the reported significance levels may in fact become significant impacts and need further mitigation. It is also evident that there is an absence of details to inform the extent of the likely aircraft operational effects on air quality. Accordingly, consultees can have no confidence over the content of the air quality chapter. If the significance increases, then consultees should be made aware of that increase before any application is submitted as it could change people's views;

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<sup>2</sup> Environmental Impact Assessment: Preliminary Environmental Information, Screening and Scoping., March 2015

- 7.7.3 **Noise and vibration** - in the absence of traffic data for the operational phase of the proposals, together with an absence of details to inform the extent of the project study area for noise and vibration, the likely significant and other effects are largely unknown with results being subject to change;
- 7.7.4 **Ecology** – the PEIR follows just a threadbare generic approach to the delivery of construction works and operation. Conclusions are premature and inadequately evidenced, especially in the absence of traffic data;
- 7.7.5 **Health impacts** - the PEIR does not provide a Health Impact Assessment but states that the potential for significant effects of the proposals on public health is considered within the air quality and noise technical chapters. However, in the absence of fundamental data, the effects on public health remain an issue that would clearly need to be considered further in order for consultees to understand the potential impacts. Note that this is one of the key differences between the 2009 Regulations and the 2017 Regulations. This is an example of how failure to comply with the relevant legislation cannot be "swept under the carpet" at the acceptance stage;
- 7.7.6 **Loss of housing** - there is no assessment of the impact on the housing market of the loss of the emerging Local Plan's largest strategic site for new housing. RSP's proposals would result in a loss of the *at least* 2,500 homes allocated in the emerging Local Plan with the Site's overall potential of between around 3,500 to 4,000 homes. The impact of that loss, for example the extent to which alternative sites on greenfield land would be required to be made available to meet the housing supply demands, and the resultant likely significant environmental effects of that, have not been assessed. Consultees need to be informed that the result of RSP's proposals would be this loss of this proposed housing allocation, the further housing capacity of the Site and the consequential effects in the identification and development of alternative housing sites and the likely significant effects of that. In addition, there is no discussion of the impact on the housing market of RSP's projected employment figures, a point raised by TDC but ignored by the applicant.
- 7.8 These are glaring omissions that need to be filled in order to provide consultees with an ability to properly understand the proposals and what the likely significant and other impacts are so that they can come to a properly informed view about the proposals.
- 7.9 **Lack of detail about mitigation and compensation schemes for Category 3 persons:** Given the "generic" approach of the PEIR and the absences of key data, the Planning Inspectorate must interrogate precisely how RSP has identified its Category 3 list of persons. For a proposal of this nature, which presents itself as a significant airport-related development, the methodology applied clearly needs to be particularly transparent and the Planning Inspectorate must ensure that it is clearly set out, explained and tested prior to any submission. Any doubt over the approach must then result in a refusal to accept any application on the grounds of an inadequate consultation under section 42 of the 2008 Act.
- 7.10 We also note that TDC raised significant concerns that the ramifications on the local community would not be objectively outlined in the statutory consultation, and the absence of detail in relation to any property mitigation and compensation scheme is further evidence of this.
- 7.11 It is completely unclear what, if any, actions have been taken by RSP with respect to any property blight scheme and compensation for those affected, particularly by noise, air quality and property depreciation. RSP's proposals, if they ever proceeded, would be likely to cause a significant detrimental impact not just on SHP's land and the

immediate surrounding area, but also on a wider area of many surrounding properties over large distances, including with daytime and night-time flights, as well as surface transport congestion (note the PEIR is so threadbare it is impossible to gauge the extent of the likely and other potential impacts). The consultation does not set out any property blight scheme details including the extent and calculation of anticipated compensation.

- 7.12 The Overview Report, as part of the consultation documents, simply makes a passing reference to a "Noise Mitigation Strategy" that will be implemented and states that an "aircraft noise insulation scheme" will be offered. The Overview Report states that details of this insulation scheme are being developed and will be subject to a separate consultation (Section 7.0 of the Overview Report). There is no further detail provided than this, including nothing in relation to how such a scheme will be funded and to what extent. We can find no evidence of this "separate consultation". If RSP intends to submit their application by Q4 2017, then that would clearly give no time for any meaningful consultation to be carried out on such an important scheme component which would materially affect homes and businesses and to be properly taken into account in any application. If RSP was to seek to submit an application without carrying out the consultation, then that would clearly be a procedural and substantive defect and there would be a breach of legitimate expectation in relation to the promised separate consultation.

## 8. FAILURE TO COMPLY WITH COMPULSORY ACQUISITION LEGISLATIVE AND GUIDANCE REQUIREMENTS

- 8.1 So far as an application for the grant of compulsory acquisition powers is concerned, the Planning Inspectorate must be satisfied that the requirements of section 55 of the 2008 Act and any Guidance issued thereunder must have been complied with before any application is made.
- 8.2 In relation to compulsory acquisition powers, the *Guidance related to procedures for the compulsory acquisition of land* states at paragraph 21 that before an application is made an applicant must comply with the requirements of Chapter 2 of Part 5 of the Planning Act 2008. Further, paragraph 25 states that applicants should as a general rule seek to acquire land by agreement, and authority to acquire land compulsorily should only be sought as part of a DCO if attempts to acquire by agreement fail (the only exception to the rule relates to linear schemes, which is not relevant here).
- 8.3 There have been no attempts by RSP to acquire by agreement or otherwise deliver the proposals by agreement with the owners of the Site. Accordingly, the requirements of section 55 and related Guidance have not been met and any application which seeks compulsory acquisition powers is manifestly premature.
- 8.4 **Availability of powers:** outside of the 2008 Act, compulsory acquisition powers are obviously not usually available for commercial companies. In this instance, RSP relies entirely upon its claim that its project is a NSIP in order to avail itself of compulsory acquisition powers, and the ability to seek authorisation for rights of entry to land. For the reasons set out in section 3 above, however, the proposals are not a NSIP and, as such, RSP cannot legitimately seek powers of compulsory acquisition. Given in particular the blight issues that arise with proposals where compulsory acquisition powers are sought, this is a matter of utmost importance to be resolved at this stage (and should have been resolved already).
- 8.5 **No demonstration of compulsory acquisition as a last resort:** as set out above, compulsory acquisition powers are available only as a measure of last resort, requiring applicants to make meaningful attempts to acquire the interests they seek voluntarily by negotiation or otherwise deliver their proposals with the agreement of the owners of

the Site. That should include a consideration of alternatives in terms of site location, site operations and site layout / related land required.

- 8.6 SHP acquired the Site in 2014, after it was closed by its previous owners. Following closure of the airport, TDC therefore embarked on a process to try to find an indemnity partner (which included detailed consideration of the former applicant, RIC) in order to potentially compulsorily acquire the Site or acquire it by agreement and re-commence airport operations. However, despite such a process, the Council's cabinet decided on two occasions, most recently in October 2015, to take no further action to progress a compulsory purchase order of the Site as there was no credible indemnity partner who could demonstrate a viable and deliverable plan for airport operations to re-commence on the Site. Part of its decision in October 2015 was that RIC did not fulfil the requirements of the Council for a suitable indemnity partner.
- 8.7 No offers from RSP to acquire the Site by agreement or otherwise deliver the RSP proposals by agreement with the Site's owners have been received by SHP. RIC, the previous applicant, made an approach in June 2016 but RSP has made no formal attempts to negotiate.
- 8.8 RSP, the current applicant, has plainly not, therefore, used its best or any reasonable efforts to acquire the Site by agreement or otherwise deliver the RSP proposals by agreement with the Site's owners involving any alternatives to outright acquisition of the land; compulsory acquisition plainly therefore cannot be seen as a measure of last resort.
- 8.9 In the compulsory acquisition powers context, or otherwise, RSP has not demonstrated a commercially viable airport proposition, or evidence that its shareholders are willing to subsidise an unviable, loss making operation. The three previous commercial owners of Manston were all unable to run the airport without sustaining major ongoing losses. Furthermore, the advice of our client's set of expert aviation advisers (i.e. York Aviation - whose work is cited by RSP in their consultation materials as evidence to demonstrate need and viability for a cargo hub at Manston, Altitude Aviation Advisory and Oxera) as well as the Local Planning Authority's own evidence base for its emerging Local Plan, including a report prepared by aviation consultants, AviaSolutions, all concur that the Site is not viable as an airport and has no credible prospect of being viable. On the other hand, RSP is relying on the advice of an "aviation academic" whose experience of advising on any commercial airport operations is unknown, and who previously worked with Anthony Freudmann as part of a company who used to own Manston Airport but did not make a success of it. SHP has developed a masterplan for the Site, has progressed a significant planning application over a large part of the site, is preparing further applications and has emerging Local Plan support. In contrast, RSP's airport proposals are entirely speculative, not supported by the emerging Local Plan, the emerging Local Plan's evidence base or by any national policy.
- 8.10 **Inadequate justification of extent of land acquisition proposed and inadequate consideration of alternatives:** there has been no justification of the extent of the land proposed to be included in the limits of land sought to be acquired. There is very little explanation of what uses are to be sited on relevant parcels of the land and the rationale for that, and there is wholly inadequate consideration of the alternatives in both the compulsory acquisition and wider contexts. RSP has not demonstrated that it has made any attempt to reduce the extent of the land required to the minimum required - it has simply drawn a line around the whole of SHP's interests without any justification, rather than explaining the minimum land requirements. In the compulsory acquisition and other contexts, that is clearly inadequate.
- 8.11 As explained in section 4 above, it is unclear as to why all of the development that RSP is proposing is required and, therefore, why all of the land is required. Indeed,



SHP's aviation experts consider that, from what is discernible about the proposals, only a much reduced land area would be needed to carry out the proposals (though the ATM forecasts cited by RSP are not accepted by SHP as being realistic or achievable). The Inspectorate must require RSP to explain and justify why it needs the extent of land it is proposing. This is a glaring absence from all materials presented in the promoted statutory consultation.

- 8.12 **Extent of land for associated development:** However, RSP's aspirations for Manston go far beyond what is a NSIP airport development and incorporate significant amounts of commercial development which is only necessary to provide financial cross subsidy to an airport proposal which is not viable. RSP cannot legitimately seek compulsory acquisition powers for land to host development which is neither NSIP nor associated development.
- 8.13 **Lack of applicant credible financial standing:** The lack of credible financial standing of RSP is also a highly material concern. As identified in section 5 above in relation to the identity of the applicant, there is no evidence that RSP is of adequate financial standing to meet the financial tests necessary for a promoter to be granted powers of compulsory acquisition, let alone deliver the proposals. RSP is an independent stand-alone special purpose vehicle, incorporated in July 2016 with no trading history and no evidenced assets or ability to leverage the finance required to fund the cost of a NSIP application, land acquisition, construction and operational costs and compensation matters set out in paragraph 5.4.4 of this letter above.
- 8.14 The ultimate shareholders for RSP are individuals or foreign registered companies in jurisdictions where the level of information available to the public is extremely limited. In the event that RSP was to liquidate or otherwise failed to meet its liabilities in relation to the costs and compensation requirements referred to above, absent robust security as to costs and compensation, there is a risk that the corporate veil (given that RSP is an independent legal SPV entity) may apply and affected parties would have no recourse against any other company or individual. RSP has already behaved improperly towards SHP and others in failing to disclose the change in identity of the promoter, and in seeking improperly to rely upon section 53 authorisations which were not granted to RSP. It is also pertinent that RIC, a company with a longer trading history and more substantial reported assets than RSP, failed to convince TDC that it was of sufficient financial standing for the Council to accept a CPO indemnity to purchase the land to try and keep the airport open. It is manifestly inappropriate for an entity such as RSP, with no track record, no land interests and no evidence of adequate funding to be allowed to continue to blight land and continue to threaten compulsory acquisition, especially when the Site is a highly material strategic housing allocation, in the context of an urgent national, regional and local need for the acceleration of housing delivery and the Government's clear commitment to increase the delivery of housing as set out in the Housing White Paper.
- 8.15 **Land compensation:** No assessment has been made or information provided as to RSP's estimate of the extent of the land acquisition costs. There are bold assertions that RSP has the ability to meet the costs, but no demonstration of how this would be done. In previous negotiations, RIC significantly undervalued the Site and no realistic offers for the purchase of the land reflecting the value that would have to be paid under the Compensation Code were made. RSP has not made any offers.
- 8.16 **Blight and Category 3 persons:** In addition to being able to meet the land acquisition costs of the Site, RSP must also be able to demonstrate that it is of sufficient standing to meet the wider blight costs of the scheme including provision for dealing with any statutory as well as area wide blight. The effects of blight on the area are already being felt in relation to SHP's scheme as well as wider area blight concerns as a result of RSP's proposals.

- 8.17 As identified in section 7 on inadequacy of consultation, as there are such significant gaps in the information provided by RSP this, in turn, casts serious doubt over how RSP can have properly and comprehensively identified affected parties who could fall within Category 3 of section 44 of the 2008 Act. RSP's financial standing must be sufficiently robustly evidenced such that, in addition to the compensation costs for land acquisition and extinguishment of rights over the Site, the costs of meeting Category 3 claims can also be fully met.
- 8.18 **Noise mitigation and insulation schemes:** RSP has not offered or consulted on any noise mitigation or insulation schemes, which is highly unusual in relation to any supposedly nationally significant infrastructure airport project. A host of airports obviously have extensive noise mitigation and insulation schemes for private homes and public buildings and sensitive uses such as schools and hospitals. The lack of assessment and mitigation in this respect is indicative of the applicant's threadbare approach to the proposals. Indeed, the draft Airports NPS, which is an "*an important and relevant consideration in respect of applications for new runway capacity and other airport infrastructure in London and the South East of England*" (paragraph 1.10) makes it clear that in the context of expansion at other UK airports, there is an expectation that "*People are entitled to know what steps will be taken to help protect them against aircraft noise and, where appropriate, to help them to move house.*" (Paragraph 5.233). RSP has failed to provide any information on the costs of meeting the legitimate claims of affected neighbouring properties affected by noise.
- 8.19 **Costs of construction:** In addition to the compulsory acquisition costs, as set out above, there must also be a reasonable prospect that RSP can meet the likely costs of constructing the project, and that once constructed it will be capable of viable sustainable operation. Land should clearly not be acquired by compulsion for "white elephant" schemes, which have no genuine or credible prospects of long term operation. There is clear evidence from SHP's three expert aviation consultants, and from AviaSolutions (appointed by TDC and reporting as part of the local plan evidence base), that the long term operation of Manston airport is simply not a viable proposition. The application simply cannot proceed on any credible basis.
- 8.20 **Meeting costs awards:** It is also vital that RSP should be of sufficient financial standing to be able to meet any potential costs awards to those affected parties, such as SHP, forced to expend significant sums defending their interests against RSP's proposals in the event that their objections succeed. Please see section 9 below for more detail in relation to the costs position of SHP in respect of this proposed application.
- 8.21 **Security for compensation, blight and wasted costs:** RSP's proposals are blighting land now. There is no confidence or evidence that this company has the financial standing to complete the DCO examination process, let alone meet the host of other costs and compensation costs, which will run into tens of millions of pounds plus. RSP must credibly demonstrate the requisite funds to meet those costs and compensation. RSP has simply not done this. Instead, RSP's shareholders are companies in jurisdictions where there is an opaque public recording system. Therefore SHP, and indeed the wider public and the Planning Inspectorate, have manifestly insufficient idea about RSP's standing or where the funds would come from to meet its liabilities (see section 9 further below).
- 8.22 As well as evidence of sufficient financial standing of the applicant being required generally, in light of the above, it is clear that an Escrow account needs to be established now which needs to include the full amount of, at the very least, a robust estimate of the compulsory acquisition costs and compensation, blight compensation (not just for SHP but for affected Category 3 persons) and for an appropriate noise mitigation and insulation scheme. Appropriate security as to costs also needs to be provided in an Escrow account, as set out in section 9 below.

## 9. COSTS

- 9.1 Given the above, it is clear our client, SHP, is being forced to expend significant costs in dealing with a manifestly inappropriate and deficient application (which should never have been made or been allowed to progress from the beginning) and is prejudiced by RSP's attempt to inappropriately take advantage of the NSIP procedure, in reality simply as a device to try and compulsorily acquire SHP's land after TDC refused to do so. To defend its interests against the DCO proposals and compulsory acquisition of its land, SHP has, and will continue to have to, incur significant costs unless the proposals to submit an application are immediately withdrawn, which is what should now happen.
- 9.2 As we discussed in our meeting with you, we formally put both RSP and the Secretary of State on notice that our client will pursue all necessary avenues to defend its interests and will be seeking to recover all of its costs incurred in the entire DCO process, including costs to date, plus compensation for consequential losses. Should the DCO application progress and be accepted and proceed to Examination, our client will be forced to incur further significant costs of defending its interests throughout. The intention is to include in a costs claim the following bases:
- 9.2.1 **Section 53** - Unrecovered costs from having to deal with requests under section 53 of the 2008 Act.
- 9.2.2 **Costs of defending compulsory acquisition of land** - If SHP was successful in objecting to RSP's request for the inclusion of compulsory acquisition powers in the DCO, and the Secretary of State either refuses development consent or makes a DCO without compulsory acquisition powers (of the whole or part of SHP's land), SHP will seek a full award of costs with respect to the costs incurred by SHP in preparation for and during the Examination. Similarly, SHP will seek recovery of SHP's costs if RSP asks for land to be excluded from the land for which it seeks compulsory acquisition powers during the Examination.
- 9.2.3 **Costs incurred as a result of the Applicant's unreasonable behaviour** – It is SHP's intention to seek (at an appropriate juncture e.g. following any withdrawal of the application for a DCO or curtailment or cancellation of the Examination following the Preliminary Meeting or otherwise, or in any event at the completion of any Examination) a full award for costs in relation to unnecessary or wasted expense incurred by SHP as a result of the unreasonable behaviour of RSP in the way it has made and pursued its application. RSP has made an application on a false premise, i.e. that the project is a NSIP, has clearly failed to comply with procedural requirements and to substantiate its case and it continues in unreasonable behaviour in pursuing its application based on a lack of credible evidence and disregarding or clearly paying insufficient attention to a host of important matters raised by SHP, TDC and a range of other parties.
- 9.2.4 **Costs incurred in judicially reviewing the making of a DCO** – In the light of the legal deficiencies we have identified, if the Secretary of State makes a DCO (with or without the full extent of compulsory acquisition powers sought) it is SHP's intention to submit a claim to judicially review that decision, and we will seek a full award of costs with respect to costs incurred by SHP if SHP is successful in taking such action. Having regard to the circumstances of the case the costs claimed will not be limited to those incurred in bringing the judicial review proceedings, and will include costs incurred from acceptance of the application and throughout the Examination. As you know, there is no statutory opportunity for SHP to judicially review decisions relating to acceptance or proceeding to Examination after the

Preliminary Meeting, and SHP will therefore be forced to engage in these processes by making submissions to the Planning Inspectorate and being involved in the Examination process. SHP is therefore reliant on the Secretary of State to be especially vigilant at those stages, in terms of ensuring procedural and substantive requirements are met. There must be no opportunity for abuse of the NSIP process, and that the application must be of a satisfactory standard, reinforced in these circumstances including by the threat of wholesale compulsory acquisition of the Site. Failure by the Secretary of State to adequately and thoroughly discharge its duties in this respect would have the consequence of our client being put to the great expense of incurring further significant costs in participating in every stage of the application process in order to protect its interests.

- 9.3 These costs will be substantial and, as highlighted in this letter, we have serious concerns over the lack of certainty that RSP will be able to meet any award of costs in our client's favour and in relation to any other party. We would therefore expect the Inspectorate to ensure that RSP is of sufficient financial standing before contemplating any further its application, which can only be achieved in this instance through the inclusion in the Escrow account referred to in section 8 above of sufficient sums to cover the costs which may become payable. We will supply further details of SHP's costs to inform this shortly but it is clear that the consequential losses to SHP arising from delay to its new settlement project will run into the many millions of pounds and that the costs for SHP (to date and to continue to defend its interests) are very significant.

10. **APPLICATION INCAPABLE OF ACCEPTANCE AS PLAINLY OF UNSATISFACTORY STANDARD**

- 10.1 For the reasons summarised above, the proposed application is manifestly incapable of acceptance under Section 55(3)(f) of the 2008 Act because it is not a NSIP and it is plainly not of a satisfactory standard even if it was. The proposed application has no reasonable prospect of being granted or the proposals successfully proceeding – in reality, the proposals are an attempted abuse of the DCO process.

11. **SECTION 51 ADVICE**

- 11.1 During the meeting on 27 September 2017, it was identified that the Planning Inspectorate's website required updating to reflect the change in applicant for the DCO. Section 51 advice dated 27 March 2017 attaches a copy of the letter sent by PINS to Herbert Smith Freehills, where it is noted "*on 14th March 2017, BDB on behalf of RiverOak Investment Corporation LLC wrote to the Planning Inspectorate ("the Inspectorate") to confirm that there had been a formal change in the identity of the promoter of the Manston Airport Development Consent Order (DCO) to RiverOak Strategic Partners Ltd (RSP). This is now reflected in the detail provided on the Inspectorate's internet project page for Manston Airport*". This was a material change, and given the circumstances that later came to light (i.e. that RIC had transferred its interest to RSP on 15 December 2016), it is important that BDB's written correspondence from 14 March 2017 is published as either a document or as section 51 advice. Such correspondence is required in its entirety to examine further the extent to which the change in identity of the applicant was done on a transparent basis or not. Please could you provide an update as to when outstanding section 51 advice will be published on the website?

## 12. CONCLUSION

- 12.1 As was discussed during the section 51 meeting held on 27 September 2017, this letter has set out that:
- 12.1.1 RSP's proposals do not meet the statutory thresholds under the Planning Act 2008 to be considered a "nationally significant infrastructure project". Its proposed application for a Development Consent Order, therefore, cannot proceed, and should not be proceeding, under the 2008 Act. For this reason alone, RSP should be asked to withdraw its proposals from the DCO process forthwith. In addition to this fundamental issue the following points are other reasons why the proposed DCO application cannot lawfully proceed. They are made independently of and without prejudice to the fundamental issue;
  - 12.1.2 RSP's proposed DCO application is proceeding unlawfully by seeking to circumvent the Infrastructure Planning (Environmental Impact Assessment) Regulations 2017 in respect of how applicants should approach the environmental assessment of their proposals. RSP is unable to proceed on this basis;
  - 12.1.3 There has been inadequate pre-application consultation undertaken by RSP in respect of the proposed DCO application and it is unable to proceed on this basis;
  - 12.1.4 There has been, and remains, a lack of clarity over both the identity of the proposed applicant and its financial standing throughout the process. The proposed DCO application cannot proceed as there is no evidence of the ability of RSP to meet the financial liabilities relating to costs and compensation arising in relation to the application process. Any attempt to move forward with proposals should be supported by evidence related to the ability to fund them, including the costs of the application process (including challenges), compulsory land acquisition costs and compensations including proceedings, blight (including noise, air quality and property depreciation blight) caused by airport operations as well as blight affecting the SHP development proposals, required impact mitigation, construction, licensing, and operational requirements required to deliver the RSP proposals. There is an absence of any evidence of sufficient financial capability for RSP to be in a position to reimburse both SHP's costs from SHP's objections in relation to the proposed application (should SHP's objections succeed or due to the conduct of RSP in relation to the application process), or the consequential losses which SHP has suffered and is continuing to suffer from the blight and delay caused to SHP's own major new settlement-led proposals for the Site arising from RSP's proposals, not to mention potential costs claims from other parties. The proposed DCO application cannot appropriately proceed on this basis;
  - 12.1.5 The proposed applicant does not own or control any part of the Site and is unable to progress any application for compulsory acquisition powers as it has not demonstrated that compulsory acquisition powers are a last resort following meaningful attempts to negotiate to acquire the Site or otherwise deliver the proposals by agreement with the owners of the Site, nor has it justified the extent of the land identified or evidenced any real and meaningful attempts to consider alternatives;
  - 12.1.6 Flowing from all of the above, the proposed application is incapable of acceptance under Section 55(3)(f) of the 2008 Act in that it will plainly not be of a satisfactory standard. The proposed application has no reasonable

prospect of being granted or the proposals successfully proceeding – in reality, the proposals are unrealistic and an attempted abuse of the DCO process.

12.2 It is imperative that these issues are dealt with immediately prior to potential application submission, to avoid the attempted circumvention of primary and secondary legislation, international and UK EIA obligations, and to mitigate and prevent further prejudice, losses and consequential effects on SHP and other affected parties of proposals which are not properly within scope of the 2008 Act.

12.3 Should RSP decide to try and continue with its application notwithstanding these fundamental issues, the 2008 Act sets out the tests that the Secretary of State must have regard to when considering whether to accept an application in section 55 of the 2008 Act. Compliance with the list below is mandatory, thus, the Secretary of State cannot accept an application unless these requirements are met. Taking these in turn, RSP has failed to demonstrate compliance with the following:

12.3.1 Section 55(3)(c): *"that development consent is required for any of the development to which the application relates"*. As set out above, RSP has not demonstrated why a DCO would be required at all, with reference to the statutory thresholds set out in section 14 and section 23 of the 2008 Act.

12.3.2 Section 55(3)(e): *"that the applicant has, in relation to a proposed application that has become the application, complied with Chapter 2 of Part 5 (pre-application procedure)"*. In this regard, the Secretary of State may have regard to *"the extent to which the applicant has had regard to any guidance issued under section 50"* (section 55(4)(c)). As set out above, the pre-application consultation requirements, and those contained in the 2017 Regulations have not been fulfilled, and there are multiple shortcomings which cannot be overcome post-submission.

12.3.3 Section 55(3)(f) *"that the application (including accompaniments) is of a standard that the Secretary of State considers satisfactory"*. When considering whether the conclusion of satisfactory standard in section 55(3)(f) can be made, the Secretary of State *"must have regard to the extent to which—*

*(a) the application complies with the requirements in section 37(3) (form and contents of application) and any standards set under section 37(5), and*

*(b) any applicable guidance given under section 37(4) has been followed in relation to the application"*.

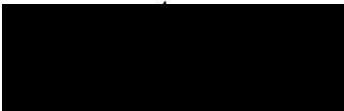
Failure to comply with any of the 2017 Regulations, the applicable guidance on associated development and in relation to compulsory acquisition would result in RSP not satisfying this test.

12.4 This letter covers the key points of principle which SHP considers must be resolved immediately, and is not seeking to cover all the flaws and concerns with the application. SHP will be writing with further concerns in due course as required.

12.5 We should be grateful if the Planning Inspectorate would please acknowledge receipt of this letter by return. We would ask for confirmation that its contents will be taken into account by the Planning Inspectorate in relation to further section 51 advice being sought by RSP in advance of submission of any application. A written response from the Planning Inspectorate to the points raised is also requested.

- 12.6 We would request a further meeting with the Planning Inspectorate under section 51 to discuss further the contents of this letter.
13. A copy of this letter is being sent to Bircham Dyson Bell (the solicitors acting for RSP), and also to TDC as the relevant local planning authority.

Yours faithfully



**Pinsent Masons LLP**

**Enclosures:**

Enclosure 1: Plan of the site

Enclosure 2: TDC response to statutory consultation

Enclosure 3: RSP statements in relation to its role as the applicant

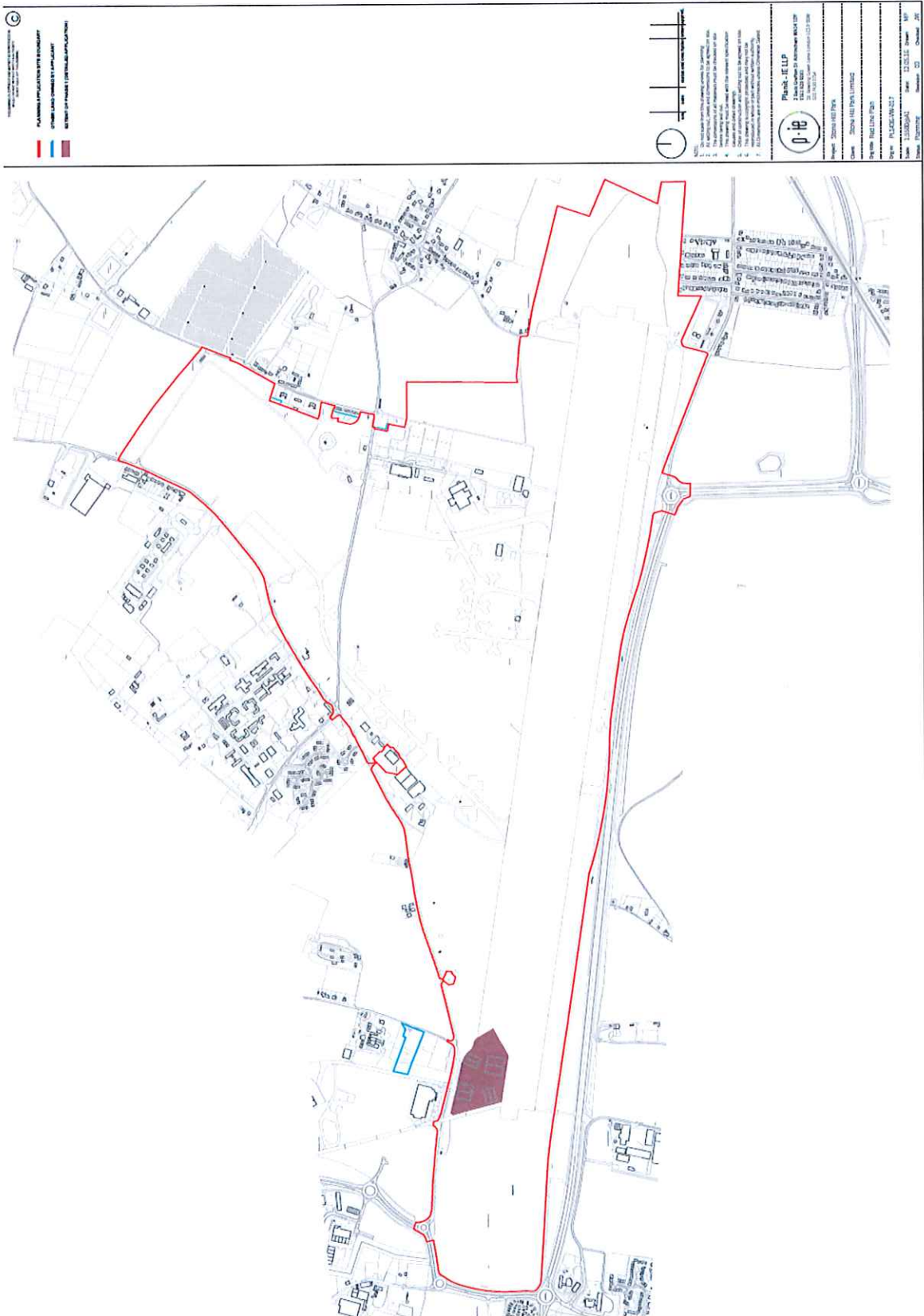
Enclosure 4: RSP and RIC press releases

**cc:**

, Thanet District Council

RSP c/o - , Bircham Dyson Bell

**Enclosure 1: Red line plan & Illustrative masterplan from SHP's planning application, 2016**









## Enclosure 2: TDC response to RSP's statutory consultation

### COMMUNITY SERVICES

Please ask for: [REDACTED]  
Direct Line: 01843 577140  
Date: 20/07/17



[REDACTED]  
Riveroak Strategic Partners  
Audley House  
9 North Audley Street  
Mayfair, London  
W1K 6WF

Dear [REDACTED]

### Application by RiverOak Investment Corp LLC for an Order Granting Development Consent for Manston Airport

#### Statutory Consultation on Proposed Project

Thank you for your consulting Thanet District Council under the provisions of Section 42 of the Planning Act 2008.

We will outline our specific comments on the information provided at this pre-application consultation stage of the process.

#### Principle and Policy Conflict

The proposed redevelopment of the Manston Airport site as a dedicated freight airport with additional uses would be directly contrary to the emerging Local Plan (to 2031) policy SP05, which allocates the site for a mixed use development with the capacity to deliver at least 2,500 new dwellings and up to 85,000sqm employment and leisure floorspace. It is considered on the basis of the Council's empirical evidence that airport operations at Manston are very unlikely to be financially viable in the longer term, and not possible in the period to 2031, and this has informed the proposed allocation within the preferred options revisions consulted upon in January 2017.

#### Basis of Project and Business Case

We have reviewed the 'Outline Business Case' submitted as part of your public consultation. This provides a high-level overview of the perceived benefits of the project, rather than as a business case for how the project will be funded and delivered. For example, at a basic level it does not include any breakdown of the cost of the proposed work (6a-m). There is a severe lack of detail about where additional investment, to develop the airport to the point where the development would be capable of providing services to handle 10,000 air transport movements of cargo aircraft a year, will come from, and what the actual amount of investment required to achieve 10,000 air transport movements is. It is also the case that there is a lack of information or evidence about how these 10,000 flights will occur without any operators identified or secured for the site, and only limited interest has been outlined in the background documentation from two smaller operators.

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Cecil Street  
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Kent  
CT9 1XZ

01843 577000  
[www.thanet.gov.uk](http://www.thanet.gov.uk)



The resource implications of both acquiring the land and implementing the project will need to be provided in the full submission, including outlining the degree to which other bodies have agreed to make financial contributions or to underwrite the scheme to fill any shortfall, and on what basis such contribution or underwriting has been made. Without this information there is significant uncertainty about the delivery of the project.

Putting aside what the Planning Inspectorate might want to see we would expect additional financial information to provide certainty about the delivery of the project, at the same level as the requirements on public-funded bodies under 'The Green Book' appraisal approach to provide certainty to the local community and the Inspectorate about the delivery of the project.

### **Economic impacts**

The 'Overview Report' states that by year two of operation, you expect 850 people to be directly employed on the site, with a further 5,000 people employed within the region in the supply chain, in associated industries or businesses or as a result of the airport's presence in the economy. By year 20 these figures are expected to rise to over 4,200 people at the airport site and a further 26,000 in the wider regional economy. The 'wider regional economy' is not defined in any of the consultation documentation, and we would expect this to be defined clearly in the full submission, linked to empirical evidence of regional economic impacts from airports so that its impact can be assessed independently.

The job numbers have been derived from the estimates from the Azimuth Associates documentation to create a formulae linking freight tonnage to job numbers on a theoretical basis. No optimism bias has been allowed for in these estimates, nor has the growth in automation been considered in this academic study. Without any information about who is going to deliver the freight tonnage and therefore create the job numbers stated we question whether the economic benefits of the airport in terms of job creation can be considered deliverable.

In turn this uncertainty makes us question the significance of the beneficial socio-economic impacts from the development within your Preliminary Environmental Information Report (PEIR).

On the critical point of economic impact we would want to see greater use of different sources of data to reduce the dependence on this academic study.

### **Housing Requirements**

Notwithstanding these concerns, the implications of proposed job creation on the amount of housing required in both Thanet and East Kent is a significant concern. This is briefly mentioned at point 13.9.8 of the PEIR, characterised as a major adverse – significant (impact). The emerging Local Plan's stated housing need to 2031 (17,140 homes) is predicated upon the expected addition of 5000 jobs in the same period. The development of your airport, by virtue of the estimated job numbers created both directly and within the supply chain, has the potential to significantly affect the objectively assessed need (OAN) for housing within the East Kent region.

The impact is a likely significant increase in housing land requirements. This may result in indirect effects, such as additional loss of countryside through housing development, which has not been assessed in the PEIR and significant new infrastructure demands. An assessment must be carried out within the full submission reviewing job creation in your project and the relevant plan documents in Thanet, Dover and Canterbury (phased over respective plan periods), reviewing the labour supply with existing studies available in all three areas, assessing where the projected workforce will be drawn from to the airport, modelling migration adjustment from this information therefore deriving implications on housing need in the district and the region.

The loss of the site as an allocation in the emerging Local Plan, for at least 2,500 dwellings, does not appear to have been considered in your submission. The proposal would also result in the loss of 56 open market units and 56no. extra care units approved on the Jentex site, meaning the total housing



shortfall resulting from this development would be at least 2,612. This would be a direct impact from your project, and the ramifications for this on Thanet's countryside must be adequately assessed within your submission (including within the socio-economic and landscape visual impact sections of the Environment Statement (ES)).

#### **Other socio-economic impacts**

Additional burdens on local services are considered to be major adverse impact during operation in the PEIR, which would result from the increase in residence of operational workers in the district. This effect should be linked to the work to be carried out around the increase housing requirement in the district and neighbouring authorities (above in Housing Requirement section), to quantify the impact on local services as accurately as possible.

No mention is provided about an on-site education/training facility, as referenced in the Azimuth Associates report within the masterplan, overview report or PEIR, and therefore it is assumed that this will not form part of the submission. In terms of learning and development opportunities, these are broadly mentioned in the Azimuth Associates report, however not outlined in the Socio-Economic impacts section of the PEIR. It would therefore appear that there is limited weight that can be attributed to any beneficial impacts on learning and development from the project given this lack of detail about discussions with any providers and how any measures will be integrated into the project. Paragraph 13.9.7 indicates that specific surveys of the location and character of vulnerable groups and community facilities will be undertaken, with more details to be provided in the ES. We will await this information, and request that the potential for local employment and training during construction and operational phase be outlined in full in the ES and subsequently secured via appropriate obligations.

The tourism profile of the district provided within the PEIR should be updated to reflect available data on visitors from the 2015 Cambridge Economic Impact Model, further information can be found via: <https://www.visitthanetbusiness.co.uk/>. The Council has adopted its Economic Growth Strategy, which is referenced at PEIR section 13.4.27, however the Experian report from 2012 was not adopted and is not considered up-to-date. We welcome the acknowledgement of the potential significant impact on businesses from noise and traffic and transportation however this should be elaborated upon in the ES. The impact on tourism is characterised at operational stage as moderate adverse, and we await information on how the likely effects on local amenity, businesses, the destination and the experience of visitors will be mitigated by environmental measures. It is stated that this could be through limiting night flights and aircraft flightpaths, however all indicative flight paths would travel over Ramsgate, and night flight mitigation would not impact on the multiple flights during the day that could adversely affect local business and tourism and the destination.

#### **Noise and impact on living conditions**

We are significantly concerned about the potential impact from your proposed development on the living conditions of those residential occupiers within close proximity of the airport, those residents living under the (indicative) flight paths, especially in relation to night flights, as well as disruption to multiple schools within Ramsgate. This impact has been characterised as major adverse – significant in the PEIR, and it is noted that further detailed assessment work is being carried out regarding construction and operational noise, including aircraft air noise which is pending further work on routes, aircraft type and specification. It will be necessary to consider the cumulative impact of existing aircraft operations in the vicinity, proposed airside operations as well as all training flights at the airport, and that this information should be submitted within the ES.

We would expect the final submission to include the full details of the proposed noise mitigation strategy as well as the noise insulation scheme (include those properties that you believe would be covered by the scheme on the basis of the information available at the time). It is noted that the document states that the noise contour map for the project will extend daytime and nighttime contours in comparison to the previously produced contour map for the previous use of the airport, but this is not being consulted on at this stage.



We would advise that an additional noise baseline observation location should be included within the Nethercourt residential estate, given its proximity to the airport and the anticipated landing/take off routes, as well as the approved Manston Green development location, with consideration of a permanent noise monitoring station on the site if any Development Consent Order (DCO) is approved.

Until the further assessment work has been completed and data made available we are unable to comment on whether the impacts have been adequately quantified and mitigated. We will therefore await this information before commenting in detail within the Council's Local Impact Report.

Notwithstanding the above concerns, if approved by the Planning Inspectorate we would expect that a Section 106 agreement would be formulated to cover all monitoring and mitigation for the use of the airport, with controls on noise levels, as well as controls on the number of night flights (capped at 8 movements as an absolute maximum given that this is the level to be assessed in the ES).

On a detailed layout point, the masterplan shows industrial buildings directly adjacent to residential properties on Manston Court road. The layout of this area should maximise the distance between industrial development and residential properties, with appropriate proposed use/heights/lighting to avoid harm to living conditions of those occupiers.

It is noted that the Secretary of State has required consideration of Vortex Strike arising from plane movements, but this has not been included in the noise assessment. We would welcome information on where this has been considered within the submission.

#### **Landscape and Visual Impact**

The development would result in a highly urbanising effect of the landscape, due to the amount and height of the buildings proposed. Particular impacts will result from the new Air Traffic Control Centre building, 28metres above ground level, and hanger buildings and cargo facilities at 29m and 21m above ground level. The impact on residential and recreational visual receptors is acknowledged in the PEIR as significant. The number of viewpoints in Figure 11.2 appears to be limited for a development which could have a significant effect on Thanet's landscape, with no separate between short, medium or long range viewpoints. We would advise a number of additional viewpoints are added, at a minimum in the following locations:

- A viewpoint on Shottendane Road close to Minster Road, to show the landscape impact from Westgate
- A viewpoint (a256) on Haine Road (adjacent to eastern extent of the site), just south of the approved Manston Green layout.
- A viewpoint from Grinsell Road looking north.
- A viewpoint from Canterbury Road West adjacent to Jentex site (western side).
- A viewpoint on Manston Road between the two Museums,
- A viewpoint on Manston Road adjacent to Charles River site.

We are happy to provide further detail about the proposed locations above if necessary. In addition, the following points are made about the proposed viewpoint locations:

- Viewpoint 3 should be assessed at nighttime to visualise extent of light intrusion into landscape when viewed from the north on Vincent Road.
- Viewpoint 6 and new viewpoint above should include nighttime assessment.
- A viewpoint (a256) on Haine Road (adjacent to eastern extent of the site) should be selected, just south of the approved Manston Green layout.

The above should be included within the baseline of data utilised for the further assessments in the DCO. There is also a general lack of viewpoints to the south of the site, where the impact from the development on the designated landscape character areas in Thanet are defined as significant by the

4



PEIR. Whilst this partial relates to noise and aircraft movements affecting the character and tranquility of the area, there will be a visual impact from the structures proposed. Whilst the impact on visual receptors using the transport network has been considered to be "not significant", we would suggest that a day/night viewpoint is selected on the A256 north bound when approaching the brow of the hill before descending to the roundabout with the A299. Some structures appear visible on the airport site from this road and therefore this should be assessed to ensure that the assessment currently provided in the PEIR is adequate and impact on this view quantified in the ES.

Whilst a baseline from the assessment of landscape has been produced for the PEIR, the results of this work at this stage does not appear to have informed the masterplan of the site, or this has not been explicitly outlined in the information, nor whether the further work in the ES will alter this layout at all. No mitigation measures are outlined, and we await the "Manston Airport Design Principles" document to assess the adequacy of the measures proposed.

The PEIR mentions a "Masterplan narrative" (RPS, February 2017) document, but this is not included and does not appear to be in the public domain as part of this consultation. It is assumed that this will form part of the "Manston Airport Design Principles" document.

It is noted that no assessment of the effects of lighting from the proposed development has occurred according to the PEIR, and we await further information on the impact on visual receptors from this element of the development.

#### **Air Quality**

Aircraft emissions have been assessed within the PEIR, and indicate there will be no exceedance of the air quality objective for nitrogen dioxide or pm10 in the vicinity of the airport where existing background levels are low (taken from extensive Council baseline monitoring). However, by year 20 a rise of around 5ug/m3 is predicted at the nearest residential receptors and this is yet to include transport related emissions as these data are as yet unavailable. Therefore an emissions mitigation assessment must be provided in accordance with Thanet District Council Air Quality Technical Planning guidance 2016. The air quality assessment should also include flight training school operations, fire training (plume dispersal) and airside aircraft maintenance emissions. The assessment methodology was passed to Defra's air quality helpdesk for comment as guided to by the LAQM TG16 Technical Guidance and their recommendation was for a full technical peer review.

The applicant should also consider installation of a permanent air quality monitoring station on approval.

A qualitative assessment of aircraft odour emissions given the history of odour complaints from the former airport use should also be provided in the ES.

#### **Land Quality and Freshwater**

A draft Phase 1 Geo-environmental report has been completed (appendix 10.1) outlining the potential contaminants of concern based on the historic site uses. It is noted that breaking of aircraft at the former airport is not included and should also be added as a potential contaminant source within the conceptual model.

Additional reports referenced in the PEIR highlight complete pollutant linkages at the adjacent Jentex site and former airport bulk fuel installation. Accordingly, the Planning Inspectorate advised that ground investigation is required; with the scope and methodology to be agreed by the Environment Agency (including appropriate mitigation measures during any borehole construction to safeguard the Southern Water public abstraction) and the Council. The Phase 1 investigation states that a phased approach will be taken when considering the use of direct groundwater monitoring to minimise disturbance to the aquifer. In addition to EA requirements in relation to groundwater, the Council should be consulted regarding the scope of the proposed intrusive investigations, and any subsequent remediation requirements, as these are material planning considerations.



Within the PEIR significance evaluation for land quality, negligible magnitude of the adverse effects on human health and groundwater has been considered for the application site itself, with the proviso that appropriate investigation and mitigation will be undertaken to safeguard sensitive receptors. However, a number of 'site specific measures' will be required to address effective identification, protection, containment, attenuation, management and recovery of potential contaminants at the site during the construction and operational phases. These are yet to be agreed by the regulators.

Accurate assessment of the adverse effects on identified receptors is contingent upon appropriate containment and management measures being introduced at the site. With regard to the operational phase, it is stated that the project will use 'in-built (embedded design) mitigation' which will require sign-off by relevant regulators. An updated assessment based on these specific measures is therefore required.

Although the likelihood is low, impacts of a plane crash outside contained areas must also be considered as part of the PEIR. This has not been looked at in the preliminary significance evaluation and it is understood that further work is currently being undertaken by Amec Foster Wheeler to address this. Manston airport benefits from a particularly wide (and long) runway. However, the adverse effects for this scenario should be considered in conjunction with appropriate emergency and pollution response plans. These must have capacity to prevent potential spread of contamination (e.g. fuels and fire retardant foams), which could impact the public water supply or SSSI at Pegwell Bay following an incident; including possible damage to impermeable hardstandings.

Likewise, the magnitude of effects on human health from UXOs are described as negligible provided detailed threat and risk assessments are completed prior to groundworks. Additional precautions may need to be considered as part of the CEMP however as effects may be significant should unsuspected munitions be encountered during any digging operations. Further specialist advice is required regarding the UXO assessment and any necessary precautions.

We are aware that the location and design of fuel tanks for the proposed freight hub is still under discussion with the Environment Agency and Southern Water, including possible use of the Jentex site. This option will require redevelopment of the existing facility. EA Groundwater Protection Policies (March 2017) do not support the siting of bulk fuel farms within Groundwater Source Protection Zone 1. Therefore, the requirements for siting and options for above ground tanks must be explored with Environment Agency. A relevant Bristol airport case study is referenced in the PEIR and further details should be provided.

It is noted that a Construction Environmental Management Plan (CEMP) is to be submitted as part of the DCO to reduce effects of pollution from the construction phase. The CEMP must be informed by the findings of intrusive investigation work. Please note that any works must be carried in a strictly controlled manner to ensure that contaminants are not exposed and releases allowed to air, land or controlled waters, which could cause pollution, harm or nuisance. Construction works must also comply with the Control of Pollution Act 1974 (e.g. any works likely to cause nuisance to neighbouring properties must not commence prior to 8:00am with stated weekday working hours are 07:30-17:30hrs).

### **Historical Environment**

Kent County Council (KCC) and Historical England have been consulted on the proposal, and these bodies are key consultees and their expertise should be relied upon.

In relation to the impact on heritage assets, there may be non-designated heritage assets not identified in the Kent County Council Historic Environment Record which could be affected by the proposal, and the assessment criteria should make provision for these potentially being identified through the DCO process.



Any harm arising from new buildings or building increasing in scale should consider the potential alteration of design, form or siting of the proposed development to mitigate any impacts, as additional planting or screening as suggested in unlikely to be effective.

The approach to the use of photomontages for the visual representations of the levels of possible harm should be agreed with the Council as well as Historic England.

From the PEIR, it appears that you seek to rely upon information from trial trenching carried out in support of the current planning application for the redevelopment of the airport site to assess future studies. It is important to note the agreed trial trenching was connected to the proposed layout of that scheme, with no trial trenching on the northern grass area. Given the extent of development on the section of land within your proposal, it is considered highly likely that you will be required to carry out your own trial trenching in this location to support your DCO submission, however we defer to KCC to comment.

### **Traffic and Transportation**

KCC will comment on the impact from the development on the highway network, and their expertise should be relied upon.

We are concerned about the potential impacts on the network surrounding the site from both construction and operational phase given the likely level of traffic generated by the proposed development, especially regarding Spitfire Way, Spitfire Junction and Manston Court Road. At this stage in the process there is insufficient information to consider these impacts. We therefore await further information about the scope of the transport assessment, which should including any additional housing requirement (see Economic impacts section), the methodology for distributing trips on the network and physical improvements to the network as well as mitigation measures in due course.

We request that we are directly involved in coordinating the list of committed development to be included within the future baselines with KCC. An assessment of the impact from the proposed development on the Thanet Transport Strategy must also be included within the submission, which should also be taken into account when agreeing modelling scenarios with KCC.

As previously stated, we believe that operational and junction capacity assessment should be included within the ES.

### **Biodiversity**

KCC, Natural England and Environment Agency will comment as key consultees on the impact from the proposal on biodiversity and their expertise should be relied upon.

### **Other matters**

The summary of the proposal includes an Aircraft Teardown facility as a "key component" of the project, however this does not appear to be mentioned at all in any of the documentation, including the site masterplan and the PEIR, and therefore it appears that you are not consulting on it at this stage. Despite that it is worth noting our concern with this proposal given the historic use of the site and enforcement action taken against similar operations previously due to potential contamination. It is imperative that more information is provided at the earliest stage to the local community about this facility, how it will operate. This should include but not be restricted to how fuels and other harmful or toxic materials will be removed from airplanes during breaking. We advise early discussions with the Environment Agency on this element of the project. On the basis of no information being provided about the facility, we are concerned about the need, viability and operation of such a facility within a Groundwater Source Protection Zone.





Within the PEIR, the assessment of cumulative impact is based upon a list of committed development which does not include the outline planning permission under reference OL/TH/11/0910, for the site known as Eurokent (approval for up to 550 houses and up to 63,000 sqm commercial floorspace with retail and community facilities) nor does it include the approval under reference OL/TH/14/0040 for up to 785 houses, primary school and community hall on the site known as Manston Green, which is directly adjacent to the eastern boundary of the airport site. Both of these must be included and taken into account within the PEIR, especially when considering the impact on the transportation network and on living conditions of future residents from the proposed development. Additional sites may be required for inclusion when the ES is finalised.

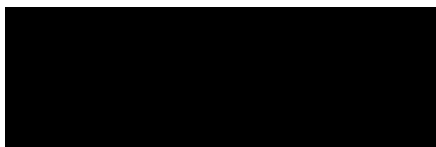
### **Conclusion**

There are potentially significant detrimental environmental and amenity impacts on Thanet and its local community from the development. Therefore with regard to the public consultation we await further information following the completion of the required survey and investigatory work. However, particular concern is raised that the ramifications for the emerging Thanet Local Plan have not been adequately quantified, and there is a lack of information relating to delivery of the project.

If the DCO and compulsory acquisition is successful, you will be required to work with the Council as the host authority, when dealing with detailed matters for the project. We are extremely disappointed that you have been unwilling to enter into a Planning Performance Agreement (PPA) with Thanet District Council, our neighbouring authorities Dover District Council and Canterbury City Council in East Kent and KCC, to allow us to ensure that adequate resources for handling the NSIP process are available and to encourage joint working between the applicant and statutory consultees. We would welcome the opportunity to do this through a PPA.

The above comments are made without prejudice to the Council's written representation submission, adequacy of consultation and local impact report on the Development Consent Order application.

Yours sincerely



Iain Livingstone  
**Planning Applications Manager**



### Enclosure 3: Statements on RSP's website



#### George Yerrall confirms RSP ownership of Manston Airport DCO project and consistency of team

Published on March 14th, 2017

In response to a question during the Lothian Shelf planning appeal, George Yerrall, a director of RiverOak Strategic Partners Limited (RSP), confirmed that RSP, a UK registered company, purchased all rights and interests in the Manston project from RiverOak Investment Corp in December 2016. RSP has retained the same professional team including lawyers and all other consultancies, to ensure that the project can continue working towards statutory consultation in May 2017.



#### The formation and funding of RiverOak Strategic Partners

Published on March 30th, 2017

We know that there is considerable interest in the formation and funding of RiverOak Strategic Partners, particularly the identity of our investors and we understand that this is born of a desire by many local people to feel confident that the DCO can proceed successfully and Manston can reopen as swiftly as possible.

We share your determination! The creation of RiverOak Strategic Partners meets our long held commitment to have a UK operating company. Our investors are represented on the RSP board by Nick Rothwell, Rico Sykes and Gerard Heusler. M.I.O Investments Limited has been established by our investors as a specific funding vehicle for their financial interests in the Manston project, which is standard practice. MIO Investments Limited is a company registered in the Commonwealth territory of Belize.

We have provided all required details of our company ownership structure to Companies House and also informed the Planning Inspectorate of the creation of RSP. Additional, comprehensive details of our funding partners and investment arrangements will of course be provided to PINS as part of the DCO application, providing solid evidence of our ability to meet all of the financial obligations associated with the acquisition, reopening and operation of the airport.





Enclosure 4: RSP & RIC press releases

RiverOak Investment Corp announces new venture for Manston Airport DCO

Page 1 of 2

## RiverOak Investment Corp announces new venture for Manston Airport DCO

NEWS PROVIDED BY  
**RiverOak Investment Corp., LLC** →  
24 Mar, 2017, 10:30 GMT

STAMFORD, Conn., March 24, 2017 /PRNewswire/ -- US based RiverOak Investment Corp., LLC today announced that RiverOak Strategic Partners Limited, a newly UK-registered joint venture company has acquired all rights and interests and has assumed full financial and operational responsibility for the Development Consent Order in respect of Manston Airport and the future reopening and operation of the airport.

The new operating company which is not affiliated with RiverOak Investment Corp., LLC, is fully resourced and funded to accommodate all costs arising from the Development Consent Order application to acquire and reinstate Manston as a fully operational airport and will be operated, owned and managed completely independently of RiverOak Investment Corp., LLC.

Directors of RiverOak Strategic Partners Limited are [REDACTED] and [REDACTED] have assumed day-to-day operational control of the project.

⌘

[REDACTED] 05/10/2017



Said Lawlor: "This is an important milestone for the Manston DCO. We have always been aware that, without a fully independent UK operating company, it has been much tougher to convince some of our stakeholders of our genuine commitment to Manston. The creation of RiverOak Strategic Partners Limited should therefore be viewed as a firm indication of our absolute and ongoing determination to revive Manston Airport as a successful and profitable airfreight hub, of national significance, with complementary passenger and engineering services."

"We believe that we can bring a comprehensive approach to the shaping of a stronger economic future for Thanet and the wider East Kent region, creating a vibrant economic air cargo hub which delivers high quality jobs for local people and utilizes the much-needed runway capacity for the South East that Manston is ready and able to provide."

Steve DeNardo, Chief Executive of RiverOak Investment Corp., LLC said that the best course forward for the success of the Manston DCO is to put it in the hands of RiverOak Strategic Partners Limited, the principals of which have worked tirelessly to revive Manston as a viable airport in Southeast England. We wish them and the supporters of the airport every success.

SOURCE RiverOak Investment Corp., LLC



05/10/2017



# Pinsent Masons

BY E-MAIL AND POST

FOR THE ATTENTION OF GARETH LEIGH  
Infrastructure Planning Lead  
The Planning Inspectorate  
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E richard.griffiths@pinsentmasons.com

13 November 2017

Dear Sirs,

## THE FORMER MANSTON AIRPORT SITE PROPOSED DCO APPLICATION PROPOSED DCO APPLICANT: RIVEROAK STRATEGIC PARTNERS LIMITED

We write further to our previous letters of 11 October 2017 and 26 October 2017 sent on behalf of our client, Stone Hill Park Limited ("**SHP**"), the owner of the former Manston Airport Site. As you are aware, the former Manston Airport Site is allocated in the draft Local Plan and is the subject of a submitted major mixed-use planning application.

As indicated in those letters, SHP has engaged expert aviation consultancy, York Aviation, to review the reports prepared by RiverOak Strategic Partners Limited's ("**RSP**") consultants, Azimuth Associates [REDACTED], upon which RSP relies to support its case for its proposed application for a Development Consent Order ("**DCO**") in respect of proposed alterations to Manston Airport. York Aviation's review is enclosed with this letter in the form of a summary report (the "**York Aviation Report**"). Azimuth [REDACTED] heavily rely on work previously undertaken by York Aviation and, as part of its review, York Aviation explains why Azimuth/[REDACTED] have misrepresented their work, which brings into question the whole evidence base upon which RSP has prepared its proposals and consulted with the public (see section 1.3 of this letter). York Aviation has also considered and calculated the capability of Manston Airport and reviewed Azimuth [REDACTED] freight forecasts, concluding that Azimuth/[REDACTED] forecasts lack credibility (see sections 1.4 and 1.5 of this letter). Capability must be demonstrated by an applicant who seeks to promote a project under section 23(4)(b) and section 23(5)(b) of the Planning Act 2008 (as amended) (the "**2008 Act**").

This letter also deals with Bircham Dyson Bell's letter sent to you on 27 October 2017 (the "**BDB Letter**") with their comments on behalf of RSP in response to our letter of 11 October 2017.

The York Aviation Report, along with this letter and our previous correspondence, further demonstrates why the points that we have raised need to be carefully considered and dealt with pre-submission and, should RSP submit its application, during the acceptance stage assessed against the statutory tests. For the reasons expressed in this letter and the factual and analytical information now provided, we consider that the points are so fundamental that RSP's

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proposed application cannot proceed. Should RSP submit its DCO application, we consider that the consultation carried out to date, the latest meeting note between the Planning Inspectorate and RSP dated 26 September 2017, and the BDB Letter all demonstrate that the application cannot lawfully be accepted. Accordingly, we would be grateful if you could review both this letter and the York Aviation Report in the course of dealing with the concerns of SHP and we ask for a response from the Planning Inspectorate as soon as reasonably practicable.

We deal firstly with the BDB Letter. The overriding observation on the contents of the BDB Letter is that it does not answer any of the fundamental points made in our letter of 11 October 2017. Absent any answers, it must be concluded that they have no answers.

Moreover, as well as the BDB Letter providing no substantive response and being evasive, in some cases it even seeks to try and suggest that the onus is on our client, SHP, to demonstrate the relevant matters, when the onus is quite clearly on the applicant of the proposed DCO application. This is a position and approach which the Planning Inspectorate should note.

The table below illustrates a number of these points further:

<b>Concern raised in Pinsent Masons' letter of 11 October 2017</b>	<b>Any substantive response provided in BDB Letter?</b>	<b>Comments</b>
Section 23 of the Planning Act 2008 is not engaged.	No – the BDB Letter accepts our point that capability is the test in section 23, but provides no actual response whatsoever on the capability of Manston Airport and how the requisite test is met.	Please see section 2 of this letter, and the information in the York Aviation Report on the capability of Manston Airport and forecasting regarding anticipated freight throughput of a re-opened Manston Airport (briefly summarised in section 1 of this letter).  The BDB Letter seeks to place the onus on SHP to evidence the Airport's capability, when it is clearly the applicant that is required to set out the capability of Manston Airport in order to demonstrate that the requirements of section 23 are met, which is an acceptance test issue under section 55(3)(c).  Failing to identify the capability of the Airport also means that the consultation is inadequate. RSP needs to explain what the actual increase would be to the capability of the Airport as a result of its proposed alteration so that stakeholders and the public understand the new capability (not just the projected use). This is an acceptance test issue under section 55(3)(e) and must be addressed now.
RSP's failure to justify proposed associated development	No - the response does not provide any coherent or logical response.	See section 3 of this letter.  In summary, the BDB Letter seeks to deflect the issue with reference to "sports pitches" authorised in the Hinkley Point C (Nuclear Generating Station) Order 2013 in an attempt to provide the Planning Inspectorate with some sort of precedent.



Concern raised in Pinsent Masons' letter of 11 October 2017	Any substantive response provided in BDB Letter?	Comments
		<p>However:</p> <p>(1) the BDB Letter provides no explanation of how the requirements of the statutory tests and guidance are met in relation to RSP's proposals, which is relevant to whether a proposed project has met the acceptance test set out in section 55(3)(e) (and section 55(4) is important in this regard);</p> <p>(2) reference to "sports pitches" for Hinkley Point C is clearly not a comparable example as in that case there was a direct link between the need for construction worker campuses and welfare facilities (including sports pitches) for the construction of that NSIP given the nature and proposed scale of that project, whilst in this case a direct link between a "flight training school" to a freight cargo hub has not been demonstrated or evidenced to be necessary for the construction, operation or mitigation of impacts of what is claimed to be an NSIP;</p> <p>(3) in addition, this point is significantly larger than a "flight training school." For example, RSP is proposing an extensive unspecified development of c.119,000 square metres of warehouse, office and business units on the "Northern Grass" area without explanation.</p> <p>This is an acceptance test issue under sections 55(3)(c) and (e) and must be addressed now.</p>
Identity of the Applicant	No - no attempt is made in the BDB Letter to explain how the change of the applicant was appropriately publicised in the pre-application consultation (which it was not).	<p>Please see section 4 of this letter.</p> <p>In summary, the identity of the applicant is of fundamental importance to determining whether the applicant can properly take advantage of the transitional provisions in Regulation 37 of the EIA Regulations 2017, and as to the adequacy of pre-application consultation.</p> <p>This is an acceptance test issue under section 55(3)(e) and must be addressed now.</p>



Concern raised in Pinsent Masons' letter of 11 October 2017	Any substantive response provided in BDB Letter?	Comments
RSP's attempt to circumvent the Infrastructure Planning (Environmental Impact Assessment) Regulations 2017	No - the response does not address the transitional provisions in Regulation 37 at all.	<p>Please see section 5 of this letter.</p> <p>In summary, the BDB Letter fails to answer any of the fundamental legal concerns, simply providing a response that:</p> <p>(1) seeks to confuse the basic point;</p> <p>(2) ignores the relevant legislation; and</p> <p>(3) refers to an irrelevant (and incorrect) example as a supposed precedent.</p> <p>Simply complying with the 2017 EIA Regulations "where practicable" whilst asserting that RSP is able to take the benefit of the transitional provisions so only has to comply with the 2009 EIA Regulations (as recorded in the note of a meeting held between the Inspectorate and RSP on 26 September 2017), is not satisfactory – where an applicant cannot take the benefit of the transitional provisions, as in RSP's case, then it has to fully comply with the 2017 EIA Regulations. There is no discretion.</p> <p>This is an acceptance test issue under section 55(3)(e) and, assuming the application is made under the 2009 EIA Regulations, section 55(3)(f).</p>
Inadequacy of consultation	No - the BDB Letter offers no substantive response to the adequacy of its consultation.	<p>See section 6 of this letter.</p> <p>In summary, without setting out the capability of Manston Airport, the consultation and the PEIR have simply not informed the public of what the "new" capability of the Airport would be and thus what likely significant environmental effects could arise as a result of the "new" capability (based on a preliminary view). RSP has only looked at its own forecast and has not assessed the "new" capability that it is applying for.</p> <p>Furthermore, the consultation has failed to take into account SHP's submitted major planning application (which is a Tier 1 project in EIA cumulative terms) and the evidence base of the emerging local plan.</p> <p>Defects relating to the 2017 EIA Regulations are already set out above, but</p>





Concern raised in Pinsent Masons' letter of 11 October 2017	Any substantive response provided in BDB Letter?	Comments
		equally apply to statutory tests on adequacy of consultation.  Adequacy of consultation is specifically a test which is relevant at acceptance under section 55(3)(e). This must be addressed now.
Failure to comply with compulsory acquisition legislative and guidance requirements	No - the BDB Letter offers no response to the concerns, other than to say that RSP remains open to any approach by SHP.	Please see section 7 of this letter.  In summary, the Guidance related to procedures for the compulsory acquisition of land is not being followed. This is a matter to which the Secretary of State is obliged to properly consider under section 55(4)(c) when reaching a conclusion under section 55(3)(e).  The onus and duties are clearly on the applicant and not SHP.

Contrary to what the BDB Letter seems to want to suggest, the purpose of our 11 October 2017 letter is very clear. Where the Planning Inspectorate receives information highlighting concerns that go to the heart of the lawful acceptability of a proposed application for a DCO, it is clearly incumbent on the Inspectorate to properly and thoroughly consider that information, take appropriate advice as necessary, and advise the Secretary of State accordingly so the Secretary of State may exercise his duties properly under section 55 of the 2008 Act.

It was for this reason that we copied Bircham Dyson Bell into our letter, to give RSP a full and proper opportunity to respond in full.

It is clearly very disappointing and very telling that RSP has not done so. It is not reasonable in these circumstances to fail to respond to the serious issues related to a proposed DCO application.

The points raised in our 11 October 2017 letter are fundamental points that have to be dealt with now and are all acceptance issues if the application is to be made. They are points that need addressing to ascertain:

1. whether section 23 of the 2008 Act is engaged;
2. whether the proposed application will properly contain development that can be included in an application for a DCO, which links into section 55(4)(c) of the 2008 Act (in respect of the extent to which RSP has had regard to DCLG Guidance on associated development and compulsory acquisition) and section 115 of the 2008 Act;
3. whether the Preliminary Environmental Information Report ("**PEIR**") and, ultimately, the Environmental Impact Assessment have been prepared and consulted on under the correct Environmental Impact Assessment Regulations;
4. whether the consultation carried out has made clear what the proposed application is actually for and provided the public with sufficient information to make an informed and meaningful consultation response; and



5. in summary, whether the requirements in section 55(3) of the 2008 Act are met.

It is against this backdrop that we met with you on 27 September 2017, seeking section 51 advice about the process of applying for development consent and making representations about a proposed application, and wrote to you on 11 October 2017. This was to ensure that, when the Inspectorate is providing section 51 advice to the potential applicant on draft documentation, these matters are fully and properly addressed and that any subsequent acceptance process (if any) is carried out with the Planning Inspectorate advising the Secretary of State fully and appropriately of these issues.

If this does not happen, as we have made clear, SHP will have no option but to seek all necessary legal recourse.

1. **YORK AVIATION'S CRITICISM OF AZIMUTH/ [REDACTED] USE OF THEIR WORK AND SUMMARY REPORT PREPARED BY YORK AVIATION**

- 1.1 As referred to above, we enclose with this letter a summary report by York Aviation that reviews the reports prepared by RSP's consultants, Azimuth/[REDACTED], and upon which RSP relies to support its case for the proposed application for a DCO for the redevelopment and re-opening of Manston Airport as a hub for international air freight services, which also offers passenger, executive travel and aircraft engineering services.

- 1.2 In summary, the York Aviation Report covers the following:

1.3 **Misinterpretation of York Aviation research – relevant for section 55 of the 2008 Act**

- 1.3.1 The York Aviation Report explains why Azimuth/[REDACTED] have misinterpreted two pieces of research undertaken by York Aviation during the Airports Commission process - an unpublished note for Transport for London and a detailed piece of research undertaken for the Freight Transport Association in conjunction with Transport for London (the "TfL and FTA Notes").

- 1.3.2 Azimuth/[REDACTED] heavily rely on the TfL and FTA Notes; indeed they form the backbone of Azimuth/[REDACTED] case. However, as author of those TfL and FTA Notes, York Aviation makes it clear in the enclosed York Aviation Report that the TfL and FTA Notes cannot be used in the manner applied by Azimuth/[REDACTED] and accordingly the way Azimuth/[REDACTED] and RSP have relied upon them is wrong. It is clear that the Planning Inspectorate and the Secretary of State must take that into account when considering whether the RSP proposals are capable of being accepted given the degree of reliance placed by Azimuth/[REDACTED] on the TfL and FTA Notes. Without reliance on the TfL and FTA Notes, RSP has no statistical data at all upon which to base its proposed application and therefore the consultation carried out is flawed and misleading. Accordingly, the consultation is inadequate and any proposed application cannot be considered "satisfactory".

1.4 **Azimuth/Dixon forecasts entirely theoretical and lacking in credibility – relevant for section 23 of the 2008 Act**

- 1.4.1 The York Aviation Report highlights that Azimuth/[REDACTED] attempted analysis of the air freight market is focused on:
- (a) the existence of a theoretical opportunity based on estimates of spill from London in the event of the third runway at Heathrow not being built or being delayed;



- (b) a clearly unsupported hypothesis that there is a trend away from belly-hold freight;
  - (c) a small sample of interviews with largely marginal players in the UK air freight sector and/or local interests; and
  - (d) inappropriate global forecasts rather than UK specific data.
- 1.4.2 The York Aviation Report highlights that Azimuth [REDACTED] do not, at any point, provide any substantive evidence or analysis as to whether Manston Airport can effectively, viably and sustainably compete in the air freight market. For example, Azimuth/[REDACTED] do not explain how Manston Airport will:
- (a) be able to price effectively against the belly-hold rates offered by growing established and operational UK regional airports or the continental hubs; and
  - (b) compete against the range of destinations offered by the long haul passenger networks (which provide significant belly-hold capacity for freight) of the continental hubs or the much greater freighter network offering of East Midlands or Stansted Airports.
- 1.4.3 In overall terms, the York Aviation Report highlights that the forecasts presented by Azimuth/Dixon at Table 1 of Volume III are simply not credible and do not provide any robust basis for a DCO application to progress. For example, to illustrate this lack of credibility, in Year 2 (the first operational year), a cargo throughput of nearly 100,000 tonnes is forecast by Azimuth/[REDACTED]. This would make Manston the fifth largest freight airport in the UK in its first year of re-opening (compared to 2016 actual throughput at the other airports), placing it close to the scale of freight at Manchester Airport which includes a substantial belly-hold component. This is simply not credible, with no demonstration as to how this could be achieved.
- 1.4.4 Indeed, the Azimuth/[REDACTED] forecasting goes against the Department for Transport's UK Aviation Forecast released in October 2017 (covering the period to 2050), which notes in section 2.56 that "*at the airport level the number of freighter movements has been volatile with some evidence of overall national decline in recent decades. In the absence of clear trends for individual airports, the modelling now assumes that the number of such movements will remain unchanged from 2016 levels at airport level across the system.*" The DfT report goes on further to explain recent trends in sections 4.4 and 4.5. The credibility of the Azimuth/[REDACTED] is further undermined by the fact that it does not take account of the existence of the definitive 'official' UK forecast for freighter movements over the period to 2050.
- 1.4.5 The York Aviation Report highlights that, historically, Manston was not able to attract a sufficient share of the UK air cargo market to sustain viable operations, despite investment and significant efforts. This history is ignored by Azimuth/[REDACTED]. In basic terms, Manston is simply too peripheral for the kind of operations envisaged by RSP. Any realistic forecast figures would clearly not be enough to sustain a commercially viable operation at Manston Airport as the York Aviation Report makes clear.
- 1.4.6 The significance of this analysis at this stage of the proposed DCO process is to address the critical questions as to whether RSP's proposals:



- (a) provide a credible forecast to justify its proposed alteration and on which to consult with the public; and
- (b) provide a robust evidence base to demonstrate a compelling case in the public interest to compulsorily acquire Manston Airport.

On the basis of the York Aviation evidence, the answer to both is "no", meaning that the damaging blighting effect of RSP's proposals should be stopped.

**1.5 York Aviation's calculation of Manston Airport's capability – relevant for section 23 of the 2008 Act**

- 1.5.1 The York Aviation Report demonstrates that the capability of the Airport is at least 21,000<sup>1</sup> annual Air Transport Movements ("ATMs") by cargo aircraft with reference to the existing permitted use and infrastructure at Manston Airport.
- 1.5.2 Whilst it is not for SHP to provide information on the capability of Manston Airport, it has done so because, tellingly, RSP has not. As the proposed applicant, RSP has to provide this information in its consultation material, which it has failed to do. "Capability" is a key component of engaging section 23 of the 2008 Act, as we discuss further below, and the application cannot be properly made without this being clearly established.

**1.6 York Aviation's calculation of land required for RSP's proposals – relevant for section 55 of the 2008 Act**

- 1.6.1 York Aviation has examined whether the land sought by RSP is, in fact, all required to accommodate RSP's forecasts of demand (notwithstanding that we disagree with those forecasts). The conclusion is that RSP does not require significant areas of the land it currently seeks for inclusion in its proposed application, including the "Northern Grass" area. Indeed, the land area sought for commercial development is much larger than that utilised by other, mature airports. A plan is included in the York Aviation Report that shows these land areas that are not necessary for RSP's proposals.
- 1.6.2 There is a serious lack of detail in RSP's consultation material justifying the extent of land proposed to be acquired. It has not been demonstrated why the whole of our client's freehold ownership is required by RSP for its proposals, and the BDB Letter provides no answer.

**1.7 Flawed socio-economic case - relevant for section 55 of the 2008 Act**

- 1.7.1 York Aviation explains why RSP's socio-economic case is flawed because Azimuth [REDACTED] have, inter alia:
  - (a) wrongly assessed the impact at a national level and failed to take into account the indirect negative effect of RSP's proposals on other UK airport operations (displacement);
  - (b) the direct negative effect of losing the economic and housing benefits from SHP's submitted planning application which is supported by the draft Local Plan; and

<sup>1</sup> Based on an 18-hour operational day. Should a night time noise policy be agreed with Thanet District Council pursuant to the existing planning agreement that enabled a longer operational day and/or a number of scheduled night movements, then the capability could, in theory, be higher than 21,000 annual cargo aircraft movements.



- (c) the direct negative effect of removing the largest strategic and brownfield site in Thanet District for housing.

These are not marginal or peripheral issues and should all have been included in the assessments at consultation in order to fairly inform consultees in relation to the impacts of the proposal.

- 1.8 York Aviation has also reviewed the proposed passenger element of RSP's proposals and is clear that there can be no confidence in the forecasting carried out by Azimuth [REDACTED]. However, as RSP's proposals are primarily for a freight airport, this work has not been finalised at this time given the desire to avoid further unnecessary wasted costs.
- 1.9 It is clear from the York Aviation Report that fundamental questions arise with regard to:
  - 1.9.1 the approach RSP has taken in relation to the starting position in terms of Manston Airport's "capability" for the purposes of section 23 of the 2008 Act. Without this information, the Secretary of State is simply unable to consider whether RSP's proposals constitute a Nationally Significant Infrastructure Project ("NSIP") under section 23;
  - 1.9.2 the actual alteration being applied for - no detail is provided as to the effect of the proposals on capability, meaning that the public and the Secretary of State do not have before them either the capability of the Airport before the proposed alteration or the capability of the Airport with the proposed alteration, detail that is required for section 23 and section 55 of the 2008 Act;
  - 1.9.3 whether the proposed application has any realistic prospect of demonstrating, with a robust evidence base (including without being able to rely on the incorrect use of the TfL and FTA Notes which form the backbone of the Azimuth [REDACTED] assessment), that RSP's proposals are credible in any way thereby providing the case for why the "new" capability being applied for is required;
  - 1.9.4 whether a compelling case in the public interest to require compulsory acquisition is even credibly arguable; and
  - 1.9.5 the inadequacy of the consultation undertaken by RSP, including the misleading and selective nature of the material consulted on, e.g.
    - (a) the misinterpretation of the TfL and FTA Notes that are crucial in RSP's case and indeed so crucial that in presentations given by RSP, freight movement numbers cited are attributed to York Aviation's TfL and FTA Notes. Given the enclosed York Aviation Report, this reliance is wrong and with it, the public have been given the impression that York Aviation supports RSP's proposals;
    - (b) the failure to define the current capability of Manston Airport and the consequential failure to properly assess the proposals based on the "new" capability of Manston – you cannot do the latter without first doing the former; and
    - (c) the failure to therefore inform the public of the true consequences of RSP's proposals (see later in this letter), including the failure to properly assess the socio-economic effects of the proposals amongst other failings in the environmental assessment.



## 2. SECTION 23 OF THE 2008 ACT AND THE NEED TO SHOW "CAPABILITY" OF THE AIRPORT IN QUESTION

### Summary

- 2.1 It is clearly not acceptable for RSP to seek to postpone to the date of submission of the application itself to "*demonstrate why the project is an NSIP.*"
- 2.2 It is fundamental for the consultation exercise required under Chapter 2 of Part 5 to the 2008 Act for an applicant to make clear why its proposals fall within section 14 of the 2008 Act (and, in this case, section 23 of the 2008 Act). This must be established clearly before the application is made.
- 2.3 RSP has provided no explanation as to what the capability of Manston Airport is. Capability is a key element of section 23(5)(b). Without an explanation of capability, section 23 is not engaged.
- 2.4 Should an applicant provide this information, supported by evidence, and pass the section 23(4) and section 23(5) tests, the applicant then needs to explain what the actual increase would be to the capability of the airport as a result of the proposed alteration. In other words, would the extent of the proposed alteration result in the capability being increased by the minimum of 10,000 ATMs or, for example, 50,000 ATMs? The proposed alteration itself has a capability.
- 2.5 It is not possible for the public and stakeholders to understand the basis upon which the RSP proposals are being made when the consultation material fails to identify the capability of Manston Airport, being the point from which the increase in capability is to be calculated, and the proposed new capability (not projected use). This not only results in a failure to engage section 23, but also in inadequate consultation and inadequate assessment and thus a failure to satisfy section 55 of the 2008 Act.

### Detail

- 2.6 As is well known, the Secretary of State can only accept RSP's proposed application if he is satisfied that "*development consent is required for any of the development to which the application relates*" (section 55(3)(c) of the 2008 Act). In order to do this, he must identify whether the application contains an NSIP. In respect of this case, he must conclude that the proposals fall within one of the categories of "airport-related development" set out in section 23(1) of the 2008 Act.
- 2.7 Paragraphs 1.1.6 and 1.1.7 of the PEIR confirm that RSP's proposals fall within the "alteration" category of "airport-related development" (section 23(1)(b) of the 2008 Act). Therefore, the Planning Inspectorate, and ultimately the Secretary of State, need to be satisfied that subsections (4) and (5) of section 23 are met. This can only be done by understanding the capability of Manston Airport of providing air cargo transport services. If this did not need to be understood, then there would be no need for the words "*for which the airport is capable of providing air cargo transport services*" in section 23(5)(b) and the test would have mirrored that in section 23(3)(b) instead.
- 2.8 It is obvious why a clear statement of the capability of an airport is required where an alteration is proposed. Section 23(5)(b) requires there to be an increase of at least 10,000 per year in the number of ATMs of cargo aircraft. To determine the effect of that increase, then one needs to understand the capability of the airport before the alteration to understand the extent of and true effects of the alteration.
- 2.9 In simple language, RSP suggests its proposals will add onto the capability of Manston Airport at least 10,000 ATMs of cargo aircraft annually but it does so without addressing what the current capability is and uses figures which do not allow anyone



to see and compare current capability with proposed capability. In this respect, it is not SHP that is confusing capability with projected use as claimed in the BDB Letter, but RSP. RSP's consultation material does not refer anywhere to the current capability of Manston Airport, and RSP's PEIR only assesses the projected use based on Azimuth's erroneous conclusions. This is a fundamental error.

2.12 Instead, what is required under section 23(5)(b) is for the consultation material to be clear on:

2.12.1 the capability of Manston Airport of providing air cargo transport services;

2.12.2 an explanation as to why the proposed development would increase that capability by at least 10,000 ATMs of cargo aircraft annually;

2.12.3 an explanation as to what the proposed "new" capability (not projected use) would be as a result of the proposed alteration; and

2.12.4 for the PEIR to provide the preliminary assessment of that increase (i.e. the effect of the "new" capability).

This has simply not been done by RSP.

2.13 All of this can be explained in a simple formula - effectively, what the public requires in the consultation material and what the Secretary of State requires in order to consider the proposed application at acceptance is the following information, without which the consultation and application are deficient:

*capability of airport + increase in the capability of the airport resulting from proposed alteration<sup>2</sup> = new total capability.*

2.14 The word "capable" clearly means the capability of the airport derived from its lawful use/planning status, having regard to any relevant planning permissions (including any restrictions that apply) and the existing infrastructure.

2.15 Manston Airport's permitted use, evidenced by means of a certificate of lawfulness, is for civil aerodrome use. There are no conditions limiting either passenger numbers or ATMs other than in the section 106 legal agreement that sets out limitations on night-time flying until such time that a night-time flying noise policy is in place. The built development and infrastructure at the Airport includes the runway, air traffic control, fire station, navigational aids, aprons, stands, and taxiways.

2.16 As explained above and in the York Aviation Report enclosed, York Aviation calculates, by reference to the existing permitted use and existing infrastructure at Manston Airport, that the capability of the Airport is at least 21,000 annual ATMs. York Aviation recognises that there are operational patterns at every airport which may mean that, practically, the maximum capability is not reached. However, this is no different to a generating station that has a maximum "capacity" of X MW but in practice it normally operates at Y MW, being below its maximum "capacity". It is the maximum "capability" of an airport which must be used for the purposes of section 23 of the 2008 Act to achieve the requisite amount of certainty required to decide whether a project meets the NSIP thresholds for a legal Act of Parliament.

2.17 Any assertion by RSP that the capability of Manston Airport is zero would fly in the face of paragraphs 1.1.6 and 1.1.7 of the PEIR, which confirms that RSP's proposals amount to an "alteration" of an airport. Indeed, the BDB Letter does not challenge this point and nor can it, given that previous presentations on behalf of RSP state that the

<sup>2</sup> Not projected use, but the maximum number of new ATMs that the proposed alteration would give rise to.



10,000 cargo aircraft movement threshold could be met through the provision of 14 aircraft arrivals and 14 aircraft departures each day. It is clear that RSP itself has accepted already that the proposals amount to an "alteration" of an airport and that the Airport has a significant capability. Unfortunately, however, RSP does not explain what that capability is. Accordingly, the only evidence before the Inspectorate and the Secretary of State on the capability of Manston Airport, and which is proposed to be altered by the proposed DCO application, is from our client.

2.18 As RSP has not provided this information, the matters set out below consequently follow:

2.18.1 the public and stakeholders have not been informed, and therefore are not aware, of the prospect that RSP's proposals (assuming for these purposes they are achievable), with the expected increase to the airport's capability of at least 10,000 ATMs of cargo aircraft annually, would see the Airport's capability increase to at least 31,000 ATMs of cargo aircraft annually. This is the minimum "new" capability, and RSP actually needs to explain what the proposed "new" capability (not projected use) would be as a result of its proposals; and

2.18.2 the PEIR is manifestly inadequate and not fit for purpose as it has not undertaken any environmental assessment of at least 31,000 ATMs of cargo aircraft annually, being the minimum consequence if RSP's proposed application is an NSIP based on the current capability of Manston Airport. Instead, it has only ever assessed the projected use, not the increase in airport "capability". It is the "new" capability that must be consulted upon and environmentally assessed (under the 2017 EIA Regulations), which as we say would be, at a minimum, 31,000 ATMs of cargo aircraft annually.

2.19 As explained in our letter of 11 October 2017, it is clear that RSP is trying to use the 2008 Act as a tool to inappropriately obtain compulsory acquisition powers. In summary, RSP's failure to set out what the capability of Manston Airport is, with reasoned evidence, prevents the application from proceeding for the following reasons:

2.19.1 the Secretary of State cannot consider the proposed application under section 23(5)(b) as a fundamental piece of information is missing. Therefore, the test in section 55(3)(c) is not met;

2.19.2 the public and stakeholders have not been properly consulted as to the true consequences of the proposals. RSP only discusses in its consultation material its projected use, it does not tackle the point that legally it is seeking to increase the capability of the Airport. As referred to above, this is best explained in the formula: *capability of airport + increase in the capability of the airport resulting from proposed alteration*<sup>3</sup> = *new total capability*. Therefore, the consultation is inadequate and the test in section 55(3)(e) is not met.

2.19.3 the environmental impact of the new capability has not been assessed in the PEIR. Again this means that the consultation is inadequate and the test in section 55(3)(e) is not met; and

2.19.4 any Environmental Impact Assessment progressed on this basis will not be of a satisfactory standard and will not have complied with the appropriate Environmental Impact Assessment Regulations in assessing the direct

<sup>3</sup> Not projected use, but the maximum number of new ATMs that the proposed alteration would give rise to.





impacts of the proposals. Accordingly, the test in section 55(3)(f) cannot be met.

### 3. RSP'S FAILURE TO JUSTIFY ASSOCIATED DEVELOPMENT

- 3.1 The response contained in the BDB Letter to the concerns in our letter of 11 October 2017 regarding a failure by RSP to explain which components of its proposals it considers to be part of the NSIP and which it considers to be associated development, is not a coherent or logical response.
- 3.2 Instead, the BDB Letter seems to seek to deflect the issue with reference to the Hinkley Point C (Nuclear Generating Station) Order 2013 in an attempt to provide the Planning Inspectorate with some sort of precedent. This inappropriate comparison only, in fact, serves to reinforce the concerns raised in our 11 October 2017 letter. The example provided in the BDB Letter is that "sports pitches" were accepted as associated development in the Hinkley Point C project, with the suggestion that these are analogous to a "flight training school" at an airport. The BDB Letter fails to provide any form of justification or reasoning for this comparison but we set out below why the comparison is an inappropriate one.
- 3.3 As the Inspectorate will know, the size of the Hinkley Point C project necessitates the accommodation of a large construction workforce in self-contained construction campuses. As these campuses are where the workers would live for prolonged periods of time, it is necessary that they contain appropriate construction worker welfare facilities, including canteens, amenity facilities and sports pitches for fitness - basic human rights requirements for workers. In addition, the sports pitches were required for mitigation purposes, to ensure that an influx of workers did not affect the amenity use of existing facilities for the local population. As the Examining Authority noted in its Report to the Secretary of State dated 19 December 2012 (see, as an example, paragraph 4.369), the campuses "*are an integral part of the Applicant's proposals for housing the workforce required to construct Hinkley Point C.*" This is consistent with the first principle of associated development (as per the DCLG Guidance on associated development) that there should be a direct relationship between associated development and the principal development, which means the associated development should either support the construction or the operation of the principal development or help address its impacts. Without construction welfare facilities, you would not have a construction workforce to construct the Hinkley Point C project. A direct relationship clearly exists.
- 3.4 A "flight training school" is clearly not required to increase the number of ATMs of cargo aircraft at Manston Airport, whether in construction or in operation, neither is it demonstrated to be required as mitigation for the impacts of development. There is no direct relationship. The only "relationship" is that RSP is seeking an opportunity to obtain an additional source of revenue.
- 3.5 It is pertinent that the BDB Letter does not even try to demonstrate why a "flight training school" has a direct relationship with RSP's alleged proposed "NSIP" and it is pertinent that the BDB Letter does not tackle what the direct relationship is between the alleged proposed "NSIP" and the other elements of its proposal, such as the extent of the proposed commercial development on the land known as the Northern Grass area. This is because there is no direct relationship – it is plain that they are free standing businesses providing additional sources of revenue and therefore cannot be accepted as associated development.
- 3.6 As stated in our 11 October 2017 letter at section 4, these are matters that require resolution now, at the pre-application and acceptance stage, given the blighting effect on land included for such uses for intended compulsory acquisition and the



importance of a clear description of development vis a vis the statutory tests and relevant guidance.

- 3.7 The Secretary of State, when reaching a conclusion in section 55(3)(e) of the 2008 Act must have regard to the extent to which the applicant has had regard to any guidance issued under section 50 of the 2008 Act. This includes DCLG's Guidance on associated development applications for major infrastructure projects (April 2013). Accordingly, the points that we have raised cannot be put to one side and left to the examination stage. The Planning Inspectorate and the Secretary of State must be satisfied that the application has undertaken appropriate pre-application requirements and contains the necessary justification and explanation at the acceptance stage.

#### 4. IDENTITY OF THE APPLICANT

- 4.1 We have now seen the email submitted to the Planning Inspectorate on 14 March 2017, which was issued following the uncovering at our client's planning appeal process (on an application unconnected to this matter) that RSP was the new applicant for the proposed DCO application at Manston Airport.

- 4.2 The email, which seems to be portrayed as a confirmatory email, is another example of imprecision and lack of clarity – an all too common theme surrounding this proposed application. The email simply states "*[t]he personnel of [REDACTED] remain the same, as do the consultants previously instructed by RiverOak Investment Corporation Inc.*" This simply means that the named personnel remain on the project as do the consultants. There is no explanation whatsoever about the new UK entity or that the previous applicant, RiverOak Investment Corporation LLC, no longer has any involvement or interest in the proposed alteration to Manston Airport. Simply using some of the same personnel and consultants does not alter the fact that a new, and completely unconnected, legal entity has become the new applicant for the proposed DCO application.

- 4.3 We would emphasise our concern set out in paragraph 5.9 of our 11 October 2017 letter that the 2017 consultation materials have misled the public and stakeholders. It would appear that RSP has simply treated the change in legal entity as if it were an immaterial change of name, when clearly it is not. This has serious ramifications, not least for those who may be subject to compulsory acquisition, blight and nuisance and who may therefore wish to seek compensation, as well as others affected and the general public. These are serious points that have not been dealt with properly or transparently in the consultation material. Nowhere in the 2017 consultation material does RSP clearly explain the change in applicant that took place in December 2016. Rather the documents define "RiverOak Strategic Partners Limited" as "RiverOak", and then refer to RiverOak's consultation of 2016, which is misleading and factually incorrect (see, for example, paragraph 1.1 and section 2 of the Interim Consultation Report on RSP's website).

- 4.4 Our concerns at Section 5 of our 11 October 2017 letter need to be properly dealt with and the disclosure of the email of 14 March 2017 re-confirms the issue.

#### 5. RSP'S ATTEMPT TO CIRCUMVENT THE INFRASTRUCTURE PLANNING (ENVIRONMENTAL IMPACT ASSESSMENT) REGULATIONS 2017

- 5.1 Again, the BDB Letter fails to answer our concerns, providing a response that confuses the basic point, ignores the legislation and which refers to an irrelevant (and incorrect) example in an attempt to provide the Planning Inspectorate with a supposed precedent. Our concerns set out in section 6 of our 11 October 2017 letter remain to be dealt with.



- 5.2 First, the response tries to make a point that any new scoping request would be for the same project and would have a cost to the public purse.
- 5.3 This, again, is an attempt to confuse the point as our letter of 11 October 2017 was not suggesting that a new scoping opinion must be sought by RSP (in any event, scoping opinions are voluntary). Rather, the point is that:
- 5.3.1 the scoping opinion for the proposed DCO application was requested in June 2016 by RiverOak Investment Corporation LLC (as is clear from the front cover and paragraph 1.1.1 of the scoping request and as acknowledged by the Secretary of State in paragraph 1.1 of the scoping opinion where RiverOak Investment Corporation LLC is referred to as "the Applicant"), and
- 5.3.2 the "Applicant" changed in December 2016 to RSP,
- so RSP cannot take advantage of the transitional arrangements in Regulation 37 of the Infrastructure Planning (Environmental Impact Assessment) Regulations 2017 (the "**2017 EIA Regulations**").
- 5.4 This does not mean that RSP should obtain a new scoping opinion, rather that its statutory consultation carried out between 12 June and 23 July 2017 has been carried out under the incorrect Environmental Impact Assessment Regulations, which means the consultation, notification and PEIR are all deficient and the pre-application procedure under the 2008 Act has simply not been complied with.
- 5.5 Given the 2017 EIA Regulations were laid before Parliament in April 2017, RSP could have rectified this issue. Indeed, RSP could have taken action earlier when the Government consulted on the draft of the 2017 EIA Regulations between December 2016 and February 2017 given the transitional arrangements in the draft would also have meant that RSP would have to comply with the 2017 EIA Regulations and not the Infrastructure Planning (Environmental Impact Assessment) Regulations 2009 (the "**2009 EIA Regulations**"). RSP is clearly in error.
- 5.6 There is no discretion on the part of the Secretary of State with regards to this issue. Regulation 37 of the 2017 EIA Regulations is clear. If it was intended to refer to a scoping opinion requested for a particular project, then the 2017 EIA Regulations would have been drafted so that it referred to the 2009 EIA Regulations continuing to apply where a scoping opinion for a proposed development has been obtained prior to the commencement of the 2017 EIA Regulations. Instead, Parliament chose to restrict the transitional arrangements to where "the applicant" has requested a scoping opinion prior to the commencement date.
- 5.7 This leads to only one conclusion for the Secretary of State, should RSP seek to submit a DCO application: that the application cannot be accepted on the grounds that:
- 5.7.1 section 55(3)(e) has not been satisfied for the reasons expressed above; and
- 5.7.2 section 55(3)(f) has not been satisfied given the Environmental Impact Assessment has been publicised and prepared by reference to the 2009 EIA Regulations rather than the 2017 EIA Regulations.
- 5.8 We would also note that simply complying with the 2017 EIA Regulations "*where practicable*" whilst asserting that RSP benefits from the transitional provisions so only has to comply with the 2009 EIA Regulations (as recorded in the note of a meeting held between the Inspectorate and RSP on 26 September 2017), is not satisfactory – where an applicant does not benefit from the transitional provisions, as in RSP's case,



then it has to fully comply with the 2017 EIA Regulations, there is no discretion to be applied.

5.9 With respect to the East Anglia ONE offshore wind farm project, the example is totally irrelevant and misleading, including for the following reasons:

5.9.1 the scoping opinions were requested in July 2010 and July 2011 with the application submitted in November 2012 and the DCO granted in June 2014. Accordingly, the example clearly does not act as a precedent given the 2009 EIA Regulations applied from inception to DCO grant. Therefore, there was no requirement to demonstrate that the applicant for the DCO application was the same as the applicant that requested the Secretary of State to adopt a scoping opinion; and

5.9.2 the example is not comparable in any way as:

- (a) East Anglia Offshore Wind Limited requested the scoping opinions in 2010 and 2011. By the time the application was submitted in November 2012, the applicant had changed to East Anglia One Limited, a wholly owned subsidiary of East Anglia Offshore Wind Limited.
- (b) The same approach was taken on East Anglia THREE, where East Anglia Offshore Wind Limited applied for the scoping opinion in November 2012, with the application then submitted in November 2015 in the name of East Anglia Three Limited. The reason for this approach is that East Anglia Offshore Wind Limited has been awarded the licence by The Crown Estate to develop approximately 7.2GW of wind capacity off the coast of East Anglia. The East Anglia Zone will be developed as a number of individual generating stations, and hence wholly owned subsidiaries have been set up to submit the DCO applications.
- (c) This is in no-way comparable to RSP, whose shareholder is not the entity that submitted the request for a scoping opinion in June 2016. As we stated in section 5 of our 11 October 2017 letter, the shareholders of RSP are RiverOak Manston Limited and M.I.O Investments Limited (a Belize registered entity with anonymous shareholders and directors) and the original applicant, RiverOak Investment Corporation LLC, has expressly and publicly confirmed in March 2017 that RSP "is not affiliated with RiverOak Investment Corp., LLC." The comparison with East Anglia Offshore Wind is clearly wrong.

## 6. INADEQUACY OF CONSULTATION

6.1 The adequacy of consultation is a matter for the acceptance stage, not for the examination, and so our concerns set out in section 7 of our 11 October 2017 letter must be addressed.

6.2 We do not repeat the points raised in our letter of 11 October 2017, but would take the opportunity to highlight the following:

6.2.1 the consultation carried out to date is inadequate, and not in accordance with either the 2009 EIA Regulations or the 2017 EIA Regulations on the basis that the PEIR has failed to provide a preliminary assessment of the proposed development, being *Current capability of airport + increase in the capability*



of the airport resulting from proposed alteration<sup>4</sup> = new total capability. The legal effect of RSP's proposed application would be to increase the capability of Manston Airport and it must environmentally assess that increase and not just its projected forecast;

- 6.2.2 the consultation carried out to date is inadequate, and not in accordance with either the 2009 EIA Regulations or the 2017 EIA Regulations on the basis that the PEIR has failed to assess SHP's major planning application for a phase on the Manston Airport site comprising 2,500 homes, Advanced Manufacturing Park, a village centre, sports and leisure village and major country park. This application is submitted, and therefore there is no justification for not including it in the assessment (indeed, the application is classed as a Tier 1 project in the Inspectorate's Advice Note Seventeen on Cumulative Effects Assessment, December 2015). Of course, as RSP's proposals are incompatible with SHP's planning application, the effect would be the total loss of the SHP's proposed development. Accordingly, the effect of that loss on housing within the District needs to be assessed;
- 6.2.3 the proposed development on the "Northern Grass" area is extensive, at c.119,000 square metres of warehouse, office and business units. We have already made the point in our 11 October 2017 letter that SHP's aviation experts consider that there are a number of components of RSP's proposals that do not form part of any NSIP (even if there was one) and do not satisfy the tests of associated development. The Northern Grass area is one of those components. In addition, given the extent of development proposed, the public should be able to understand the impact of c.119,000 square metres of warehousing and office/business units floorspace, yet the PEIR does not provide sufficient information to understand/assess how this element of the floorspace will affect traffic in the area. This simply emphasises that the PEIR does not enable consultees (both specialist and non-specialist) to understand the likely environmental effects of the proposed development and does not help to inform their consultation response (which is what a "good" PEIR document should do according to the Inspectorate's own Advice Note Seven dated March 2015); and
- 6.2.4 as explained in section 5 of this letter, the consultation itself has not been carried out in accordance with the correct Environmental Impact Assessment Regulations – the 2017 EIA Regulations are the correct Regulations.

## **7. RSP'S FAILURE TO COMPLY WITH COMPULSORY ACQUISITION LEGISLATIVE AND GUIDANCE REQUIREMENTS**

- 7.1 The points raised in our letter of 11 October 2017 are clearly matters for the acceptance stage for the reasons set out in section 8 of that letter.
- 7.2 We note that there is no response to the point that RSP has not, as the new applicant of the proposed DCO application, made any offers to acquire Manston Airport by agreement or otherwise deliver RSP's proposals by agreement. This just demonstrates that RSP, as the current applicant, has not been resorting to compulsory acquisition as a measure of last resort.
- 7.3 It cannot be right that an application which will contain a request to acquire by compulsion the whole application site and in which the applicant has no interest, can be considered for acceptance where the applicant has made no offer to acquire by agreement from the affected landowner.

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<sup>4</sup> Not projected use, but the maximum number of new ATMs that the proposed alteration would give rise to.



- 7.4 Furthermore, given the evidence contained in the York Aviation Report that RSP does not require significant areas of land for its proposals, notably the "Northern Grass" area amongst other areas as shown on the plan in the York Aviation Report, there is no justification for RSP to seek compulsory acquisition powers over the whole of the Manston Airport site. This is especially the case when the consultation material is silent on why all of the land is required and no explanation provided directly to SHP through offers of voluntary agreement. Indeed, the land area sought for commercial development is much larger than that utilised by other, mature airports.
- 7.5 Under these circumstances, we cannot see how, with any degree of reasonableness, the application could possibly be considered for acceptance. Not least, the *Guidance related to procedures for the compulsory acquisition of land* would not have been followed. The Secretary of State is obliged to have regard to this fact under section 55(4)(c) of the 2008 Act when reaching a conclusion under section 55(3)(e).
- 7.6 Furthermore, compliance with the pre-application guidance under the 2008 Act is one of the safeguards designed to protect landowners against breach of their rights under Article 1 of the First Protocol of the ECHR to peaceful enjoyment of their land, and should therefore be taken very seriously by both promoters and the Planning Inspectorate. In circumstances where the expropriation of land is contemplated in a scenario where one commercial entity is to be dispossessed in favour of another (as would be the case here were RSP to be granted powers of acquisition), the approach to be taken to compliance with the safeguards should be all the stricter. This view was endorsed by Lord Walker in *R (on the application of Sainsbury's Supermarkets Ltd) v Wolverhampton CC*<sup>5</sup>, who noted that "*the exercise of powers of compulsory acquisition, especially in a 'private to private' acquisition, amounts to a serious invasion of the current owner's proprietary rights...A stricter approach is therefore called for*".
- 7.7 We find it surprising and disappointing that the BDB Letter seeks to place the onus on our client to make an approach to RSP. This just supports the fact that RSP is simply using the 2008 Act to inappropriately obtain compulsory acquisition powers.

## 8. COSTS

- 8.1 Given our client's concerns over RSP's misuse of the 2008 Act process, it is only right that we should be transparent and place RSP and the Secretary of State on notice that our client will pursue all necessary avenues to defend its interests and will be seeking to recover all of its costs incurred in the entire DCO process. Once again, we place RSP and the Secretary of State on notice, for the same reasons as explained in section 9 of our 11 October 2017 letter. The BDB Letter re-emphasises the unreasonable conduct of the proposed applicant in this process.

## 9. SHP'S PLANNING APPLICATION AND TDC'S LOCAL PLAN

- 9.1 We make three brief points in response to the last paragraph of the BDB Letter:
- 9.1.1 Firstly, it is very common for developers to submit refinements to, or subsequent iterations of, a major submitted planning application during the determination process. SHP is no different, and that is precisely what it is doing. This is standard practice. Furthermore, on 30 October 2017, our client submitted to Thanet District Council revisions to its submitted planning application for a phase comprising 2,500 homes, Advanced Manufacturing Park, a village centre, sports and leisure village and major country park. These revisions reflect the on-going discussions that have taken place over the course of the past several months with the Council and various statutory

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<sup>5</sup> [2010] UKSC 20 at paragraph 84



consultees. Accordingly, there is no "state of flux" over our client's planning application as claimed.

9.1.2 Secondly, and as we informed you on 26 October 2017, on 25 October 2017 Thanet District Council's cabinet approved the publication of the draft Local Plan and its submission to the Planning Inspectorate for Examination. The draft Plan includes Policy SP05 supporting a new settlement for at least 2,500 homes on the Manston Airport site. The planning policy position has moved on since the appeal decision referenced, and the weight to be attached to the Plan is more substantial now than it was then. Whilst the emerging local plan cannot yet attract full weight in policy terms as it has not yet been examined and adopted, neither can it, nor should it, be ignored as advocated by BDB for RSP. In addition to the draft Plan policies, there is a substantial evidence base produced independently by the Council which demonstrates that the continued operation of Manston Airport is not considered by the relevant local planning authority (advised by independent expert advisers) to be a viable proposition. The up to date evidence base upon which the emerging local plan is being promoted is a highly relevant factor.

9.1.3 Thirdly, RSP's failure to assess the effect of its proposals on the District's housing numbers and emerging development plan is a major and unacceptable omission, especially when the Manston Airport site is the largest strategic site allocation within the District, is the largest brownfield site and accounts for at least 14% of total housing provision in the next Plan Period based on the Council's current projections. It is only right and proper for the Council, the public and other stakeholders to understand the effect on the availability of housing and the socio-economic consequences should the Manston Airport site be lost as a strategic housing site. This needs to be covered in public consultation, the PEIR and ultimately any DCO application.

For the reasons expressed in our letter of 11 October 2017 and above, we consider that any application to be submitted as currently proposed by RSP to the Secretary of State for Manston Airport would be manifestly incapable of acceptance under section 55 of the 2008 Act.

We would be grateful if you could review both this letter and the York Aviation Report in the course of dealing with the concerns of SHP and we ask for a response from the Planning Inspectorate as soon as reasonably practicable to avoid any further wasted time.

Yours faithfully



**Pinsent Masons LLP**

**Enclosures:** York Aviation Report dated November 2017

cc. Bircham Dyson Bell for RSP



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**STONE HILL PARK LIMITED**

**SUMMARY REPORT ANALYSING USE OF YORK AVIATION  
MATERIAL BY RIVEROAK STRATEGIC PARTNERS LIMITED AND  
ASSESSMENT OF CAPABILITY OF MANSTON AIRPORT**

**NOVEMBER 2017**

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**York Aviation**

**Originated by: Louise Congdon/James Brass/Niall Gunn/Richard Connelly**

**Dated: 10<sup>th</sup> November 2017**

**Reviewed by: Richard Kaberry**

**Dated: 13<sup>th</sup> November 2017**

**STONE HILL PARK LIMITED**

**SUMMARY REPORT ANALYSING USE OF YORK AVIATION  
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## EXECUTIVE SUMMARY

1. York Aviation was appointed by Stone Hill Park Limited (SHP) in September 2017 to review the evidence presented by RiverOak Strategic Partners Limited (RSP) in connection with RSP's prospective application for a Development Consent Order (DCO) for the redevelopment and re-opening of Manston Airport as a hub for international air freight services, which also offers passenger, executive travel and aircraft engineering services.
2. We were the authors of two specific reports upon which RSP seek to rely in making their case, namely a report for the Freight Transport Association (FTA) and Transport for London (TfL) in 2015 and a note on Freight Connectivity for TfL in 2013. The first of these documents was used by RSP in its public consultation and this may have led respondents to believe that we were supporting the re-opening of Manston, which is not true and, as we go onto explain in this report, our analysis in these documents for the FTA and TfL does not support RSP's conclusion that there would be a substantive or sustainable role for Manston in the UK air freight industry.
3. The RSP case is principally based on circumstantial evidence presented in the Volumes I to IV of *Manston – A Regional and National Asset* prepared by ██████████ of Azimuth Associates (June 2017 consultation version). Much of the material upon which Azimuth seek to rely as the basis of RSP's case relates to the economic costs to the UK if additional passenger hub capacity is not provided in the South East of England by 2050. This is not relevant to the specific question as to whether there would be sufficient demand for pure freighter movements to be operated to/from Manston in the foreseeable future or by their assessment year 2040.
4. The analysis presented by Azimuth shows a lack of understanding of the economics of the air freight market. This leads to a misinterpretation of our work, upon which Azimuth seek to rely to support RSP's case. Just because there could be excess air freight demand in 2050, compared to the bellyhold capacity available in the absence of further runway capacity at the UK's main hub, it does not follow that displaced bellyhold freight will seek a more expensive pure freighter service from a relatively nearby airport over the use of available bellyhold capacity from a more distant airport which can be provided at a lower cost to the shipper with only a marginal penalty in terms of the overall shipment time.
5. Fundamentally, Manston's past operation was economically inefficient due to the inherent lack of viability. Hence, reopening the Airport, in the face of a very limited niche market, has the potential to damage the productivity of the UK aviation sector overall, particularly, as we have demonstrated in our own assessment of cargo demand for Manston in Section 3 of this report, that there are more economically efficient alternatives available for any freight displaced due to specific capacity constraints at Heathrow both now and in the future.
6. Manston is too peripheral for integrator operations serving the UK. Integrators have a strong preference for locations more centrally located in the UK with good road access to all of the major markets. The availability of land for warehouses, for example as suggested in terms of the use of the 'Northern Grasslands' part of the overall Airport site, is far less important than a location central to the market and the availability of good road access, neither of which are characteristics of Manston. It is simply in the wrong place to serve the market being located at the far south east at the end of a peninsular, away from the main centres of population and distribution in the UK.

7. In the absence of hard market evidence of the need for Manston Airport, Azimuth undertook an interview survey to supplement RSP's case and to inform the forecasts. However, the list of interviewees was small, dominated by mainly local companies with something of a vested interest in seeing Manston re-opened. Even so, if anything, the views of those interviewed by Azimuth suggest that there would, at best, be a limited role for Manston. The one airline interviewed made clear that *"success at Manston depended upon identifying a niche market and becoming known for excellence. In particular, suggestions included a perishables centre, handling of live animals, easy access for charter flights, and handling cargo that is not necessarily straightforward"*. The scale of this opportunity was never quantified by Azimuth. It is clear, however, that the realistic expectation for Manston is for a small niche operation rather than as a general 'overspill' cargo airport for London.
8. The outputs from these interviews are then used by Azimuth as a basis for postulating a number of cargo aircraft movements that might operate at Manston. However, it is not possible to relate the proposed services to be operated with the responses by the interviewees. There is simply no explanation for, or justification for, the services postulated by Azimuth. At the very least, there is a lack of transparency in the approach adopted.
9. In our view, the Azimuth cargo movement forecasts simply lack credibility. To illustrate this lack of credibility of the forecasts, in Year 2 (the first operational year), a cargo throughput of nearly 100,000 tonnes is forecast by Azimuth. This would make Manston the 5<sup>th</sup> largest freight airport in the UK in its first year after re-opening (compared to 2016 actual throughput at the other airports). This would place it close to the scale of freight operations at Manchester Airport, which includes a substantial amount of bellyhold freight. It would make Manston the 3<sup>rd</sup> busiest airport in the UK in terms of tonnage carried on dedicated freighter aircraft. This is simply not a credible proposition. This lack of credibility is important in reaching any decision under section 23 of the Planning Act 2008 (as amended).
10. We have updated and further developed our analysis of the UK air freight market from that previously undertaken in 2013 and 2015 for TfL and for the FTA and TfL (RSP seek to rely on our 2013 and 2015 work as corroboration of their own cargo movement forecasts). When properly interpreted, our forecasts of air freight demand and capacity across the UK as a whole, taking the role of bellyhold fully into account, show that, to the extent that there is any need for additional pure freighter movements, there is plenty of freighter capacity at Stansted and East Midlands to accommodate any growth. These airports are better located relative to the market and the key locations for distribution within the UK. Overall, we conclude from this analysis that there will be no shortage of freighter capacity in the UK in the period up 2040 (RSP's assessment end date) and that overspill from other airports would not provide a rationale for re-opening Manston.
11. Taking the most optimistic basis for assessing its potential role, we have estimated that Manston might be able to achieve at most 4,470 annual air transport movements by cargo aircraft by 2040, but this is highly unlikely given its location and the clear market trend away from the use of dedicated freighter aircraft. Our more likely projection is that it might attain 2,000 annual air cargo aircraft movements by 2040 and it is equally plausible that it might not achieve more than 750 such movements annually. These are all far below Azimuth's projection, upon which RSP rely, of 17,171 annual cargo aircraft movements.

12. Our initial assessment of the passenger market is that the throughput might, at best, be around half of that projected by RSP and, hence, given the dependence on passenger related income for the financial viability of airport operations, this will impact substantially on the viability of the proposal. The other activities suggested by RSP, such as business aviation, maintenance, repair and overhaul, and aircraft dismantling are highly competitive markets and, to the extent that Manston might attract any such operations, these are unlikely to contribute substantially to the overall viability of the Airport.
13. The existing infrastructure at Manston Airport, if made good, is capable of handling 21,000 annual air cargo aircraft movements<sup>1</sup>. The actual usage of that capability would depend on the pattern of operation and how the infrastructure was used on a day by day basis. Our assessment, therefore, provides essential missing information from RSP's materials to date which is necessary for the purposes of section 23 of the Planning Act 2008 (as amended), for assessment purposes under the Environmental Impact Assessment Regulations and for consultation purposes.
14. Without prejudice to our view that demand to use Manston is not likely to be anything like 17,171 cargo aircraft movements a year, we have considered the land required to accommodate such a number of movements. Our assessment is that the land required would be substantially less than shown on the RSP Master Plan and that the proposed land take is excessive and without justification in terms of the compulsory acquisition of the land. Any development required to handle 17,171 annual movements by air cargo aircraft can all be accommodated to the south of the B2050 and, even allowing for passenger operations and other activities, would not require all of the airfield land to the south of the road. Obviously, on the basis of more realistic forecasts of future demand, the area required to support the ongoing operation of the Airport would be materially smaller.
15. We can see no justification for the inclusion of the 'Northern Grasslands' area within the DCO on the basis of it being for associated development. There will be little requirement for or likelihood of the relocation of freight forwarding activity from adjacent to the UK's main cargo hub at Heathrow to Manston, as suggested by RSP, and any requirement for such activity specifically to support the proposed level of freight activity at Manston could easily be accommodated on land to the south of the B2050. The development on the 'Northern Grasslands' site appears to be speculative commercial development which, based on the precedent at East Midlands Airport – the UK's principal airport for pure freighter operations – would be expected to be largely for non-aviation related uses.

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<sup>1</sup> Based on an 18-hour operational day. Should a night time noise policy be agreed with Thanet District Council pursuant to the existing planning agreement that enabled a longer operational day and/or a number of scheduled night movements, then the capability could, in theory, be higher than 21,000 annual cargo aircraft movements.

16. In terms of the socio-economic implications of the proposed development, Azimuth have shown a lack of understanding of how such impacts should properly be calculated. Leaving aside the use of inappropriate multipliers, the impacts have been assessed at a national scale and should have taken displacement of activity from other airports fully into account, reducing the impacts well below those stated. Furthermore, the assessment should have considered the impact on alternative uses of the site, including SHP's proposed mixed use development and the socio-economic benefits deriving therefrom. We have set out a more realistic and robust assessment, which shows that the local impacts within Kent, even on Azimuth's forecasts, would be substantially less than claimed and it is these lower order effects which would need to be balanced with the environmental and other impacts in assessing the acceptability of the proposed development against the alternatives.
17. Unsurprisingly, the socio-economic impacts associated with the Airport are lower still on the basis of more realistic forecasts of likely usage if it re-opened. The operation is simply of a much smaller scale such that, in Year 2, it would generate only 452 jobs, 17% of Azimuth's estimate of 2,654. By Year 20, the differential is even larger, with the Azimuth estimates reaching over 30,000 jobs compared to our estimate of just over 1,000 jobs. Once again, the evidence presented by Azimuth on behalf of RSP cannot be relied upon. It is infected with the flaws in the traffic forecasting methodology identified previously but also the approach to identifying socio-economic impacts is, in itself, badly flawed. The socio-economic impacts are, as a result, massively overstated. In any event, these benefits would not be realised if the Airport ceases operation again due to it not being commercially viable.
18. As well as the Azimuth reports which form the basis of RSP's case, we have also reviewed a number of other reports on the potential for Manston. In overall terms, we agree with Aviasolutions for Thanet District Council that there is little realistic prospect of the re-opening of Manston Airport being a commercially viable proposition. We have reviewed their original report and the more recent reports and concur with their views on the overall structure of the UK air cargo market, noting that they, unlike Azimuth, have correctly understood the implications of our 2015 work for the FTA. We do not accept Northpoint's rebuttal of the Aviasolutions work. Like Azimuth, Northpoint's work is largely aspirational without any robust evidence or analysis of the market. Northpoint, too, misinterprets our previous work for the FTA and TfL.
19. In overall terms, we do not consider that the case that the re-opening of Manston Airport would constitute a Nationally Significant Infrastructure Project has been robustly made or substantiated. In any event, given that the baseline capability of Manston Airport is at least 21,000 annual cargo air transport movements (see section 4), this means that RSP must, effectively, be seeking to increase the capability of Manston Airport from 21,000 annual air transport movements by cargo aircraft to at least 31,000 such movements each year, a level of activity which has not been consulted on or assessed in RSP's Preliminary Environmental Information Report (PEIR). Indeed, RSP's consultation material does not provide any detail as to what the increase in capability would be as a result of its proposals (i.e. the increase in capability as a result of its proposed alteration to Manston Airport). As a minimum, the increase in capability would be to 31,000 annual air transport movements by cargo aircraft, but in our view their proposals would result in a significantly higher 'new' capability which is not revealed or assessed by RSP.

20. Our overall assessment is that RSP have failed to provide their own evidence of the capability of Manston Airport and the amount by which their proposals would increase that capability by. Rather, the only information that they present is a forecast of future freight demand, which has no credibility as explained in this report. There are, hence, major omissions in RSP's consultation material. This failure means that, in our opinion, the requirements in section 23 of the Planning Act 2008 (as amended) have not been satisfied. In essence, we would have expected RSP to be able to show:

- the capability of Manston Airport of providing air cargo transport services;
- the amount by which RSP is proposing to increase that capability by and thus the "new" capability; and
- a credible forecast for why that 'new' capability is required.

None of this information is provided by RSP.



## **1 INTRODUCTION**

1.1 York Aviation was appointed by Stone Hill Park Limited (SHP) in September 2017 to review the evidence presented by RiverOak Strategic Partners Limited (RSP) in connection with RSP's prospective application for a Development Consent Order (DCO) for the redevelopment and re-opening of Manston Airport as a hub for international air freight services, which also offers passenger, executive travel and aircraft engineering services.

1.2 York Aviation is a specialist air transport consultancy that focusses on airport planning, demand forecasting, strategy, operation and management. The company was established in 2002. We offer a broad range of services to airports, airlines, governments, economic development organisations and other parties with an interest in air transport. Our team is a mixture of experienced air transport professionals and economists. Key members of the team have substantial experience of airport operations and development gained through working for Manchester Airports Group. Our core services include:

- business planning and strategy;
- capacity and facilities planning;
- master planning and planning application support;
- demand forecasting;
- economic impact assessment and economic appraisal;
- policy and regulatory advice;
- route development;
- transaction support.

1.3 Our clients include:

- Transport for London;
- Transport for the North;
- Department for Transport;
- Scottish Enterprise;
- Northern Ireland Government;
- Manchester Airports Group;
- Birmingham Airport;
- London City Airport;
- London Luton Airport;
- Ryanair;
- Freight Transport Association.

As well as numerous investors in airports and other parties with an interest in the development, operation and management of airports in the UK and abroad.

- 1.4 Louise Congdon, Managing Partner of York Aviation has provided evidence in relation to the need for and economic impact of airport development at several airport public inquiries, including Manchester Runway 2, Liverpool Airport, Doncaster Sheffield Airport, Stansted Generation 1, London Ashford Airport (Lydd) and London City Airport.
- 1.5 We were the authors of two specific reports upon which RSP seek to rely in making their case, namely a report for the Freight Transport Association (FTA) and Transport for London (TfL) in 2015 and a note on Freight Connectivity for TfL in 2013. The first of these documents was used by RSP in its public consultation and this may have led respondents to believe that we were supporting the re-opening of Manston, which is not true and, as we go onto explain in this report, our analysis in these documents for the FTA and TfL does not support RSP’s conclusion that there would be a substantive and sustainable role for Manston in the UK air freight industry.

### Historical Position

- 1.6 Manston Airport closed to commercial operations in May 2014, following several unsuccessful attempts to attain commercially viable operations. In the decade prior to closure, the Airport did manage to attract some cargo and passenger activity but not to levels that could ensure financial and commercial viability for its owners. The historic traffic performance is set out in **Table 1.1**. The Airport’s cargo traffic peak was in 2003.

	Passengers	Cargo (tonnes)	Air Transport Movements <sup>2</sup> (excl. Air Taxis)	of which, Cargo Aircraft Movements <sup>3</sup>	Total Aircraft Movements
2003	3,256	43,026	1,106	1,081	24,934
2004	101,328	26,626	3,333	730	23,324
2005	204,016	7,612	4,631	177	21,358
2006	9,845	20,841	461	322	16,687
2007	15,556	28,371	608	444	21,521
2008	11,625	25,673	540	412	19,269
2009	5,335	30,038	583	485	18,902
2010	25,692	28,103	1,151	491	16,260
2011	37,169	27,495	1,472	419	18,695
2012	8,262	31,078	687	432	14,688
2013	40,143	29,306	1,640	511	17,504
Source: CAA Airport Statistics					

<sup>2</sup> Air Transport Movements (ATMs) are those services sold to the public as distinct from private flights or those operated on behalf of individual companies using their own aircraft. All substantive cargo operations in the UK would be treated as air transport movements. Aircraft movements are all aircraft movements at an airport, including ‘touch and go’ landings by flying school aircraft.

<sup>3</sup> Based on more detailed records maintained by the former airport operator, it would appear that CAA data may not record all empty cargo positioning flights. However, we do not have complete data. The total number of cargo flights could, hence, be somewhat greater than shown.

- 1.7 Table 1.1 shows that the number of air cargo movements and the tonnage carried was fairly consistent over the last 10 years of the Airport's operation, but these operations were not sufficient to support a commercially viable operation at the Airport.
- 1.8 We address the realistic levels of freight demand that Manston Airport might attract if re-opened in **Section 3** of this report.

### **The Application**

- 1.9 RSP's prospective DCO application is predicated on its proposed alterations to the Airport's infrastructure, the effect of which is expected to increase by at least 10,000 a year the number of cargo air transport movements (CATMs) a year that the Airport is capable of accommodating. In practice, the case set out in the consultation documents produced by RSP and used in the Preliminary Environmental Information Report (PEIR) are predicated on it being able to attract and handle a forecast of 17,171 CATMs and 1.4 million passengers per annum (mppa) by 2039 and all of the assessments are made on this basis.
- 1.10 In order for RSP's proposals to be considered a Nationally Significant Infrastructure Project (NSIP), which can be taken forward using the DCO procedure under the Planning Act 2008 (as amended), it must comprise of an alteration to an airport which would *"increase by at least 10 million per year the number of passengers for whom the airport is capable of providing air passenger services"* or *"increase by at least 10,000 a year the number of air transport movements of cargo aircraft for which the airport is capable of providing air cargo transport services."*<sup>4 5</sup> In this case, the relevant criterion relates to air transport movements for cargo aircraft. It is clear, therefore, that validating the capability of Manston Airport of providing air cargo transport services is vital to determining the legitimacy of a DCO.
- 1.11 RSP's prospective DCO application does not provide any explanation or understanding of the capability of the Airport before its proposed alteration is made. The capability of the Airport is a necessary component of Section 23(5) of the Planning Act 2008 (as amended), as it is from that figure that a prospective applicant must consider the effect of its proposed alteration, which must be expected to have the effect of an increase of at least 10,000 annual air transport movements by cargo aircraft. Without identifying the capability of Manston Airport, one does not have all of the components required under section 23 of the Planning Act 2008 (as amended) for a decision to be made as to whether the proposed alteration falls within section 23. In addition, an applicant must then explain what the 'new' capability would be following its proposed alteration in order to then assess the effects of the proposed alteration. We consider this further in **Section 4**.

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<sup>4</sup> Section 23(5) of the Planning Act 2008 (as amended).

<sup>5</sup> It is noted that the Planning Act 2008 (as amended) also refers to an increase in permitted use as a relevant criterion. In this case, the existing planning consent under which Manston operated contained no limit on the number of annual aircraft movements permitted although there was a prohibition on night movement of aircraft between 23.00 and 07.00 in force, pending agreement to a night movement policy with the local planning authority, Thanet District Council. In any event, the increase would still need to be at least 10,000 per year in the number of air transport movements of cargo aircraft for which the airport is permitted to provide air cargo transport services.

- 1.12 A further consideration is the extent of development proposed in terms of its capability of supporting the projected number of movements but, more importantly, given that RSP is seeking to compulsorily acquire the entirety of the Manston Airport site from SHP, whether the land area proposed is actually necessary in order to handle the projected number of aircraft movements and whether there is a “*compelling case in the public interest*” for its acquisition<sup>6</sup>. This requires consideration as to whether the case for the development and re-opening of Manston Airport is “*compelling*” and whether the full extent of land required has been fully justified. We consider this in Section 4 of this report.
- 1.13 We consider the socio-economic case for the development in **Section 5** of this report.

### This Report

- 1.14 RSP sets out its strategic case and need for the re-opening of Manston Airport as a hub for international air freight in 4 volumes prepared by Dr. Sally Dixon of Azimuth Associates (Azimuth), namely ‘*Manston Airport - a Regional and National Asset, Volumes I-IV; an analysis of air freight capacity limitations and constraints in the South East and Manston’s ability to address these and provide for future growth; June 2017*’. **Section 2** of this report reviews this analysis and the extent to which the analysis presented by Azimuth justifies the forecast cargo and passenger activity projected for Manston. This is important for the purposes of section 23 of the Planning Act 2008 (as amended) and whether the analysis presented by Azimuth provides a compelling case in the public interest for the acquisition of the site through compulsory acquisition procedures.
- 1.15 Within this report, we address, in particular, the use made by Azimuth of analysis that we undertook for Transport for London<sup>7</sup> and for the Freight Transport Association<sup>8</sup> in connection with the work of the Airports Commission and the need for new hub airport capacity for London. For reasons which will be made clear, the York Aviation work relied upon by RSP does not, and cannot be taken to, support RSP’s proposed alteration to Manston Airport and, therefore, cannot be relied upon by RSP, the Planning Inspectorate, the Secretary of State and any future appointed Examining Authority (should RSP submit the application and the Secretary of State accepts the application). Given the errors in the interpretation and use of our work by Azimuth, we are concerned that the consultation carried out to date has not properly informed the public in respect of the valid interpretation of our work regarding the prospects for the viable operation of Manston as a freight airport.
- 1.16 We also review independent reports produced variously by Aviasolutions (Avia) for Thanet District Council in September 2016 and August 2017 and Northpoint Aviation Services (Northpoint) for RSP. This peer review of the other reports is at **Section 6** of this report. To the extent that we agree with these other reports, we do not repeat the detailed analysis in this report but reference the corroborating evidence as appropriate.

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<sup>6</sup> Department for Communities and Local Government, *Guidance on compulsory purchase process*, October 2015, page 6.

<sup>7</sup> Referenced by Azimuth as Transport for London (TfL), *Note on Freight Connectivity*, unpublished paper 2013. For the avoidance of doubt, this note as made available by TfL under a Freedom of Information Request is appended to this report at **Appendix A**.

<sup>8</sup> York Aviation (2015), *Implications for the Air Freight Sector of Different Airport Capacity Options*.

1.17 Our conclusions are presented in **Section 7**.

## 2 CRITIQUE OF RSP APPROACH TO FORECASTING

2.1 In this section, we review the work of Azimuth that forms the justification for the DCO and was part of RSP's consultation documents in June and July 2017. The work is presented in 4 volumes:

- Volume I: Demand in the south east of the UK
- Volume II: A qualitative study of potential demand
- Volume III: The forecast
- Volume IV: The economic and social impact of airport operations

This section also addresses the basis of the demand forecasts for Manston as set out in Volumes I, II and III, focussing principally on air freight in this summary report. We address the socio-economic assessment in Volume IV in Section 5 of this report. Given the repetition of much of the material across the first three volumes of Azimuth's work, we have grouped issues broadly under the appropriate volume in this section.

2.2 We do not, in the main, dispute the accuracy of the factual detail, some relevant and some not, set out in the Azimuth reports or the veracity of the secondary evidence presented. We do, however, have serious and considerable issues in relation to the interpretation and the completeness of this evidence base, in particular relating to the use of previous York Aviation reports, and the inferences and conclusions drawn from it. Ultimately, we consider that the case put forward by Azimuth is weak and unsubstantiated as the extensive evidence base presented does not, in reality, support the conclusions drawn which, in many cases, go well beyond what can reasonably and sensibly be inferred from the information presented. Much of the information is effectively circumstantial and falls far short of making a compelling case, or indeed any case, that the demand forecasts would be capable of being realised.

2.3 Although Azimuth state at paragraph 1.2.1 of Volume 1 *"RiverOak, who specialise in identifying profitable market opportunities, has identified the substantial need for additional and specialised airport capacity for dedicated freighters in the southeast of England"*, we are unaware of any other research upon which RSP rely. All other documents produced in support of the prospective DCO appear to rely on the work of Azimuth.

2.4 In essence, the work of Azimuth sets out to address three key questions, which they assert provide the answer as to whether there is a compelling case in the public interest for the development of Manston Airport sufficient to meet the test for the inclusion of compulsory acquisition powers as part of the DCO. These are largely addressed in Volumes I and II, and lead on to the preparation of demand forecasts set out in Volume III. The three tests put forward by Azimuth are:

- *Does the UK require additional airport capacity in order to meet its political, economic, and social aims?*
- *Should this additional capacity be located in the South East of England?*
- *Can Manston Airport, with investment from RiverOak, relieve pressure on the UK network and meet the requirement of a nationally significant infrastructure project?*

- 2.5 At the outset, we query whether these are the correct questions to be addressed in terms of the case that RSP seek to make for the use of Manston as a major freighter hub. As is clear from the draft Airports National Policy Statement (NPS)<sup>9</sup>, the first two questions relate to the requirement for more capacity at the UK's main passenger hub airport at Heathrow. The updated draft NPS makes clear at paragraph 1.30 that, in relation to the Government's preferred solution of a new northwest runway at Heathrow:

*“Consideration has been given to alternative solutions to the preferred scheme, and the conclusion has been reached that there are no alternatives that would deliver the objectives of the Airports NPS in relation to increasing airport capacity in the South East and maintaining the UK's hub status.”*

- 2.6 Hence, these first two questions are not relevant to considering whether there is a need for dedicated freighter capacity at Manston sufficient to meet the tests for a DCO. Manston would make no contribution to meeting the identified requirement of passenger hub capacity for the UK or for the South East of England. Furthermore, the draft NPS makes clear, at paragraph 1.39 in relation to any other development consent application for airport development, that:

*“Nevertheless, the Secretary of State considers that the contents of the Airports NPS will be both important and relevant considerations in the determination of such an application, particularly where it relates to London or the South East of England. Among the considerations that will be important and relevant are the findings in the Airports NPS as to the need for new airport capacity and that the preferred scheme is the most appropriate means of meeting that need.”*

- 2.7 This confirms that the proposed northwest runway at Heathrow addresses the identified need as set out by the Airports Commission for new airport capacity in the South East of England and that this provides a context against which any other DCO application would need to be assessed.

### **Demand in the South East of the UK (Volume I)**

- 2.8 As has been noted above and in the most recent 2017 reports from Avia, much of the analysis presented by Azimuth relates to the evidence for a shortage of airport capacity overall in the South East of England and, specifically, the work of the Airports Commission relating to the need for additional hub airport capacity serving both the needs of passengers and of air freight. Much of the evidence presented by Azimuth to justify the existence of an airport capacity shortfall in the South East of England relates to the shortfall in capacity for passenger aircraft and, specifically, a shortage of capacity at the main aviation hub at Heathrow as noted above. This does not provide any underpinning justification for the specific development that RSP proposes at Manston, which comprises a specialist freight airport with a small number of low fare, regional and charter flights for passengers.

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<sup>9</sup> Department for Transport, *Revised Draft Airports National Policy Statement: new runway capacity and infrastructure at airports in the South East of England*, October 2017. Note that the provisions referred to have not changed since the original draft as of February 2017, which pre-dated RSP's consultation.

- 2.9 Azimuth cite a number of reports which highlight the potential shortage of airport capacity, not just in the UK but across Europe, and the economic costs of not addressing these shortfalls. Azimuth then seek to imply that Manston could provide part of the solution and contribute to delivering these benefits. This is not justified and creates a false impression of the potential economic significance of RSP's proposals. A key point is that the reports relied on by Azimuth need to be seen in the context in which they were written, namely to set out the economic consequences of the failure to address the shortage of hub airport capacity principally for passengers but also providing bellyhold capacity for freight in the UK. All of the reports pre-date the Government's decision to promote an additional runway at Heathrow and were largely directed at ensuring that a positive decision was taken regarding the development of additional runway capacity.
- 2.10 Furthermore, the reference at paragraph 5.1.4 to concern expressed in the Aviation Policy Framework<sup>10</sup> regarding the implications of capacity shortfalls on the range of destinations served does not, as Azimuth infer, indicate a need for additional aircraft movements by dedicated freighter aircraft as these would require a concentration of freight flows to a specific destinations to fill a single aircraft at a time. Rather, the Aviation Policy Framework refers to the need for a wide range of global destinations being available at the UK's national hub airport, offering passenger and bellyhold capacity so as to maximise the choice and convenience for both passengers and shippers<sup>11</sup> of airfreight. It is this variety of destinations and, importantly, the high frequencies of service that lead the market to favour a bellyhold hub and spoke system so that freight can reach its end destination in the most efficient and cost effective way possible.
- 2.11 In the light of the Government's support for the provision of a third runway at Heathrow and the potential for further development of airport capacity beyond 2030<sup>12</sup>, the use of these economic assessments of a constrained situation to 2050 is no longer relevant, if indeed it ever was, as a context for the potential re-opening of Manston as a freight airport. The use of this data by Azimuth to support RSP's proposals is disingenuous at the very least.

### ***Reliance on York Aviation work***

- 2.12 Ultimately, Azimuth rely heavily on two existing pieces of research undertaken by York Aviation during the Airports Commission process. The first an unpublished note for Transport for London (TfL) prepared in the early stages of that process (see Appendix A), and a later more detailed piece of research undertaken for the Freight Transport Association (FTA), in conjunction with TfL<sup>13</sup>. Both documents considered the overall position of the air freight market in the London system and what might be the circumstances of that market in 2050 under different assumptions regarding runway capacity development in the South East. Whilst we continue to believe that, in the very long term, there will be excess demand for air freight and that existing infrastructure in the London area will struggle to service this demand, more recent developments lessen the capacity pressure.

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<sup>10</sup> Department for Transport, *Aviation Policy Framework*, 2013.

<sup>11</sup> Shippers are the originators of the airfreight, i.e. the exporters or importers.

<sup>12</sup> Department for Transport, *Beyond the Horizon The future of UK Aviation*, Call for Evidence, July 2017, paragraph 7.23.

<sup>13</sup> The FTA report being included explicitly in RSP's consultation documents on its website.



- 2.13 The key point, however, is that, to the extent that there is excess air freight demand in the long term, it does not follow that there will be a market for Manston, as asserted by Azimuth, as any excess demand at the Heathrow hub does not lend itself to being displaced onto dedicated freighter operations at Manston, for reasons we explain later in this section. To the extent that there is any role for additional freighter aircraft to accommodate some part of the displaced demand, there is ample spare capacity at other airports in the short to medium term at least. Thus, the York Aviation work relied upon by RSP does not, and cannot be taken to, support the need for a re-opened Manston Airport as a freight airport and cannot be so relied upon by RSP, the Secretary of State, the Planning Inspectorate and any appointed Examining Authority (should RSP submit its application and the Secretary of State accepts the application).
- 2.14 Specifically, Azimuth seek to rely on estimates presented in our reports of the number of freighter movements which might be required to carry the freight tonnage that could be displaced from the London airports in 2050 if there is no additional capacity provided by that date. It is important to note that our reports for TfL and the FTA went on to explain why there were other alternatives, such as regional airports or trucking to Europe, which would be favoured to meet demand ahead of any residual use of more dedicated freighters.
- 2.15 Despite the reports being very clear, when read in their entirety, that the solution to any shortage of capacity would not be extensive use of pure freighter aircraft, Azimuth rely on the freighter movement equivalents from our reports as justification for their projections of freighter movements at Manston both in the short to medium term and up to 2039. There are a number of problems with this approach:
- The analysis as at 2050 is not representative of the position at 2039 or any earlier date;
  - The Government is committed to there being a third runway at Heathrow, with a major justification being the increase in bellyhold freight capability at the UK's principal freight hub;
  - Gatwick has increased its effective hourly movement capacity, enabling more passenger aircraft and associated bellyhold capacity, particularly related to recent expansion of the long haul network;
  - Stansted has 20,500 annual movements that are reserved for freighter aircraft, of which only around half are currently used. The Airport's Sustainable Development Plan<sup>14</sup> sets out an aspiration to grow cargo, including on dedicated freighter aircraft, to 400,000 tonnes annually;
  - Regional airports have developed additional long haul services, providing additional bellyhold capacity, and have plenty of spare capacity to accommodate additional freighter aircraft movements to the extent that there is any need for more pure freighter capacity;
  - The Government has not ruled out the provision of further additional airport capacity beyond 2030.
- 2.16 Fundamentally, the use of theoretical levels of excess air freight demand at 2050 cannot be used to underpin short to medium term forecasts for the expected usage at Manston or an assessment as to whether it could be viably developed in the meantime, regardless of the precise timing of the delivery of the third runway at Heathrow.

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<sup>14</sup> Stansted Airport Ltd, *Sustainable Development Plan 2015*, Summary.

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### Transport for London

- 2.17 At the outset, it is important to note that our 2013 paper for TfL (referenced by Azimuth as an unpublished TfL note<sup>15</sup>) points out the UK did not then appear to be disadvantaged in terms of air freight capacity and that there was still substantial capacity for freighter movements remaining at Stansted. This is an important consideration in terms of short term forecasting and should have informed Azimuth's thinking.
- 2.18 In this paper for TfL, we estimated the excess air freight that could not be accommodated in bellyhold capacity on passenger aircraft under different scenarios of additional capacity at the London airports and converted that excess to an equivalent number of freighter movements. The 54,000 potential additional freighter movements that Azimuth (and Northpoint) cite at paragraph 3.4.5 are the additional freight carrying capacity required in the event of there being no further runway capacity at any of the London airports<sup>16</sup> (a severely constrained scenario) that is simply no longer realistic as we have set out above. Azimuth's (and Northpoint's) use of this figure as a potential market for Manston is misleading.
- 2.19 The note then goes on to set out how this requirement for additional freight capacity might be met and the economic consequences. In the first instance, we noted that around 14,000 additional freighter movements could be accommodated in the London system if no capacity expansion takes place, and this included the use of additional available freighter slots at Stansted. Azimuth appear to have taken our inclusion of Manston, as an example of a smaller airport in the South East that could accommodate some movements, as an indication that it could play a substantial role, wrongly stating in the Executive Summary and at paragraph 3.4.5 that we said that Manston was expected to handle 14,000 freighter movements. Manston was given simply as an example of an airport with freighter activity at the time of writing (2013) with the potential to accommodate some additional movements (as we set out in Section 4 of this report, the capability of Manston Airport is 21,000 annual cargo aircraft movements before allowing for any night operations).
- 2.20 In essence, our assumption was that, across the London airports (including Manston albeit on the periphery of the South East of England), it was plausible that, by 2050, double the number of existing freighter movements could be accommodated compared to 2012. If anything, the correct inference to draw from this is that we expected the number of freighter movements to double from 2012 levels, i.e. to around 1,000 movements a year at Manston.
- 2.21 Beyond this, the question of how excess freight demand in the London system in the future will be served is largely left open in our 2013 note but we made clear, at paragraph 26, that we believed the two most likely options would be greater use of bellyhold capacity and freighter operations at UK regional airports, noting Birmingham, East Midlands and Manchester particularly, or the trucking of freight to major European hub airports with substantial route networks and bellyhold capacity. This reflects the growing role of regional airports in serving their local freight markets (avoiding the need to truck to London), while balancing particularly the attractiveness of the substantial bellyhold capacity, lower air freight rates, and flexibility offered by the major continental hubs. We discuss this further below in relation to the economics of the air freight sector.

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<sup>15</sup> See Appendix A.

<sup>16</sup> Based on the Airports Commission capacity assumptions.

- 2.22 Our TfL note also makes clear (paragraph 25) that, to the extent that there was a capacity constraint, the first consequence might well be less capacity for transit freight through the UK airports, prioritising freight to and from the UK. Ultimately, our TfL note concludes that:

*“In the constrained, max use, case, there would be severe limitations of pure freighter movements at the London airports, which could amount to around 26% of the required air freight capacity to/from London. The extent to which this would act as a limitation on overall air freight volumes would depend on the extent to which the freight is still carried from regional airports or by truck. Clearly this would impact on the cost/efficiency of shipment, which in turn could impact on freight volumes carried. Again, it is outside the scope of the current exercise to assess these effects.*

*Overall, in assessing the economic value for air freight between the scenarios, the main difference is likely to lie in producer costs passed through to users and the impact that would have on business costs and hence output/freight generated. It would not be safe to assume that the reduction in cargo ATMs at the London airports necessarily translates to lost shipment value in its entirety.”*

- 2.23 Azimuth, at paragraph 3.3.2, incorrectly characterises our note to TfL as expressing a concern about the amount of trucking to Europe. Significantly, the last part of paragraph 9 is omitted by Azimuth. When looked at in its entirety, it is evident that we were noting that trucking is an inevitable part of the market, for reasons which we explain later in this section:

*“However, the role of the low countries and Germany in acting as the major freight centre in western Europe is noticeable. In total, the main German freight airports handled almost 4.2 million tonnes of freight in 2012 which, when combined with the Netherlands and Benelux countries, amounted to 7.2 million tonnes of air freight flown. These airports have developed major and specialist air freight roles, with freight being trucked from all over Europe to feed these freight hubs. The integration of trucking with air freight should not be overlooked, even within the UK. In practice, it is unlikely that the UK could replicate this role, even with unconstrained airport capacity, due to its island location on the western edge of Europe.”<sup>17</sup>*

- 2.24 In other words, our assessment was that there would not, in effect, be a shortage of capacity for freight, albeit that there would be some loss of producer efficiency by way of increased trucking and time related costs, which would be small in the context of the overall cost of air freight transport. Our summary conclusion in this note makes this clear:

*“The key difference between these two scenarios would be in terms of the efficiencies and economies of scale gained by the industry arising from the concentration of freight activity at a single hub. In both cases, the overall volume of air freight to and from the UK is expected to be broadly the same, although the actual freight carried including transit freight would be higher in the hub case. However, under the new hub scenario, savings from greater efficiency may be passed onto users, so reducing shipping costs and facilitating trade leading to higher freight volumes, but it is beyond the scope of the current exercise to assess this.”<sup>18</sup>*

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<sup>17</sup> See Reference 6, paragraph 9.

<sup>18</sup> Ibid, paragraph 30.

- 2.25 We were cautioning against the assumption that there would be a requirement for more capacity for dedicated freighter aircraft in a constrained scenario as there would be other more cost effective routes by which the freight would be carried, albeit at a higher cost than with the availability of more bellyhold capacity under a 4-runway hub scenario as being advocated by TfL at the time. Use of more dedicated freighter aircraft would represent a further increase in cost for shippers as we explain further later in this section.

#### Freight Transport Association

- 2.26 Our work for the FTA and TfL in 2015<sup>19</sup> again identified the potential for excess demand for air freight in the London system by 2050 and converted this number to freighter movements to demonstrate the point that a four runway hub could house this excess demand in one place. If this demand could not be served in the London system, the report makes clear our belief that it would then be trucked to alternate airports that offer significant options in terms of bellyhold freight or freighter operations. In this context, the bellyhold capacity and destinations offered by the continental hubs are a decisive factor in determining how the market will be served due to the range of destinations served and the lower costs inherent in using bellyhold freight. These continental airports act as freight consolidation hubs for the whole of Europe given their more central locations and, hence, offer consolidation advantages and more competitive freight rates.
- 2.27 Azimuth's interpretation of our work for FTA appears to erroneously assume that excess demand in the London system will need to be met by additional freighter movements from an airport in the vicinity of London. For instance, at para 4.2.3, they state that *"Even so and as York Aviation figures show, there will be a shortfall of slots for dedicated freighters, likely to be in the region of 45,000 by 2050"*. Whilst our report does estimate that the excess air freight demand with a third runway at Heathrow would be around 1.2 million tonnes by 2050, equivalent to 45,000 additional freighter movements, at no point does our report say that this is how the market could or should be served. Indeed, as we state on Page 20 of our FTA report *"we have assumed that freighter aircraft primarily act as a means to supplement bellyhold capacity where insufficient bellyhold capacity is available"* and our later analysis of how the market might react to this excess tonnage focusses on this assumption by considering the attractiveness of alternative airports in terms of both passenger and freight services on offer. We continue to be of the view that bellyhold capacity elsewhere will be the primary alternate given the price advantages, the flexibility offered by the long haul networks of major airports, including those on Continental Europe, and the low cost of trucking as our report for FTA makes clear.
- 2.28 By the time of this report for FTA, Manston had closed but, even if it had not and had been included within our modelling work, the lack of bellyhold capacity and limited overall market presence would have meant it could only be projected to capture a very small percentage of the excess demand. For instance, East Midlands, an airport with around 10 times the freight throughput of Manston, and only 1 hour further away from London than Manston (and substantially closer than Manston to many of the major regional markets and manufacturing centres) captured only 8% of the excess demand in our 2015 modelling. In the Heathrow 3<sup>rd</sup> runway scenario, this equates to around 100,000 tonnes in 2050. This would equate to around 3,600 additional freighter movements in 2050.

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<sup>19</sup> See paragraph 1.14 above.

### ***The Economics of the Air Freight Industry***

- 2.29 Throughout the analysis, Azimuth appear to assume complete interchangeability between bellyhold freight, pure freighter operations and express/integrator operations without any analysis of the economic drivers for the use of each type of freight transport and the economics of trucking of air freight between the UK and Europe. This is a fundamentally unrealistic assumption and leads to a misrepresentation of the market opportunity for pure freighters.
- 2.30 In our work on international connectivity for Transport for the North (TfN) in 2016 (in conjunction with MDS Transmodal<sup>20</sup>), we identified the key characteristics of the air freight market. We identified that air freight can, in principle, be broken down into three main sectors:
- (i) bellyhold, where cargo is carried principally in wide-body long-haul passenger jets<sup>21</sup>. Shippers are able to take advantage of flights to a wide variety of destinations from the main hub airports such as Heathrow and from other major European hubs, e.g. Frankfurt and Paris, similarly offering a wide range of global destinations on passenger flights;
  - (ii) freight only services, which are viable on only a handful of routes and/or for specialist commodities on an ad hoc basis. This is an increasingly limited sector in the UK due to the variety of bellyhold routes available and the strong presence of the integrators in the market;
  - (iii) express 'parcel' type services that operate on a hub and spoke network basis by 'integrators' (typically DHL, Fedex and UPS). These services increasingly carry larger consignments and East Midlands and Stansted Airports dominate the UK market, feeding bigger hubs located more centrally within Europe.
- 2.31 In general, air freight is seeking door to door journey times of the order of 4-5 days, which is possible using bellyhold through major hub airports, whilst integrator freight will generally seek a door to door journey time of no greater than 2 days.
- 2.32 The majority of tonnage moves by bellyhold as, in essence, this capacity is sold at marginal cost, with the majority of the airlines' operating costs covered by the passengers carried. The market is dominated by Heathrow and the other major European passenger hub airports because the sheer range and frequency of services provides a competitive environment which typically delivers the lowest freight rates and the greatest range of destinations served. There is high locational inertia in the air freight sector, which is likely to remain focussed around Heathrow for the foreseeable future as it is expected to remain by far the largest UK airport for cargo. In our TfN work, we estimated that around 70% of freight from the North of England in 2015 was trucked to or from other hubs for uploading, with some freight trucked to Heathrow for consolidation by the freight forwarders before being trucked back to Manchester to avail of bellyhold capacity there. Assuming similar proportions from other regions of the UK, it is clear that at least a part of any excess demand at the London airports is likely to be satisfied at regional airports, not least as airports such as Manchester, Birmingham and Edinburgh increase their range of direct long haul services offering bellyhold capacity.

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<sup>20</sup> Transport for the North, *International Connectivity Evidence Report*, York Aviation/MDS Transmodal July 2016, Appendix C.

<sup>21</sup> Short haul flights provide small amounts of bellyhold capacity but, generally, low fares airlines do not carry cargo within their operating model.

- 2.33 The integrator sector carries more urgent parcel traffic based upon hub and spoke networks offering (typically) two day intercontinental transits. Spoke services from the UK from East Midlands and Stansted serve central European hubs at airports such as Brussels and Frankfurt. The need for frequency tends to mean that, typically, only one 'spoke' can be justified per integrator per country and these spoke services tend to be centrally located to maximise accessibility from all parts of Great Britain. East Midlands Airport is ideally placed in this regard. The integrators are increasingly using bellyhold capacity as well, essentially acting as freight forwarders in this regard.
- 2.34 A handful of freight only services complement bellyhold and integrator services where there is sufficient cargo to justify dedicated aircraft to a particular destination. There are a small number of scheduled freighter services which circumnavigate the globe, picking up and dropping off cargo at each point. More often, dedicated freighter services, other than those linking with major cargo hubs such as Hong Kong, Seoul or Dubai, operate on an ad hoc basis dealing with special consignments, such as large loads, or specific commodities where time is of the essence, such as the perishables trade, which was previously the principal cargo usage at Manston. Whilst there is some cascade from bellyhold to pure freighter operations where capacity is not available or time is critical, ultimately, it is the economics of the operation which is key. It does not follow that displaced bellyhold freight will seek a more expensive pure freighter service from a nearby airport over the use of available bellyhold capacity from a more distant airport.
- 2.35 In particular, we identified that the high cost of air freight leads to a pressure to be cost effective and the role of freight forwarders<sup>22</sup> in consolidating loads in order to secure the lowest possible freight rates. Cargo, other than integrator operations, tends to be assembled by specialist air freight forwarders, which cluster around the major hub airports so as to avail of the competitive freight rates on offer. As the road transport costs are very low compared to the value of the cargo and the air freight costs, air cargo is often trucked long distances to find capacity (at a lower freight rate). This forms an important driver in how freight moves from its origin to the actual airport of uploading and applies both within the UK and between the UK and Europe.
- 2.36 The charges levied per tonne of cargo for the long haul flight leg are high relative to inland haulage costs so that a relatively small difference in air freight rates between different airports will easily cover any additional costs for road haulage. It is for this reason that the majority of air freight will always gravitate towards bellyhold where there is capacity available, even if there is a substantial road haul as part of the journey. Given the wide range of bellyhold services available from the UK, which will increase following the development of a third runway at Heathrow and long haul service growth elsewhere, it is reasonable to expect that pure freighter operations will continue to make up a declining share of the market.

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<sup>22</sup> A freight forwarder, forwarder, or forwarding agent is a person or company that organizes shipments for individuals or corporations to get goods from the manufacturer or producer to a market, customer or final point of distribution. For example, the freight forwarder may arrange to have cargo moved from a plant to an airport by truck, flown to the destination city, then moved from the airport to a customer's building by another truck.

2.37 Trucking of air freight is not a new phenomenon. The work by Steer Davies Gleave for the Department for Transport (DfT) in 2010<sup>23</sup> estimated that over 50% of air freight leaving the UK for Europe was trucked rather than using the bellyhold of passenger aircraft. In other words, airlines are using trucks rather than aircraft to distribute freight arriving on and connecting to their global passenger (bellyhold) and freighter operations. At the time of this analysis, Manston was still operational. If it was more economical to use a pure freighter service from Manston rather than trucking over the Channel, this would have been happening in 2010 but it was not. Other than the potential additional border checks as a consequence of Brexit, Azimuth advance no reasons why freight would switch from the cheaper trucking/bellyhold model to expensive pure freighter operations. We believe that the economics of air freight will continue to favour the use of bellyhold freight, other than for a minority of consignments, to and from the UK even if there is a lengthy trucking leg.

### ***Manston in the context of the drivers of air freight***

2.38 At Para 4.0.2, Azimuth suggest the reasons why cargo airlines choose airports. In reality, Manston does not fulfil a number of these key criteria meaning that, even in the most favourable circumstances, it can never be more than a niche player in the market. Specifically:

- It does not provide convenient access to the main markets;
- The drive time to Central London is nearly two hours<sup>24</sup>;
- The great majority of the Airport's natural catchment is sea and there is very limited evidence of any local demand base;
- Competition is strong from the London airports, with already established freight forwarding and a wide range of bellyhold capacity;
- Given that the Airport is closed and staff dispersed, Manston would not provide any advantages in terms of experience of cargo handling and is likely to offer only marginal advantages in terms of the speed of transit through the Airport;
- Manston could potentially offer lower airport costs, albeit this would impact on the viability of the Airport, but these lower airport costs and any reduction in flying time would not offset the additional cost of freighter transport compared to bellyhold;
- It is also unclear as to what extent night time operations will be an option at Manston given the operating constraints under which the Airport formerly operated which prohibited scheduled night flying<sup>25</sup>.

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<sup>23</sup> Steer Davies Gleave, *Air Freight: Economic and Environmental Drivers and Impacts*, March 2010

<sup>24</sup> Based on Google maps standard driving speeds.

<sup>25</sup> Azimuth Vol 1 paragraph 7.1.6 quotes from a 2005 MORI survey that people were not impacted by night flights but this would reflect that there were no scheduled night flights when the airport was operational. Local resident support for re-opening (paragraph 7.1.1) needs to be seen in this context. We note that RSP's Consultation Overview Report states (on page 11) that *"Air freight operations would be predominantly during the daytime, in accordance with operations at other similar air freight airports. There may be a requirement for a small number of night-time flights, the details of which will be determined as part of the on-going project design, taking account of feedback from the Statutory Consultation, and presented with the DCO and assessed within the Environmental Statement. For the purpose of the PEIR assessment, and as a worst case, the working assumption is that there might be a maximum of eight (8) aircraft movements at night between the hours of 2300 and 0600."*

- 2.39 A key consideration is Manston's geographic position substantially away from the economic spine of the UK and with very limited local demand. It is remote from most markets with a journey time to the M25 of nearly 1 hour and accessibility beyond would be subject to the general levels of traffic congestion in the London area. Azimuth's suggestion (paragraph 1.2.2) that Manston might effectively serve as a 4<sup>th</sup> runway for Heathrow for air cargo flights is merely fanciful given the journey time of 1¾ hours, which is little shorter than the time from Heathrow to East Midlands Airport with an already well developed infrastructure for handling air freight and more likely to fulfil such a role in relation to freight overspill from Heathrow that is time critical or of such a special nature as to warrant the use of pure freighter aircraft.
- 2.40 Many of the other points raised by Azimuth regarding security, e-commerce and just-in-time delivery are all factors relating to the overall efficiency of the industry. If anything, what the analysis presented by Azimuth demonstrates is the importance of developing efficient freight networks serving the whole of the UK rather than the need for a re-opened freight focussed airport in the South East of England. Manston could only recapture economic benefits from cargo being trucked to the continent, as asserted at paragraph 4.8.4, to the extent that it provides a more economically efficient solution. Manston was not viable in the past and there do not appear to be significant changed circumstances that would make it viable in the future. This lack of inherent viability is indicative of the fact that it did not provide an economically efficient solution.
- 2.41 One of the key reasons that the UK aviation sector is so productive, as cited by Azimuth at paragraph 5.2.1, is that it allows the market to work. Inefficient and unnecessary actors in the market are allowed to fail. There is a strong argument to suggest that the closure of Manston is simply a part of the process of the market working and delivering more efficient solutions. The argument around the importance of the sector and Manston's role only applies if it is commercially viable (and makes an adequate return to shareholders) and represents an economically efficient allocation of resources. Otherwise, it will in fact damage the productivity of the UK aviation sector.
- 2.42 Azimuth asserts, paragraph 6.2.2, that the perceived lack of investment in Manston by the previous owners was an impediment to freight growth. However, this is at odds with previous statements by former operators of the Airport and comments by interviewees, in Azimuth's Volume I, on the quality of service received by customers at Manston. In its 2002 results, the Wiggins Group plc claimed that, following investment, Manston was capable of handling 200,000 tonnes of cargo a year<sup>26</sup>. The subsequent owners, Infratil, published a Master Plan in 2009<sup>27</sup> which identified triggers when there might need to be some increase in cargo aprons or warehousing at 100,000 tonnes and 200,000 tonnes of cargo annually. Given that peak tonnage was 43,000 tonnes, this does not suggest that lack of capacity or shortage of investment was an impediment to increasing cargo volumes at Manston in the past, rather the limitation was the market.

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<sup>26</sup> <https://www.investegate.co.uk/wiggins-group-plc---230-/rns/final-results/200207300700452686Z/>

<sup>27</sup> Manston, *Kent International Airport Master Plan*, November 2009, page 62.



- 2.43 The only specific impediment to increasing throughput cited by Azimuth is a limitation to 1 aircraft being handled at a time but we understand that this was not the case, albeit supervised taxi-ing procedures had to be put in place when there were 2 aircraft using the apron at the same time. In practice, it does not appear that lack of investment was an issue which impacted on freight throughput. Rather, it must be assumed that the previous owners did not believe there was a viable economic case for investment. Lack of investment does not necessarily mean constrained demand and it may simply be that there was not sufficient demand to justify investment and that the market was functioning properly.

## **Qualitative assessment of demand (Volume II)**

### ***Forecasting Methodology***

- 2.44 Volume II of Azimuth’s work begins with an assessment of different forecasting approaches for cargo, noting that forecasting of cargo is not as well developed as that for passenger activity. We agree that air freight forecasting is difficult and that there is a lack of hard data. However, we do not agree with Azimuth’s assertion that quantitative methods are, therefore, not suitable and that qualitative methods are more appropriate. The evidence cited by Azimuth at Table 3 does not support this conclusion and suggests that causal methods (regression analysis) remain the most appropriate for forecasting demand for cargo and freighters. Such an approach is far more akin to the type of analysis undertaken by York Aviation in its work for TfL and FTA and upon which Azimuth seek to rely as a basis for the scale of activity that Manston might attract.
- 2.45 Whilst we understand the reason for Azimuth’s assertion that it may not be appropriate to extrapolate Manston’s future performance from its historic performance, this does not take away from the importance of grounding any future forecast in quantitative evidence of the drivers of the market and how these might change in the future. In any event, the assertion is at odds with the reliance placed by Azimuth on our quantitative assessments of ‘spill’ from the London airports at 2050, in the circumstances of no additional runway at Heathrow, as corroboration of their qualitative projections for Manston to 2039. To reiterate, reliance on these estimates is not appropriate for considering the potential role for Manston, not least as they relate to 2050 and cannot be applied to 2039, or any earlier year, without working through from first principles how any constraints in the London system might bite and the likely market reaction.

- 2.46 As well as reviewing forecasting methodologies, Azimuth sets out some air freight growth forecasts produced by others. At paragraph 3.6.1, Azimuth cite the DfT's assumption for growth in freighter movements in its 2013 UK Aviation Forecasts at 0.4% p.a.<sup>28</sup>. The DfT makes clear that the growth in freighter flights is seen as a residual, representing the share of freight on pure freighter flights after allowance is made for bellyhold cargo being the primary mode. It is clear that the DfT is expecting the share of the market using pure freighters to and from the UK to continue to decline. Indeed, the most recent UK Aviation Forecasts published by the DfT<sup>29</sup> suggest that there is expected to be no growth in the number of pure freighter movements to and from the UK above 2016 levels in the period to 2050. Hence, any increase in freight movements at Manston would have to come at the expense of other airports. We discuss the ability of other airports to handle such movements in Section 3.
- 2.47 Given the existence of a definitive 'official' UK forecast for freighter movements over the period to 2050, it is not clear why Azimuth rely on global forecasts for air freight produced by the manufacturers Boeing and Airbus for the purpose of selling aircraft (paragraph 2.1.10) as a basis for the longer term projections of freighter movements at Manston in their Volume III (paragraph 2.3.2). The global growth rates cited by Azimuth are inappropriate for projecting growth in freighter movements at Manston for several reasons:
- They relate to RTKs (Revenue tonne kilometres) (Boeing<sup>30</sup>) and FTKs (Freight tonne kilometres) (Airbus<sup>31</sup>) and will reflect increased tonnage per aircraft, including freight carried in the bellyholds of passenger aircraft, and longer sector lengths as well as any growth in aircraft movements;
  - The projections relate to growth in air cargo at the global level and lower growth is clearly shown as expected to/from and between more advanced economies such as the UK;
  - In the case of Airbus, specific lower growth rates are cited for growth in freight tonne kilometres in freighter aircraft (2.6% p.a. compared to 3.8% per annum in their latest forecasts which are lower in any event than the previous forecasts used by Azimuth). Even then, this growth rate relates to FTKs not to freighter movements.
- 2.48 Taken together, these reports point to a declining market share for freighter aircraft in mature markets such as the UK, where there is a good supply of bellyhold capacity. It is, hence, not reasonable to use the Boeing and Airbus growth rates as a basis for projecting future growth in movements by pure freighter aircraft to and from the UK, particularly given the existence of DfT projections for such movements. Rather than being conservative, as suggested at paragraph 2.3.2 in Volume III, the use of a 4% per annum growth rate for years 10 to 20 at Manston is highly optimistic, and is certainly not supported by the DfT's analysis of the UK market.

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<sup>28</sup> Department for Transport, *UK Aviation Forecasts 2013*, paragraph 3.49.

<sup>29</sup> Department for Transport, *UK Aviation Forecasts*, October 2017, paragraph 2.56. The decline in pure freight movements since 2001 is illustrated in Figure 4.5.

<sup>30</sup> Boeing, *World Air Cargo Forecast 2016-2017*, page 2.

<sup>31</sup> Airbus, *Growing Horizons – Global Market Outlook 2017/2036*, page 101. Note that the 2016 version to which Azimuth refer is no longer available on the Airbus website.

### *Interviews*

- 2.49 Having rejected the recognised methodologies for forecasting freight demand at an airport, Azimuth rely on interviews with 24 individuals and/or organisations as set out in Table 4 of their report. To a large extent, these are people with past connections with Manston and who may not have a totally unbiased view on the desirability of it re-opening. It is notable that few cargo airlines or large scale air freight operators were interviewed, rather the list is dominated by local interested parties and logistics firms, not all of which are still in business. In some cases, throughout the remainder of Volume II, individuals are referred to who are not listed in Table 4 and, in other cases, individuals or organisations are referred to in different terms to those listed in the table. This does not suggest a very robust or rigorous approach to setting out the potential for Manston. Although the framework of questions is set out at paragraph 4.3.1, we are unable to identify any questions that would enable an assessment to be made of future passenger or freight volumes that would be likely to use Manston and which could be used as the basis for any forecast of future usage.
- 2.50 In the light of this, the remainder of Volume II is largely a qualitative description of current problems experienced in transporting cargo in general in the UK and in terms of past operations at Manston. These do not, however, provide any insight into the potential scale of demand for freight or passenger services at Manston. Essentially, it constitutes a speculative description of where there might be opportunities if Manston re-opens. We highlight the speculative nature of some of these comments relating to freight activity below. Taking Azimuth's categories in turn:

### *Process and Issues associated with airfreight*

- 2.51 This analysis is generic and of no direct relevance to the potential for Manston. In particular, no linkage is drawn between the commodities which typically use air freight set out at paragraph 5.1.2 and the economic sectors active in Kent. Significantly, at paragraph 5.1.5, Azimuth cite a respondent that made clear that "*tendered*" prices determine how air freight moves. This is a powerful reason why bellyhold will in most instances win over pure freighter operations. Issues of price for pure freighter operations are reinforced at paragraph 5.1.10, particularly in relation to the risks associated with higher fuel prices.
- 2.52 There are then a number of comments regarding the current difficulties of operating at Heathrow at paragraph 5.1.6ff. It is recognised that there are few realistic slots available for additional freighter operations at Heathrow so unsurprisingly Coyne Airways cite a difficulty for them if they sought to fly to Heathrow on an ad hoc basis. However, in reality, this airline is not a major player in the UK or Europe, operating a small number of weekly flights from Amsterdam to feed its network of flights within the Caspian Sea region<sup>32</sup>. Comments from ACC Shipping and Active Transport need to be read in the context that they are local Kent shippers and transporters of cargo that have a vested interest in seeing Manston re-opened.

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<sup>32</sup> [http://www.coyneair.com/caspian\\_schedule.htm](http://www.coyneair.com/caspian_schedule.htm)

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### Future trends in airfreight

- 2.53 To some extent, the issues highlighted here regarding security relate to the specific issues around Calais at the time when the interviews were carried out but the situation has now changed since October 2016. It is recognised that security of air freight is an increasing concern globally but this would apply at Manston as well as elsewhere.
- 2.54 Again, paragraph 5.1.15 highlights the dominance of bellyhold freight. Whilst noting that the A380 aircraft has more limited space for bellyhold cargo than B747s at paragraph 5.1.14, Azimuth neglect to point out that other new aircraft, such as B787 and A350 aircraft, do not suffer from similar reductions in space and capacity and continue to offer substantial bellyhold opportunities and capacity.

### Motivation to use Manston

- 2.55 The response cited at paragraph 5.1.19 makes clear that the most important factor in considering freighter operations is “*cost, speed and access to road networks*”, which is not a condition which Manston can meet for the majority of the UK. The local transport firms (paragraph 5.1.21) clearly saw an advantage for them in Manston re-opening but it is far less clear that this was reflected by the broader industry. Significantly, paragraph 5.1.20 does not address the operational reasons why major freight forwarders seek to locate close to Heathrow, Stansted or East Midlands, except possibly for their city centre sales offices.
- 2.56 The response quoted at paragraph 5.1.23 makes clear that for Manston to be an attractive option to freighter operations, it would need to offer night operations. In the light of the past ban on scheduled night flying, this would be a major change to operating mode, with consequential environmental impacts. Furthermore, RSP’s position in relation to whether scheduled night flights will be allowed or not is ambiguous (see paragraph 2.37 above) and we understand that some supporters of the re-opening have said that such operations would not be allowed. In the event that night flights are not allowed or heavily restricted, this would further diminish the attractiveness of Manston for pure freighter operations (comparisons with the major European freight hub at Frankfurt as included by Azimuth are simply not realistic).

### Demand model and data for Manston Airport

- 2.57 This section does not, in fact, contain any data for Manston nor set out a view on how future demand might be modelled.

### Freight focussed findings

- 2.58 The one airline interviewed made clear (paragraph 5.2.3) that “*success at Manston depended upon identifying a niche market and becoming known for excellence. In particular, suggestions included a perishables centre, handling of live animals, easy access for charter flights, and handling cargo that is not necessarily straightforward*”. We would have expected the remainder of the report to concentrate on quantifying the size of this niche market, including any Brexit implications for exports (paragraph 5.2.1). It is clear, however, that the realistic expectation for Manston is for a small niche operation rather than as a general ‘overspill’ airport for London.



- 2.59 The spurious suggestion that freight might be “banned” from Heathrow (paragraph 5.2.6) and Manston might benefit is clearly nonsense in the context of the Government’s support for a third runway to provide capacity for freight in the bellyholds of passenger aircraft as much as for passengers.
- 2.60 Whilst the suggestion from Coyne Airways about the potential for Manston to offer fuel cost savings when flying south from the UK (paragraph 5.2.11) is interesting, it appears not to take any account of the locations where freight is generated in the UK or where it is consolidated into viable loads. It does not seem likely that Coyne Airways would itself relocate its one European feeder service from Amsterdam to Manston given this would increase rather than decrease fuel burn. As noted earlier, the real reason freight is trucked across the channel is to avail of cheaper freight rates available at the main European hub airports, which act as focal points for cargo for the whole of Europe.
- 2.61 Azimuth also claim that the bellyhold model is broken and that there is about to be a shift back to pure freighter operations at paragraph 5.2.25 but this is pure speculation and at odds with other industry commentators (see Airbus freighter forecasts which project an increasing share of bellyhold globally<sup>33</sup>) and the UK Government’s view as expressed by the Department for Transport.
- 2.62 Whilst paragraph 5.2.24 says there was underinvestment in facilities by the previous owners, the quotation from Finlays at paragraph 5.2.26 makes clear that Manston previously offered a good level of service. Hence, there is little evidence to suggest that underinvestment was any impediment to Manston attaining its natural share of the market in the past. Although Finlays have now relocated their operation back to Stansted, we would accept that they might choose to return to Manston with a similar number of movements as previously if the facilities were reinstated and provided the cost of operating was competitive compared to Stansted. There may also be scope for some humanitarian and military flights (paragraph 5.2.48) but these will be small in number and not the basis for a viable operation of the Airport.
- 2.63 At paragraph 5.2.45, FedEx’s criteria for an airport to be attractive to an integrator are set out and these seems to describe the characteristics of their main UK base at Stansted. There is then a discussion about some of the problems DHL perceive at Heathrow but, of course, DHL’s principal UK operation is focussed at East Midlands where they have an extensive operation. From our work with the integrators and with the Freight Transport Association, we know that Manston is too peripheral for integrator operations serving the UK. Integrators have a strong preference for locations more centrally located in the UK with good road access to all of the major markets. The availability of land for warehouses (paragraph 6.2.6) is far less important than a location central to the market and the availability of good road access, neither of which are characteristics of Manston. This would apply equally to the suggestion that Amazon might locate there or that the Airport could become a base for drone operations (6.3.24-27). It is simply in the wrong place to serve the market being at the far south east at the end of the country on a peninsula.

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<sup>33</sup> See Footnote 31.

- 2.64 The comparisons to Frankfurt Airport, in terms of the ability to sustain a freight operation without night movements, are simply irrelevant given that Frankfurt carries the second highest freight tonnage of any European airport and acts as a major cargo hub for air and road freight given its highly central location. Much of Frankfurt's cargo is carried in the bellyholds of passenger aircraft and this underpins the freight hub role. Given that Manston does not have anything like the overall market attractiveness of Frankfurt, for many reasons, any constraint on night operations would be a major impediment to freighter operations.
- 2.65 We do not discuss the passenger market in this report, albeit we have reviewed Azimuth's forecasts and disagree with their conclusions, which we can report upon should any application be made by RSP. The latter parts of Azimuth's Section 5 mention opportunities around ancillary activities such as MRO, aircraft recycling, flying schools and business aviation. We would simply highlight, at this stage, that these areas are highly competitive markets and it is not immediately obvious why Manston would provide an attractive option for operators in these markets when compared to what is often global competition. Nor is it evident that such activities would contribute substantially to the viability of Manston.

### ***Analysis and Conclusions***

- 2.66 Sections 6 and 7 of Azimuth's Volume II, go on to discuss what this means for Manston and draw conclusions. In general terms, Azimuth seek to draw conclusions about the cargo performance of Frankfurt, Heathrow and Stansted airports which are not consistent with the actual facts.
- 2.67 Again, there is reliance on our work for TfL and the FTA (paragraph 6.1.8) to justify the conclusions reached. As stated above this work does not support RSP's case.
- 2.68 Azimuth then identify that there are sectoral and geographic markets for which Manston has potential but there is no quantification of the scale of these markets. This is a fundamental gap if the scale of any potential opportunity is to be understood.
- 2.69 At paragraph 6.3.1, Azimuth set out 9 potential scenario drivers for Manston. However, it is not clear how these scenario drivers have been taken forward to the forecasts set out in Volume III, which do not set different potential scenarios for growth. If we take each of these drivers in turn:
1. *The UK's position in Europe* – Azimuth appear to assume that there will be an opportunity for multi-hop freighter services from Manston but it is far from clear that the traffic rights for such services will continue to be available post-Brexit.
  2. *Changes to fuel prices* – in the face of the decline in the value of sterling, these are more likely to work against the operation of more freighter aircraft.
  3. *The availability of more efficient aircraft* – the introduction of B787 and A350 aircraft will increase bellyhold capacity rather than reduce the capacity.
  4. *Onshoring of manufacturing in the UK* – it is not clear how this is relevant given Kent does not have a strong manufacturing base.
  5. *Changes to logistics and transport systems in Kent* – this is a circular argument as it relies on the re-opening of Manston driving a step change in the logistics and transport sector in Kent.



6. *Dramatic changes to economic performance* – it is noted that these are not factored into the forecasts but to the extent that there are Brexit effects on the economy, these would reduce trade and demand for air freight.

7. *Manston becomes a major integrator/forwarder base* -

8. *Manston becomes an Amazon base* -

9. *Manston becomes a hub for drone activity* –

for the reasons noted above, all three of these seem highly unlikely and are, at best, pure speculation with no evidence base whatsoever.

2.70 Section 7 sets out the conclusions from Volume II. According to Azimuth (paragraph 7.1.1), the key issues that are seen to favour Manston are:

- Lack of available slots at other South East airports;
- Bumping of freight from passenger aircraft;
- Security issues particularly with oversized cargo;
- Speed of turnaround.

However, our analysis of the factors would suggest that, other than perhaps the last two factors, there are few factors which would favour Manston and, in any event, these could be replicated by other airports closer to the main UK distribution centres, such as Doncaster Sheffield Airport, if these were deciding factors in the market.

2.71 Based on their analysis, Azimuth then set out (at paragraph 7.1.2), the markets which it believes that Manston could attract:

- Parcels and packages through an integrator;
- Perishables including fruit, vegetables, flowers, fish, and shellfish;
- Oversized freight;
- Formula One and luxury cars;
- Live animals;
- Time sensitive items such as aircraft [parts] and the oil and gas industry;
- Humanitarian and military flights.

In addition, some passenger operations along with a number of ancillary activities such as recycling, MRO<sup>34</sup> etc. are postulated for Manston.

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<sup>34</sup> Maintenance, repair and overhaul of aircraft

- 2.72 Whilst, except for integrator operations, they are plausible markets for some potential operations from Manston, Azimuth make no assessment of the potential quantum of local demand as a basis for assessing how big a market there is. Whilst seeking to discredit analytical methods for projecting future demand at Manston, at the same time, Azimuth rely heavily on estimates made by us and using such methods that suggest there would be excess demand in the London system at 2050 if there is no new runway at all. Fundamentally, Azimuth make no assessment of the viability of what might be on offer or address any concerns as to why such operations have not secured a viable future for the Airport previously.
- 2.73 The key conclusion drawn by Azimuth is that *“This report demonstrates the potential demand for Manston Airport, indicating its viability and clearly showing that Manston Airport is a valuable local, regional and national asset, providing airport infrastructure badly needed by the UK.”* (Paragraph 7.0.1) There is, quite frankly, no factual basis for Azimuth to make this claim. Azimuth claim that the capacity is *“badly needed by UK”* but this is linked to erroneous use of the economic costs of there being no further runway capacity in the UK (see paragraph 2.6 of this report) and a lack of understanding of the air freight market.
- 2.74 In summary, Azimuth’s insistence that Manston’s past market performance is not a relevant consideration in understanding how it might perform in the future is both erroneous and contradictory to the evidence put forward to support the qualitative market forecasting approach. The interview findings presented are clearly focussed towards operators that have used Manston in the past and would be pleased to be able to use it again but the evidence presented does not suggest that operators would do more than reinstate past operations. This did not result in an airport that was viable and certainly did not result in annual cargo air transport movements predicted by Azimuth. In our view, and having regard to the evidence, it is unlikely that circumstances have changed so dramatically in the intervening period since the Airport was last operational that there is likely to have been a fundamental change in its ability to capture market share. Its previous cargo performance remains the best starting point from which to consider its future.
- 2.75 In defence of their position, Azimuth cite lack of investment by the previous owners as being a key cause of Manston’s inability to fulfil its potential previously but this is not borne out by the interview responses as the quality of service was noted as good. Fundamentally, the failure to consider the drivers of the Airport’s previous performance effectively is a key error which infects the subsequent forecasts presented. The limited size of the market is perhaps the best explanation as to why there was not still further investment in developing the facilities as the operation was fundamentally not viable and it would have been imprudent to invest further.



### Forecasting (Volume III)

- 2.76 The forecasts set out in Volume III draw extensively on the analysis in Volumes I and II. Although stated to be derived on a ‘bottom up’ basis (Executive Summary Page 1) and claimed to be more conservative than top down, econometrically driven, projections, reliance is still placed, at paragraph 1.1.1, on our quantitative work for TfL/FTA to justify/verify the overall quantum of movements projected, stating *“Rather than merely extrapolating past activity, studies that have focused on the ‘lost’ or suppressed demand include York Aviation’s work (2015, p. 19).”* This work was itself fundamentally top down, based on examining past activity and its implications for the future. Azimuth rely on this as, effectively, the only quantitative evidence presented of a possible level of future demand which might be available to Manston. However, for the reasons set out earlier, Azimuth has incorrectly interpreted our findings and their use of our data to support RSP’s case cannot be relied on.
- 2.77 Paragraph 2.1.2 again suggests that the literature review undertaken showed that *“a qualitative approach was the most appropriate method through which to gather data on the potential demand for an individual airport”*. Whilst we agree that freight forecasting is difficult, as Azimuth themselves note, at paragraph 2.1.4, qualitative forecasts still need to be based on *“market data”* and, at paragraph 2.1.6, Azimuth go on to refer to the anecdotal information collected in the interviews as primary market data. Overall, this anecdotal evidence does not provide a basis for the development of a forecast of future usage nor for the presentation of a business case of the proposed development.
- 2.78 To further justify the approach to forecasting, Azimuth claim that the Airports Commission recommended the use of a Delphic approach. This is not strictly true as what the Airports Commission actually said was:
- “In cases where there is limited or no data available, judgement based forecasting, using techniques such as the ‘Delphi Method’ is applied. This approach involves experts in the field considering historical patterns to predict future trends and is often used in conjunction with both naïve and causal models to compare forecast trends. The Delphi method is considered especially useful for long term forecasting (20-30 years) and is effective in drawing on existing knowledge to identify areas of agreement and disagreement in forming the forecast. However, for complex themes the Delphi Method is not always considered appropriate as there is no way of testing different outcomes e.g. through scenario testing.”<sup>35</sup>*
- 2.79 First of all, the Delphi Method involves a number of independent experts considering historic patterns of data and forming a judgement based forecast. Results are shared and refined until a consensus is reached amongst experts. This is not the same as a single judgemental based forecast as Azimuth have presented, based not on historic data but some unquantified estimate of ‘lost’ demand. In any event, we would question the appropriateness of this methodology, for the reasons that the Airports Commission cite, namely the importance of scenario testing in the context of a forecast to be used for a planning application, particularly one where the applicant is purporting to promote a NSIP under Section 23 of the Planning Act 2008 (as amended) and seeking to demonstrate that there is a compelling case in the public interest for the compulsory acquisition of the Airport site.

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<sup>35</sup> Airports Commission, Discussion Paper 01, *Aviation Demand Forecasting*, February 2013, Paragraph 2.8

## ***Freight Forecasts***

### Short to Medium Term (10 years)

- 2.80 Azimuth place reliance on both the overspill argument (paragraph 2.2.2) and that there will be a reversal away from the existing preference for bellyhold for most types of air freight, despite the overwhelming evidence that this is likely to remain the case in future due to the lower freight rates available. Azimuth's claim is not supported by the facts, current market trends or by other industry observers including the DfT and Airbus.
- 2.81 Furthermore, Azimuth appear to assume that, to the extent there is overspill seeking freighter capacity as an alternative, that Manston would be the only solution. This is not the case given available capacity for freighters at airports such as East Midlands (particularly well placed for the distribution of goods across the UK), Stansted and Doncaster Sheffield. These airports are already established and operational and, therefore, well placed to deal with any such requirements in the short to medium term using their existing infrastructure and without the need for any compulsory acquisition of land.
- 2.82 At paragraphs 2.2.6 and 2.2.7, Azimuth set out the methodology they have used for deriving freight movements and tonnage for Manston. In essence, these movement forecasts are entirely based on claimed confidential discussions with airlines, airports and others involved in the industry, which are then converted to freight tonnage based on the capacity of each aircraft and assumed load factors. These discussions would appear to be different from the list of interviewees reported in Volume II, which included only 1 airline (unlikely itself to relocate its single European operation to Manston) and no other airports. Although it is claimed (paragraph 2.2.9) that switching costs have been taken into account, there is no explanation as to how these costs have been factored into the assessment of what operations Manston might attract. It is likely that RSP would need to incentivise such a switch of activity and this would impact on the overall viability of the Airport, particularly in the early years. A further consequential issue arising from this is the economic cost of displacement of activity, which we discuss further in Section 5, as this needs to be accounted for in economic assessment of RSP's proposal.
- 2.83 A vague list of potential operations is set out at paragraph 3.2.3, albeit with specific assumptions then stated about the loadings on each. However, the basic information regarding the likely annual frequency of each operation is not given, which is essential to enable an understanding of the likelihood of such operations using Manston in the context of the UK air cargo market as a whole and taking into account ongoing operations at other airports. Paragraph 3.2.3 appears to set out simply a list of generic airlines that might offer services if Manston is re-opened. It provides no insight into whether the demand to fill those services will be there or whether the services could be operated viably by the airlines concerned and at what weekly or annual frequency. This is simply not an appropriate or robust basis for a forecast.

- 2.84 Whilst accepting that there may be confidentiality concerns in revealing the specific plans of any individual airline, this is all the more reason why there needs to be some underpinning analysis of the potential scale and viability of each specific market identified in the forecast in order to provide some basis for asserting that any of the airlines might operate to the destinations postulated. As presented, the aircraft movements and the consequential tonnage forecasts are entirely hypothetical with no obvious linkage back to any of the evidence presented in the earlier volumes. This is not acceptable given the implications and importance of any proposed application for a DCO and the requirement that a compelling case be demonstrated for the purpose of compulsory acquisition. At the very least, there is a lack of transparency in the approach that needs to be explained so that consultees can understand the forecast and in order to determine whether or not the proposed DCO application falls within Section 23 of the Planning Act 2008 (as amended).
- 2.85 To illustrate the lack of credibility of the forecasts, Table 1 shows for Year 2 (the first operational year), a throughput of nearly 100,000 tonnes. This would make Manston the 5<sup>th</sup> largest freight airport in the UK in its first year after re-opening (compared to 2016 actual throughput at the other airports). This would place it close to the scale of freight operations at Manchester Airport, including bellyhold freight. It would make Manston the 3<sup>rd</sup> busiest airport in the UK in terms of tonnage carried on dedicated freighter aircraft. This is simply not a credible proposition. It is simply at odds with the verifiable evidence and contrary to all experience there is of operations at Manston. If there is a short term market of that scale available for Manston, why did it historically not exceed 43,000 tonnes (2003)? Without full explanation of the scale of each of the markets and a reasoned justification for the number of movements assumed for each of the operations identified at paragraph 3.2.3, the forecasts as presented cannot be considered robust and substantial further evidence is required to validate the basis of the RSP DCO proposal.

#### Long Term (10-20 years)

- 2.86 As noted earlier in this section, the long term forecasts wrongly apply a 4% per annum growth rate as a basis for deriving the longer term freighter aircraft movement forecasts for Manston. To reiterate, this is inappropriate and unrealistic given that it is based on forecasts by Airbus for freight tonne kilometres at the global level<sup>36</sup>. Even if the short term forecasts were credible, which they are not, their extrapolation is on an unrealistic basis. At most, any extrapolation should more realistically have been based on the 2013 DfT freighter movement growth rate of 0.4% per annum and the latest DfT estimates<sup>37</sup> suggest that even this may be too high.
- 2.87 Table 6 then sets out the infrastructure requirements for cargo, which are based entirely on the forecasts put forward. However, even then, we are not told how these infrastructure requirements have been derived in terms of the operating pattern over the day, turnaround times, the number of night movements and other key assumptions for each aircraft type stated or indeed how they relate to the capability of Manston Airport with its existing infrastructure. Such information is critical to validate the infrastructure required (if indeed any is required given our assessment of the capability of Manston Airport), as well as to carry out the assessment of the environmental impacts.

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<sup>36</sup> Now reduced to 3.8% in the latest Airbus forecasts.

<sup>37</sup> Department for Transport, UK Aviation Forecasts, October 2017, paragraph 2.56.

### ***Passenger Forecasts***

2.88 Although not the main focus of this summary report, we note that the passenger forecasts, set out by Azimuth in Section 2.4, suffer from many of the same problems as the freight forecasts. They appear to be based almost entirely on supposition and inferences that cannot be relied upon. There appears to be no consideration of what is known about market sizes, nature or previous performance, nor a recognition of the extent to which growth will need to be incentivised through discounting of airport charges and marketing support payments. Similarly to the freight forecasts, and for reasons that are not given, Boeing global growth rates appear to be used by Azimuth for passenger operations beyond year 10 rather than the UK specific forecasts produced by the DfT<sup>38</sup>, which are substantially lower. This, once again, is a substantial overstatement of the potential for growth.

### **Overall Conclusions on Forecasts**

2.89 Azimuth's entire analysis of the air freight market is focussed on the existence of a theoretical opportunity based on estimates of spill from London in the event of the third runway at Heathrow not being built or being delayed, an unsupported hypothesis that there is a trend away from bellyhold freight, and based on a small sample of interviews with largely marginal players in the UK air freight sector and/or local interests.

2.90 Azimuth's reports do not at any point provide any substantive evidence or analysis as to whether Manston Airport can effectively, viably and sustainably compete in that market. Azimuth's reports do not explain how Manston Airport will be able to price effectively against the bellyhold rates offered by growing established and operational UK regional airports or the continental hubs. Azimuth's reports do not explain how Manston Airport will compete against the range of destinations offered by the long haul passenger networks of the continental hubs or the much greater freighter network offers of East Midlands or Stansted airports. We agree that there may be a niche market for Manston, just as there was previously, and that this market will probably grow in the future in line with the pure freighter market overall (noting that the DfT does not see growth in this market to 2050), but we cannot see how Manston will provide a sufficiently attractive alternative in a broader freight market to attract a market share sufficiently large as to reach the volume and movement numbers envisaged by Azimuth and required to justify RSP's proposals to be considered under the Planning Act 2008 (as amended). Indeed, if we look at past history, it seems highly unlikely that commercially viable operations for the Airport would be attainable for the foreseeable future.

2.91 In overall terms, the forecasts presented by Azimuth at Table 1 of Volume III are simply not credible and do not provide a robust basis for promoting a DCO. We present analytically derived cargo movement forecasts in Section 3 of this report to evidence and support this conclusion that any future projected use of Manston Airport would be significantly lower than that asserted by RSP.

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<sup>38</sup> Department for Transport, UK Aviation Forecasts 2013 and 2017.

2.92 In terms of Azimuth's key questions, as set out at paragraph 2.3 at the start of this section, the first two tests may well be met in terms of the need for more airport capacity in the South East of England. That is why the draft Airports National Policy Statement is promoting the development of a third runway at Heathrow as a solution in the period up to 2030. The first two questions are, therefore, irrelevant to RSP's proposals. However, in relation to the third test, the key point is that for Manston to be a long term solution to the UK's capacity problems, it must be a sustainable, commercial proposition, capable of attracting airlines, passengers and shippers to use it. Azimuth's analysis ignores the history at Manston and does not provide any evidence to conclude that any future projected use of Manston Airport would require an increase in the capability of the Airport.

2.93 Indeed, whilst we have provided in this report our assessment of the capability of Manston Airport (Section 4), we note that nowhere has RSP done the same exercise. The failure of RSP to provide their own evidence of the capability of Manston Airport and the amount by which the proposals would increase that capability by is a major omission in RSP's consultation material. Rather, the only information that they present is a forecast of future freight movement demand, which has no credibility as explained in this report. This failure means that, in our opinion, the requirements in Section 23 of the Planning Act 2008 (as amended) have not been satisfied. In essence, we would have expected RSP to be able to show:

- the capability of Manston Airport of providing air cargo transport services;
- the amount by which RSP is proposing to increase that capability by and thus the "new" capability; and
- a credible forecast for why that 'new' capability is required.

None of this information is provided by RSP.

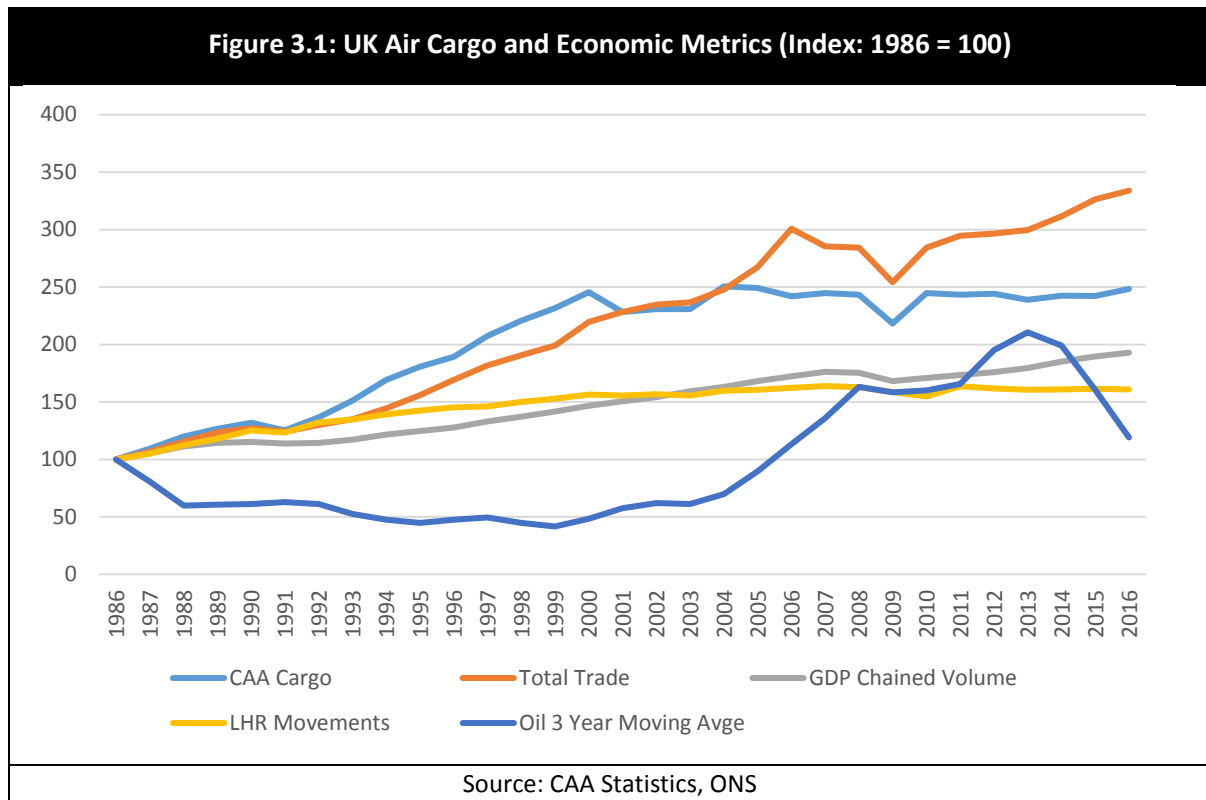
### 3 FREIGHT FORECASTS

#### Introduction

- 3.1 In this section, we present our view of demand in the UK air cargo market at present and consider how this market will develop in the future, setting out a number of potential cargo forecast scenarios for Manston Airport specifically over the period to 2039/40 (RSP's assessment year). This is a more robust approach than the qualitative approach adopted by Azimuth and builds on the approach adopted in our work for TfL and the FTA, by updating this work and assessing Manston's potential share of the market. This is the correct way to use our earlier work to inform an assessment of the potential at Manston.
- 3.2 The analysis presented here builds on our previous work but supersedes it and extends it in terms of:
- considering changes in the market and circumstances since the time of the previous research, notably the decision to move forward with a third runway at Heathrow, the increasing long haul passenger operations at regional airports and the continued commitment from Stansted Airport to the freight market through its future plans;
  - examining the demand and capacity position not only in London but across the UK as a whole;
  - analysing potential cargo capacity growth in more detail using Airports Commission traffic forecast data, not available at the time of our previous work;
  - more explicitly considering the nature of air cargo that might be affected by any form of constraint within the London airport system or in the UK;
  - providing some indication of how cargo demand is spread geographically in the UK to aid consideration of how it might be served in the future.
- 3.3 Our previous work did not consider in detail the role that might be played by Manston Airport or indeed other UK regional airports. It considered, in broad terms, the effect of a constrained London system capacity on freight demand and how this demand might be met within the confines of the capacity position at the time, noting particularly the role that might be played by the major continental hub airports, given the price advantages that they might offer through the availability of bellyhold capacity.
- 3.4 In this report, we now consider specifically the potential role for Manston by way of a scenario analysis that draws on the analysis of the overall market and the past performance of the Airport. The use of scenarios rather than a single forecast is intended to show a range of possible outcomes for Manston, allied to an assessment of the likelihood that the scenarios might be achieved in a manner which properly reflects the uncertainties identified in air freight forecasts.

### Historic Performance of the UK Air Cargo Market

- 3.5 Our assessment of the quantum of air freight demand in the UK is fundamentally driven by analysis of the past performance of UK air cargo against a range of key economic and market indicators, notably UK trade in goods, GDP, oil price and ATM numbers at Heathrow. **Figure 3.1** shows the indices for these various metrics over time (with each indicator set to 100 in 1986).
- 3.6 This analysis reveals a number of interesting patterns. Until around 2000, UK air cargo was strongly related to UK trade in goods, with what would appear to be some stimulus provided by falling oil prices that would have made the cost of air cargo relatively more competitive with other cheaper modes. However, in around 2000, the market changed and this relationship appears to break. UK trade in goods continues to grow but growth in air cargo essentially stalls.



- 3.7 It is, therefore, helpful to look at why this might have happened. There are two main factors that need to be considered. The first is the oil price, which, through much of the late 80s and 90s, had been on a relatively benign downward trend. However, in around 2000, it started to rise again, accelerating through the mid-2000s and peaking in around 2013. The price of fuel is a key factor in the attractiveness of air cargo compared to other modes, particularly for pure freighter services, where the full direct operating costs of the flight must be borne by the cargo being shipped (as opposed to bellyhold freight where direct operating costs are largely covered by passenger operations, with cargo revenue essentially treated as a marginal benefit). This change in oil prices slowed demand for air freight globally and, in particular, drove users towards bellyhold rather than freighter options<sup>39</sup>. We set out the effect in the UK further below.

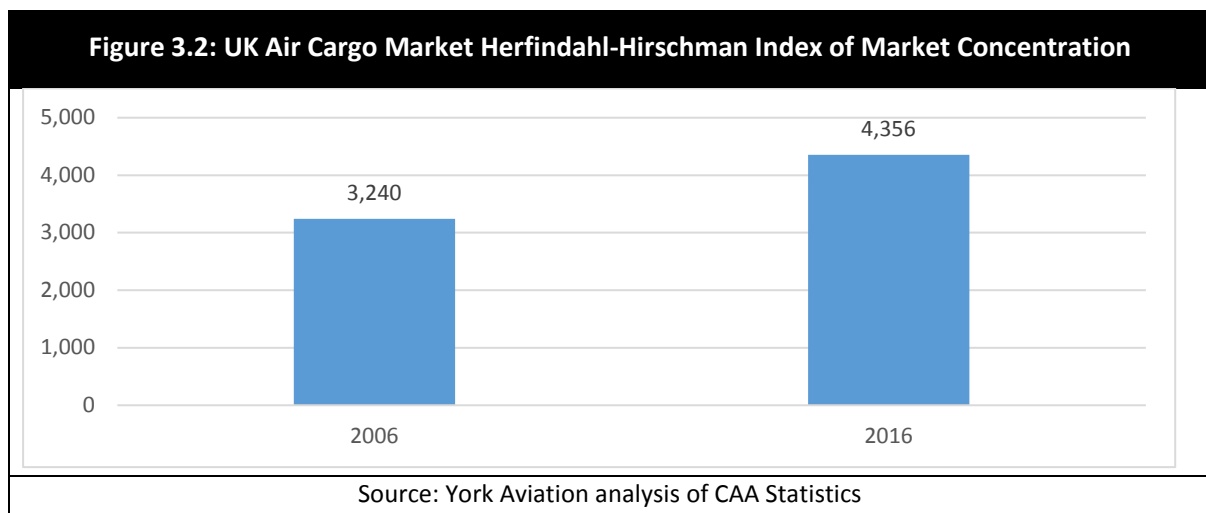
<sup>39</sup> Department for Transport, *UK Aviation Forecasts 2013*, paragraph 3.48, Steer Davies Gleave for Department for Transport, *Air Freight: Economic Drivers and Environmental Impacts*, 2010, Executive Summary.

- 3.8 The second point to note is the relationship to Heathrow ATMs. Up until around 2000, Heathrow was still growing its annual ATMs, which ultimately was driving the availability of bellyhold capacity in the UK air freight market. However, with runway capacity constraints biting, from around 2000, the rates of growth in ATMs at Heathrow initially slowed dramatically then stalled as it reached its consented limit.
- 3.9 When these two factors are combined, it is possible to understand what has happened in the UK air cargo market. It also has two key implications for considering the growth of the air cargo market moving forward and specifically in relation to Manston:
- it is reasonable to assume that the fundamental link between economic or trade growth and air cargo still exists and that, ultimately, with economic growth and increasing trade, demand for air cargo will grow. However, with oil prices remaining higher than seen in the past, it is likely that the growth path will be lower. We have assumed that it is likely to be more in line with the growth in real GDP over time;
  - the capacity position at Heathrow is clearly a constraining issue for UK air freight demand but it is noticeable that this constraint has not resulted in significant gains being made by other airports in the London system. This suggests that, while there is probably a degree of constrained demand in the London system at present, this is affecting bellyhold air cargo and that is not translating through into substantially greater freighter growth at, for instance, Stansted or East Midlands. We examine this issue further below.
- 3.10 This is particularly important as it suggests that the market for bellyhold freight is different from that for pure freighter traffic. This is a function of price and urgency in relation to general air freight, as opposed to either express freight or niche products. For express freight or niche products, shippers are prepared to pay a premium which allows the use of freighters because either speed is of the essence or the destination is hard to reach or the cargo is difficult to handle in some way. For general air freight, these drivers are not the same. Accepting that all air cargo is to some degree sensitive to speed of delivery, it seems that what is likely to be being pushed from bellyhold capacity, in a capacity constrained environment, is less time sensitive and shippers' willingness to pay is lower. Hence, in the current market with relatively high fuel prices, freighter options are not an adequate substitute.
- 3.11 This is very important from the perspective of considering the potential role of Manston. It suggests that it will be very difficult for the Airport to compete effectively for any traffic displaced as a result of constraints in the London market as it cannot and will not be able to provide the price, frequency and breadth of destination advantages that bellyhold freight can offer. The airports competing for cargo traffic being pushed away from Heathrow, now and in the future, are the large UK regional airports with growing long haul passenger networks and the near European global hub airports, which offer the closest substitutes to Heathrow and are within easy trucking time of, certainly, the London and South East market. In any event, bellyhold capacity at Heathrow is expected to increase substantially once the third runway becomes operational so driving down the competitive prices in the market, making it even more difficult for freighters to compete. Even if there are delays to the provision of additional runway capacity at Heathrow, we would not expect a change to the pattern of behaviours observed since 2000, namely that cargo displaced from Heathrow will be trucked to other airports with available competitively prices bellyhold capacity.

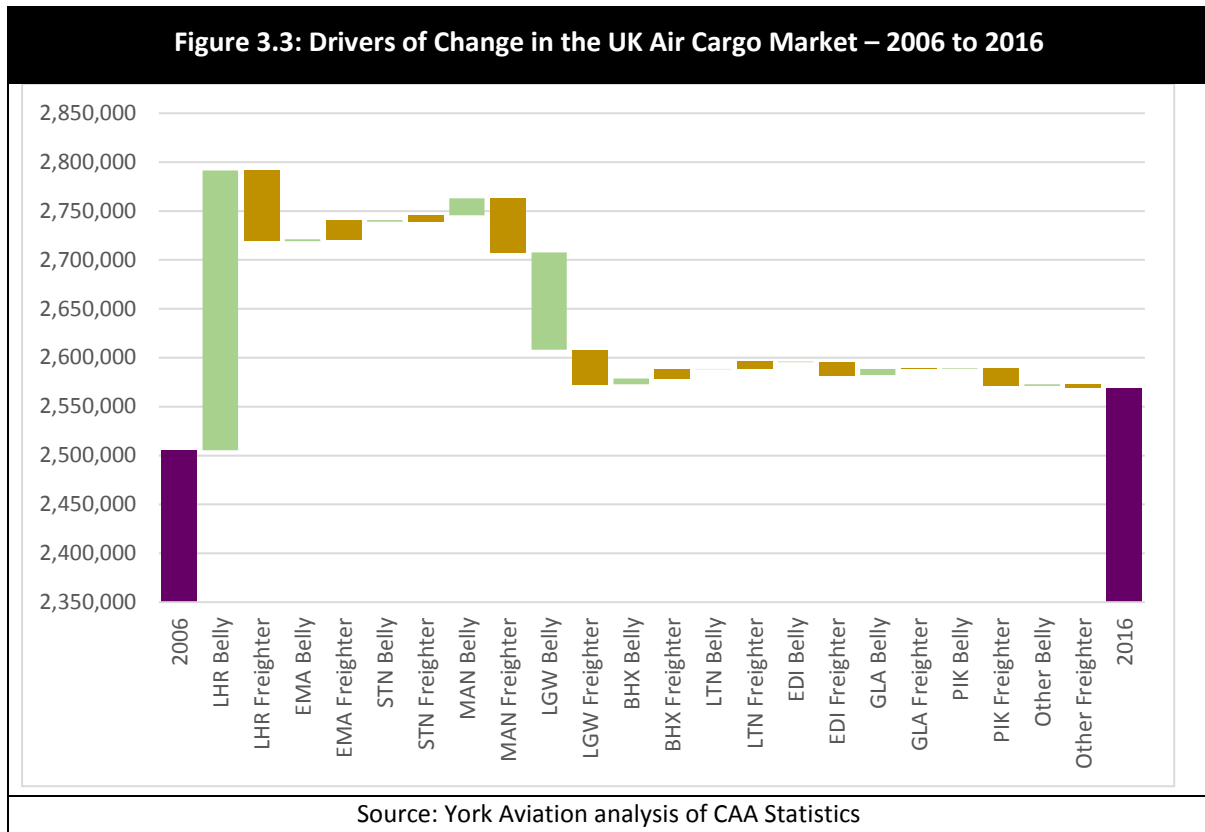


3.12 Whilst the volume of air cargo flown to/from the UK’s airports over the past 15 years has remained relatively static, there have been considerable changes in the way that demand has been serviced, which again reflect the drivers and constraints on demand described above. Essentially, the market has been consolidating to a small number of airports and bellyhold cargo has become more dominant.

3.13 The Herfindahl-Hirschman index (HHI) is a commonly accepted measure of market concentration<sup>40</sup>. **Figure 3.2** shows the HHI for the UK air cargo market in 2006 and in 2016. The change in the concentration level in the market over the last 10 years has been marked. The HHI for the UK air cargo market has increased by around 34%. The consolidation in the UK air cargo market in the last 10 years has resulted in an increase in the HHI of nearly 1,100. This continued concentration in the market can also be seen by examining the drivers of change in UK air cargo over the last decade. **Figure 3.3** sets out a bridge diagram between 2006 and 2016 showing the change in freight handled via bellyhold and pure freighter at major UK freight airports.



<sup>40</sup> It is calculated by squaring the market share of each firm competing in a market, and then summing the resulting numbers, and can range from close to zero to 10,000. The closer a market is to being a monopoly, the higher the market's concentration (and the lower its competition). If, for example, there were only one firm in an industry, that firm would have 100% market share, and the HHI would equal 10,000, indicating a monopoly. If there were thousands of firms competing, each would have nearly 0% market share, and the HHI would be close to zero, indicating nearly perfect competition.



3.14 There are a number of key points to note:

- the market has continued to consolidate into Heathrow through increased bellyhold capacity due to the increasing focus on long haul destinations. These gains have been offset by significant erosion of freighter capacity;
- elsewhere in London, Gatwick has seen both bellyhold and freighter capacity significantly eroded as that airport has become more capacity constrained and it has focussed increasingly on short haul low fare passenger services, albeit this trend is starting to reverse as more long haul operations come on stream. Stansted and Luton have seen some growth in freighter tonnage but this does not come close to offsetting what has been lost from elsewhere with Stansted heavily focussed on the integrator and express services market;
- East Midlands, with major DHL and UPS bases, has been the only airport that has seen significant growth in pure freighter traffic, but again this has not offset losses in freighter traffic from elsewhere, suggesting that, for more general air cargo, bellyhold capacity is fundamentally more attractive, even potentially if this involves trucking to distant airports;
- this is reinforced by what has happened at Manchester, which has seen growth in its bellyhold market, relating to its growing long haul network, but with its freighter traffic falling away. The growth in bellyhold traffic at Birmingham is also probably reflective of its growing long haul passenger network;
- in general, there has been a noticeable switch towards the use of bellyhold capacity. Since 2006, pure freighter cargo's share of the UK market has dropped from 37% to 30%, while actual freighter tonnage has dropped by 17%;

- the performance of Prestwick (PIK) provides perhaps the most obvious direct comparator to Manston, with a similar sized freighter operation in 2006 to Manston at its peak. Freight traffic at that airport has dropped by 64% since 2006. In the meantime, Prestwick was nationalised to maintain operations as it had been heavily loss making for a considerable period of time.

3.15 The implications for Manston are clear. Bellyhold is the preferred option for a significant proportion of the air cargo market and this preference has intensified in recent years. The only airports experiencing freighter growth are those with significant integrator activity. This suggests that Manston's likely niche freighter offer will struggle to penetrate the market. There has been consolidation into larger airports, which again suggests that Manston will struggle to establish market presence. Finally, the experience of Prestwick, its nearest comparator in many ways, is not encouraging for Manston. Prestwick's well established pure freighter operation has been heavily eroded and the airport has had to be nationalised to maintain its operation due to inherent lack of commercial viability.

### **The Geographic Distribution of UK Air Cargo Demand**

3.16 At the outset, it should be made clear that there is very limited data on where air cargo originates from or is destined for within the UK. However, some indications are available from other research, notably recent work by MDS Transmodal, in conjunction with York Aviation, for TfN in relation to its International Connectivity Strategy<sup>41</sup>. MDS analysed a series of datasets on air freight and road haulage and estimated that around 14% of UK air freight demand originates in or is destined for the North of England. We also know that air cargo is often trucked a considerable distance before being loaded on to aircraft.

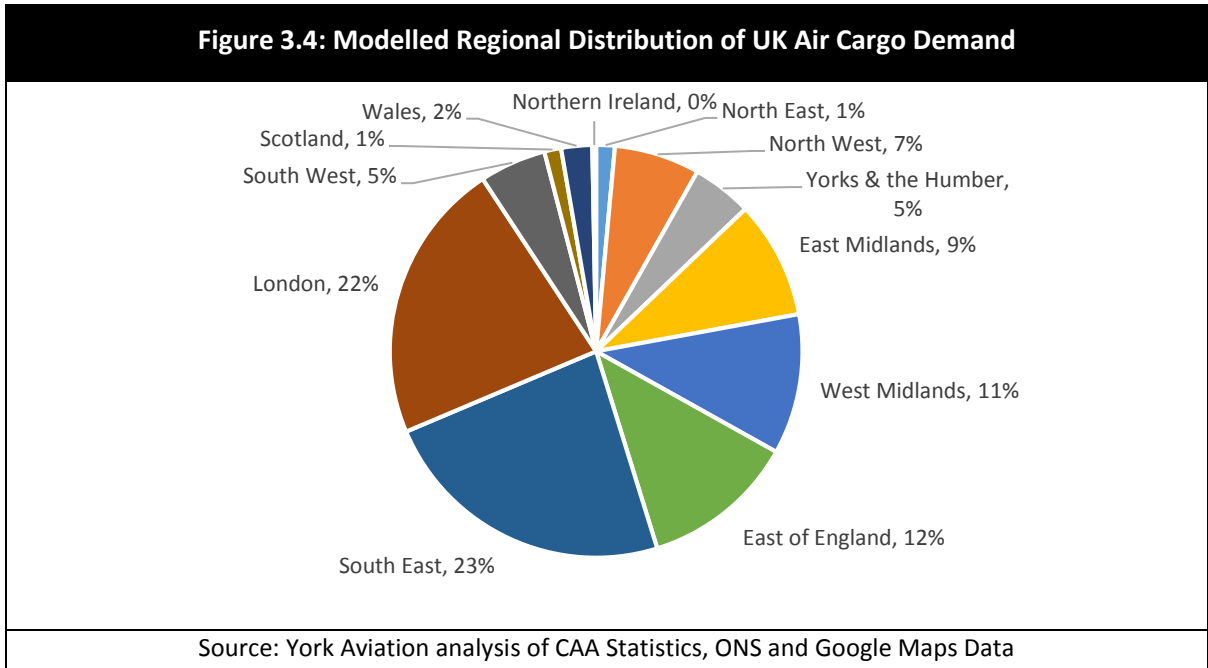
3.17 We have, therefore, developed a simple gravity model that distributes air cargo regionally across the UK based on:

- for exports, the distribution of manufacturing employment in the UK. This is intended to reflect that air cargo exports are likely to be primarily manufactured goods;
- for imports, the distribution of UK population. This is intended to reflect that imports are, in many cases, destined either for consumers directly or retailers. This is clearly a simplification but we believe a sensible one given the data available;
- a relatively low distance decay factor of 1.5, reflecting the relative insensitivity of air freight to trucking times. This has, in part, been calibrated based on observed distance decay factors using data available in the TfN work. This is generic and we have no reason to believe that the balance between trucking costs and the use of air freight would vary across the UK.

3.18 The resulting distribution of air cargo demand is shown in **Figure 3.4**. While there is a heavy concentration of demand in the Greater South East, there is significant demand located across the country. The issue for Manston is that it is poorly placed geographically to serve this demand, even for London and the South East, particularly once the location of distribution centres for import freight, which cluster around the M1 and M6, is taken into account.

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<sup>41</sup> Transport for the North, *International Connectivity Evidence Report*, York Aviation/MDS Transmodal July 2016, Appendix C.



3.19 In the event of air cargo capacity constraints in London, this demand is likely to look initially for cargo capacity closer to home at the major regional airports, particularly those that are developing broader long haul passenger networks. Even if freighter aircraft are required for this demand, there are likely to be substantially better options than Manston. Not least the national freight hub at East Midlands, with its central location in the UK and excellent multimodal connectivity to a wide geographic area.

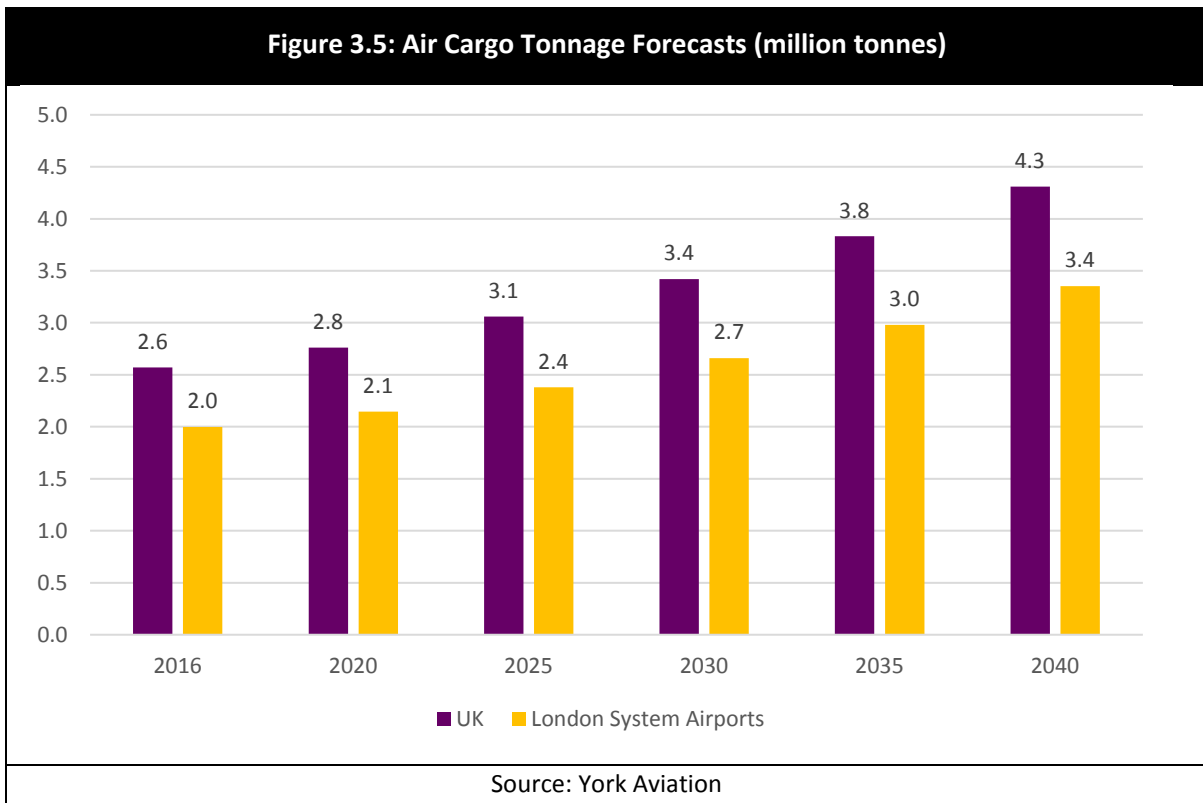
**Future Demand for Air Cargo in the UK**

3.20 The initial step in producing our cargo forecasts for Manston is to consider the likely size of the London system and UK air cargo markets in the period to 2040. This is an unconstrained forecast and does not, at this stage, consider whether capacity will be available to deliver this demand.

3.21 In line with our analysis above and consistent with our 2015 report for the FTA, we adopted a relatively simple approach, growing existing air cargo demand forward in line with GDP projections for the UK economy. The GDP forecasts used are the latest forecasts produced by the Office for Budgetary Responsibility at the time of writing. These are taken from:

- Economic & Fiscal Outlook (March 2017), which provides short to medium term forecasts;
- Fiscal Sustainability Report (January 2017), which provides long term forecasts for the UK economy.

3.22 These forecasts suggest average real growth in UK GDP of around 2.2% over the period to 2040. The resulting projections of air cargo demand at the London system airports and across the UK are set out in **Figure 3.5**. This analysis sees total UK air cargo demand reach around 4.3 million tonnes by 2040 and demand in the London system<sup>42</sup> of around 3.4 million tonnes by 2040. At this stage, we have assumed that the split of tonnage between the London airports and the rest of the UK remains as currently, driven by the large concentration of freight forwarders in the vicinity of Heathrow in the light of its major air freight hub role. This may well overstate the scale of demand in London given increasing long haul networks at regional airports.



### Air Cargo Capacity at UK Airports

3.23 The second stage in our assessment is to consider the extent to which the demand identified above could be met by UK airports and the London system airports. This is, again, in line with our approach taken in our work for the FTA in 2015. However, the analysis undertaken for this research is more detailed, uses more up to date and detailed information on future passenger ATM forecasts and, specifically, considers Stansted’s more recent statements in relation to continuing growth in the cargo market to around 400,000 tonnes<sup>43</sup> and removal of the existing 35 mppa passenger planning cap and extension to 43 mppa<sup>44</sup>. Had we been specifically asked, we would have advised Azimuth of the need to carry out such an assessment so as to understand the implications of our earlier work for TfL and the FTA.

<sup>42</sup> Based on the London airports current share of the national market.

<sup>43</sup> Sustainable Development Plan – Stansted Airport (March 2015).

<sup>44</sup> Press Release – Stansted Airport (17 October 2017).

- 3.24 In order to estimate the likely bellyhold capacity that will be available through the period to 2040, we have produced projections of passenger ATM demand for each of the top 10 freight airports in the UK in 2016, along with a residual forecast for Other UK airports. For Heathrow, Gatwick and Manchester, these forecasts have been split into domestic, EU and non-EU ATMs. The future years for each airport have been based on the ATM forecasts produced by the Airports Commission for which detailed data files have been released<sup>45</sup>. Years prior to the opening of Runway 3 at Heathrow, uses the Base ATMs scenario, while post opening uses the HAL ATMs scenario, which reflects the third runway.
- 3.25 The existing freight loads per passenger ATM for each airport have been estimated using CAA Statistics. These average loads have then increased by 1.0% per annum tapering to 0.5% per annum for Heathrow and 1.6% per annum tapering to 1.0% per annum for other airports. This reflects trends in average loads identified from CAA Statistics over the last five years.
- 3.26 In relation to pure freighter capacity, we have, in the first instance, considered what might be termed a business as usual view of capacity moving forward. This considers the likely number of freighter ATMs that might be flown rather than considering the actual movement capacity of individual airports, which may be greater. This is, ultimately, a more stringent view of capacity moving forward and is more likely to lead to a conclusion that there is a lack of freighter capacity to meet any demand than simply considering what any given airport could actually handle, especially given that Stansted is some distance from its freighter ATM cap and East Midlands is not close to any form of ATM limit. To enable this analysis, we have grown freighter ATMs at each airport by 0.4% per annum, in line with the expected growth rate from the DfT's Aviation Forecasts 2013<sup>46</sup>. However, we note that the most recent DfT forecasts<sup>47</sup> suggest that no growth in freighter movements to or from the UK is now expected. Hence, our use of the previous DfT growth rate may overstate the market for pure freighter operations but we have retained this approach so as not to understate the extent of any potential overspill market for Manston.
- 3.27 Once again, average loads per freighter ATM have been estimated for each airport from CAA Statistics. As with bellyhold cargo per ATM, there has been an upward trend in average loads on freighters in recent years of around 1.1% per annum (York Aviation analysis of CAA Statistics). This is assumed to continue over the period.
- 3.28 In addition to this business as usual view, we have also taken a view as to the likely total tonnage capacity over time of the two largest freighter airports in the UK, East Midlands and Stansted, based on those airports' development plans:
- the Stansted Sustainable Development Plan talks about developing cargo capacity to handle around 400,000 tonnes of cargo. We have assumed that current capacity is around 300,000 tonnes and that this grows steadily over time to 400,000 tonnes by 2040;

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<sup>45</sup> <https://www.gov.uk/government/publications/airports-commission-documents-and-data>.

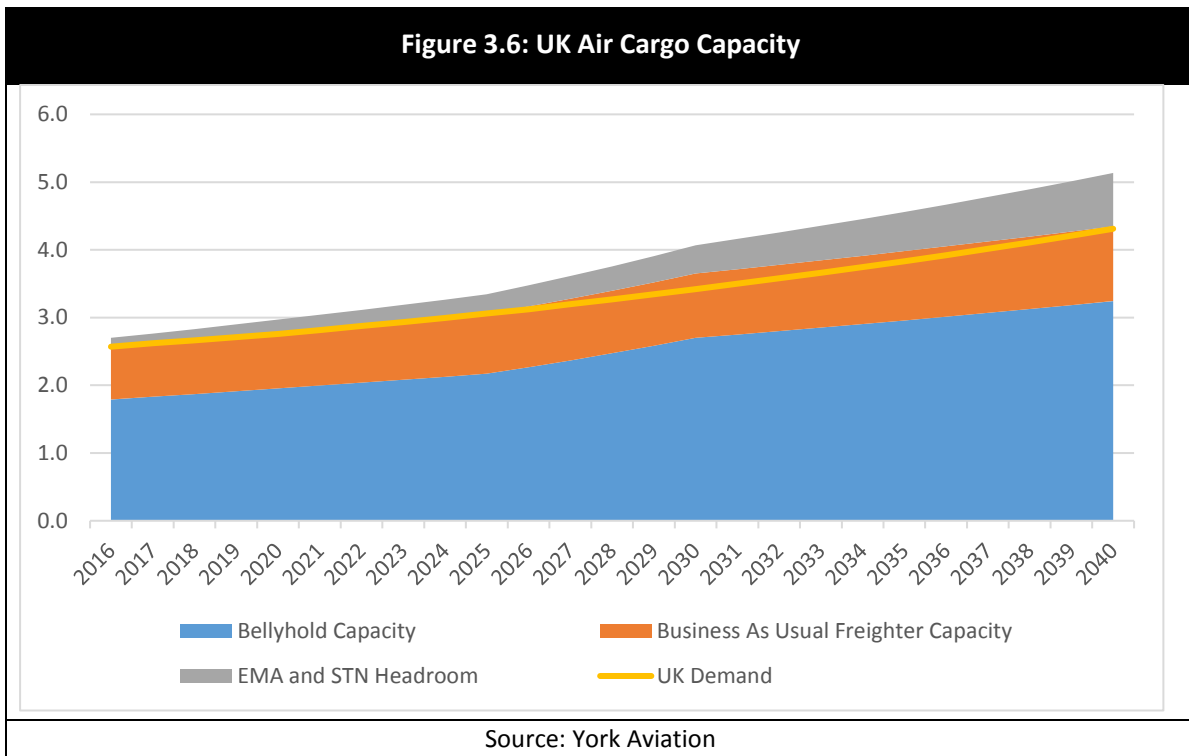
<sup>46</sup> The exception to this is the small number of freighter movements at Heathrow, which are not allowed to grow until the Third Runway is opened.

<sup>47</sup> Department for Transport, *UK Aviation Forecasts*, October 2017, paragraph 2.56.

- the East Midlands Sustainable Development Plan describes its runway capacity as able to support a 10 million passenger and 1.2 million tonne cargo airport<sup>48</sup>. We have assumed that this capacity could be developed over time to 2040 from a base capacity of 400,000 tonnes.

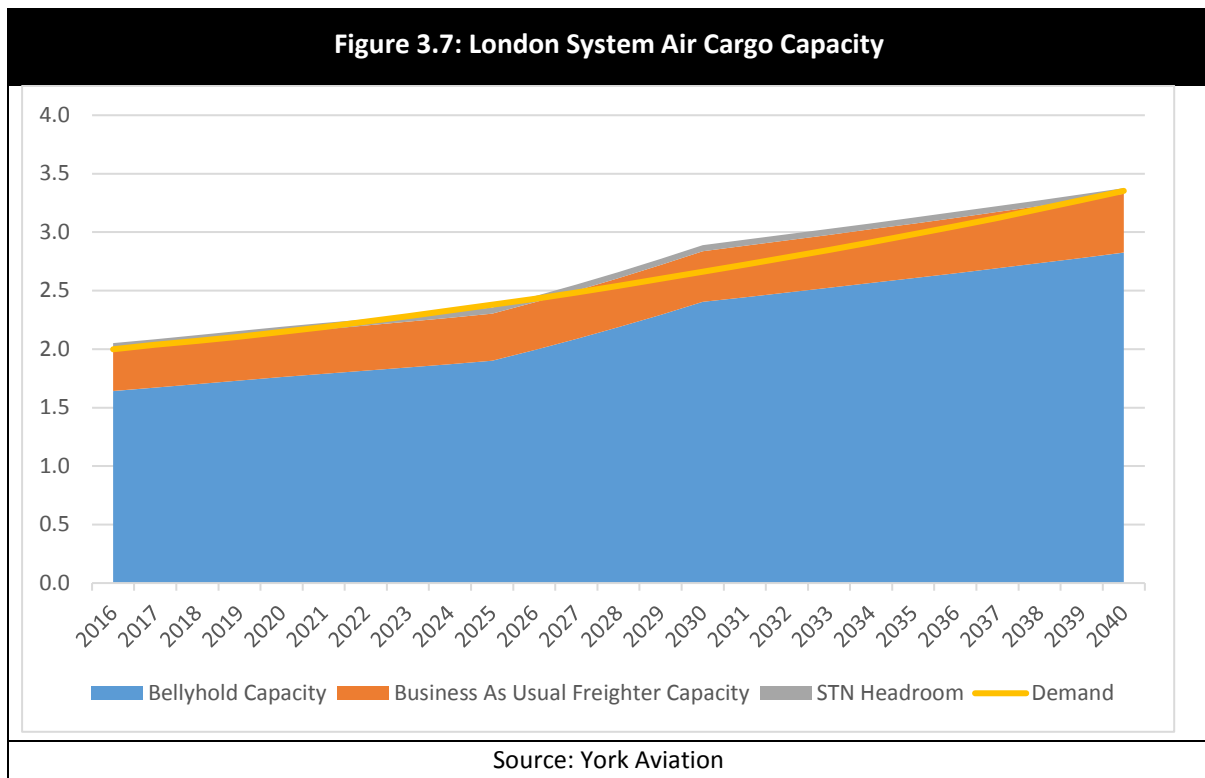
3.29 This assessment of the cargo capacity headroom at Stansted and East Midlands helps provide a view of how any excess demand identified could be handled by freighters in the UK if this were the response of the market to any shortage of bellyhold capacity, although it is important to note that we do not believe this would be the primary market response given the lower cost of bellyhold alternatives. It should, however, be recognised that the speed of build-up of this headroom is to a significant degree a matter of conjecture. There will be infrastructure developments required to enable capacity but, if demand were there, it is likely that these could be brought forward as they would be incremental expansion of existing facilities which could be phased in to meet demand more easily and cheaply than the substantial cost involved in re-opening Manston.

3.30 The resulting estimates for air cargo capacity for the UK as a whole and the London system over time are shown in **Figures 3.6 and 3.7**.



<sup>48</sup> East Midlands Airport Sustainable Development Plan, 2015. Page 75.

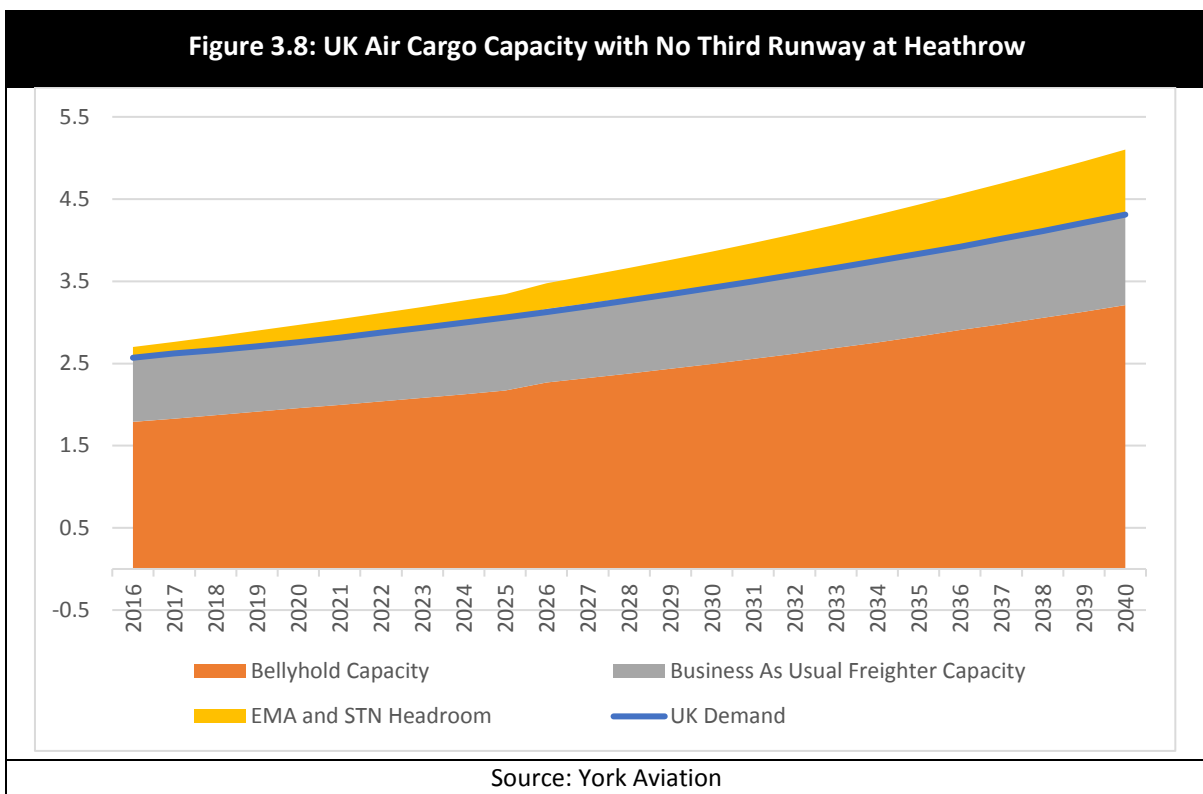
3.31 At a UK level, our analysis suggests that there are unlikely to be capacity issues in the cargo market prior to 2040 even on a Business As Usual Freighter Capacity basis. Once the third runway is opened at Heathrow, there is in fact likely to be excess capacity in the market, which is likely to soften demand for supporting freighter capacity dedicated to general air freight (accepting that integrator/express freight is a separate market to a significant degree). It should, however, be noted that capacity on a Business As Usual Freighter Capacity basis is likely to become constrained shortly after 2040 but this can easily be addressed by exploiting the inherent airport capacity headroom still available at Stansted and East Midlands if it is appropriate to serve the market in that way. Overall, we can conclude from this analysis that there will be no shortage of freighter capacity in the UK before 2040 and overspill from other airports would not provide a rationale for re-opening Manston.



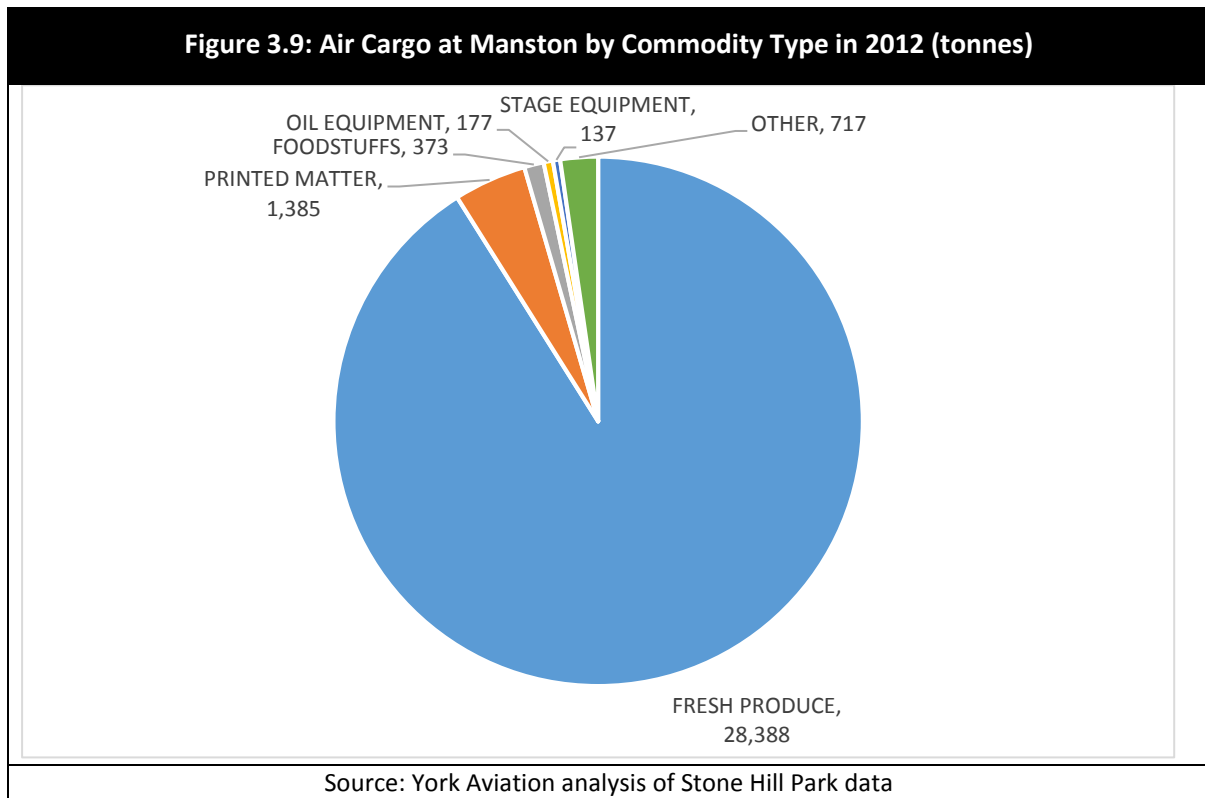
3.32 The situation at the London airports is slightly different if we assume that London maintains its market share of the overall market and there is no natural ‘clawback’ to the regions. With Heathrow’s bellyhold growth relatively constrained, there are potentially some limited capacity constraints in the medium term before the third runway opens but, if there was demand, we would expect Stansted to develop additional freighter capacity sooner. Any constraint would be fleeting. Once the third runway is opened, excess capacity develops rapidly. Potential capacity issues do not then start to re-emerge until around 2040, when it appears that Heathrow is likely to become runway capacity constrained once more.



- 3.33 The implications for Manston Airport are that, even in pure volume terms, push factors from other airports in London are unlikely to provide opportunities for growth before 2040, and this is before any consideration is given to Manston’s suitability to serve the markets in question. In the short to medium term, there is likely to be some limited constraint in the London system before the third runway at Heathrow is opened. However, this is largely a function of bellyhold constraints at Heathrow and it is highly questionable as to whether the type of cargo that is likely to be forced out will be suitable for Manston or indeed would switch from bellyhold to pure freighter operations at all.
- 3.34 Logic would suggest that what will be pushed out is relatively low yielding, general air cargo that is more sensitive to price and less sensitive to time. Essentially, this is akin to business passengers forcing leisure passengers out of Heathrow. This type of air cargo is not likely to see pure freighters as an effective alternate, given the higher prices involved. It is more likely to seek out alternative bellyhold capacity at UK regional airports (which might actually be closer to its point of origin given our analysis above) or travel via truck to the continental European airports.
- 3.35 Our analysis here has been predicated on the construction of a third runway at Heathrow, as this is clear stated Government policy. In the event that the third runway is delayed or does not happen at all, it is expected that there would be other adjustments in the UK air transport market, including the provision of more long haul services from other airports offering bellyhold capacity. In this case, whilst there could theoretically be a level of capacity shortfall at the London airports assuming that they maintain a constant market share, we would expect demand and capacity to keep pace at the UK level as growth at regional airports is accelerated. This is illustrated in **Figure 3.8**. We consider that analysis at the UK level remains the most relevant and this does not suggest that there will be a capacity shortfall before 2040.



3.36 An examination of the nature of cargo traffic that used Manston in the past also supports this assessment. Data provided to York Aviation by the current owner and set out in **Figure 3.9** shows that the Airport was essentially an import point for fresh produce (91% of total tonnage in 2012). This is a time critical market with associated high yields (hence allowing freighter operations) but also one that is dominated by Heathrow through its perishables hub and its bellyhold capacity to Africa. It is unlikely that Heathrow would shed significant amounts of this traffic with cargo constraints and certainly it would likely gain market share once the third runway is opened. Heathrow remains better located for the distribution of this produce to the core London market given its location inside the M25.



3.37 It should also be remembered that this assessment assumes that Stansted does not accelerate its cargo development plans to meet any excess demand that is suitable for freighter activity. Indeed, we understand that the perishables activity that used to use Manston has shifted back to Stansted and that the operation at Manston was supported by low charges to the airline to compensate for the less attractive location.

### Specific Air Cargo Market Forecasts for Manston Airport

3.38 Building on the analysis above, we have considered three scenarios for future cargo growth at Manston Airport. In each case, we have considered the likelihood of the scenario coming forward. It should be noted that, in the air transport market, demand is the driver of airport usage not capacity. Provision of capacity at Manston is no guarantee that airlines, shippers and passengers will use it unless there is demand and Manston represents the most efficient way for that demand to be met.

***Scenario 1: Relief for Capacity Constraints in London (Highly Optimistic and very unlikely)***

- 3.39 In this scenario, we have assumed that Manston is able to capture the excess demand that is seen in the London system in the medium term when only Freighter Business As Usual capacity is considered. It is then able to maintain its market share into the long term, even once the excess demand has disappeared with the appearance of the third runway.
- 3.40 We ultimately regard this scenario as highly optimistic and very unlikely to occur. We do not believe that the nature of excess demand is likely to suit freighter operations. This fits with the current market, where Heathrow is almost certainly constrained in terms of its ability to offer bellyhold capacity and yet there remains significant freighter capacity elsewhere and there has been no upturn in the demand for air freighter operations. We also feel it is highly unlikely that Manston could maintain market share in the context of the opening of a third runway at Heathrow. Even in the absence of a third runway, pure freighter capacity at Manston is not likely to be attractive for most of the freight displaced which would still choose cheaper bellyhold capacity available elsewhere in the UK and Europe.
- 3.41 We consider this scenario to be an upper bound to the envelope for Manston Airport. Even in this scenario, forecast tonnage only reaches around 105,000 tonnes by 2040 or around 4,470 cargo aircraft movements. The estimate of aircraft movements assumes loads similar to that of Manchester Airport's current freighter operations, growing by around 1.1% per annum. This appears to be a relatively low loading compared to Manston's previous operations<sup>49</sup> (hence providing a higher ATM number for any given tonnage and thus likely to overstate the number of movements).
- 3.42 We note that Azimuth have assumed an even lower tonnage per cargo air transport movement of under 20 tonnes, so leading to an overstatement of the number of aircraft movement at any predicted tonnage, but this does not appear realistic based on Manston's past operations nor tonnages seen elsewhere.

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<sup>49</sup> We estimate that the number of tonnes per cargo ATM previously at Manston was 35-40 tonnes, taking into account empty aircraft backhauls.

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***Scenario 2: Manston Achieves Its Previous Market Share (More Likely but still with optimistic elements)***

- 3.43 This scenario assumes that Manston essentially re-enters the market as a niche player in the key markets that it served previously, mainly fresh produce. This reflects the view that, in reality, very little has changed in the market compared to when Manston was last operational, not least that Heathrow was already suffering from runway capacity issues prior to 2014. There are no major changes that we would consider sufficient to alter Manston's attractiveness fundamentally compared to 2014. We note Azimuth's contention that Brexit will make trucking to Europe more difficult but would point out that the freight involved is most likely to be general air cargo heading for bellyhold capacity that is relatively less sensitive to time and that additional regulatory burdens are likely to be found at airports as well post Brexit. Hence, the impact on relative transit times may actually be comparatively limited. Furthermore, it is far from clear to us, from the evidence presented by Azimuth, that there were concerns regarding the quality of service offered at Manston historically sufficient to have constrained its share of the market in the past. Hence, it is not unreasonable to start from a position that its past market share was representative of what it might attain in future and that the provision of more infrastructure would not give rise to a change in the market or a higher level of underlying demand.
- 3.44 We regard this as the most likely of our three scenarios but it also has optimistic elements. Notably, it is highly optimistic to assume that Manston will be able to maintain market share in the face of expanded capacity at Heathrow. We would also note that the Airport was not viable at similar demand levels previously and would appear to have only been able to reach its recorded market share by 'buying' traffic through very low airport charges based on our discussions with SHP and its staff that worked at the Airport when operational. In this scenario, the Airport reaches around 47,000 tonnes by 2040 and around 2,000 cargo aircraft movements.

***Scenario 3: Relief for Capacity Constraints in London (More Realistic but still with some optimism)***

- 3.45 Scenario 3 is a variant of Scenario 1 that takes a more realistic view on how the limited excess demand in London in the medium term (allowing for pure freighter Business as Usual activities only) might be served. We would view this scenario as substantially more realistic than Scenario 1 but still with highly optimistic elements.
- 3.46 In this scenario, the excess demand is split as follows:
- 50% is assumed to be diverted via truck to make use of bellyhold capacity at UK regional airports or at the continental hubs in Europe. This reflects the view that, in the majority of cases, this freight is likely to be relatively price sensitive, less time critical general air cargo for which pure freighters are not likely to be an appropriate substitute;
  - the remainder is assumed to be split evenly between East Midlands, Stansted and Manston airports. This is, again, probably an optimistic assumption given the economies of scale and better proximity to markets overall offered by the other two airports compared with Manston.



- 3.47 Once the excess demand in London has peaked (just before the opening of a third runway), Manston is assumed to be able to maintain its market share into the future. This is again an optimistic assumption given what will be an excess of capacity in the market for much of the following period through to 2040. This scenario involves the lowest cargo throughput of the three options. By 2040, the Airport is handling only 17,500 tonnes of freight and handling around 750 aircraft movements each year.

***Summary of Cargo Forecast Scenarios***

- 3.48 The cargo tonnage and freighter ATMs associated with each of the three scenarios are set out below in **Table 3.1**.

**Table 3.1: Summary of Manston Cargo Forecast Scenarios**

	Scenario 1: Relief for London (Highly Optimistic)		Scenario 2: Previous Market Share		Scenario 3: Relief for London (More Realistic)	
	Tonnes	ATMs	Tonnes	ATMs	Tonnes	ATMs
2020	7,608	402	30,359	1,605	1,268	67
2021	18,407	963	30,966	1,619	3,068	160
2022	31,758	1,643	31,616	1,635	5,293	274
2023	45,571	2,332	32,280	1,652	7,595	389
2024	59,860	3,029	32,958	1,668	9,977	505
2025	74,638	3,736	33,650	1,684	12,440	623
2026	76,205	3,773	34,357	1,701	12,701	629
2027	77,958	3,818	35,147	1,721	12,993	636
2028	79,751	3,863	35,956	1,742	13,292	644
2029	81,585	3,909	36,782	1,762	13,598	651
2030	83,462	3,955	37,628	1,783	13,910	659
2031	85,381	4,002	38,494	1,804	14,230	667
2032	87,345	4,050	39,379	1,826	14,557	675
2033	89,354	4,098	40,285	1,848	14,892	683
2034	91,409	4,147	41,212	1,869	15,235	691
2035	93,511	4,196	42,159	1,892	15,585	699
2036	95,662	4,246	43,129	1,914	15,944	708
2037	97,958	4,300	44,164	1,939	16,326	717
2038	100,309	4,355	45,224	1,964	16,718	726
2039	102,716	4,411	46,310	1,989	17,119	735
2040	105,182	4,468	47,421	2,014	17,530	745
Source: York Aviation						

3.49 Our updated analysis of the market and specific consideration of three potential scenarios for freighter growth at Manston Airport demonstrate that, even on the most optimistic assumptions, it is not likely to generate above 4,470 annual movements by air cargo aircraft. On a more realistic basis, it might attain similar levels of tonnage as seen in 2003 by 2040 but with a higher number of aircraft movements due to the assumption we have made that freighter loads would be similar to those seen elsewhere in the UK rather than the higher loads actually observed at Manston in the past. On past performance, the number of movements at Manston might well be lower. **None** of our scenarios suggest that there is a need to increase the capability of Manston Airport given our assessment in Section 4.

## 4 CAPABILITY OF THE SITE

- 4.1 Our start point for this assessment is the capability of the Airport site based on its historic and consented planning status and on the basis that the existing infrastructure could all be ‘made good’. This assessment is based on the existing Lawful Use in planning terms. The existing Airport’s permitted use is for civil aerodrome use, and there are no conditions limiting either passenger numbers or ATMs.

### Capacity of Existing Facilities

- 4.2 In the first instance, it is important to highlight that Manston Airport did not operate under any form of restriction on the number of aircraft movements. The planning agreement between TDC and Manston Airport, which governed the permitted activity of the Airport, was entered into in 2000. In respect of night-time flying it sets out the limitations on such operations until a “Night-time Flying Noise Policy” is in place. Clause 1.1 of the Second Schedule states:

*“The Owner agrees not to cause suffer or permit any Regular Night Flying Operations at any time (subject to Paragraph 1.4 below) before a Night-time Flying Noise Policy shall have been prepared and a copy lodged with the Council.”*

Further, it defines:

*“Regular Night Flying Operation means Flight movements which are scheduled or programmed and which occur frequently or regularly to the same or similar patterns for the same operator during Night-time”*

- 4.3 It is understood that the Night-time was defined as 23.00-07.00, though Manston Airport was also seeking a Night Quota Period which would have run from 23.30-06.00. In practice, there were a number of night movements which were deemed to be ad-hoc and often driven by technical delays but that were permitted to operate in any event.
- 4.4 We have assessed the capability of the existing infrastructure at Manston Airport assuming that the range of existing facilities, as at the time of its closure, are made good. There are three principal elements – runway, passenger and freight:
- ➔ **Runway:** for the handling of commercial passenger and freight aircraft, the runway would operate without a parallel taxiway. The current marked parallel taxiway is too close to the runway centreline to allow such aircraft to taxi independently of a runway movement. Landing and departing flights would then need to back track along the runway to and from the entry/exit taxiways. The achievable maximum runway rate with this operation might be around 20 to 24 flights per hour depending on the mix of aircraft types. This runway movement rate, even at 50% utilisation of available slots, would be capable of accommodating around 64,000 aircraft movements a year. However, we recognise that this is in excess of the capability of the passenger and freight handling facilities as existing.

- **Passenger:** the passenger apron has been designed to accommodate 4 E-Jet FK100 passenger aircraft. These aircraft types are now rare and have a wingspan that is much less, at 28 metres, than the typical low fares airline Code C type aircraft that Ryanair, easyJet and Wizzair, for example, use. These airlines typically use aircraft such as the B737-800 and A320, with wingspans of 36 metres. On this basis, the passenger apron would be able to accommodate up to 3 of these larger Code C aircraft simultaneously and could, in the alternative, be used for handling cargo flights. The terminal itself is quite compact and would have a maximum of 6 check-in desks and very small baggage make up area, and a departure lounge that could depart a maximum of 2 flights within the same 30 to 40-minute period, with an hourly capacity in total of around 250 passengers. There are more than 1,000 car parking spaces. We estimate that the passenger terminal at its current size could support around 0.7 to 0.9 mppa based on there being up to two based Code C aircraft with a reasonable number of other visiting flights across a typical day.
  - **Freight:** the aircraft parking area close to the freight sheds can park up to 2 or 3 small to medium sized cargo aircraft or one large aircraft. There are two freight sheds that were originally organised to be used one for imported freight and one for export. Adjacent to these is an 'equine' handling facility for processing livestock. In practice Manston, when operational, normally handled one large freight aircraft at a time due to size and juxtaposition of the freight sheds and apron to each other and the single taxiway connecting to the runway. Whilst Manston handled up to 30,000 tonnes of freight at its peak, our understanding is that the freight facilities could have handled substantially more tonnage.
- 4.5 Our assessment into the capability of Manston Airport is based on the reinstatement of the runway, air traffic control, fire station, navigational aids, apron (stands) and taxiways. We have taken into account the use of both apron areas, one to the west adjacent to the cargo sheds and one to the east, adjacent to the passenger terminal. These could accommodate collectively up to 4 freight aircraft simultaneously. The assessment is also based on an 18-hour operational day (allowing for a small number of ad hoc night movements consistent with previous operations) and with a turnaround window of up to 2½ hours from the arrival to departure of each freight aircraft resulting in the capability of each stand to handle over 7 aircraft rotations a day, or over 14 cargo aircraft movements.
- 4.6 On this basis, across a year, this would equate to a capability for at least 21,000<sup>50</sup> annual air cargo aircraft movements with the existing consented infrastructure, subject only to reinstatement. This assessment is consistent with the assertion made in presentations on behalf of RSP<sup>51</sup>, which stated that the 10,000 cargo aircraft movement threshold, necessary to pass the Section 23 test in the Planning Act 2008 (as amended), could be met by providing for 14 aircraft arrivals and 14 aircraft departures each day. As the existing infrastructure could provide for 4 cargo aircraft being handled simultaneously, this would equate to 20,440 annual air transport movements by cargo aircraft. This would be more than sufficient to accommodate any reasonable forecast of the cargo related movement demand that Manston might attract as we have set out in Section 3.

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<sup>50</sup> Should a night time noise policy be agreed with Thanet District Council pursuant to the existing planning agreement that enabled a longer operational day and/or a number of scheduled night movements, then the capability could, in theory, be higher than 21,000 annual cargo aircraft movements.

<sup>51</sup> RSP, Presentations for Thanet District, Dover District, and Canterbury City Councils



- 4.7 We recognise that the actual usage of that capability will depend on how an airport is used in terms of the daily and seasonal pattern of movements but this does not, of itself, reduce the capability offered by the existing consented infrastructure for air transport movements. Our assessment, therefore, provides essential missing information from RSP's materials to date which is necessary for the purposes of section 23 of the Planning Act 2008 (as amended), for assessment purposes under the Environmental Impact Assessment Regulations and for consultation purposes.

## **Land Required to accommodate RSP's Forecasts**

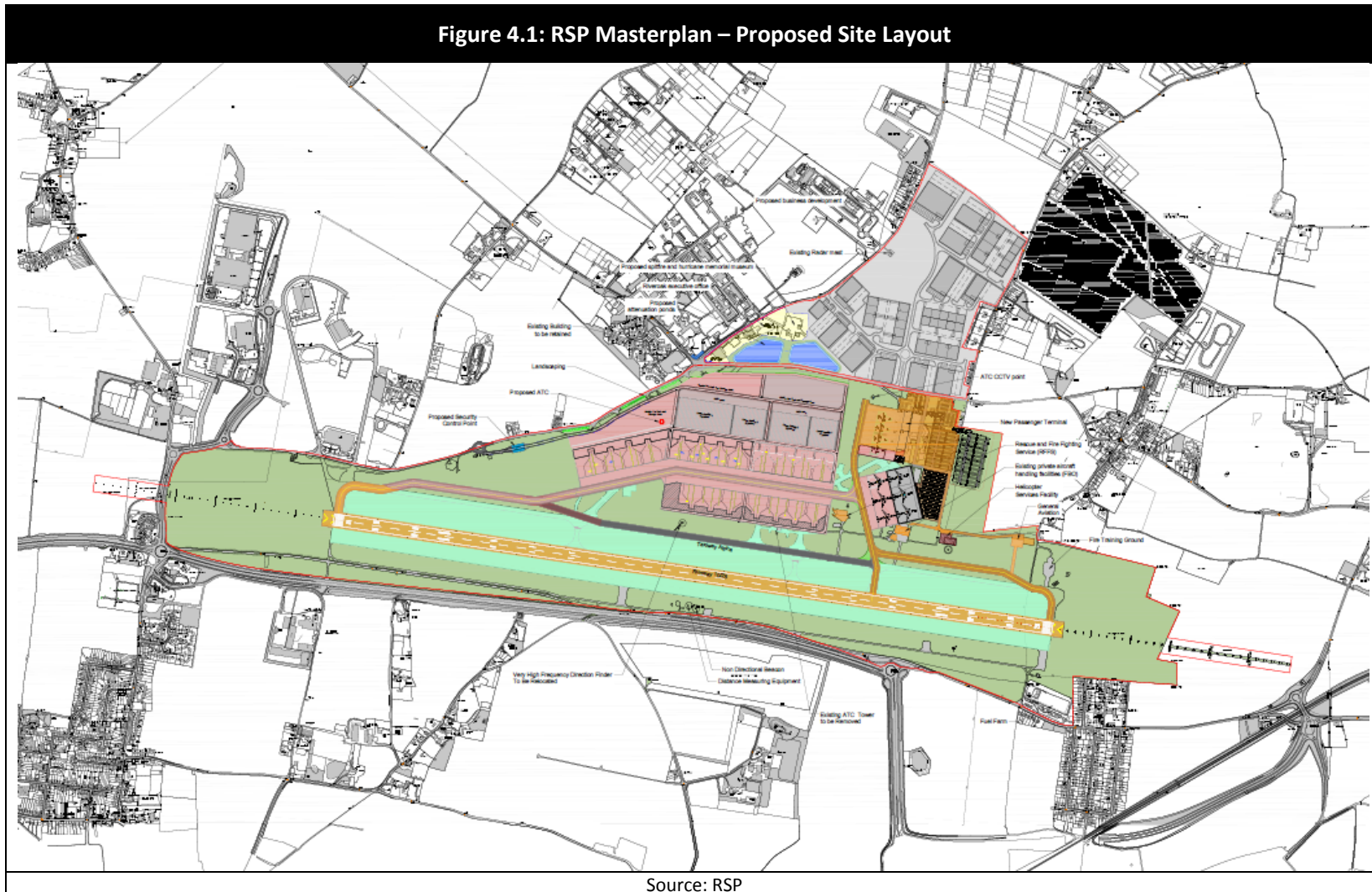
### ***The RSP Master Plan***

- 4.8 The Master Plan presented by RSP for the Manston Airport site is shown at **Figure 4.1**. It makes use of the full length of the runway and provides a full length parallel taxiway. The western side of the site is dedicated to freight handling activity and has 19 Code E aircraft stands for cargo flights and 4 large cargo sheds for the processing of freight supported by truck loading and parking areas. The eastern side of the site shows as a new passenger terminal and apron along with a MRO hangar and apron. The existing private aircraft handling facility (FBO) and fire station site is retained. We are not entirely clear how such works would be phased, although we understand that 4 phases of development are planned. RSP projects that Manston will need to be able to handle 17,171 cargo related ATMs and that 1.4 mppa of passengers will be handled by 2039. These represent the basis for the proposed DCO application and we assume, therefore, that these will be the limits on the number of movements and passengers which the site would be capable of accommodating as these form the basis for the assessment of environmental and other impacts. However, this is unclear from the consultation documentation.
- 4.9 We are unclear why 19 Code E stands are proposed given that the fleet mix at 2039<sup>52</sup> shows 85% of aircraft (at 17,171 annual cargo aircraft movements) being by aircraft smaller than Code E dimensions. Even allowing for some larger Code F types (<2% of movements), it would be possible to reduce the area of apron required for the fleet mix proposed, leaving aside whether 19 stands are required for the simultaneous parking of cargo aircraft at any one time, which we discuss further below.
- 4.10 To the north of the site, on the 'Northern Grasslands', a new development is shown, which appears to consist of commercial sheds and factory buildings with no obvious connection to the operation of the Airport being located entirely on the landside of the B2050. We assume that RSP's intention is to lease out these landside commercial buildings on this northern site so as to provide a rental income to cross subsidise the operation of the Airport. We discuss the need for this land further below.

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<sup>52</sup> Azimuth Volume III, Table 2.

Figure 4.1: RSP Masterplan – Proposed Site Layout

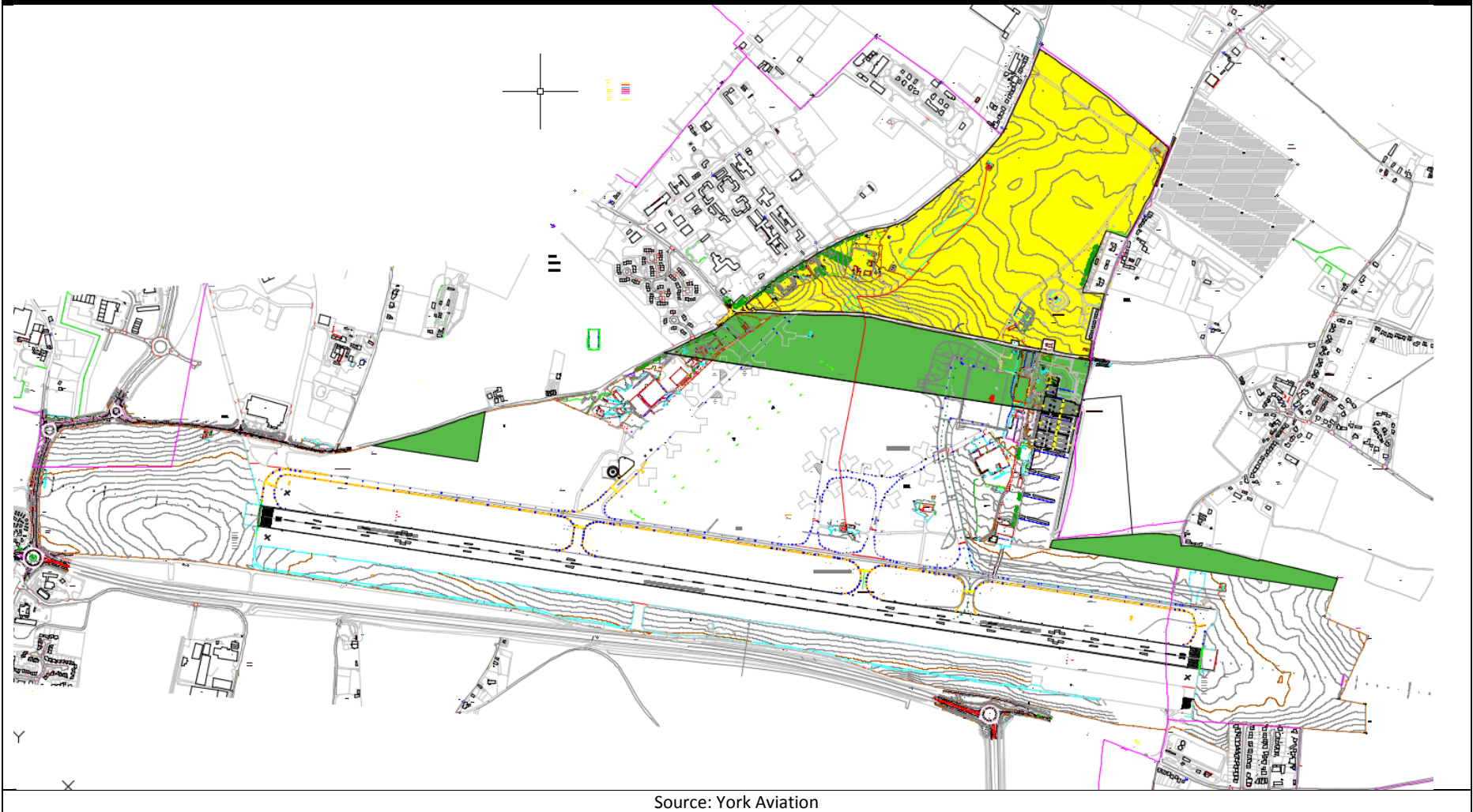


Source: RSP

### ***Land Required***

- 4.11 Without prejudice to our position that we do not consider that RSP's proposals are credible in terms of the level of demand that might be attracted to Manston, we do not consider that the scale of development proposed by RSP for 17,171 cargo related movements is necessary, justifiable or reasonable, based on the principles set out at paragraph 4.5 above.
- 4.12 At **Figure 4.2**, we illustrate the justifiable and reasonable extent of land required at Manston Airport to support a cargo operation of 17,171 ATMs and passenger operation of 1.4 mppa (even though we do not accept that these ATMs and passenger numbers can be reached). This is based on our experience of airport operations around the world.
- 4.13 We recognise that there could be an opportunity for maintenance hangars for heavier aircraft maintenance activities but the need for these will not necessarily be triggered by the establishment of passenger operations. Depending on the nature of the freight and passenger carriers that set up services at Manston, the need for maintenance hangars cannot be ruled out and we have allowed for one twin bay hangar with a footprint of approximately 6,000m<sup>2</sup> or two single bay hangars at 3,000m<sup>2</sup> each.
- 4.14 It is also reasonable to expect that there will be some business and some general aviation activity. However, unless a bespoke FBO is set up, which we believe is unlikely given the distance from the main business aviation market in London and with Biggin Hill much closer to the core market, there would be very limited use by business aviation. Any small general aviation or flying school activity can be accommodated within the land area shown. These facilities, and any aircraft dismantling activity as also suggested in Azimuth's forecasts, would need to have direct airside access and so would need to be located to the south of the B2050. In other words, all of the operational facilities to support the operation of the Airport would require to be located to the south of the road and not on the 'Northern Grasslands' site.
- 4.15 We have clearly marked the area of land to the south of the B2050 that is not required for the defined airport operations in green on Figure 4.2. To the north of the Airport site, the 'Northern Grasslands' are marked in yellow and is not required for the scale of airport activity proposed by RSP. We discuss the potential use of this area further below. Figure 5.2 clearly shows that the extent of airport land needed to support the scale of freight and passenger activity proposed by RSP is significantly less than that proposed by the RSP. There are surplus areas of land within the core airport site as well as the 'Northern Grasslands' that are not required to support the throughput proposed.

Figure 4.2: Airport Land for 17,121 Freight ATMs and 1.4 mppa Operation – Surplus Land: Airport Land (Green), Northern Grasslands (Yellow)



Source: York Aviation

- 4.16 We summarise at **Table 4.2**, those facilities proposed by RSP in its Master Plan but are not, in fact, required to support essential airport operations.

<b>Table 4.2: Classification of RSP Proposed Airport Facilities at Manston Airport</b>		
	<b>RSP proposed airport-related development</b>	<b>Facilities not Essential for an Operational Cargo Airport</b>
4	Retention & Extension of Passenger Apron	✓
11	New replacement Passenger Terminal building	✓
12	New and extended passenger car parking areas	✓
23	Relocation of the two existing museums	✓
24	Demolish old Control Tower in northern area	✓
25	Airport related businesses on Northern Grasslands	✓
26	New MRO aircraft maintenance hangars	✓
27	New FBO in refurbished business aviation terminal	✓

- 4.17 Although a replacement radar is shown by RSP re-using the old radar tower within the ‘Northern Grasslands’ area, it is not clear that a replacement radar would actually be required, although a radar service would be required. It is likely that a radar service could be procured more cheaply by buying in radar coverage from an alternative radar position rather than re-providing a radar on site. This is increasingly common practice at smaller airports. In the event that a replacement radar was required, this would not need to be located on the ‘Northern Grasslands’ but could be located within the airfield site to the south of the B2050.
- 4.18 In terms of the use of the ‘Northern Grasslands’, there is no particular requirement for extensive freight forwarding facilities on site as consolidation of loads is likely to continue to take place in and around Heathrow as currently. Any freight forwarding activity directly to support 17,171 cargo aircraft movements is likely to be containable within the area shown for freight warehousing within the airfield site.
- 4.19 No other justification is given for the extent of the commercial development shown on the ‘Northern Grassland’ part of the site. In our view, it is certainly not ‘associated development’ required to support the operational airport, other than in terms of providing a financial cross subsidy from rental income for general commercial buildings.

4.20 The need, then, for such an extensive development across the ‘Northern Grasslands’ cannot, in our opinion, be justified and is substantially in excess of what is seen elsewhere. The scale of supporting infrastructure proposed appears substantially greater than exists at the UK’s main pure freight hub at East Midlands. We have seen no reasoned justification for the scale of facilities proposed. It appears to cover an area (c.48 hectares), which is more than double the size of the associated Pegasus Business Park area at East Midlands Airport (c.21 hectares), which currently handles virtually the same cargo tonnage as projected by Azimuth for Manston at 2039. Furthermore, it is significant that a substantial part of the East Midlands area is occupied by hotel development (3 hotels) in support of the much greater passenger throughput at that airport, a Regus office complex, and many of the other occupiers of sites within the Pegasus Business Park are not related to the activity at the Airport and include companies such as PwC, Laser Optical Engineering, Nikon Metrology UK, Medstrom Healthcare, Rail Vision and PKF Cooper Parry making use of an accessible location close to the M1. None of these activities would be essential in relation to freight activity at the airport and so would not meet the test for associated development required for inclusion with a DCO.

### **Realistic Requirements**

4.21 Clearly, as is evident from earlier sections of this report, our opinion is that RSP’s projections for the use of Manston Airport cannot be realised. Hence, the area of land required to accommodate lower levels of activity would be proportionately smaller, occupying a substantially smaller area of land to the south of the B2050 than shown on Figure 4.2.

### **Conclusions on Capability**

4.22 The existing infrastructure at Manston Airport, if made good, would be capable of handling 21,000 annual air cargo transport movements<sup>53</sup>. However, the actual usage of that capability would depend on the pattern of operation and how the infrastructure was used on a day by day basis.

4.23 Without prejudice to our view that demand to use Manston is not likely to be anything like 17,171 cargo aircraft movements a year, we consider that the land required to accommodate such a number of movements would be substantially less than shown on the RSP Master Plan.

4.24 We can see no justification for the inclusion of the ‘Northern Grasslands’ within the DCO as associated development as there will be little requirement for the relocation of freight forwarding activity from adjacent to the UK’s main cargo hub at Heathrow to Manston and any requirement could be accommodated south of the B2050. The development on the Northern Grasslands site appears to be speculative commercial development which, based on the precedent at East Midlands Airport – the UK’s principal airport for pure freighter operations – would be expected to be largely for non-aviation related uses.

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<sup>53</sup> Based on an 18-hour operational day. Should a night time noise policy be agreed with Thanet District Council pursuant to the existing planning agreement that enabled a longer operational day and/or a number of scheduled night movements, then the capability could, in theory, be higher than 21,000 annual cargo aircraft movements.

## **5 SOCIO-ECONOMIC IMPACT**

### **Introduction**

- 5.1 In this section, we examine the socio-economic benefits that are put forward by Azimuth and the flaws that are apparent in their approach. These render the socio-economic case put forward unreliable. We then move on to provide our own estimates of the socio-economic impacts of Azimuth's traffic forecasts based on more appropriate assumptions and also set out the socio-economic impacts associated with our own traffic forecasts to provide a more reasonable basis for considering the extent of the benefits that might realistically accrue from the re-opening of the Airport.

### **Comments on Azimuth Socio-Economic Assessment**

- 5.2 Volume IV of the Azimuth's Report sets out the socio-economic case for the DCO for Manston. This assessment naturally relies on the traffic forecasts presented in Volume III. This means, of course, that the socio-economic assessment is rendered unreliable by the failings of the traffic forecasting approach and the incorrect inferences drawn from the assessment of the market. However, there are also substantial failings in relation to the methodology used for the socio-economic impact assessment itself, which result in significant over estimates of the impacts. We would also re-emphasise that the Airport must be commercially viable to be able to deliver these benefits, otherwise it will simply fail and no level of benefit will be delivered. RSP has not clearly demonstrated that the operation of the Airport would be viable at any level of throughput and, in the light of the conclusions of Aviasolutions in their advice to Thanet (see Section 6 of this report), viability must be in serious doubt based on our analysis of the likely usage as set out in Section 3. This renders any analysis of the socio-economic impacts to a large extent moot. Setting aside the issue that the Airport is highly unlikely to be viable and that the traffic forecasts set out are significantly overstated, we have identified below a number of key flaws in Azimuth's approach and analysis of the economic impacts.
- 5.3 At the outset, it is probably helpful to highlight the key area in which we agree with Azimuth's analysis and conclusions. We agree that the East Kent area is in need of regeneration. It is simply that we do not believe that Manston Airport can deliver the benefits set out. Any attempt to re-open the Airport is not likely to succeed as it is hard to see that viability could be attained with realistic forecasts of usage. Another failure of the Airport would be more likely to damage the image of Kent as a place to invest than enhance it.

- 5.4 Azimuth spend some time considering the appropriate employment density on which to base an assessment of direct employment. They ultimately conclude that East Midlands Airport provides an appropriate comparator (see paragraph 4.1.4 of Volume IV). This information is then used to drive large parts of the benefit calculations for Manston. York Aviation provides economic impact advice to MAG in relation to both its major freight airports, East Midlands and Stansted. From this knowledge, we would suggest that the job numbers quoted and used here are an incorrect base as they include substantial numbers of non-airport related jobs located on the business park at East Midlands Airport, discussed in the previous section. This means that the employment density used by Azimuth is far too high for genuine airport related activity. In any event, the employment at East Midlands is higher than might be anticipated anyway given the very significant employment supported at the site by DHL's UK main base of operations, which is not likely to be replicated at Manston.
- 5.5 We accept that it is difficult to identify an ideal comparator for a re-opened Manston in the UK but would suggest that an airport such as Glasgow Prestwick would be a much more appropriate comparator. The Airport has a low fares operation by Ryanair and has a reasonably significant pure freighter operation (although this has been substantially larger in the past). There is also detailed information on the economic impact of that airport in the public domain from work undertaken by both York Aviation<sup>54</sup> and SQW<sup>55</sup>. We have used information from this research later in this section to provide a more realistic base for assessing the economic impact of Manston.
- 5.6 The multipliers used by Azimuth for indirect and induced employment and economic activity in their assessment are simply inappropriate. Firstly, the multipliers adopted are for the impact at a national level. The study area for this economic assessment and the focus of Azimuth's comments is the sub-region around Manston Airport. Multipliers appropriate to this much smaller area should have been used and would have been substantially smaller. Secondly, the multiplier used (2.1) is a European average taken from research by InterVISTAS for ACI EUROPE<sup>56</sup>. The adoption of this Europe-wide multiplier is strange given that that the research does actually provide a specific multiplier for the UK<sup>57</sup>, which is substantially smaller at 1.5. Use of the appropriate multiplier would, of course, have significantly reduced the job impacts suggested, even at a national scale.
- 5.7 There is a further issue in relation to the use of an inappropriate multiplier covering national level effects in that displacement of activity from other airports should have been taken into account. To the extent that any of the activity projected for Manston is displaced from other airports, as our analysis strongly suggests it will be, there will be a relative reduction in employment and economic activity in the vicinity of these other airports. So whilst, correctly calculated, the employment and economic effects local to Manston would be additional, the effect of displacement of activity would need to be netted off wider national or regional (South East) impact assessments.

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<sup>54</sup> The Economic Impact of Glasgow Prestwick Airport – York Aviation (2012).  
[REDACTED]

<sup>55</sup> Economic Impact of Glasgow Prestwick Airport – SQW (2008).  
[REDACTED]

<sup>56</sup> The Economic Impact of European Airports – InterVISTAS for ACI Europe (2015).

<sup>57</sup> Ibid. Page 103.



- 5.8 As well as using a multiplier for indirect and induced impacts, a multiplier is used to assess the wider catalytic employment<sup>58</sup>. The multiplier used is taken from out of date research for ICAO<sup>59</sup> and it should be said that catalytic impacts remain a difficult area in terms of quantification. There is not sufficient detail in the ICAO report<sup>60</sup> that Azimuth rely on to understand how this catalytic multiplier has been derived. However, again, there are issues with the use of this multiplier. Firstly, it appears to be a global multiplier, which would again be completely inappropriate for use in considering sub-regional impacts around Manston and it has been wrongly applied to total job numbers rather than direct job numbers. In practice, the correct approach would have been to consider the specific additional connectivity that Manston Airport might provide for Kent and assess how this might relate to attracting additional business activity and tourism to the area.
- 5.9 In examining the employment projections presented (Section 5.1 of Volume IV), it appears that no allowance has been made for either productivity growth or returns to scale over time and as the Airport grows. While information on potential on-site productivity growth can be hard to come by, we would expect some allowance to have been made. A typical figure might be around 2% per annum based on our experience at other airports. The result of this omission is that future direct job numbers, in particular, are likely to be significantly overstated given the compounding effect of failing to account for productivity growth.
- 5.10 Section 7 of Volume IV discusses other socio-economic impacts. In particular, it talks about contributions to GDP. Para 7.1.1 describes GDP as “*a monetary measure of the state of a Region’s or a Country’s economy*”. This is not correct. It is a measure of the size of the economy. It does not comment on the state of the economy or the prosperity or wealth within it. The calculations of GDP impacts presented are based on the job numbers estimated earlier in the report. They are, therefore, likely to be significant overestimates given the flaws in the demand forecast method and the job density and multiplier assumptions.
- 5.11 The comments in Paragraph 7.1.7 describing how Manston could contribute significantly to Thanet’s Economic Growth Strategy aspirations in terms of GVA per job and per capita are, in reality, unsupported. Given the methodology adopted, which essentially measures Manston’s impact at a national level, it is actually very difficult to know what the effect might be on the Thanet economy. Undoubtedly, the Airport could support local jobs if it is re-opened but, in reality, the number of those jobs and their value has not been effectively calculated here. The aviation supply chain in the UK is heavily concentrated around the major airports, particularly in relation to air cargo. So, in practice, much of the economic benefit claimed would be realised in and around Heathrow rather than locally if Manston were to re-open. To the extent that any activity would be displaced to Manston, there would be negative economic implications elsewhere.

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<sup>58</sup> Catalytic employment is related to additional economic activity generated in areas adjacent to an airport as a result of the additional connectivity offered by the airport.

<sup>59</sup> ICAO – International Civil Aviation Organisation, which is the inter-governmental body which regulates air transport globally.

<sup>60</sup> ICAO – Economic contribution of civil aviation: Ripples of prosperity, 2000.

## The Socio-Economic Impact of the Azimuth Traffic Forecasts

5.12 Below, we have set out an estimate of the socio-economic impacts of the Azimuth traffic forecasts using more appropriate assumptions. We have retained the same basic analytical framework, which considers direct, indirect, induced and catalytic impacts, but we have used different basic assumptions in all areas:

- we have estimated the direct employment associated with the re-opening of the Airport based on employment densities observed at Glasgow Prestwick Airport during the production of our 2012 report for Scottish Enterprise<sup>61</sup>. This includes considering which elements of on-site employment are likely to be driven by passenger growth and which by cargo growth. Given the slightly differing approach, it is hard to provide a perfect comparison of job density. However, in Year 3, when both cargo and passenger operations begin, the York Aviation job density is around 650 jobs per million workload units, compared to around 890 assumed by Azimuth;
- we have used an indirect and induced multiplier for Kent of 0.4<sup>62</sup>. This is again taken from our work on Prestwick and reflects impacts of that airport in the Ayrshire economy, which would seem a sensible comparator. This multiplier is also in line with the benchmark multipliers set out in the Homes and Communities Agency Additionality Guide (2014)<sup>63</sup>. At this level, displacement effects do not need to be accounted for albeit they would still arise to the extent that activity at Manston displaces activity elsewhere;
- we have used catalytic multipliers for air freight taken from Steer Davies & Gleave's report on the UK Air Freight Industry for the DfT<sup>64</sup>. This identified national level catalytic multipliers for air freight of 3.46 and 3.76 (inclusive of the direct impact). There is no simple way to adjust these multipliers to the Kent economy. We have, therefore, reduced these multipliers by 75%. This is broadly akin the difference between sub-regional and national level multipliers for indirect and induced effects. As with all estimates of catalytic impacts, these should be regarded with some caution in the absence of a more detailed and specific assessment of the potential effects;
- we have assumed productivity growth at Manston Airport of around 2% per annum. This is typical of our experience of productivity growth rates at UK airports;
- in order to estimate the GVA impacts of the re-opening of the Airport, we have used GVA per job estimates from ONS for Kent. On-site jobs are assumed to generate GVA in line with the Transportation & Storage sector (£57,763), while jobs in the wider economy are assumed to reflect the average GVA per job for Kent (£52,623).

5.13 In **Tables 5.1** and **5.2**, we have set out our estimates of the socio-economic impact of the Azimuth traffic forecasts compared to the original estimates produced by Azimuth.

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<sup>61</sup> *The Economic Impact of Glasgow Prestwick Airport* – York Aviation (2012).

<sup>62</sup> Note that this excludes the initial direct effect.

<sup>63</sup> See page 36.

<sup>64</sup> *AIR FREIGHT Economic and Environmental Drivers and Impacts* – Steer Davies and Gleave for DfT (2010). Page 106.

<b>Table 5.1: Employment Impact of Manston Airport – YAL Socio-Economic Assumptions Comparison</b>					
	<b>Y2</b>	<b>Y5</b>	<b>Y10</b>	<b>Y15</b>	<b>Y20</b>
<b>Azimuth Impact Assumptions with Azimuth's freight + passenger forecast</b>					
Direct	856	2,150	2,749	3,438	4,271
Indirect & Induced	1,798	4,515	5,773	7,220	8,970
Catalytic/Wider	0	8,601	10,996	13,753	17,085
<b>Total</b>	<b>2,654</b>	<b>15,266</b>	<b>19,518</b>	<b>24,411</b>	<b>30,326</b>
<b>YAL Impact Assumptions with Azimuth's freight + passenger forecast</b>					
Direct	688	1,555	1,791	2,033	2,291
Indirect & Induced	275	622	716	813	917
Catalytic/Wider	475	1,073	1,236	1,403	1,581
<b>Total</b>	<b>1,439</b>	<b>3,250</b>	<b>3,743</b>	<b>4,249</b>	<b>4,789</b>
<b>YAL Total as % of Azimuth</b>	<b>54%</b>	<b>21%</b>	<b>19%</b>	<b>17%</b>	<b>16%</b>

Source: York Aviation and Azimuth Associates

<b>Table 5.2: Gross Value Added Impact (£ million) – YAL Socio-Economic Assumptions Comparison</b>					
	<b>Y2</b>	<b>Y5</b>	<b>Y10</b>	<b>Y15</b>	<b>Y20</b>
<b>Azimuth Impact Assumptions with Azimuth's freight + passenger forecast</b>					
Direct	£43	£108	£138	£173	£215
Indirect & Induced	£78	£195	£250	£312	£388
Catalytic/Wider	£0	£391	£499	£625	£776
<b>Total</b>	<b>£121</b>	<b>£694</b>	<b>£887</b>	<b>£1,110</b>	<b>£1,379</b>
<b>YAL Impact Assumptions with Azimuth's freight + passenger forecast</b>					
Direct	£41	£99	£126	£158	£197
Indirect & Induced	£15	£36	£46	£58	£72
Catalytic/Wider	£25	£61	£78	£97	£121
<b>Total</b>	<b>£82</b>	<b>£196</b>	<b>£250</b>	<b>£313</b>	<b>£389</b>
<b>YAL Total as % of Azimuth</b>	<b>68%</b>	<b>28%</b>	<b>28%</b>	<b>28%</b>	<b>28%</b>

Source: York Aviation and Azimuth Associates

5.14 The differences between the two sets of estimates are marked. Our assumptions result in economic impacts being around a half to two thirds of those estimated by Azimuth initially. However, the gap widens over time as the impact of Azimuth's failure to allow for productivity growth and high multiplier assumptions feed through. In our view, the Azimuth estimates simply cannot be relied upon as a measure of the potential economic impacts of re-opening of Manston Airport. Not only are they infected by the errors in traffic forecasting, but the approach itself is highly flawed. A more realistic and robust assessment suggests that the local impacts within Kent, even on Azimuth's forecasts, would be substantially less than claimed and it is these lower order effects which would need to be balanced with the environmental and impacts in assessing the acceptability of the proposed development, including the loss of SHP's proposed mixed use development and the socio-economic benefits deriving therefrom.

## A More Realistic View of the Socio-Economic Impacts of Manston

- 5.15 As we have described above, the socio-economic assessment undertaken by Azimuth was destined to fail before it started because of the failings in the traffic forecasts that feed the approach. We do not consider there is any realistic prospect of the Airport attaining 10,000 annual movements by cargo aircraft and the build up of traffic would be materially slower than Azimuth estimate.
- 5.16 We have, therefore, set out below an assessment of the socio-economic benefits that might be associated with re-opening Manston on the basis of York Aviation's most likely cargo forecast (that Manston is able to regain its previous market share) and our passenger forecasts, which are around half those assumed by Azimuth. Once again, we have used our socio-economic impact assumptions as described above. The resulting employment and GVA impacts are again set out compared to Azimuth's assessment of the economic impact of reopening Manston in **Tables 5.3** and **5.4**.

<b>Table 5.3: Employment Impact of Manston Airport – YAL Forecasts Comparison</b>					
	<b>Y2</b>	<b>Y5</b>	<b>Y10</b>	<b>Y15</b>	<b>Y20</b>
<b>Azimuth Impact Assumptions with Azimuth's freight + passenger forecast</b>					
Direct	856	2,150	2,749	3,438	4,271
Indirect & Induced	1,798	4,515	5,773	7,220	8,970
Catalytic/Wider	0	8,601	10,996	13,753	17,085
<b>Total</b>	<b>2,654</b>	<b>15,266</b>	<b>19,518</b>	<b>24,411</b>	<b>30,326</b>
<b>YAL Impact Assumptions with YAL's freight + passenger forecast</b>					
Direct	216	391	409	442	486
Indirect & Induced	87	156	164	177	194
Catalytic/Wider	149	270	283	305	335
<b>Total</b>	<b>452</b>	<b>817</b>	<b>856</b>	<b>925</b>	<b>1,015</b>
<b>YAL Total as % of Azimuth</b>	<b>17%</b>	<b>5%</b>	<b>4%</b>	<b>4%</b>	<b>3%</b>
Source: York Aviation and Azimuth Associates					

<b>Table 5.4: Gross Value Added Impact (£ million) – YAL Forecasts Comparison</b>					
	<b>Y2</b>	<b>Y5</b>	<b>Y10</b>	<b>Y15</b>	<b>Y20</b>
<b>Azimuth Impact Assumptions with Azimuth's freight + passenger forecast</b>					
Direct	£43	£108	£138	£173	£215
Indirect & Induced	£78	£195	£250	£312	£388
Catalytic/Wider	£0	£391	£499	£625	£776
<b>Total</b>	<b>£121</b>	<b>£694</b>	<b>£887</b>	<b>£1,110</b>	<b>£1,379</b>
<b>YAL Impact Assumptions with YAL's freight + passenger forecast</b>					
Direct	£13	£25	£29	£34	£42
Indirect & Induced	£5	£9	£11	£13	£15
Catalytic/Wider	£8	£15	£18	£21	£26
<b>Total</b>	<b>£26</b>	<b>£49</b>	<b>£57</b>	<b>£68</b>	<b>£83</b>
<b>YAL Total as % of Azimuth</b>	<b>21%</b>	<b>7%</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>
Source: York Aviation and Azimuth Associates					



- 5.17 Unsurprisingly, the socio-economic impacts associated with the Airport are reduced even further on the basis of more realistic forecasts. The operation is simply of a much smaller scale. In Year 2, it generates 452 jobs, only 17% of the Azimuth estimate of 2,654. By Year 20, the differential is even larger, with the Azimuth estimates reaching over 30,000 jobs, but with our estimates at only just over 1,000. More likely, the Airport would cease operating again due to the inability to attain viable operations. In these circumstances, it becomes a moot point as there would be no jobs and economic impact over the medium to long term.

### **Conclusion**

- 5.18 Once again, the evidence presented by Azimuth on behalf of RSP cannot be relied upon. It is infected with the flaws in the traffic forecasting methodology identified previously but the approach to identifying socio-economic impacts is, in itself, badly flawed. The socio-economic impacts are, as a result, massively overstated and, in any event, would not be realised if the operation of the Airport is not commercially and financially viable.

## 6 PEER REVIEW OF OTHER REPORTS

- 6.1 In this section, we set out a brief review of other reports produced on the potential for a re-opened Manston Airport.

### Aviasolutions for Thanet

#### *Commercial Viability of Manston Airport – September 2016*

- 6.2 We note that this assessment was focussed on the likely viability of a re-opened Manston Airport. Hence the main focus was on scenarios for passenger growth as passenger operations make a significantly greater financial contribution to operating an airport given the ability to earn revenue from retail, catering and car parking as well as direct revenue from airport charges (landing, aircraft parking, passenger fees and any cargo handling fees). We note that Avia took a much more optimistic view than we do of the scope for passenger overspill from the main London airports to Manston but, to an extent, these scenarios were designed to assess whether re-opening Manston would be commercially viable rather than to assess a realistic level of demand.
- 6.3 Having assessed the historical performance of Manston, Avia assumed that it would be possible for the Airport to regain the broad level of cargo activity that it was handling before it closed. This is not dissimilar to our ‘most likely’ assumption. Significantly, Avia noted that:

*“Our freight interviews indicated that the demand to use the airport for freight was very limited. This, in large parts, is due to two factors; the infrastructure investments that have already been made by the industry around Heathrow and Stansted, and the geographical location of the airport. Infrastructure, and the associated knowledge, skill and supporting industry at airports such as Heathrow and Stansted, as well as the major European hubs such as Frankfurt, and Paris, would be almost impossible for Manston to replicate. The geographic location of the airport, tucked into the corner of the UK, cannot compete with airports such as East Midlands for Integrator services that are sold as fast delivery, due to the increases in surface transportation times. The interviews did however indicate that charter services and ad-hoc freighter flights would certainly return, providing some revenue income for the airport”<sup>65</sup>.*

This accords with our view of the most likely prospects for Manston.

- 6.4 Overall, the Avia 2016 work concluded that Manston was not likely to be a commercially viable prospect if re-opened, certainly if it is assumed that another runway would be built at either Heathrow or Gatwick. We concur with this conclusion and, on the basis of our more realistic assessment of the level of passenger demand that the Airport might attract, commercial viability is even less likely to be attained.

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<sup>65</sup> Aviasolutions, *Commercial Viability of Manston Airport*, September 2016, Section 8.3.

### **Local Plan Representations - Final Report – August 2017**

- 6.5 This report largely deals with individual specific representations one at a time. Overall, Avia conclude that their *“opinion, based on updated market information since the publication of our previous study, is consistent with our earlier view that Manston Airport does not represent a financially viable investment opportunity under normal market conditions.”*<sup>66</sup>
- 6.6 In relation to these representations, Avia state clearly that:
- “The Local Plan Representations do not make a credible case, nor provide the evidence for AviaSolutions’ to change its views on the financial viability of Manston Airport. We remain of the view that whilst Heathrow Airport continues to offer substantial freight capacity to a truly global network, and Stansted Airport utilises only around half of the statutory provision of air freighter movements, the London air freight market has capacity to grow without the re-introduction of capacity at Manston Airport. Freight Forwarders have invested heavily in infrastructure around these core airports, carriers have developed their networks as such, and without clear value drivers that support relocating services to Manston Airport, the case remains to be made that demand exists for a freight facility at Manston Airport. This view is reinforced by the empirical evidence of multiple failed attempts to develop profitable operations at the airport.”*<sup>67</sup>
- 6.7 Again, Avia’s analysis concurs with our own in terms of the limited role that there would be for a re-opened Manston Airport given the evolution of the air freight market. We concur with Avia’s analysis of the potential for other activities at Manston such as business aviation or aircraft dismantling and note that, in our experience, income generation from such activities would be low.
- 6.8 We note that, in this report, Avia correctly interpret our work for the FTA in terms of the potential for the equivalent of 80,000 air freighter movements to be accommodated away from the main London airports by 2050 in the event of no new runway being constructed. As Avia note, this demand is likely to be accommodated at a variety of other airports, including Manchester and East Midlands, with the former offering a substantial amount of bellyhold capacity by that date and the latter offering a dedicated freighter service. Displacement to regional airports is also a logical response given the amount of cargo from the regions which is currently trucked to the London airports. We have had no dialogue with Avia regarding the interpretation of our work but their interpretation of it confirms that Azimuth have simply misused headline figures from our work to support RSP’s case without considering or understanding the broader meaning of our analysis in 2015 as Avia demonstrate.

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<sup>66</sup> Aviasolutions, *Local Plan Representations - Final Report*, August 2017, Executive Summary.

<sup>67</sup> Ibid.

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### **Review of Azimuth and Northpoint Forecasts for Manston – August 2017**

6.9 In this report, Avia conclude that the Azimuth and Northpoint forecasts are “highly ambitious” and that “the likelihood of these forecasts being realised is very low”<sup>68</sup>. Avia do not, themselves present any updated forecasts of their own in this report. They make clear that neither report presents “a credible case” sufficient for Avia to change its view on the likelihood of viable commercial operations being attained at Manston Airport.

6.10 Avia conclude that:

*“We remain of the view that whilst Heathrow Airport continues to offer substantial freight capacity to an extensive global network, and Stansted Airport offers capacity for air freighter movements, the London air freight market has capacity to grow without the re-introduction of capacity at Manston Airport. Freight Forwarders have invested heavily in infrastructure around the UK’s core cargo airports and carriers have developed their networks as such. Without clear value drivers that support relocating services to Manston Airport, the case remains to be made that demand exists for a freight facility at Manston Airport.*

*Provision of capacity alone is no guarantee of financial success, a view reinforced by the empirical evidence of multiple failed attempts to develop profitable aviation operations at Manston Airport.”<sup>69</sup>*

This accords with our view.

6.11 Like ourselves, Avia point out<sup>70</sup> that provision of infrastructure is not of itself sufficient to ensure a financially viable airport at Manston and that this will depend on the demand that can be attracted. Avia conclude, like ourselves, that “Azimuth’s report does not provide sufficient evidence of demand at Manston Airport from air freight operators to support the required investment in facilities and profit generation potential to re-establish Manston Airport as a going concern.”<sup>71</sup> Avia, like ourselves, highlight that if there had been a market for Manston to accommodate any overflow from Heathrow, this would have been evident prior to the Airport’s closure in 2014. Avia also conclude<sup>72</sup>, in relation to the extensive interviews carried out by Azimuth, that they largely address the overall issues of airport capacity in the South East of England and do not effectively explain why Manston, at the tip of Kent, would be an attractive solution for the UK air freight sector.

6.12 Avia also note that the other activities that Manston might attract, as suggested by interviewees, such as maintenance, repair and overhaul, aircraft dismantling, a fixed based operator for business aviation and the establishment of an integrator base could have been attracted previously if there was demand at Manston but that such demand was not evident. We concur that the reports of interviews set out by Azimuth do not constitute real evidence of actual demand for such facilities or the likelihood of them locating at Manston.

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<sup>68</sup> Aviasolutions, *Review of Azimuth and Northpoint Forecasts for Manston*, August 2017, Executive Summary

<sup>69</sup> Ibid.

<sup>70</sup> Ibid, page 9.

<sup>71</sup> Ibid.

<sup>72</sup> Ibid, page 11.



- 6.13 Like ourselves, Avia point out that Azimuth’s freight forecasts would suggest that Manston would be a major presence in the UK air freight market from Year 2<sup>73</sup> and that by the end of the period would be on a par with the UK’s main freight hub at East Midlands by 2039. They go on to note that the methodology adopted by Azimuth to forecast cargo movements could be acceptable, which we take to mean a ‘bottom up’ movement driven approach. However, they caution that the primary data used (from the interviews) *“has significant potential to exaggerate or overstate the market”*<sup>74</sup>. As Avia note, the aspirations of the interviewees, that as we have noted earlier were largely local interests in Kent, would need to be tempered by commercial realism and the risks attaching to the operations put forward. Avia conclude, in relation to Azimuth’s freight forecasts, that *“the probability of such an outcome remains very low”*<sup>75</sup>. We concur.
- 6.14 In overall terms, Avia conclude that there is nothing in the Azimuth analysis which would give rise to them changing the conclusions set out in their earlier 2016 report.<sup>76</sup>
- 6.15 Avia then go on to consider the Northpoint report, discussed further below, which was prepared as a direct rebuttal of their 2016 report. In the first instance, they note that they do not accept that the benchmark airports<sup>77</sup> cited by Northpoint as comparators for what Manston could be are relevant:

*There are clearly structural and geographical reasons as to why each of these airports is different to the proposal for Manston Airport. As such, suggesting these are comparable benchmarks is not realistic. In order for Manston Airport to acquire the status of these airports it would need to demonstrate key elements of development, namely; commitments from key express players (DHL / UPS / FedEx / Amazon / Alibaba); an ability to operate night operations with few regulatory restrictions; and geographical advantages from nearby cities, industrial parks, and population centres.*

We agree. These benchmark airports serve different roles, principally based around their selection by large integrators/distributors as main distribution hubs for large urban conurbations. These are simply not comparable to Manston and it would be misleading to believe otherwise.

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<sup>73</sup> Ibid, Section 2.3.2.

<sup>74</sup> Ibid, Section 2.3.3.

<sup>75</sup> Ibid.

<sup>76</sup> Ibid, page 15.

<sup>77</sup> Alliance Fort Worth in Texas, USA, Hamilton Airport in Ontario, Canada, Bergamo in Italy, Liege in Belgium and Leipzig in Germany.

6.16 In relation to air freight forecasts, Avia again note RSP’s reliance on our work for the Freight Transport Association. Again, Avia correctly interpret this work as being based on the assumption that “freight growth is bellyhold focussed” going on to note that our “report also questions Boeing and Airbus’ forecast growth rates, which are utilised in the long term growth forecast by [REDACTED]”<sup>78</sup> Avia go on to note Northpoint’s use of the 55,000 air cargo movements figure from our earlier work for Transport for London (2013) and cite Northpoint’s claim that we asserted that Manston was the only realistic opportunity to accommodate this level of freighter movements if they were displaced. As we have discussed at length in Section 2, this is simply a misapplication of our 2013 work. Unsurprisingly, Avia could not find these figures in the 2015 report for the FTA.

6.17 Avia also highlight Northpoint’s misinterpretation of the interaction between bellyhold and pure freighter demand. We agree with their conclusions in this regard, which explain why the market for more pure freighter operations to/from the UK is limited:

*“AviaSolutions’ experience in the freight industry is that many bellyhold operators can, when supply exceeds demand, reduce rates to such a level as to cover the marginal cost of freight plus a margin. The business is often operated as an addition to the passenger service, and therefore its real marginal costs are low. It is simply impossible for a freighter operator to reduce its rate to match this marginal cost and operate at profitably [SIC]. Therefore, freighters tend to operate on thick routes where the economies of scale of a freighter operation can be realised. These routes are also curtailed by a non-related market, that of passenger demand. Where large scale passenger demand exists e.g. UK to USA, a residual effect of this is large scale freight capacity, which is unmatched to demand. The reverse can be seen on routes to the East, where passenger demand is less, but freight demand, particularly inbound to the UK, is high. As such, many freighters operate on these routings.”<sup>79</sup>*

We agree that the extensive passenger based route network and the availability of bellyhold capacity limits the need for a substantial pure freighter operation to/from the UK, in contrast with other parts of the world where passenger air route networks are less developed. This is why global data on the demand for air freighters is simply not relevant in the UK context.

### Northpoint

6.18 We have largely addressed key points of Northpoint’s rebuttal of the original Aviasolutions work above on the basis of Avia’s most recent report. We highlight here a few other key observations on Northpoint’s “The Shortcomings of the Avia Solutions Report and an Overview of RSP’s Proposals for Airport Operation at Manston” prepared for RSP.

6.19 As with Azimuth’s work, the key criticism of this work is that it is based on assertion rather than evidence or systematic analysis of the potential market for Manston. As noted above, benchmark airports in the middle of Continental Europe or adjacent to major conurbations in the US and Canada do not provide robust examples of how Manston might develop given its geographic position. Northpoint set out that:

<sup>78</sup> Ibid, page 17.

<sup>79</sup> Ibid, Section 3.1.6.

*“RSP’s plans are centred on a developing a strategically important air cargo operation focused dedicated freighters importing and exporting a range of perishable and high-value/time-critical goods to markets in London and across the wider south-east.”<sup>80</sup>*

And that these operations would be supplemented by a “modest” passenger offering, a variety of business and general aviation activities as well as maintenance, repair, overhaul and aircraft dismantling activities. However, the report does not, itself set out how the scale of such activity could be assessed and whether it would, in combination, secure a viable operation.

- 6.20 In terms of forecasting the volume of air freight that Manston might secure, Northpoint make an unsubstantiated leap from noting the reasons why Heathrow is dominant in the market to asserting that the key determinant for pure freighter operations is the infrastructure provided at an airport and supply driven factors, noting that it is important that these latter are “transparent”<sup>81</sup>. We have already noted the lack of transparency in relation to the air cargo forecasts produced by Azimuth upon which RSP rely. Nor are the projections set out in Northpoint’s Appendix A any more transparent in terms of how the estimated tonnage to be accommodated by freighter movements at Manston has been derived.
- 6.21 Although lacking transparency, it would appear that Northpoint, like Azimuth, have relied on Boeing’s global forecasts for freight revenue tonne kilometres as a basis for projecting UK air cargo tonnage<sup>82</sup>. For the reasons set out in Section 2, this is inappropriate and will lead to a material overstatement of the overall market.
- 6.22 Like Azimuth, Northpoint see cross channel movement of air cargo as an opportunity for pure freighter operations at Manston<sup>83</sup> rather than simply the natural economic response to shortage of bellyhold capacity at Heathrow. Northpoint then seek to rely on our assessment of displaced tonnage equivalent to 55,000 annual movements by air cargo aircraft in 2050 from our 2013 work for TfL as corroborating evidence of Manston’s potential<sup>84</sup>. This is to misrepresent the conclusions from this work, which indicated clearly that, in practice, there was unlikely to be a problem even if Heathrow did not get a third runway, albeit that there might be some additional trucking costs to make use of bellyhold capacity in Europe. This would still be cheaper for shippers than the alternative use of pure freighter aircraft from Manston or elsewhere. Furthermore, in assessing the scope for airports to accommodate more freighter aircraft<sup>85</sup>, we do not agree with their assessment in respect of Stansted for the foreseeable future and Northpoint appear to ignore the main pure freight hub at East Midlands.

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<sup>80</sup> Northpoint, *The Shortcomings of the Avia Solutions Report and an Overview of RSP’s Proposals for Airport Operation at Manston*, paragraph 1.3.

<sup>81</sup> *Ibid*, paragraph 2.4.

<sup>82</sup> *Ibid*, paragraph 2.18.

<sup>83</sup> *Ibid*, paragraph 2.21.

<sup>84</sup> *Ibid*, paragraph 2.24.

<sup>85</sup> *Ibid*, paragraph 2.30.

- 6.23 In dismissing the potential for these other, established airports, Northpoint seek to highlight the constraining effect of night movement restrictions on air cargo operations. By inference, then, Northpoint appear to assume that Manston will not suffer from such restrictions so making it more attractive. This appears to be corroborated at Appendix A<sup>86</sup> where it is claimed that the presence of a logistics centre at Manston without significant night movement restrictions would be one of the attractions and a factor in the forecasts being attainable. However, it is our understanding that night movements will at best be limited to 8 per night and could be limited further if the promises of no night movements are upheld.
- 6.24 In relation to the potential in the aircraft maintenance and dismantling/recycling market<sup>87</sup>, we note that these are activities being 'chased' by many airports. There is no analysis of competition nor of the likelihood of Manston capturing any of these activities in Northpoint's report. In any event, the level of activity generated by such activities is unlikely to make the difference between the Airport being viable or not.
- 6.25 Overall, Northpoint present no real evidence in its Conclusions<sup>88</sup> to substantiate why the operation at Manston could be viable. Its forecasts of cargo movement and passenger demand are no more transparent nor based on market analysis than those set out by Azimuth and do not justify why the RSP application would meet the tests set out in Section 23 of the Planning Act 2008. In general, we agree with Avia's conclusions regarding the robustness of this report.

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<sup>86</sup> Ibid, Appendix A, A.8.

<sup>87</sup> Ibid, Section 4.

<sup>88</sup> Ibid, Section 5.

## **7 CONCLUSIONS**

7.1 In this report, we have examined the case for RSP's proposed development at Manston Airport. Our overall assessment is that RSP have failed to provide their own evidence of the capability of Manston Airport and the amount by which their proposals would increase that capability by (all we have are forecasts which have no credibility as explained in this report). This results in glaring omissions in RSP's consultation material. This failure means that, in our opinion, the requirements in section 23 of the Planning Act 2008 (as amended) have not been satisfied. In essence, we would have expected RSP to be able to show:

- the capability of Manston Airport of providing air cargo transport services;
- the amount by which RSP is proposing to increase that capability by and thus the "new" capability; and
- a credible forecast for why that 'new' capability is required.

None of this information is provided by RSP.

7.2 RSP's case is principally based on circumstantial evidence presented in the Volumes I to IV of *Manston – A Regional and National Asset* prepared by Azimuth Associates. Much of the material upon which Azimuth seek to rely as the basis for the case for Manston relates to the economic costs to the UK if additional passenger hub capacity is not provided in the South East of England by 2050. This is not relevant to the specific question as to whether there would be sufficient demand for pure freighter aircraft movements to be operated to/from Manston in the foreseeable future.

7.3 The analysis presented by Azimuth shows a lack of understanding of the economics of the air freight market. This leads to a misinterpretation of work by ourselves, upon which Azimuth seek to rely to support their case. Just because there could be excess freight demand in 2050 in the absence of further runway capacity at the UK's main hub, it does not follow that displaced bellyhold freight will seek a more expensive pure freighter service from a relatively nearby airport over the use of available bellyhold capacity from a more distant airport which can be provided at a lower cost to the shipper with only marginal penalty in terms of time. Our previous work simply cannot be relied on to support RSP's case.

7.4 Fundamentally, Manston's past operation was economically inefficient due to the inherent lack of viability. Hence, reopening the Airport, in the face of a limited market, has the potential to damage the productivity of the UK aviation sector overall, particularly, as we have demonstrated in our own assessment of cargo demand for Manston in Section 3 that there are more economically efficient alternatives available for any freight displaced due to specific capacity constraints at Heathrow both now and in the future.

7.5 Whilst there may be a role for Manston, on the margin, providing some niche specialist air freight operations, the market for such services is small and often ad hoc, which will impact on the prospects for a viable operation of the Airport.

- 7.6 Manston is too peripheral for integrator operations serving the UK. Integrators have a strong preference for locations more centrally located in the UK with good road access to all of the major markets. The availability of land for warehouses, for example as suggested in terms of the use of the 'Northern Grasslands' part of the overall airport site, is far less important than a location central to the market and the availability of good road access, neither of which are characteristics of Manston. This would apply equally to the suggestion that Amazon might locate there or that the Airport could become a base for drone operations. It is simply in the wrong place to serve the market being in the far south east at the end of a peninsular, away from the main centres of population and distribution in the UK.
- 7.7 In the absence of hard market evidence of the need for Manston Airport, Azimuth undertook an interview survey to supplement the need case and inform the forecasts. However, the list of interviews was small, with few national players interviewed compared to a large number of local companies with something of a vested interest in seeing Manston re-opened. Even so, if anything, the views of those interviewed by Azimuth suggest that there would, at best, be a limited role for Manston. The one airline interviewed made clear that *"success at Manston depended upon identifying a niche market and becoming known for excellence. In particular, suggestions included a perishables centre, handling of live animals, easy access for charter flights, and handling cargo that is not necessarily straightforward"*. The scale of this opportunity was never quantified by Azimuth. It is clear, however, that the realistic expectation for Manston is for a small niche operation rather than as a general 'overspill' airport for London.
- 7.8 The outputs from these interviews are then used by Azimuth as a basis for postulating a number of cargo aircraft movements that might operate at Manston. However, it is simply not possible to relate the proposed services to be operated with the responses by the interviewees. There is a complete absence of any explanation for or justification of the services postulated. At the very least, there is a lack of transparency in the approach that needs to be explained so that consultees can understand the basis of what is proposed and to ascertain whether there is a credible forecast for why an increase in Manston's capability is required.
- 7.9 In our view, the Azimuth forecasts simply lack credibility. To illustrate this lack of credibility of the forecasts, in Year 2 (the first operational year), a cargo throughput of nearly 100,000 tonnes is forecast by Azimuth. This would make Manston the 5<sup>th</sup> largest freight airport in the UK in its first year after re-opening (compared to 2016 actual throughput at the other airports). This would place it close to the scale of freight operations at Manchester Airport, which includes a substantial amount of bellyhold freight. It would make Manston the 3<sup>rd</sup> busiest airport in the UK in terms of tonnage carried on dedicated freighter aircraft. This is simply not a credible proposition. This lack of credibility is important in reaching any decision under Section 23 of the Planning Act 2008 (as amended).
- 7.10 We have updated and further developed our analysis of the UK air freight market from than previously undertaken for TfL and the FTA, and upon which RSP seek to rely as corroboration of their own cargo movement forecasts. When properly interpreted, our forecasts of air freight demand and capacity across the UK as a whole, taking the role of bellyhold fully into account, show that there is plenty of freighter capacity at Stansted and East Midlands to the extent that there is a need for more pure freighter capacity. Overall, we conclude from this analysis that there will be no shortage of freighter capacity in the UK before 2040 (RSP's forecast assessment year) and that overspill from other airports would not provide a rationale for re-opening Manston.

- 7.11 Our initial assessment of the passenger market is that the throughput might, at best, be around half of that projected by RSP and, hence, given the dependence on passenger related income for the financial viability of airport operations, this will impact substantially on the viability of the proposal. The other activities suggested by RSP, such as business aviation, maintenance, repair and overhaul, and aircraft dismantling are highly competitive markets and, to the extent that Manston might attract any such operations, this are unlikely to contribute substantially to the overall viability of the Airport.
- 7.12 The existing infrastructure at Manston Airport, if made good, is capable of handling 21,000 annual air cargo aircraft movements<sup>89</sup>. The actual usage of that capability would depend on the pattern of operation and how the infrastructure was used on a day by day basis. Our assessment, therefore, provides essential missing information from RSP's materials to date which is necessary for the purposes of Section 23 of the Planning Act 2008 (as amended), for assessment purposes under the Environmental Impact Assessment Regulations and for consultation purposes.
- 7.13 Without prejudice to our view that demand to use Manston is not likely to be anything like 17,171 cargo aircraft movements a year, we have considered that the land required to accommodate such a number of movements. Our assessment is that the land required would be substantially less than shown on the RSP Master Plan and that the proposed land take is excessive and without justification in terms of the compulsory acquisition of the land. Any development required to handle 17,171 annual movements by air cargo aircraft can all be accommodated to the south of the B2050 and, even allowing for passenger operations and other activities, would not require all of the airfield land to the south of the road. Obviously, on the basis of more realistic forecasts of future demand, the area required to support the ongoing operation of the Airport would be materially smaller.
- 7.14 We can see no justification for the inclusion of the 'Northern Grasslands' within the DCO on the basis of it being for associated development as there will be little or no requirement for the relocation of freight forwarding activity from adjacent to the UK's main cargo hub at Heathrow to Manston and any requirement to support Manston operations could be accommodated south of the B2050. The development on the 'Northern Grasslands' site appears to be speculative commercial development which, based on the precedent at East Midlands Airport – the UK's principal airport for pure freighter operations – would be expected to be largely for non-aviation related uses.

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<sup>89</sup> Based on an 18-hour operational day. Should a night time noise policy be agreed with Thanet District Council pursuant to the existing planning agreement that enabled a longer operational day and/or a number of scheduled night movements, then the capability could, in theory, be higher than 21,000 annual cargo aircraft movements.

- 7.15 In terms of the socio-economic implications of the proposed development, Azimuth has shown a lack of understanding of how such impacts should properly be calculated. Leaving aside the use of inappropriate multipliers, the impacts have been assessed at a national scale and should have taken displacement of activity from other airports fully into account, reducing the impacts below those stated. Furthermore, the assessment should have considered the impact on alternative uses of the site, including SHP's proposed mixed use development and the socio-economic benefits deriving therefrom. We have set out a more realistic and robust assessment, which shows that the local impacts within Kent, even on Azimuth's forecasts would be substantially less than claimed and it is these lower order effects which would need to be balanced with the environmental and impacts in assessing the acceptability of the proposed development.
- 7.16 Unsurprisingly, the socio-economic impacts associated with the Airport are reduced even further on the basis of more realistic forecasts of likely usage if it re-opened. The operation is simply of a much smaller scale. In Year 2, it generates 452 jobs, only 17% of the Azimuth estimate of 2,654. By Year 20, the differential is even larger, with the Azimuth estimates reaching over 30,000 jobs, but with our estimates at only just over 1,000.
- 7.17 Once again, the evidence presented by Azimuth on behalf of RSP cannot be relied upon. It is infected with the flaws in the traffic forecasting methodology identified previously but the approach to identifying socio-economic impacts is, in itself, badly flawed. The socio-economic impacts are, as a result, massively overstated. In any event, these benefits would not be realised if the Airport ceases operation again due to it not being commercially viable.
- 7.18 As well as the Azimuth reports which form the basis of RSP's case, we have also reviewed a number of other reports on the potential for Manston. In overall terms, we agree with Aviasolutions for Thanet District Council that there is little realistic prospect of the re-opening of Manston Airport being a commercially viable proposition. We have reviewed their original report and the more recent reports and concur with their views on the overall structure of the UK air cargo market, noting that they, unlike Azimuth, have correctly understood the implications of our 2015 work for the FTA. We do not accept Northpoint's rebuttal of the Aviasolutions work. Like Azimuth, Northpoint's work is largely aspirational without any robust evidence or analysis of the market. Northpoint, too, misinterprets our previous work for the FTA and TfL.
- 7.19 **In overall terms, then, we do not consider that the case for the development of Manston Airport has been robustly substantiated. In any event, the capability of the existing infrastructure at the Airport, once made good in line with existing planning consents, is at least 21,000 annual air transport movements by air cargo aircraft. This means that, in practice, RSP are seeking permission to increase the number of cargo air transport movements that Manston Airport is capable of handling from 21,000 to at least 31,000 a year, well beyond the level assessed in the PEIR. Indeed, RSP's consultation material does not provide any detail as to what the increase in capability would be as a result of its proposals (i.e. the increase in capability as a result of its proposed alteration to Manston Airport). As a minimum, the increase in capability would be to 31,000 annual air transport movements by cargo aircraft, but in our view their proposals would result in a significantly higher 'new' capability which is not revealed or assessed by RSP.**





## APPENDIX A





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## Transport for London

### Note on Freight Connectivity

1. This note explains the approach taken to estimating the number of pure freighter air transport movements at the London airports in 2050 under three different scenarios of capacity growth:
  - Maximum use of existing capacity;
  - 2+2+2 – additional runways at each of Gatwick and Stansted;
  - New 4 runway hub.
2. The number of additional freighter movements required depends on the volume of passenger flights providing bellyhold capacity under the different scenarios. Under the constrained Max Use scenario, 48,000 pure freighter movements could be required, up from 14,000 at the London airports today. As there would be no spare runway capacity at the main London airports, this capacity would need to be provided from smaller airports serving the London area or from regional airports, with loss of economies of scale and producer efficiency, or through trucking to alternative hubs in Europe with implications for speed of transit.
3. With the provision of additional runways, increased bellyhold capacity reduces the number of additional freighter movements required to 28,000 and 21,000 respectively under the 2+2+2 and 4 runway hub scenarios. In both cases, we believe there will be sufficient runway capacity available to accommodate these freighter movements, albeit the 2+2+2 scenario will still result in dispersal of air freight capacity across a range of airports with the consequent loss of economies of scale and efficiency which could be attained at a single hub.

### Freight Volumes

4. In 2012, the London airports handled 1,805,761 tonnes of freight<sup>1</sup>. Only 17% of this freight was flown on pure freighter aircraft. 83% was flown in the bellyhold of passenger aircraft. This may be as a result of limited capacity for freighter operations at Heathrow, where the bulk of air freight consolidation activity is concentrated. However, it may equally reflect the scale of bellyhold capacity offered at Heathrow, which reduces the need for pure freighter capacity to serve the London market as a whole.
5. Using data from ACI EUROPE<sup>2</sup>, the volume of freight flown from the London airports is compared with that flown from other key European cities in Table 1.

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<sup>1</sup> CAA Airport Statistics.

<sup>2</sup> The small discrepancy to CAA Statistics is noted but it is not considered to be material. The \* against Hahn indicates estimated freight taken from airport's own website.

Table 1

	Tonnes
Heathrow	1,464,596
Gatwick	97,565
Stansted	214,904
Luton	29,637
<b>London</b>	<b>1,806,702</b>
Paris CDG	1,935,180
Paris Orly	94,700
<b>Paris</b>	<b>2,029,880</b>
Frankfurt	1,986,180
Frankfurt Hahn*	223,000
<b>Frankfurt</b>	<b>2,209,180</b>
Amsterdam	1,483,450
Milan MXP	405,858
Milan LIN	15,513
Milan BGY	116,733
<b>Milan</b>	<b>421,371</b>
Brussels	394,870
Luxembourg	614,906
Madrid	359,360
Zurich	281,683
Vienna	178,128
Dublin	102,717
Lisbon	90,264
Helsinki	176,987

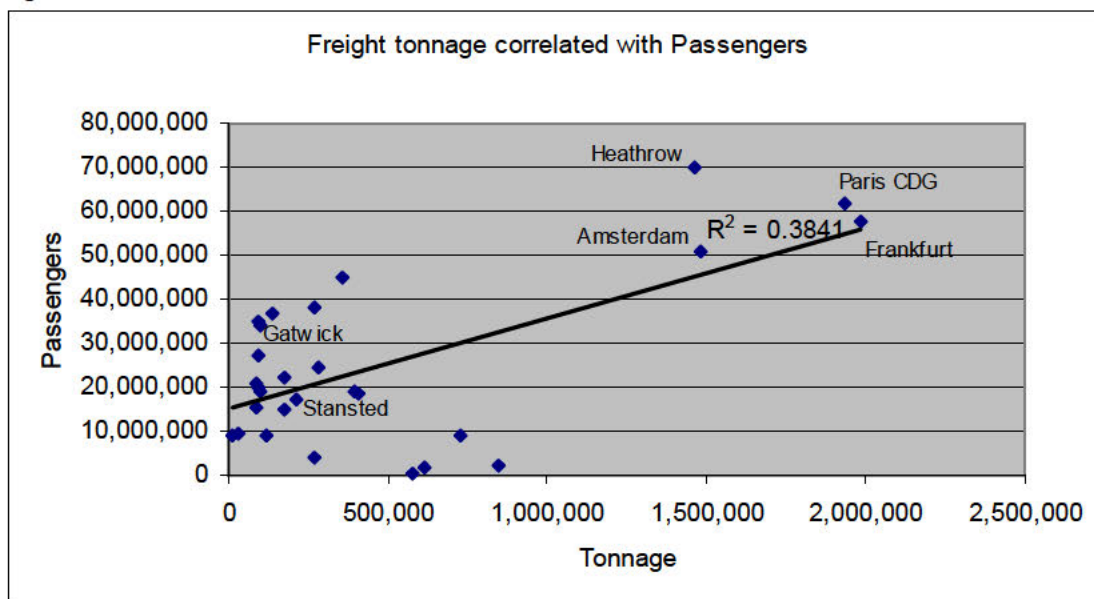
6. There is no clear evidence that London is currently disadvantaged in terms of air freight capacity as the majority of freight is flown from Heathrow in the bellyhold of passenger aircraft rather than in pure freighter aircraft. To the extent that there is a need for freighter capacity, it can be provided at Stansted where there is ample spare capacity for additional movements and areas are set aside to increase aircraft parking and freight handling facilities if required. Although it is possible that limitations on bellyhold capacity at Heathrow may force greater trucking of freight to Europe, this is not evident from a comparison of overall air freight carried compared to other major European countries. In any event, the fact that freight is trucked rather than flown to Europe may have only a marginal impact on total transit times and, hence, limited economic detriment.
7. As well as the main city airports, there are a number of other specialist freight airports in both the UK and western Europe. Those handling over 75,000 tonnes in 2012 are shown in Table 2.

Table 2

	Tonnes
Manchester	97,215
East Midlands	267,350
Cologne	730,040
Munich	272,203
Dusseldorf	86,729
Leipzig	846,086
Rome	135,777
Liege	577,226

8. Overall, on the basis of substantial air freight flows recorded by ACI EUROPE, the UK handled around 2.2 million tonnes of flown freight, France a similar amount, Italy around 600,000 tonnes and Spain around 500,000 tonnes. This does not suggest that the UK is disadvantaged in terms of freighter capacity overall currently.
9. However, the role of the low countries and Germany in acting as the major freight centre in western Europe is noticeable. In total, the main German freight airports handled almost 4.2 million tonnes of freight in 2012 which, when combined with the Netherlands and Benelux countries, amounted to 7.2 million tonnes of air freight flown. These airports have developed major and specialist air freight roles, with freight being trucked from all over Europe to feed these freight hubs. The integration of trucking with air freight should not be overlooked, even within the UK. In practice, it is unlikely that the UK could replicate this role, even with unconstrained airport capacity, due to its island location on the western edge of Europe.
10. There is some correlation between air freight flown to/from an airport and passengers carried as shown in Figure 1 below but this relates in large part to belly hold capacity. Figure 1 shows the correlation between flown freight and passengers across 29 European airports in 2012 as recorded by ACI EUROPE and which were either major airports in terms of freight handled or secondary airports serving the same cities.

Figure 1



## Freighter Operations

11. The pattern of freighter operations is complex. As well as air freight carried in the bellyhold of passenger aircraft, there are freight charters for specialist and ad hoc consignments and large numbers of flights by the integrators (DHL, Fedex, UPS) etc. Obtaining detailed timetable information for freight operations is not possible as most do not publish timetables. Only scheduled freighter operations are shown in OAG and there is some uncertainty over whether this data is comprehensive.
12. Using OAG data for the week of 17<sup>th</sup> June 2013, the London airports have 49 scheduled freighter departures (98 freighter movements). According to CAA statistics for 2012, there were just over 14,000 freighter aircraft movements at the London airports or around 270 per week. This suggests that the OAG recorded movements account for only around 37% of total freighter aircraft movements to/from the London airports.
13. Similar data has been extracted for other western European airports. The table in Appendix A summarises the main pattern of freighter departures at airports with more than 30 freighter departures per week. This table also includes the principal UK freight airports and secondary airports serving major cities which in combination had more than 30 scheduled freighter departures per week in June 2013.
14. The number of scheduled freighter departures at the main freight airports is summarised in Table 3 along with the freight tonnage handled and passengers carried. It is evident that there is no clear correlation between freight tonnage handled and the weekly number of scheduled departures. This is illustrated in Figure 2. Amsterdam and Frankfurt have a high number of scheduled movements relative to the total volume of air freight whilst Paris and Heathrow handle similar volumes of air freight but with significantly fewer scheduled movements. We believe that the principal reason for these differences is in the relative importance of bellyhold freight but also the extent to which integrator activity is present; for example Fedex has its principal European hub in Paris and its movements are not recorded in OAG.

Figure 2

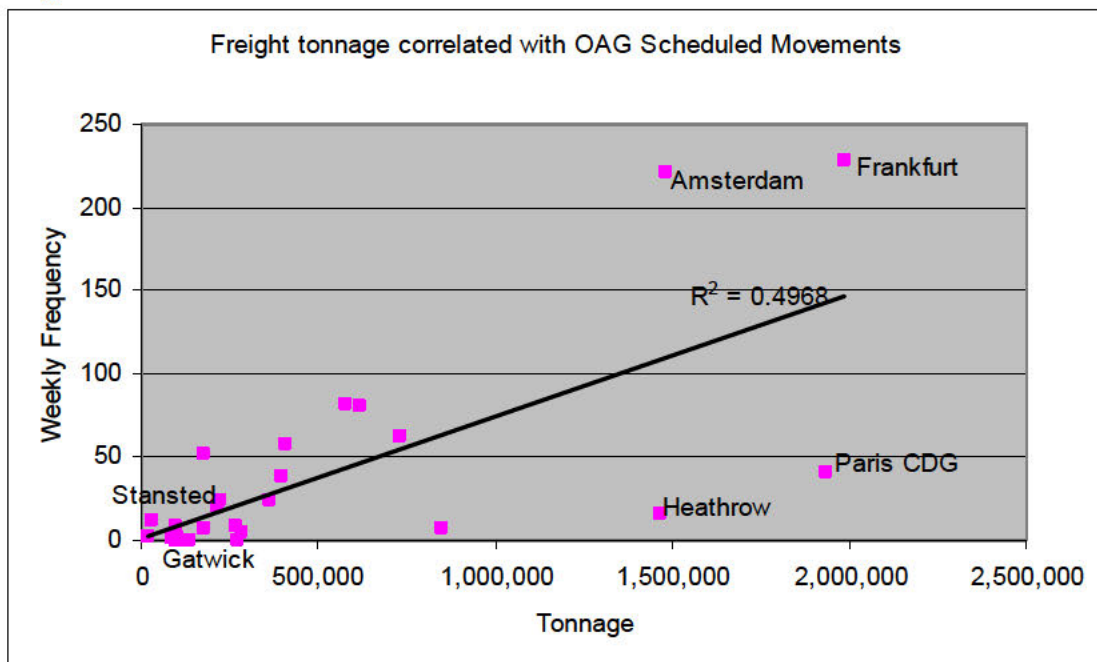


Table 3

	Freight tonnes	Pax	2013 wk freighters
Heathrow	1,464,596	70,038,804	16
Gatwick	97,565	34,222,405	0
Stansted	214,904	17,463,794	21
Luton	29,637	9,630,128	12
Manchester	97,215	19,841,747	8
East Midlands	267,350	4,086,849	9
Paris CDG	1,935,180	61,611,934	41
Paris Orly	94,700	27,232,263	0
Frankfurt	1,986,180	57,520,001	228
Frankfurt Hahn*	223,000		24
Cologne	730,040	9,280,070	62
Munich	272,203	38,360,604	0
Dusseldorf	86,729	20,833,246	1
Leipzig	846,086	2,279,221	7
Amsterdam	1,483,450	51,035,590	221
Milan MXP	405,858	18,522,760	58
Milan LIN	15,513	9,176,997	3
Milan BGY	116,733	8,888,017	0
Rome	135,777	36,980,161	0
Brussels	394,870	18,943,688	38
Liege	577,226	300,813	82
Luxembourg	614,906	1,912,806	81
Madrid	359,360	45,175,501	24
Barcelona	96,519	35,131,771	2
Zurich	281,683	24,751,649	5
Vienna	178,128	22,165,650	52
Dublin	102,717	19,096,572	1
Lisbon	90,264	15,301,236	1
Helsinki	176,987	14,859,981	7

\*2011 data from airport website

15. Examination of the detailed information set out in Appendix A also shows how complex the pattern of freighter operations actually is. Few freighters, particularly those serving markets beyond Europe, operate on a strict point to point basis. Many transit more than one of the main European freight airports and a number of points overseas. Examination of arriving freighter patterns also reveals that the inbound pattern does not necessarily mirror the outbound pattern. Hence, there is already considerable flexibility to add new points if the market warrants.
16. Some freighters operate simple round trips. Others operate on a triangular basis, e.g. Lufthansa operating Frankfurt-Dallas-Detroit-Dallas-Manchester-Frankfurt. Inbound freight from the US to Manchester will be flown direct but outbound freight will transit Frankfurt. Other freighters operate effectively round the world journeys, e.g. British Airways operating Chicago-Houston-Stansted-Dammam-Dubai-Shanghai.
17. There is simply no way of knowing how much of the freight capacity on such aircraft is assigned to or used by freight originating in or destined for any airport, which may vary day by day. Freighter departures are, hence, not a reliable proxy for how much air freight capacity is available to uplift goods to and from any country or city.
18. Overall, our analysis of current freighter operations suggests that it is hard to distinguish a relationship between freighter movements and tonnage of freight carried.



19. Nor is it evident that the UK air freight capability is adversely affected today by shortage of capacity at Heathrow. There is ample spare airport capacity at Stansted for pure freight aircraft to the extent that there is demand for such aircraft operations given the amount of bellyhold capacity available at Heathrow. The volume of freight uplifted probably reasonably reflects the UK market, allowing for transit freight, and the limitations of the UK acting as a hub for freight trucked from continental Europe based on its geographic position. The principal issue is one of producer efficiency as a consequence of splitting locations, with the bulk of freight forwarding/consolidator activity being located around Heathrow and freight needing to be trucked to Stansted, Luton, or continental hubs. Whilst concentrating all freight activity at the main hub might make additional freighter flights viable by facilitating onward connections between bellyhold freight and pure freight operations, it is not clear the extent to which this would result in higher volumes of air freight being carried to/from the UK (as distinct from transit freight) as the UK does not appear to be significantly underperforming in aggregate terms compared to countries such as France, Spain or Italy.

### **Predicting Future Freighter Operations**

20. In order to predict the volume of freighter activity in future at the London airports, we have developed a simple spreadsheet as set out in Table 4.
21. We have first projected forward total flown freight demand to and from London<sup>3</sup> on the assumption that it grows in line with overall passenger demand growth at 2.1% per annum in the absence of any specific forecasts of freight tonnage from DfT. We note that the DfT 2013 forecasts only give information for expected growth in pure freighter movements at 0.4% per annum but the basis of this is not clearly stated. Prima facie, this appears to understate unconstrained demand for pure freighter movements over the period to 2050.
22. In contrast, OE have identified that the expected average freight growth to and from Europe would be in the range 3.37% (Boeing) to 3.99% (Airbus). However, this would lead to substantially higher estimates of freight tonnage growth than passenger growth. Recent trends would suggest this to be unlikely so we have adopted the more cautious approach of using the same underlying growth as for passengers.
23. We have then estimated the bellyhold capacity offered at the London airports in 2050 based on the current average tonnage carried per international movement in 2012 at Heathrow, including both EU and non-EU flights, based on CAA Airport Statistics assuming average tonnes per movement increase by 0.5% per annum. This allows us to estimate the residual volume of freight under each scenario which would need to be accommodated on pure freighter aircraft.

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<sup>3</sup> This is a simplifying assumption as it assumes the same proportion of UK regional air freight is trucked to London for uplift and the same proportion of freight is trucked to the continental freight hubs. On balance, this is likely to be a neutral assumption for the situation of unconstrained hub capacity as the proportion of regional freight flying direct from major regional airports might be expected to increase, particularly as more long haul flights develop, whilst the proportion being trucked from London to Europe might be expected to decrease with unrestricted capacity available.

Table 4

	2012	2050 Max Use	2050 2x2x2	2050 New Hub
Freighters 2012	14,123			
Freight in Freighters	310,022			
Total Freight	1,805,761	3,977,759	3,977,759	3,977,759
Tonnes per freighter	21.17	25.59	25.59	25.59
Tonnes per international bellyhold movement London	1.76	2.13	2.13	2.13
Forecast International Movements	834,725	1,051,034	1,298,981	1,375,452
Bellyhold Capacity	1,469,116	2,235,836	2,763,285	2,925,960
Freighter tonnage required		1,741,923	1,214,474	1,051,799
Freighter movement		68,077	47,463	41,106
Additional Freighters Required		53,954	33,340	26,983

24. We estimate that the number of freighters required to accommodate projected air freight demand would rise from 14,000 in 2012 to around 41,000 in the New Hub case, 47,000 in the 2+2+2 case and 68,000 in the Max Use case. In both the New Hub case and 2+2+2 case, we estimate there will be sufficient runway capacity available to accommodate these movements at 2050, at the New Hub and/or Stansted respectively. However, in the Max Use case, the London airports will, by definition, be full with passenger aircraft movements. Whilst we believe there will still be a small number of pure freighter operations accommodated in off-peak periods (as today at Heathrow), the number of freighter operations will be constrained.
25. It is reasonable to assume that around 14,000 freighters a year could still be accommodated in the vicinity of London by using capacity at airports such as Manston, which already handles some long haul freighters. However, capacity equivalent to an additional 54,000 freighter movements per year could be required to ensure demand is met, although this could be mitigated to an extent if the freighter capacity was prioritised for freight to and from the UK with less transit freight.
26. A key question is the extent to which such freighter capacity would be provided at airports such as East Midlands, Manchester and Birmingham. This could serve to reduce trucking movements from the regions to London, as take place today, with environmental benefits but it would reduce producer efficiency through split operations. In the absence of detailed data regarding freight trucking movements today, it is difficult to determine whether this would have positive or negative impacts overall..

27. In terms of the specific destinations of future freighter movements, our analysis of the existing patterns of service reveals the difficulty of defining market demand and aircraft routings. We do not believe it is sensible to attempt to determine the future geographic split by destination in either the constrained or unconstrained cases as a single freighter may serve a variety of markets as necessary. In the constrained case, it is likely that more freight would be trucked to the continental hubs as well as to UK regional points, which would potential add to shipment costs.

## Conclusions

28. Overall, we have made a best estimate of the number of freighter aircraft movements likely to be using the London airports (or near London airports) under each of the capacity scenarios. These are as follows:

→ Maximum use of existing capacity	14,000
→ 2+2+2 – additional runways at each of Gatwick and Stansted	33,000
→ New 4 runway hub	27,000

29. In the latter two cases, our assessment is that, across both bellyhold capacity and pure freighter activity, there would be sufficient capacity to meet expected demand for air freight to and from the UK. Our estimates for additional freighter capacity are substantially above those made by DfT. Hence, to the extent that our baseline is understated (although we do not believe this to be substantial) due to the current patterns of trucking freight to the continent, this will offset any overstatement as a consequence of assuming higher growth than DfT and by reductions in the amount of trucking to London from regional airports due to expected growth in their own freighter operations over the period to 2050.
30. The key difference between these two scenarios would be in terms of the efficiencies and economies of scale gained by the industry arising from the concentration of freight activity at a single hub. In both cases, the overall volume of air freight to and from the UK is expected to be broadly the same, although the actual freight carried including transit freight would be higher in the hub case. However, under the new hub scenario, savings from greater efficiency may be passed onto users, so reducing shipping costs and facilitating trade leading to higher freight volumes, but it is beyond the scope of the current exercise to assess this.
31. In the constrained, max use, case, there would be severe limitations of pure freighter movements at the London airports, which could amount to around 26% of the required air freight capacity to/from London. The extent to which this would act as a limitation on overall air freight volumes would depend on the extent to which the freight is still carried from regional airports or by truck. Clearly this would impact on the cost/efficiency of shipment, which in turn could impact on freight volumes carried. Again, it is outside the scope of the current exercise to assess these effects.
32. Overall, in assessing the economic value for air freight between the scenarios, the main difference is likely to lie in producer costs passed through to users and the impact that would have on business costs and hence output/freight generated. It would not be safe to assume that the reduction in cargo ATMs at the London airports necessarily translates to lost shipment value in its entirety.

**23 May 2013**

## Appendix A

			Total Airport	Total City	Total Country
Heathrow	Amman	1			
	Amsterdam	1			
	Amsterdam	1	onwards to Sharjah and Singapore		
	Brussels	1			
	Copenhagen	1			
	Copenhagen	1	onwards to Sharjah and Singapore		
	Dubai	1			
	Frankfurt	1			
	Leipzig	1			
	Lisbon	1			
	Milan	1			
	Milan	2	onwards to Hong Kong		
	Paris	1	onwards to Delhi and Hong Kong		
Seoul	2		16	49	71
Stansted	Amsterdam	1	originates in Bogota, Puerto Rico		
	Amsterdam	2	originates in Miami, Buenos Aires, Bogota and Puerto Rico		
	Cologne	1	onwards to Madrid and Johannesburg		
	Cologne	1	onwards to Tbilisi		
	Cologne	1	onwards to Tbilisi and Delhi		
	Dammam	1	originates in Chicago and Houston, onwards to Dubai and Shanghai		
	Dubai	1	onwards to Hong Kong		
	Frankfurt	1	originates in Chicago and Atlanta, onwards to Shanghai		
	Frankfurt	2			
	Frankfurt	1	onwards to Chicago		
	Frankfurt	1	onwards to Hong Kong		
	Frankfurt	2	originates in Seoul and Moscow		
Frankfurt	1	originates in Atlanta, onwards to Delhi and Hong Kong			

	Frankfurt	2	originates in Moscow, onwards to Seoul			
	Luxembourg	2	originates in Hanoi and Hong Kong			
	Zaragoza	1	onwards to Bahrain and Hong Kong	21	49	71
London	Frankfurt	3				
Luton	Istanbul	1				
	Istanbul	2	originates in Paris originates in			
	Istanbul	2	Cologne			
	Milan	4		12	49	71
Manchester	Amsterdam	1	onwards to Dubai and Hong Kong			
	Brussels	1	onwards to Dubai and Hong Kong			
	Dubai	1	originates in Amsterdam, onwards to Hong Kong originates in Detroit and			
	Frankfurt	2	Dallas			
	Frankfurt	1	onwards to Dubai and Hong Kong			
	Frankfurt	1	originates in Toronto and Houston			
	Milan	1	onwards to Hong Kong	8	8	71
East Midlands	Frankfurt	1				
	Keflavik	2	originates in Liege			
	Keflavik	2				
	Liege	2	originates in Keflavik			
	Paris	1		8	8	71
Prestwick	Los Angeles	1	originates in Luxembourg, onwards to Seattle			
	Luxembourg	1	originates in New York and Houston			
	Luxembourg	1	originates in Los Angeles and Seattle originates in			
	Paris	2	Chicago			
	Seattle	1	originates in Luxembourg, onwards to Calgary	6	6	71
Amsterdam	Abu Dhabi	4				
	Abu Dhabi	1	onwards to Taipei			
	Almaty	2	onwards to Hong Kong, Delhi, Sharjah onwards to Mongolia, Hong Kong,			
	Bahrain	1	Chennai			
	Baku	2	onwards to Kuala Lumpur			

Bangalore	1	onwards to Singapore
Beijing	7	
Beirut	2	
		onwards to
Budapest	2	Moscow
Chengdu	4	
Chennai	1	originates Nairobi, onwards to Singapore
Chennai	1	originates in Chicago and Atlanta, onwards to Singapore
Chicago	2	originates in Doha
Chicago	7	
		onwards to
Chongqing	2	Shanghai
Copenhagen	1	originates in Nairobi, onwards to Sharjah and Singapore
Copenhagen	2	onwards to Sharjah and Singapore
Curitiba (Br)	1	onwards to Sao Paulo
		originates in Nairobi, onwards to
Dacca	1	Singapore
		originates in
Doha	1	Chicago
Doha	3	
Dubai	2	
		originates in Eldoret and
Dubai	1	Nairobi
		originates in
Dubai	1	Nairobi
Dubain	1	originates in Manchester, onwards to Hong Kong
Entebbe	1	onwards to Nairobi
Frankfurt	1	originates in Hong Kong
Frankfurt	1	onwards to Mumbai and Hong Kong
Gothenburg	3	onwards to Dubai
Guangzhou	5	
Harare	3	onwards to Nairobi
Heathrow	1	
Hong Kong	7	
Houston	7	

Jeddah	2	
Johannesburg	1	onwards to Dar-Es-Salaam and Nairobi
Khartoum	2	onwards to Nairobi
Kigali	1	onwards to Nairobi
Kuala Lumpur	1	
Los Angeles	4	
Luxembourg	1	originates in Libreville, Brazzaville, Nairobi
Manchester	1	onwards to Dubai and Hong Kong
Mexico City	7	
Miami	2	onwards to Buenos Aires, Bogota, Puerto Rico and Stansted
Miami	1	onwards to Buenos Aires, Quito and Guayaquil onwards to Santiago, Quito, Bogota and Puerto Rico
Miami	2	Rico onwards to Santiago, Quito and
Miami	2	Guayaquil
Milan	3	originates in Tokyo onwards to
Milan	2	Moscow
Milan	4	onwards to Tokyo
Mongolia	2	onwards to Hong Kong and Chennai
Moscow	2	
Moscow	2	onwards to Shanghai
Nairobi	1	
New York	3	originates in Bahrain
New York	1	originates in Bahrain
New York	7	
Paris	1	onwards to Mumbai and Hong Kong
Puerto Rico	1	onwards to Bogota
Puerto Rico	2	onwards to Quito
Riyadh	1	
Riyadh	2	onwards to Sharjah, Singapore and Kuala Lumpur

	Santiago	1			
	Sao Paulo	2	onwards to Buenos Aires and Santiago		
	Sao Paulo	1	onwards to Curitiba and Santiago		
	Seattle	1			
	Seoul	7			
	Shanghai	21			
	Sharjah	1	originates in Heathrow, onwards to Singapore		
	Sharjah	2	onwards to Guangzhou		
	Sharjah	1	onwards to Muscat and Hong Kong		
	Stockholm	2	originates in Seoul		
	Stockholm	4	onwards to Seoul		
	Taipei	1			
	Tel Aviv	1			
	Tenerife	1	onwards to Sao Paulo, Quito and Bogota		
	Tenerife	3	onwards to Sao Paulo, Quito and Guayaquil onwards to		
	Tianjin	15	Shanghai		
	Tokyo	1	originates in Frankfurt Hahn		
	Tokyo	5			
	Toronto	4			
	Tripoli	1			
	Vienna	3	onwards to Shanghai	221	221
Brussels	Amman	1	onwards to Jeddah		
	Chennai	1	originates in Los Angeles and Dallas, onwards to Singapore		
	Dammam	1			
	Dubai	3	originates in New York		
	Dubai	1	originates in Frankfurt, onwards to Hong Kong		
	Dubai	1	originates in Manchester, onwards to Hong Kong		
	Heathrow	1			
	Istanbul	1	originates in Jeddah		
	Kolkata	1	originates in Los Angeles, onwards to Singapore		
	Milan	2	originates in Riyadh		



	Milan	1	originates in Jeddah			
	Mumbai	1	originates in Los Angeles and Chicago, onwards to Singapore			
	New Guinea	1	onwards to Seoul			
	New York	1	originates in Jeddah			
	New York	1	originates in Jeddah, onwards to Houston			
	New York	6	originates in Dubai			
	Riyadh	1				
	Riyadh	1	onwards to Jeddah			
	Seoul	1	originates in New York			
	Seoul	2	originates in New York			
	Sharjah	2	originates in Dallas, onwards to Singapore			
	Sharjah	1	originates in Chicago and Dallas, onwards to Singapore			
	Taipei	1				
	Tianjin	1	onwards to Seoul			
	Vienna	2	originates in Riyadh			
				36	36	118
Liege	Accra	2	onwards to Lagos and Addis Ababa			
	Addis Ababa	5				
	Bahrain	11	originates in New York			
	Bucharest	1	onwards to Tel Aviv			
	Dubai	12	onwards to Hong Kong			
	East Midlands	4	onwards to Keflavik			
	Entebbe	1				
	Istanbul	5				
	Keflavik	4				
	Keflavik	1	onwards to New York			
	Lagos	2	onwards to Addis Ababa			
	Lagos	1	onwards to Ougadougou			
	Lagos	1	onwards to Port Harcourt			

	Lome	2			
	Luxembourg	1	onwards to Congo, Addis Ababa		
	New York	1	originates in Tel Aviv		
	New York	2	originates in Tel Aviv		
	New York	5			
	Ougadougou	1	onwards to Congo		
	Shanghai	1			
	Shanghai	2			
	Siauliai				
	Lithuania	1			
	Singapore	1			
	Tel Aviv	3	originates in New York		
	Tel Aviv	1	originates in Chicago		
	Tel Aviv	6			
	Vienna	5			
				82	82 118
Luxembourg	Abidjan	1	onwards to Accra		
	Abu Dhabi	1	onwards to Taipei		
	Almaty	1	onwards to Hong Kong		
	Atlanta	1			
	Atlanta	1	onwards to Chicago		
	Atlanta	2	originates in Doha, onwards to Houston		
	Baku	1	onwards to Almaty and Shanghai		
	Baku	1	onwards to Hong Kong		
	Baku		onwards to		
	Baku	4	Shanghai		
	Baku	1	onwards to Singapore and Hong Kong		
	Baku	1	onwards to Singapore and Kuala Lumpur		
	Baku		onwards to Taipei and		
	Baku	2	Bangkok		
	Beijing	1	onwards to Xiamen		
	Beirut	1	onwards to Amman and Hong Kong		

		onwards to Amman and
Beirut	1	Istanbul
Chicago	1	onwards to Atlanta
Chicago	1	onwards to Los Angeles
Congo	1	originates in Liege, onwards to Addis Ababa
Dallas	1	
Dammam	1	onwards to Saigon and Hong Kong
Doha	1	onwards to Hanoi and Hong Kong
Doha	1	onwards to Singapore and Kuala Lumpur
Doha	1	originates in Houston
Doha	1	originates in Chicago
Dubai	1	onwards to Bangkok and Hong Kong
Dubai	1	onwards to Hong Kong
Frankfurt		
Hahn	3	originates in Shanghai
Indianapolis	1	onwards to Chicago
Indianapolis	1	onwards to Los Angeles, Calgary
Johannesburg	3	
Komatsu	2	onwards to Seoul
Kuwait	2	onwards to Hanoi and Hong Kong
Lagos	1	onwards to Port Harcourt and Kinshasa
Libreville	1	onwards to Brazzaville
Libreville	1	onwards to Kinshasa
Los Angeles	1	onwards to Seattle
Los Angeles	1	
Mexico City	1	
Mexico City	1	onwards to Guadalajara
Miami	2	onwards to Houston
Milan	1	onwards to New York and Chicago
Milan	4	

	Ndjamena	1	onwards to Lagos originates in Tel				
	New York	1	Aviv originates in Tel Aviv, onwards to				
	New York	1	Chicago				
	New York	1	onwards to Atlanta onwards to				
	New York	1	Houston				
	New York	1	onwards to Mexico City and Guadalajara				
	Prague	2	originates in Chengdu				
	Prestwick	1	onwards to Los Angeles and Seattle onwards to Seattle and				
	Prestwick	1	Calgary				
	Riyadh	1	onwards to Dammam and Hong Kong				
	Sao Paulo	1	onwards to				
	Sao Paulo	2	Curitiba onwards to				
	Sao Paulo	1	Manaus				
	Seoul	1					
	Sharjah	1	onwards to Karachi				
	Singapore	1	onwards to Kuala Lumpur				
	Taipei	2	onwards to Baku and				
	Tbilisi	2	Shanghai				
	Yerevan	1			80	80	80
Paris	Beirut	1	onwards to				
	Cairo	1	Reunion				
	Chicago	5	onwards to				
	Cologne	2	Istanbul				
	Delhi	1	originates in Heathrow, onwards to Hong Kong onwards to				
	Djibouti	1	Reunion				
	Hannover	4					

	Heathrow	1			
	Istanbul	1			
	London Luton	2	onwards to Istanbul		
	Mexico City	6			
	Milan	1	onwards to Delhi and Hong Kong		
	Mumbai	2	onwards to Hong Kong		
	Mumbai	1	originates in Amsterdam, onwards to Hong Kong		
	New York	1	onwards to Chicago		
	Niamey	1	onwards to Ouagadougou and Bamako		
	Njamena	1	onwards to Bangui, Brazzaville and Port Harcourt		
	Porto	1	onwards to Mexico City		
	Seoul	2			
	Shanghai	2	originates in Copenhagen		
	Shanghai	2			
	Tokyo	2			
				41	41
					41
Cologne	Basle	4			
	Berlin	5			
	Bucharest	4			
	Bucharest	2			
	Istanbul	2	originates in Paris		
	Istanbul	2			
	Katowice	4			
	Keflavik	5			
	Ljubljana	4			
	Ljubljana	1	onwards to Zagreb		
	London Luton	2	originates in Istanbul		
	London Luton	2	onwards to Istanbul		
	Madrid	1	originates in Stansted		
	Prague	5			
	Sofia	1			
	Tblisi	1	originates in Stansted		

	Tblisi	1	originates in Stansted, onwards to Delhi			
	Tel Aviv	12				
	Zagreb	4		62	62	304
Frankfurt Hahn	Almaty	1	originates in New York			
	Almaty	6	originates in New York, onwards to Shanghai			
	Amsterdam	1	onwards to Tokyo			
	Amsterdam	1	originates in Tokyo			
	Atyrau	1	onwards to Almaty			
	Baku	3				
	Beijing	3				
	Chatearoux	1	onwards to Kabul			
	Doha	2				
	Johannesburg	2				
	Milan	1	onwards to Tokyo			
	Toronto	1	onwards to Mexico City			
	Yerevan	1		24	242	304
Frankfurt	Abu Dhabi	5				
	Almaty	1				
	Almaty	1	onwards to Guangzhou			
	Almaty	1	onwards to Hong Kong			
			onwards to			
	Almaty	2	Shanghai			
	Amman	2				
	Amsterdam	1	originates in Hong Kong and Chennai			
	Atlanta	4				
	Baku	1	onwards to Bangkok and Kuala Lumpur			
	Baku	2	onwards to Kuala Lumpur			
			onwards to			
	Bangalore	3	Chennai			
	Bangalore	1	onwards to Hyderabad and Guangzhou			
	Bangkok	2				
			onwards to			
	Beijing	3	Shanghai			
	Brussels	1	onwards to Dubai and Hong Kong			

Cairo	3	
Chicago	7	
Chicago	1	onwards to Los Angeles
Chicago	4	onwards to Mexico City
Chicago	2	onwards to Mexico City and Guadalajara
Chicago	1	originates in Stansted
Coventry	10	
		originates in Dubai, onwards to Sao Paulo
Dakar	3	
Dammam	2	onwards to Sharjah and Hong Kong
Delhi	4	onwards to Singapore and Bangkok
Delhi	1	originates in Atlanta and Stansted, onwards to Hong Kong
Detroit	2	
Doha	1	
Dubai	1	originates in Lagos and Accra
Dubai	4	originates in Sao Paulo and Dakar
Dubai	3	
Dubai	1	originates in Dusseldorf
Dubai	1	originates in Manchester, onwards to Hong Kong
East Midlands	1	
Heathrow	1	
Helsinki	1	
Hong Kong	3	
Hong Kong	1	originates in Stansted
Istanbul	6	
		onwards to Tel Aviv
Istanbul	1	
Jeddah	1	onwards to Sharjah, Hyderabad and Guangzhou
Kabul	1	
Krasnojarsk	1	
Krasnojarsk	6	onwards to Beijing and Seoul
		onwards to Seoul and
Krasnojarsk	1	Shanghai
		onwards to
Krasnojarsk	y	Shanghai

Krasnojarsk	7	onwards to Tokyo and Osaka
London Luton	3	
Madrid	4	
Malta	1	
Milan	1	originates in Hong Kong and Dubai
Milan	1	onwards to Dubai and Hong Kong
Milan	1	onwards to Hong Kong
Moscow	10	
Moscow	2	onwards to Tokyo
Moscow	1	onwards to Tokyo and Seoul
Mumbai	1	
		onwards to
Mumbai	1	Chennai
Mumbai	3	onwards to Hong Kong
Mumbai	1	onwards to Hyderabad
Mumbai	1	originates in Amsterdam, onwards to Hong Kong
Nairobi	5	onwards to Johannesburg
New York	5	
Riyadh	3	
		onwards to
Riyadh	1	Dammam
Riyadh	1	onwards to Sharjah and Hong Kong
Sao Paulo	3	
		onwards to
Sao Paulo	1	Curitiba
		onwards to Curitiba, Quito and Puerto
Sao Paulo	1	Rico
		onwards to Manaus, Quito and Puerto
Sao Paulo	2	Rico
		onwards to Montevideo and Buenos
Sao Paulo	2	Aires
		originates in
Seoul	1	Vienna
Seoul	2	originates in St Petersburg
Seoul	12	



	Seoul	2	originates in Atlanta and Stansted			
	Seoul	1	originates in Moscow and Vienna			
	Shanghai	1	originates in Chicago, Atlanta and Stansted			
	Shanghai	18				
	Sharjah	2	onwards to Kolkata and Hong Kong			
	Stockholm	1	onwards to Dubai and Hong Kong			
	Stockholm	4	onwards to Seoul			
	Taipei	3				
	Tel Aviv	3	onwards to Istanbul			
	Toronto	1	onwards to Houston			
				218	242	304
Milan	Abu Dhabi	2				
	Almaty	1	onwards to Osaka and Hong Kong			
	Baku	1				
	Dammam	1				
	Delhi	1	originates in Paris, onwards to Hong Kong			
	Doha	2				
	Dubai	2	onwards to Hong Kong			
	Dubai	1	originates in Frankfurt, onwards to Hong Kong			
	Heathrow	5				
	Hong Kong	1	originates in Frankfurt			
	Hong Kong	2	originates in Heathrow			
	Hong Kong	1	originates in Manchester			
	Istanbul	1				
	Istanbul	2	originates in Lagos			
	Istanbul	1	originates in Tirana			
	Jeddah	1				
	Luxembourg	1	originates in Chicago and Los Angeles			
	Luxembourg	4				
	Luxembourg	1	originates in Chicago and New York			
	Madrid	1				
	Moscow	2	originates in Amsterdam			

	New Guinea	1	onwards to Seoul			
	Osaka	1	onwards to Hong Kong			
	Riyadh	1				
	Sao Paulo	1				
	Seoul	1	originates in Uzbekistan			
	Seoul	9				
	Shanghai	4				
	Tokyo	4	originates in Amsterdam			
	Tokyo	1	originates in Frankfurt Hahn	57	57	57
Vienna	Amman	1				
	Copenhagen	2	originates Seoul			
	Frankfurt	1	originates Seoul			
	Istanbul	2				
	Kiev	5				
	Liege	5				
	Milan	3	originates Seoul			
	Moscow	2	originates Seoul and onwards to Gothenburg or Frankfurt			
	Oslo	3	originates Seoul			
	Oslo	6				
	Riyadh	2				
	Seoul	1	via Frankfurt			
	Seoul	3	via Gothenburg			
	Seoul	1	via Tel Aviv			
	Seoul	4	via Copenhagen			
	Seoul	1	originates Moscow			
	Shanghai	3	originates Amsterdam			
	St Petersburg	1	originates Seoul and onwards to Gothenburg			
	Tel Aviv	1	originates Seoul			
	Timosoara	5		52	52	52



Department for  
Communities and  
Local Government

**The Rt Hon Sajid Javid MP**

*Secretary of State for Communities and Local  
Government*

***Department for Communities and Local  
Government***

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16 November 2017

Dear (Leader)

## **LOCAL PLAN INTERVENTION**

On 7 February we published our housing White Paper in which we made clear that the housing market in this country is broken, and the cause is very simple: for too long, we haven't built enough homes. We have identified three systemic problems: not enough local authorities planning for the homes they need; house building that is simply too slow; and a construction industry that is too reliant on a small number of big players.

Up-to-date plans, including local plans are essential because they provide clarity to communities and developers about where homes should be built and where not, so that development is planned rather than the result of speculative applications. At present too few places have an up-to-date plan.

On 21 July 2015 we made a Written Ministerial Statement to the House on this same subject. I am writing to you as your authority has yet to adopt a 2004 Act Local Plan and to express my concerns about the lack of progress your authority has made on plan-making.

Local planning authorities are required to publish a Local Development Scheme (LDS) which sets out when an authority expects to reach key milestones in the plan-making process, and the timetable for producing documents to maintain an up to date plan. In the 13 years that have passed since the 2004 Act was introduced your Council has failed to meet the deadlines set out in that timetable.

The February 2017 Housing White Paper set out that we will prioritise intervention

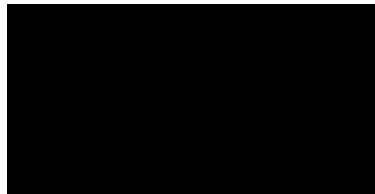
where:

- the least progress in plan-making has been made
- policies in plans had not been kept up to date
- there was higher housing pressure; and
- intervention would have the greatest impact in accelerating Local Plan production

My decisions on intervention will also be informed by the wider planning context in each area (specifically, the extent to which authorities are working cooperatively to put strategic plans in place, and the potential impact that not having a plan has on neighbourhood planning activity).

I would like to take this opportunity to ask you to outline any exceptional circumstances, by 31st January 2018, which, in your view, justify the failure of your Council to produce a Local Plan. In addition to this explanation, I would like to hear of any measures that the authority has taken, or intends to take, to accelerate plan publication.

My officials have been engaging with your officers to discuss the progression of your Plan and they will write to set out further detail and next steps.



**THE RT HON SAJID JAVID MP**



# Pinsent Masons

BY E-MAIL AND POST

FOR THE ATTENTION OF RICHARD PRICE  
National Infrastructure Case Manager  
The Planning Inspectorate  
3/18 Eagle Wing  
Temple Quay House  
2 The Square  
Bristol, BS1 6PN

Our Ref 90579923.1\rg7\671983.07000

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E richard.griffiths@pinsentmasons.com

15 December 2017

Dear Sirs,

**THE FORMER MANSTON AIRPORT SITE  
CORRESPONDENCE FROM BIRCHAM DYSON BELL AND PROPOSED APPLICATION  
DELAY AND RE-CONSULTATION**

We write:

1. in respect of the delay to the proposed application and re-consultation that RiverOak Strategic Partners ("**RSP**"), the proposed applicant, now proposes as set out in your meeting note dated 22 November 2017;
2. further to Bircham Dyson Bell's email correspondence sent to you on 3 November 2017 (the "**BDB November Correspondence**") in response to your request for submissions in relation to the transitional provisions in the 2017 EIA Regulations; and
3. in respect of correspondence we have received from Bircham Dyson Bell dated 12 and 14 December 2017 regarding access to the Manston Airport site (the "**BDB December Correspondence**").

1. **RSP'S PROPOSED RE-CONSULTATION**

- 1.1 We note that following the matters we raised with the Planning Inspectorate in seeking section 51 advice relating to applying for an order granting development consent and making representations about an application, or a proposed application, for such an order, that RSP has advised that it intends to re-consult and move the proposed application submission date to Quarter 1 2018.
- 1.2 We confirm that our client, Stone Hill Park Limited ("**SHP**"), intends to engage with any new statutory consultation that is to take place under the Planning Act 2008 (as amended) (the "**2008 Act**"). We trust that the Planning Inspectorate has advised the proposed applicant of the need in any consultation to comply with the statutory provisions and notification requirements of the 2008 Act, in particular sections 42, 47,

Pinsent Masons LLP

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30 Crown Place, London, EC2A 4ES, United Kingdom.

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# **Analysis of the Freight Market Potential of a Reopened Manston Airport**

**Issued: January 2018**

**(Analysis completed in October 2017)**



# Pinsent Masons

BY E-MAIL

Manston Airport Consultation  
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SW1H 0BL

Our Ref 92569083.1\rg7\671983.07000

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E richard.griffiths@pinsentmasons.com

23 February 2018

Dear Sirs

## **THE AIRPORT SITE FORMERLY KNOWN AS MANSTON AIRPORT RESPONSE ON BEHALF OF STONE HILL PARK LIMITED TO SECTION 42 2018 CONSULTATION**

We act on behalf of Stone Hill Park Limited ("**SHP**"), the freehold owner of the airport site formerly known as Manston Airport.

The deadline for SHP to respond to the 2018 consultation in respect of RiverOak Strategic Partners Limited's proposed application for a development consent order for the reopening of Manston Airport, primarily as a cargo airport, is 23 February 2018 (as confirmed in an email from the Manston Consultation Team to SHP on 31 January 2018).

Accordingly, we enclose with this letter SHP's response (as a consultee under section 42 of the Planning Act 2008) comprising the document entitled "*Stone Hill Park's response to RiverOak Strategic Partners' second statutory consultation for the reopening of Manston Airport*" together with the following appendices:

1. copies of the letters from Pinsent Masons LLP to the Planning Inspectorate dated 11 October 2017 and 13 November 2017 and their enclosures;
2. a note from York Aviation entitled "*RSP Consultation January 2018 - Further comments on Azimuth Report 'Manston Airport - A Regional and National Asset'*"; and
3. a note from WSP entitled "*Consultation Response to RiverOak Strategic Partners (RSP) 2018 Preliminary Environmental Information Report (PEIR) ref Former Manston Airport Site*"

Please confirm safe receipt of the enclosures to the email address above.

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Yours faithfully,



**Pinsent Masons LLP**

Enc.



**STONE HILL PARK'S RESPONSE TO  
RIVEROAK STRATEGIC PARTNERS'  
SECOND STATUTORY CONSULTATION  
FOR THE REOPENING OF MANSTON  
AIRPORT**

**Submitted: 23 February 2018**

**Consultation deadline for Stone Hill Park Limited: 23 February 2018**



**Pinsent Masons**

## 1. INTRODUCTION

- 1.1 We act for Stone Hill Park Limited ("**SHP**"), the freehold owner of the airport site formerly known as Manston Airport (the "**Site**"). We are writing in response to the consultation by RiverOak Strategic Partners Limited ("**RSP**") under section 42 of the Planning Act 2008 (the "**2008 Act**") in respect of its proposed application for a Development Consent Order ("**DCO**") for the reopening of Manston Airport, primarily as a cargo airport (the "**Proposal**"). As a result of delay in SHP receiving the section 42 consultation pack, RSP has provided SHP until 23 February 2018 to respond (via an email dated 31 January 2018).
- 1.2 RSP will be aware of the previous correspondence sent by this firm on behalf of SHP to the Planning Inspectorate (letters dated 11 October 2017 and 13 November 2017, which were copied to RSP's solicitors, Bircham Dyson Bell, and which are appended to this response – **Appendix 1**) raising significant concerns over a number of matters arising from the previous iteration of the Proposal. We hereby formally submit those letters to RSP as part of this section 42 response, noting that the points raised in these letters have not been addressed by RSP to date. Regard should also be had to SHP's response to the first statutory consultation, submitted by SHP's planning advisors, GVA, on 23 July 2017.
- 1.3 This response to the 2018 statutory consultation has been compiled by SHP and its professional advisers (Pinsent Masons LLP, WSP, York Aviation, GVA and AECOM). This response is accompanied by notes from York Aviation (**Appendix 2**) and WSP (**Appendix 3**).
- 1.4 We have carefully reviewed the full suite of consultation materials published, and remain of the view that there are fundamental concerns which need be resolved before any application under the 2008 Act can lawfully proceed.
- 1.5 SHP remains of the view that the Proposal by RSP amounts to a misuse of the 2008 Act for proposals which have no realistic proposition of meeting the tests in section 23 of the 2008 Act and that RSP is attempting to use the 2008 Act as a vehicle to obtain powers of compulsory acquisition to take over a site that RSP's predecessor company, RiverOak Investment Corporation LLP, failed to convince Thanet District Council to make a Compulsory Purchase Order for. The proposals are a thinly veiled "land grab". RSP has not demonstrated either viability or availability of funding for delivery of the Proposal and the costs of compulsory acquisition and delivery of the extensive mitigation that would be required to make the Proposal acceptable.
- 1.6 SHP also remains of the view that the most appropriate use for the Site is for residential-led development, in line with the evidence base which supports the emerging Thanet District Council local plan. In May 2016, a hybrid planning application for comprehensive mixed use redevelopment of the Site was submitted to Thanet District Council by SHP. The application was registered and validated by the Council on 3 June 2016 (ref. OL/TH/16/0550). In response to representations made by the Council and other statutory consultees, additional work was undertaken to support the application, including a full strategic model which was been developed to test the impact of the development on the surrounding transport network. A number of amendments to the proposed development were also proposed. An Addendum submission was submitted in October 2017, and further biodiversity survey information will be submitted shortly to complete the submission. The application is currently live and pending determination with Thanet District Council.
- 1.7 The principals behind SHP have a long and successful track record in the regeneration of disused brownfield sites. SHP and its advisers have assessed all of the available evidence and concluded that continued commercial aviation use of the Site is not viable and that a residential led redevelopment is the most appropriate approach. This view is supported by the evidence base for the emerging Thanet District Council Local Plan review process.

1.8 Accordingly, SHP hereby objects to the Proposal both as the landowner for the Site and on the basis that the Proposal is not an appropriate use for the Site.

## 2. RSP'S PROPOSED DEVELOPMENT

2.1 The first comment on the consultation materials is that there is a lack of clarity regarding what exactly is proposed as part of the Proposal. Key points where there is insufficient information to allow consultees to form a proper view on the Proposal include the following:

2.1.1 The boundary of the Proposal is not consistently presented. Annex 1 to the document entitled 'An Introduction to the Consultation' states that "*The DCO 'order limits' for the site have been enlarged. Key changes include alterations to ensure that land required for highway improvements is within the limits and to show subsoil rights relating to an existing underground outfall pipe to Pegwell Bay*". However, we cannot find amongst the consultation materials or in the figures to the PEIR any plan which shows the "order limits". The masterplan published for consultation does not show the full boundary, and there are differences between the boundary shown on the masterplan and covered by the plans in the PEIR.

2.1.2 There are references throughout the PEIR to various off site mitigation areas (up to 36ha in size) which are not identified or shown on any of the DCO site boundary plans. The consultation materials and the PEIR therefore do not give a clear indication of what is proposed and where, and it is not clear whether any impacts of the activities proposed on the various mitigation areas have been assessed as part of the PEIR at all.

2.1.3 There is also no plan to indicate where land is proposed to be acquired and where rights only are sought. It is not clear to those responding to the consultation what RSP is proposing to acquire, which is clearly of great significance given that RSP is proposing to seek powers (powers which are meant to be a last resort) which would interfere with the property rights of third parties (RSP not being the owner of any land within the main airport boundary). There has been no meaningful attempt by RSP to acquire the land or rights over the land voluntarily.

2.1.4 The description of the new infrastructure comprising the Proposal is unclear. In particular, it is not clearly identified which elements of the proposed infrastructure are those that RSP claims are necessary to deliver the required increase in the air transport movements of cargo in order for the Proposal to be an NSIP, and which elements are associated development.

2.1.5 The section 42 consultation letter to SHP describes the DCO authorising the construction of 19 new air cargo stands. The 'An Introduction to the Consultation' document refers to the proposals increasing the number of stands "*from the current four to 23*". The bullet points underneath then list 19 new freight stands and four new passenger stands, which indicate the construction of 23 stands. The phasing plans included in the PEIR do not show construction of four new passenger stands. Rather they show construction of one new stand and the refurbishment of three current stands. This appears to contradict the claim that RSP is increasing the number of stands from four to 23. The phasing plans would indicate that RSP is proposing to remove one current stand, refurbish three current stands and construct 20 stands (19 freight and one passenger), to reach 23. Paragraph 3.3.3 of the PEIR describes the proposals as including an "*extension to accommodate an additional aircraft stand*" – refurbishment of existing stands is not mentioned in the list. The point here is that the consultation documents are confusing and unclear as to what RSP is proposing with respect to current and new stands. Furthermore, RSP should be setting out clearly the

capability in respect of the number of air transport movements of cargo that each stand can accommodate - this goes to the heart of whether or not the Proposal satisfies the tests in section 23 of the 2008 Act, in terms of existing capability, the new capability and how this fits into RSP's forecast of growth. All this is missing from the consultation material (see further below).

- 2.1.6 There is insufficient information regarding the Northern Grass business development. The scale of this proposed development would be a major strategic development for Thanet if promoted outside of the DCO, and would require an EIA in its own right. The phasing plans do not include the "business units" development of up to 119,000m<sup>2</sup> proposed for the Northern Grass, or the construction works for the new fuel farm, and these elements of the Proposal are not described in the Construction Phasing section of the PEIR at 3.3.81 - 3.3.114. The lack of detail regarding the need for and type of development affects a number of the assessments reported in the PEIR. For further detail, see section 8 below and WSP's note (attached).
- 2.1.7 Furthermore, there are numerous inconsistencies throughout the PEIR regarding the scale of development proposed and assessed, including the following inconsistencies, which suggests that some of the assessments are under-assessing the impact of the Northern Grass development:
- (a) PEIR 3.3.73: *"The initial proposals for this area indicate that it could support multiple business units of various sizes and layouts with an approximate total floor space of 119,000m<sup>2</sup>".*
  - (b) PEIR 12.9.76 - *"The business units located in the Northern Grass area will comprise a mixture of B1, B2 and B8 business use classes and range from office blocks to cargo facilities, with a total footprint of approximately 105,000m<sup>2</sup>".*
  - (c) PEIR 14.1.2 - *"Over 100,000 sqm of aviation related business/industrial development on the 'Northern Grass' area";*
- 2.1.8 Page 14-17 in the transport chapter of the PEIR states that the mix of uses on the Northern Grass area is 25% B1 (Office) and 75% B8 (Warehousing) and references a "zonal masterplan" for the Northern Grass which *"defines this split and the total GFA of the development in this area"*. This "Zonal Masterplan" on which the transport chapter relies does not appear to be part of the consultation.
- 2.1.9 The PEIR and the consultation materials do not give clear information regarding the maximum number of flights that the airport as altered would be capable of handling. In the 'An Introduction to the Consultation' document, RSP acknowledges that the airport's new capability figure is not the same as RSP's forecast usage, but nowhere is the actual maximum capability figure as a result of the proposed alterations stated, assessed or consulted upon. This is fundamental missing information for this type of proposal and which is required under section 23 of the 2008 Act and to satisfy the Infrastructure Planning (Environmental Impact Assessment) Regulations 2017.
- 2.1.10 There is very little detail on what is proposed for the new fuel farm, which did not form part of previous proposals that RSP consulted on last year. It is not clear how much fuel will be stored at the facility, or when the fuel farm works will take place. This has implications for the public to understand the number of fuel tanker movements necessary to service the fuel farm. It is also not clear from the masterplan how fuel will move from the fuel farm onto the airport, as it is marked in some places as being a landside facility but elsewhere as an airside facility.

- 2.1.11 The PEIR at 3.3.41 states: "*At present, it is assumed that fuel would be delivered to the airport via road tanker, however alternatives, such as delivery via rail will be investigated as potential longer-term options*". No information is given as to how the fuel farm could be effectively rail served given its lack of proximity to any suitable rail terminal.
- 2.1.12 Information on night flights is also unclear in the PEIR and indeed contradicts what has been said previously by RSP. The proposed noise mitigation caps would allow far more night flights than have been assessed in the PEIR (the quota count being higher than the current quota count for Luton Airport, and almost as high as for Heathrow). Whilst the PEIR shows an average of 7.1 flights per night, the quota system proposed would actually allow significantly more than 7 flights per night to operate without constraint, and this has not been properly assessed. This inconsistency means the public are being misled on a highly contentious issue - the consultation material should clearly explain what the quota count means and the potential number of aircraft that it could allow per night. The consultation material does not provide this, meaning the public are not aware of the actual night time proposals - this still remains an opaque area which is not acceptable on an issue as important as night time flights.
- 2.1.13 The consultation materials do not give any further information on the masterplan design principles, or how the proposed masterplan layout has responded to EIA inputs, consultation feedback or has considered security by design. There is limited information on key mitigation measures, including the proposed landscape planting referred to. As this consultation is expected to be the final public opportunity to influence the Proposal prior to RSP's intended DCO submission date of March 2018, it is surprising that the public has not been offered the opportunity to comment on any of these key documents and decisions.
- 2.1.14 There is no reference to the Public Safety Zone, which could be quite extensive at 17,171 cargo aircraft movements. This may require acquisition and demolition of properties. The proposed fuel farm may also be within the outer zone of the Public Safety Zone and this would almost certainly not be permitted. None of this information is clearly presented in the description of the Proposals.
- 2.1.15 The Proposal does not consider overflying of populated areas, which cannot at this stage be ruled out and should be assessed as a "worst case" scenario. RSP should also demonstrate that the proposed departure routes assessed (which have a very early turn of the runway at the Ramsgate end) are actually capable of being flown by larger, heavily laden freight aircraft.
- 2.2 In summary, how can consultees properly respond to the consultation on the Proposal when the consultation contains inconsistencies, is missing fundamental information, lacks detail on how the Proposal satisfies section 23 of the 2008 Act to be an NSIP (see further below), lacks detail on key areas of interest raised from the first statutory consultation (such as night flights), misleading information, no explanation as to why there is a need for 119,000m<sup>2</sup> of commercial development on the Northern Grass, and no justification for the compulsory acquisition of land. It cannot be right that the public are expected to provide feedback on a consultation process where there is so little information on the potential nature and timing of the flights and flight paths. There has been no attempt to present a realistic "worst case" assessment of the impact of potential flight paths – it is not sufficient to say that no appraisal can be made until the CAA grants a licence and the airspace change process results in specific flight plans being authorised.

3. **FAILURE TO DEMONSTRATE THAT THE PROPOSALS MEET THE REQUIREMENTS OF SECTION 23 TO BE CONSIDERED AN NSIP**

3.1 Correspondence from this firm has previously sought clarification from RSP as to how its proposals meet the tests and thresholds set out in section 23 of the 2008 Act to be considered an NSIP:

3.1.1 we raised this point on behalf of SHP in letters to the Planning Inspectorate dated 11 October 2017 and 13 November 2017 and which were copied to RSP's solicitors, Bircham Dyson Bell (and again copies are appended to this response); and

3.1.2 the point was further raised in response to a request for access to the Site made via Bircham Dyson Bell (see emails from this firm dated 11, 13, and 18 December 2017). No direct response has been received.

3.2 The meeting notes of RSP's meeting with the Planning Inspectorate dated 22 November 2017 (published under section 51 of the 2008 Act on the Planning Inspectorate website) record: *"The Applicant stated that the consultation documents would set out its position on the baseline assumed in terms of flight numbers for the purposes of the capability test set out in the Planning Act 2008."*

3.3 RSP's position appears to be summarised in paragraph 10 of the document entitled "An Introduction to the Consultation", as follows:

*"Our interpretation of the current status of the airport is that it already exists but has a capacity of zero. We are altering an existing airport rather than constructing a new one, although one without any capacity, because it would need planning permission to be able to operate as a cargo airport. The test is for what the airport is capable of handling rather than what our intentions are for what it will handle".*

3.4 It is worrying that RSP fails to understand the tests correctly in section 23 of the 2008 Act, referring incorrectly to "capacity" rather than "capability". The terms have different meanings.

3.5 This explanation is supplemented in Section 1.5 of the PEIR with the following text:

*"The Project falls under section 14(1)(i) of the 2008 Act as 'airport related development'. Section 23 sets out what this means, and this Project fulfils sections 23(4) and 23(5)(b), namely that this is the alteration of an airport, the effects of which 'is to increase by at least 10,000 per year the number of air transport movements of cargo aircraft for which the airport is capable of providing air cargo transport services.'*

*The Proposed Development falls into this category as it involves an alteration of an airport that is located in England and which is expected to lead to an increase in airport capacity of at least 10,000 ATMS of cargo aircraft".*

3.6 These explanations do not adequately explain how a conclusion can be drawn that the airport has zero capability, or that a further planning permission would be required to operate the airport as a cargo airport.

3.7 The lawfulness of the use of the Site as an airfield and existing buildings for civilian airfield use is documented in a series of certificates of lawful development. Until its closure in 2014, the airport operated lawfully under these certificates. There is an established lawful use with a capability of accommodating freight aircraft movements.

3.8 The section 42 notice published by RSP states that the airport *"most recently operated as a passenger airport until it was closed in May 2014"*. It did not – and this information in the statutory notices contradicts the information set out in RSP's report "Manston Airport – a Regional and National Asset" Volume 1 page 29, which clearly

identifies that "The airport focussed on the cargo market whilst also providing passenger flights" - the same use type that RSP proposes to continue in its vision for a reopened Manston.

- 3.9 RiverOak Investment Corporation LLC ("RiverOak") (the current promoter's (RSP) predecessor) in its appeal statement in relation to the proposed temporary change of use sought by SHP stated as follows (paragraphs 2.4 - 2.5) :

*"it is likely that this phase [phase 1] will require a period of 6-12 months during which time the essential airport equipment and infrastructure **will be maintained where it still exists or installed to bring it back to full use.**"*

*"Initially, the airport will operate using the existing infrastructure and cargo building facilities."* [emphasis added]

- 3.10 At paragraph 3.4 of the appeal statement, RiverOak stated "The fact that the airport has closed makes no difference as there is every prospect that it could reopen."

- 3.11 To bring the airport back to "full use" acknowledges that there is an inherent dormant capability, and it is clearly acknowledged that the airport would be capable of operation during the initial phase using the existing infrastructure and cargo buildings, that the currently closed airport could simply be re-opened. This aligns precisely with SHP's position.

- 3.12 The consultation materials do not provide any explanation for why it is appropriate to state that the extant permitted capability of the airport is zero. This is illogical considering:

3.12.1 that the Site has a lawful use as an airport;

3.12.2 the airport previously operated as a cargo airport;

3.12.3 the airport has stands capable of parking between 4 and 7 aircraft simultaneously, dependent on aircraft size; and

3.12.4 RSP places great emphasis on the benefits of reusing the airport's existing infrastructure to provide air cargo transport services.

It is not clear that any further planning permission would be required for the airport to operate as an airport accepting cargo flights. If SHP considered that a viable cargo airport could be re-opened at the Site, SHP could do so without seeking any new planning permission. Any other suggestion is plain wrong.

- 3.13 As such, the case that the Proposal is an NSIP at all has not been made out. Indeed, no attempt has been made to explain how the tests in section 23 are met. The enclosed report from York Aviation (November 2017) estimates that the extant permitted airport infrastructure has a capability of at least 21,000 air transport movements of cargo (daytime capability, on the assumption of no night flights). As paragraph 10 'An Introduction to the Consultation' document acknowledges, the capability figure is not the same as the intended use figure. Nor is capability the same figure as current use. Therefore, the consultation is fundamentally flawed and as such does not satisfy the requirements under the 2008 Act and cannot lawfully proceed.

- 3.14 The Year 20 Air Transport Movements ("**ATMs**") figure which appears to have been assessed in the PEIR and is the highest ATM figure quoted for the airport is for 17,171<sup>1</sup> total freight ATMs. This does not represent an increase of at least 10,000 ATMs over the existing capability of the airport. No alternative "capability" figure has been provided by RSP with accompanying justification and evidence. The only figure

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<sup>1</sup> Figure taken from Volume III of the Azimuth Report

and justification has been provided by SHP, through renowned aviation consultants York Aviation. Accordingly, there is only one conclusion that can be drawn - the Proposal does not meet the definitions set out in section 23.

#### 4. ASSOCIATED DEVELOPMENT

4.1 The concerns raised in our letters of 11 October 2017 and 13 November 2017 (appended to this response) in relation to a clear explanation with justification as to which elements of the Proposal RSP is claiming is:

4.1.1 the NSIP or part of the NSIP; and

4.1.2 associated development

have not been addressed in the materials provided for the section 42 consultation.

4.2 There is no justification for the inclusion of the quantum or the type of uses proposed in the Proposal, and no consideration or explanation as to how the associated development uses can properly be said to meet the tests set out in the DCLG Guidance on Associated Development. In paragraph 12.9.76 of the PEIR, it is acknowledged by RSP that "*Development in this area [the Northern Grass] is necessary to meet the needs and requirements of aviation related business interests however, the precise layout, occupiers, activities and plant and equipment that will be operated in this area is unknown at this stage of the development.*" [emphasis added]. This also means no assessment has been carried out – see, for example, paragraphs 2.1.6 and 2.1.10 above.

4.3 This failure to provide explanation and justification also means that we cannot ascertain why you need the extent of land that you are seeking to compulsorily acquire from our client (notwithstanding that we do not consider you have any case whatsoever to acquire any land from SHP).

4.4 In summary, SHP is severely prejudiced as the consultation materials fail to provide sufficient information and detail on the Proposal and how that relates to the threat of compulsory acquisition of its private interests, interests which SHP wish to see developed for a residential led mixed use scheme that would have considerable benefits for Thanet and nationally in helping to meet the increasing housing demand.

#### 5. RELIANCE ON YORK AVIATION WORK AND THE NEED CASE FOR MANSTON AIRPORT

5.1 The enclosed note from York Aviation makes clear that despite York Aviation explaining very clearly in its report entitled "Summary Report analysing use of York Aviation material by RiverOak Strategic Partners Limited and assessment of capability of Manston Airport" dated November 2017 and issued under the cover of our letter to the Planning Inspectorate on 13 November 2017 (and copied to RSP and enclosed with this response), the Azimuth report "*Manston Airport - A Regional and National Asset*" (the "**Azimuth Report**") continues to place reliance upon work carried out by York Aviation.

5.2 This is clearly inappropriate when the error has already been brought to the attention of RSP and the report author. RSP should not continue to invite consultees to place reliance on work which has been built around incorrect interpretations. It would be unsound for the Secretary of State to place reliance on the forecasts by Azimuth when they are built upon misrepresentation of the work of others – this is not a disagreement between experts – it is a direct misrepresentation of York Aviation's work.



5.3 Further commentary is enclosed in the attached note from York Aviation in respect of the amendments and updates to the Azimuth Report. In particular, we note and highlight the following issues:

- 5.3.1 as York Aviation pointed out in its November 2017 report, almost all of the evidence presented by Azimuth to highlight the need for more airport capacity in the South East of England relates to the need for more airport capacity to meet growing passenger demand for flights to a wide range of global destinations fed by hub connecting services at Heathrow;
- 5.3.2 the revised report does not properly take into account the latest Department for Transport (DfT) UK Aviation Forecasts, which consider freighter movements and which forecasts (contrary to the case Azimuth present) that there will be no growth in pure freighter aircraft movements across all UK airports. This was highlighted in the previous York Aviation report and has not been addressed, undermining the validity of the presented forecasts used as the basis for the PEIR;
- 5.3.3 the fleet mix assessed in the Noise chapter of the PEIR is not the same as that presented in the Azimuth Report. No explanation for the diverging approaches is given;
- 5.3.4 the Azimuth Report refers (Volume III, paragraph 2.1.6) to a peer review of the forecasting methodology having been carried out by Loughborough University, but this peer review has not been published;
- 5.3.5 the Socio-Economic analysis in Volume IV (section 3.4) continues to rely on a York Aviation study from 2004, which York has previously directly advised Azimuth would not be an appropriate data source to rely on as being representative of the position in 2017/8 (13 years out of date);
- 5.3.6 the employment forecasts in the Azimuth Report (in Section 4.3) rely on work for London Luton Airport by Oxford Economics to justify the assertion that onsite employment will be taken up by local residents. This is not justified by the data, which only reflects place of employment and not place of residence. There is no evidence to show that employment at the airport would be taken up by residents of Thanet; and
- 5.3.7 the new section in the Azimuth Report on tourism does not provide a robust evidence base to attribute the role of the airport in any claimed increase or catalytic effect of inbound tourism in the area surrounding Manston airport.

5.4 In addition to the enclosed note from York Aviation, we refer to York Aviation's November 2017 report, in which York Aviation explains:

- 5.4.1 why Azimuth has a lack of understanding of the economics of the air freight market;
- 5.4.2 why Azimuth's cargo movement forecasts simply lack credibility; and
- 5.4.3 why the evidence actually shows there is plenty of freighter capacity at Stansted (further supported by Stansted's February 2018 planning application) and East Midlands which are better located relative to the market and the key locations for distribution within the UK.

The conclusions of the November 2017 report is that there will be no shortage of freighter capacity in the UK in the period to 2040 (RSP's assessment end date).

5.5 Given no reliance can be placed on the Azimuth Report, there is no supporting evidence base for the Proposal, nor forecasting for the Proposal, which in turn means

no need case for the Proposal and no justification for compulsory acquisition. The consultation materials are therefore severely deficient and misleading.

## 6. COMPULSORY ACQUISITION

- 6.1 The concerns raised previously in Section 8 of our letter of 11 October 2017 regarding the lack of any case for compulsory acquisition of land, and failure to comply with the guidance, have not been addressed. We do not repeat those concerns in this letter – they apply here and regard should be had to them in respect of this 2018 statutory consultation.
- 6.2 Whilst further information in light of our letter was expected, accompanied by a clear land plan showing the limits of land and rights (including temporary possession) proposed to be acquired, no information has been supplied as part of the consultation.
- 6.3 As set out above, the justification both for the elements of the Proposal which are argued to constitute an NSIP and the associated development proposed on the Northern Grass land remains lacking entirely by reference to the forecasts for freight throughput, and in relation to the quantum and phasing of associated development.
- 6.4 No appraisal of alternative sites has been supplied to demonstrate the suitability of the Site for the uses proposed as associated development.
- 6.5 PEIR paragraph 3.3.241 states that the Northern Grass area will be used to relocate other airport businesses who don't need airside access off the main airport site. No consideration, if airside access is not needed, has been given to alternatives to compulsory acquisition of land from SHP to accommodate these businesses and no case has been made for the need to accommodate them on land to be acquired compulsorily. Existing displaced occupiers could relocate to the existing vacant business park properties nearby. This was a point made by RiverOak Investment Corp LLC ("**RiverOak**") in paragraph 6.2 of the appeal statement lodged by RiverOak against SHP's application for temporary change of use to some of the redundant airfield buildings. The statement reads as follows:

*"RiverOak have not seen any evidence which suggests that there is a shortage of suitable industrial space/land in the region that could otherwise accommodate the space demands as presented by the appeal proposals. On the contrary, there appears to be considerable evidence which suggests that there is more than sufficient space available in the District – not least opposite the Manston Airport site at Manston Business Park where land is allocated and safeguarded for B1, B2 and B8 uses – which are exactly those uses being sought by the appeal proposals. Commentary in the emerging new Thanet Local Plan (page 28 of the Draft Thanet Local Plan to 2031 – Preferred Options Consultation (January 2016)) suggests that the Manston Business Park is only half developed with some infrastructure in place ready to serve the rest of the site if it were developed. If prospective tenants needed to acquire premises close to the airport for whatever reasons, these same reasons could be accommodated by locating at Manston Business Park."*

- 6.6 There is no evidence to suggest the position is any different to what RiverOak said in 2016.
- 6.7 The fact that:
- 6.7.1 there is no credible need case for the Proposal;
  - 6.7.2 the Azimuth Report is fundamentally flawed and cannot be relied upon given it relies heavily on York Aviation's work which York Aviation has categorically said is wrong; and

6.7.3 the previous applicant to RSP has itself admitted that there are alternative sites for businesses to be relocated where they do not need to be airside

all demonstrates that RSP is trying to shoehorn in an application for a Development Consent Order so that it can take the benefit of the compulsory acquisition powers under the 2008 Act. Nothing in the consultation materials indicate otherwise. SHP will, therefore, continue to expose this blatant misuse of the 2008 Act throughout the examination.

6.8 In terms of negotiation attempts (outwith the section 42 consultation), RSP has issued just one letter to SHP dated 9 February 2018. The letter received is a simple standard form letter in which RSP has sought to discuss voluntary acquisition of our client's land, suggesting that SHP may be the owner of "*various land parcels*" within the "Order limits" shown on a plan. Given that SHP is the freehold owner of almost all of the Order limits, it is astonishing that the first contact that has been had by RSP with SHP has not occurred until now, less than a month and a half prior to RSP's intended DCO submission date. This treatment of the freeholder of the Site is appalling and not within the spirit of the Guidance on compulsory acquisition.

6.9 The exercise of powers of compulsory acquisition is intended to be a measure of last resort. RSP has failed to engage with SHP with any genuine, funded proposal for acquisition of SHP's land. SHP has not received any proper proposal backed by a valuation for the acquisition of its land. Nothing in the consultation material demonstrates that there is a compelling case in the public interest for the acquisition of our client's land.

6.10 The heavy handed and unjustified use of powers of compulsion by RSP has extended beyond inclusion of SHP's land in the proposals to illegitimate attempts to gain access to SHP's land by inappropriate reliance on powers under section 172 of the Housing and Planning Act 2016, which RSP is not a beneficiary of. The purported notice sent by RSP threatens SHP with criminal prosecution if access is not permitted. RSP is fully aware that there is a proper process set out in section 53 of the 2008 Act for a prospective applicant for a DCO to seek authorisation to enter onto land. RSP has a pending application with the Planning Inspectorate under section 53 for consideration at present, and yet still has sought to claim it is an acquiring authority entitled to rely on section 172 to avoid the procedural safeguards imposed on prospective applicants under the 2008 Act (who may have no status as public bodies or acquiring authorities under any legislation), and no corresponding public sector or regulatory obligations of reasonableness to constrain their dealings with affected parties.

6.11 RSP has not responded (as set out above) to legitimate requests in the context of access negotiations for clarification on how the Proposal meets the thresholds to be properly considered to be an NSIP. The abuse of powers contemplated here clearly demonstrates (further to RSP's earlier inappropriate attempt to rely on section 53 authorisation granted to RiverOak) that RSP is not a fit party to be granted statutory powers of any sort, let alone powers to interfere with private property rights.

## 7. IDENTITY OF THE APPLICANT

7.1 This remains a point of confusion in the PEIR, which refers to EIA scoping and other EIA work (which was undertaken by RiverOak Investment Corporation LLC) as having been undertaken by RSP. This is incorrect and once again is misleading.

## 8. DEFICIENCIES IN THE PEIR

8.1 We note the decision of RSP to provide an EIA under the Infrastructure Planning (Environmental Impact Assessment) Regulations 2017 ("**2017 Regulations**"). However, we note that RSP claims this is a voluntary decision as it could take the benefit of the transitional provisions to submit an application assessed under the 2009 Regulations. As we have previously made clear, RSP cannot take the benefit of the

transitional provisions, and must as a matter of law follow the 2017 Regulations. SHP and its advisers remain of the view that it is not open to RSP to rely upon the transitional provisions to submit an application assessed under the 2009 Regulations.

- 8.2 "Preliminary Environmental Information" within the meaning of the 2017 Regulations is information referred to in regulation 14(2) which is reasonably required for the consultation bodies to develop an informed view of the likely significant effects of the development (and any associated development).
- 8.3 The PEIR produced by RSP does not satisfy this requirement in several key respects:
- 8.3.1 it includes no information on the likely significant effects of the Proposal during decommissioning (ignoring the Scoping Opinion of the Secretary of State which clearly opines that it is not appropriate to scope out decommissioning);
  - 8.3.2 it includes no information on the following factors likely to be significantly affected by the Proposal:
    - (a) human health; and
    - (b) climate (including green house gas emissions and impacts relevant to adaptation)
  - 8.3.3 it includes no information on the likely significant effects of the development on the environment resulting from cumulative effects with other projects or from the impact of the Proposal on climate and the vulnerability of the Proposal to climate change;
  - 8.3.4 it includes no information on the proposed monitoring arrangements;
  - 8.3.5 it includes no description of the expected significant adverse effects of the Proposal on the environment deriving from the vulnerability of the Proposal to risks of major accidents and/or disasters.

Where the PEIR contains no preliminary information on the likely effects in these areas, it is impossible for the consultation bodies, and the wider public, to form any view themselves on these issues or to participate meaningfully in consultation upon the Proposal. The consultation exercise has been undertaken prematurely, before RSP appears to have conducted any assessment work on a number of these topics required under the 2017 Regulations. It does not contain the information summarised in the table in Annex 3 to "An Introduction to the Consultation" - there is no assessment of risks to human health, or of effects on major accidents and disasters, or effects on climate change. These are issues that the public has a right to understand, particularly how RSP has taken measures to ensure security by design and the increased risks to the surrounding area of major accidents and disasters as a result of RSP's forecast of growth.

- 8.4 The enclosed note from WSP, SHP's appointed environmental advisers, highlights other key comments (not exhaustive) arising from the PEIR, and issues with scope. The advice from WSP includes the following:

8.4.1 Air Quality

- (a) Emissions from road traffic have not been robustly assessed. The chapter presents very little information to explain how the traffic modelling has been taken account of in the chapter. The assessment needs to give proper consideration to impacts as a result both of airside sources of emissions and also traffic impacts

over the wider area. The spatial scope of the assessment/traffic modelling is not clear.

- (b) The assessment has not used the latest emission factors (v.8) issued by Defra in November 2017.
- (c) Impacts on Pegwell Bay should not be ruled out of further assessment ahead of completion of air quality modelling work.

#### 8.4.2 Ecology and Biodiversity

- (a) The conclusion of the "No Significant Effects Report" (Appendix 7.1) is premature given the high level of the PEIR document, which has been produced without complete data from surveys or traffic modelling, air quality assessments and other crucial inputs.
- (b) The PEIR's treatment of operational effects, including key issues such as birdstrike, is non-existent or, at best, plain insufficient.
- (c) There is no evidence as to how a small area of compensation land located very close to the Site will effectively mitigate the effects on noise and disturbance, which cannot be explained by habituation. The extent of land proposed for mitigation should be supported by a net gain/biodiversity offsetting calculation to evidence its acceptability.
- (d) The PEIR references off site habitat creation at "parcel 1362" (see Phase 1 habitat survey at Appendix 7.10 for this land) but the land is not included in the boundary plans for the Proposal.

#### 8.4.3 Archaeology and Historic Environment

- (a) The discussion in the PEIR regarding which historic buildings at the Site are to be retained and which are to be demolished is lacking in detail and there are no plans to show which historic assets are proposed to be retained within the Site.
- (b) The PEIR should have provided information on the significance of effects on designated heritage assets within the 60DB noise contour, as this could be a significant adverse residual effect.

#### 8.4.4 Landscape and Visual Assessment

- (a) The choice of the 5km study area is not explained, and the methodology does not make clear how the effects of the introduction of aircraft in flight into the landscape and into views has been considered in the assessments.
- (b) The photographic survey has been undertaken when trees are still in full/partial leaf, which does not represent the greatest extent of potential visibility. The methodology indicates that the tables will consider this, but it is not evident in the assessment text.
- (c) The assessment relies upon both building design principles and screen and buffer planting with no information on what that planting will comprise. As these are relied upon to make the judgments in the PEIR, information should have been supplied to allow consultees to understand the conclusions reached.

- (d) It is unclear whether the images in the PEIR are verified (which would be expected for a development of this scale) and there is no information on verification methodology.
- (e) There is no lighting assessment undertaken as part of the PEIR. Given the night time operation of the airport, lighting will be required and an impact assessment is therefore required.
- (f) Tranquillity in its own right is not considered properly and a blanket assumption appears to have been made as to the effects of overflying which has not been justified.
- (g) Landscape mitigation proposals are not clearly described. The PEIR references, for example, planting to soften facades of the Northern Grass development, and on Spitfire Way but there are no plans showing this.

#### 8.4.5 Noise

- (a) The noise assessment is not adequately assessing the overall effect of all elements of the Proposal. For example, there is little information related to the commercial buildings, which have the potential to generate significant levels of noise.
- (b) The assumptions made on noise do not assess the "worst case" of flights operating at night up to the quota limits – this should be included in the ES.
- (c) Mitigation proposes for noise sensitive facilities is insulation. However, outside space is equally important as inside space both for health and education. There appears to be no assessment of the impact on outside space and the implications of the Proposal on the effectiveness of that space for the sensitive facility should the Proposal proceed.
- (d) The new Noise Mitigation Plan also references a relocation policy for residential occupiers whose properties would be adversely affected by noise. This policy has not been published by RSP and the public have not had any opportunity to comment on it.
- (e) It is not clear from the PEIR how many properties would fall between the LOAEL and SOAEL, where significant adverse effects could be experienced. It cannot simply be the case that those properties experiencing SOAEL are the only properties that will experience significance adverse effects; that is an arbitrary approach.
- (f) There is no breakdown between the noise effects attributable to the airport proposal and noise attributable to the associated development (inside and outside of the airport boundary) and traffic noise associated with each element. The public and the Secretary of State will need this information to understand the effects of the Proposal as a whole.

#### 8.4.6 Socio Economics

- (a) The PEIR assumes that there are no significant changes to the socio-economic baseline. This assumption is not robust as it fails to take account of the population growth and predicted background

economic growth that would take place in Thanet irrespective of whether RSP's proposals are delivered.

- (b) Assumptions regarding the proportion of the workforce to be sourced from the immediately surrounding communities in Thanet appear to be highly optimistic. If workers are likely to need to move to the area for construction and operation, this is not accurately assessed in the chapter. Elsewhere, Azimuth reference construction workers staying in local hotels, which is inconsistent with the assertion that the workforce will be a local workforce.
- (c) There is a shortage of information regarding the effect of the Proposal on educational and community facilities in the area, arising as a result of the in-flow of significant numbers of construction and operational workers for the Proposal.
- (d) The case for tourism benefits arising from a primarily freight focussed airport is unclear and un-evidenced.
- (e) No assessment is made of the purported job creation from the Proposal and how that would affect the Council's objectively assessed need for housing - without the Site being available for housing, questions need to be answered such as:
  - (i) where would the likely increase in housing land requirements be located?
  - (ii) how would the countryside be impacted?
  - (iii) would there be a deficiency in infrastructure?
- (f) The socio-economic assessment does not reflect the fact that the need case is based on taking freight away from other UK airports. The effect of this diversion of trade from other UK airports and related effects on employment should be assessed.

#### 8.4.7 Traffic and Transport

- (a) The use of a spreadsheet model to assess the impacts of a development of this type and scale is inappropriate and a strategic model should be used.
- (b) RSP acknowledges in the limitations section (14.1.1.) that the traffic counts underpinning the spreadsheet model have issues, including inaccurate traffic counts (with double counting) and missing information. Without a recount of the traffic data, the robustness of the entire exercise is undermined. The fact that RSP itself admits the failures of its traffic counts means it cannot be used and new traffic counts should be provided and consulted upon.
- (c) The scope of the study remains inappropriate and does not consider effects on the Highways England network (in addition to the A299 and A256).
- (d) Significant weight appears to have been placed on a Transport Assessment to inform the PEIR but it was not supplied as an appendix.

- (e) No detail has been provided on the types of mitigation required to achieve sustainable development at the Site. Travel Plans are referenced but have not been supplied.
- (f) More generally, the strategic route enhancements being planned for in the area (detailed in the Thanet Transport Strategy) are likely to need to come forward in order for the sheer scale of commercial development comprised in the Proposal to come forward (the New Strategic Routes Policy). This is not included in the proposals, which means RSP cannot deliver it. The impact of the Proposal on the wider Kent County Council transport plan should be assessed. In turn this means there is no justification for the Northern Grass development and no justification for compulsory acquisition.

#### 8.4.8 Climate Change

- (a) No assessment has been provided on climate change, rather a proposed scope, approach and methodology is referenced.
- (b) Only freshwater measures have been incorporated within the design – we would expect consideration to be given to a wider range of measures, including in the design of buildings and systems to take account of higher temperatures.
- (c) The design life of individual assets should be extended in the assessments as many are assumed elsewhere to continue beyond their design life and to function beyond the 2050s.
- (d) Emissions associated with end of life and decommissioning are not considered and should at least be considered quantitatively.
- (e) A full carbon footprint of the airport (including all associated development) should be undertaken.

#### 8.4.9 Major Accidents and Disasters

- (a) No assessment has been provided on major accidents, rather a proposed scope and methodology is referenced.
- (b) In light of the likely flight paths, the study area of 1km does not appear to be wide enough and should be increased. The assessment should include consideration of realistic worst case scenarios, such as overflying the most populated and most ecologically sensitive areas in the event of a major accident as this represents the realistic worst case for the assessment. It is not acceptable to fail to assess on the basis that CAA flight path process has not yet taken place.
- (c) There is also no information on safeguarding zones around the airport - this may have implications for new facilities and commercial development on the Northern Grass and has not been considered.
- (d) The chapter has not identified what sensitive land uses (e.g. schools, hospitals, residential institutions) are in proximity and may be affected by a major accident or disaster at the airport.
- (e) The future baseline does not give consideration to population changes in the area.



- (f) Incorporated measures only appear to give consideration to/address risks from fuel spillage. There is no commentary on how the security and resilience of the airport to other risks could be addressed by design.
- (g) The list of types of incidents concerned omits key risks including plane crash, drone strike, bird strike, cyber attack.

8.4.10 No Significant Effects Report (Appendix 7.1 to the PEIR)

- (a) This report cannot yet reach a conclusion of no significant effects given modelling work is ongoing in a number of areas. It appears, therefore, to be premature and unjustified to entitle the report a "No Significant Effects Report".
- (b) At this stage, until assessments have actually been completed and made available, it would be prudent to prepare information in support of an appropriate assessment.
- (c) A conclusion of No Significant Effects with no consideration or information on the range of likely flight paths is also not justified.
- (d) The site plans only show the main airport boundary and no offsite mitigation proposals or traffic generation having effects over a wider area.

8.5 In summary, the PEIR does not meet the definition of "Preliminary Environmental Information" within the meaning of the 2017 Regulations. Fundamental information is missing, such as:

- 8.5.1 what is the Public Safety Zone for the total number of ATMs that the Proposal could deliver (not forecast, but the maximum ATMs that could be accommodated at the Site following completion of the Proposal)? Does this require acquisition and demolition of properties – the public must be told and given a right to respond before any application can be submitted.
- 8.5.2 what are the safeguarding zones? What effect will they have?
- 8.5.3 given the number of ATMs the Proposal could accommodate (note, not forecast, - they are different points), what does the increased risk profile look like for the surrounding area from crashes, terrorist attack, cyber attack etc? Again, fundamental questions the public have a right to know now;
- 8.5.4 traffic modelling is wrong, incomplete and fails to address the full extent of the Proposal. The same applies to the noise assessment;
- 8.5.5 as identified above, there are considerable issues and lack of assessment and fundamental gaps in numerous areas of assessment.

9. **BLIGHT**

9.1 It is not clear from RSP's published materials how those parties affected by blight related to the Proposal (and particularly residential properties who are likely to experience noise levels above SOAEL necessitating acquisition of their properties) will qualify to access the blight mitigation schemes. In particular, it is not clear whether they will be eligible to request that their property is purchased from confirmation of the DCO, from implementation or whether they will have to wait in limbo potentially until the operational year where the exceedance level is reached. The effects of being identified as a property over which there is in the view of RSP a significant likelihood of adverse effects reaching those levels will blight affected properties immediately.

9.2 Furthermore, the failure to provide any details on how the Proposal will be funded means both SHP and the public have no visibility or confidence that RSP has the means to provide the compensation that would become due should the Proposal and compulsory acquisition powers be authorised. This uncertainty at this stage of RSP's timeline is not acceptable given the scale of the Proposal.

## 10. ADEQUACY OF CONSULTATION

### 10.1 Identification of Category 3 parties

10.1.1 No information is provided in the Statement of Community Consultation or in the consultation materials as to how RSP has identified the scope of Category 3 interests to be consulted under section 42 of the 2008 Act. The concerns raised above regarding the adequacy and scope of RSP's assessment of noise impacts, and failure to properly assess the range of claimants potentially affected by being overflowed as a result of the re-opening of the airport, gives rise to significant concerns that a large number of potential Category 3 claimants have not been properly identified.

10.1.2 The large volume of section 51 enquiries received by the Planning Inspectorate relating to why large areas of residential populations have not been consulted suggests that concern over this issue is widespread.

10.1.3 Further consultation is therefore required.

### 10.2 Overall adequacy of consultation

10.2.1 In light of the significant concerns raised by SHP in October and November 2017, and further raised in this response, it is clear that the consultation carried out by RSP is inadequate in several material respects.

10.2.2 Further critical information on:

- (a) how the Proposal meets the tests in section 23 of the 2008 Act;
- (b) clear description of the Proposal;
- (c) rationale for the quantum of development sought;
- (d) explanation of alternatives considered and consideration to the tests for compulsory acquisition;
- (e) proper attempts to negotiate voluntary agreements;
- (f) proper preliminary environmental information under the 2017 Regulations, filling the gaps set out above and in the attached note from WSP; and
- (g) proper rationale for identification of and consultation with Category 3 parties

is required, as a minimum, to allow consultees to properly understand the Proposal and to comment on the Proposal before any application could legitimately be made under the 2008 Act.

## 11. CONCLUSION

11.1 SHP hereby objects to the Proposal both as the landowner for the Site and on the basis that the Proposal is not an appropriate use for the Site.

- 11.2 The consultation undertaken is plainly not adequate given the number of inconsistencies, fundamental missing information, lack of detail and misleading information. For example:
- 11.2.1 failure to explain and evidence the capability of the Site in respect of the number of air transport movements of cargo, the effect of the Proposal on that capability and how this fits into RSP's forecast of growth. This evidence is essential to understand whether not section 23 of the 2008 Act is engaged;
  - 11.2.2 failure to assess the full extent of the Proposal in terms of the "new" capability of the airport. Only RSP's forecast usage has been assessed, which is inadequate;
  - 11.2.3 failure to evidence the need for the type of development proposed on the Northern Grass area. This lack of detail means the PEIR does not provide any clear preliminary environmental information as to the effects of this development, which would be a major strategic development in its own right if promoted outside the 2008 Act;
  - 11.2.4 the proposed noise mitigation caps would allow far more night flights than have been assessed in the PEIR - the quota system proposed would actually allow significantly more than 7 flights per night to operate without constraint. This inconsistency means the public is being misled on a highly contentious issue and actually do not know what the Proposal means in respect of night time flights;
  - 11.2.5 very little detail on what is proposed for the new fuel farm, which did not form part of the previous proposal that RSP consulted on last year;
  - 11.2.6 failure to provide information on the Public Safety Zone required;
  - 11.2.7 missing detail on various off site mitigation areas and missing information on whether any impacts of the activities proposed on these areas have been assessed as part of the PEIR;
  - 11.2.8 the deficiencies of the PEIR as outlined above and in the Notes enclosed with this response.
- 11.3 In terms of compulsory acquisition, given York Aviation's November 2017 report and the enclosed Note, no reliance can be placed on the Azimuth Report. Accordingly, there is no supporting evidence base for the Proposal, or forecasting for the Proposal, which in turn means there is no need case for the Proposal and no justification for compulsory acquisition.
- 11.4 Furthermore, RSP itself acknowledges in the consultation material that the airport's new capability figure is not the same as RSP's forecast usage (note, despite stating this, no where does RSP state what that new capability figure actually is). No case has been presented to explain why the extent of the Proposal is required (and thus the extent of land take) when RSP's forecasts do not require the extent of the Proposal. This information needs to be provided before any DCO application is made to enable those affected, particularly SHP, to comment.
- 11.5 In terms of the Northern Grass, RSP's predecessor as applicant has also acknowledged that there is alternative land where businesses that do not need to be located airside could be relocated. No assessment of alternative land, including the existing vacant business park, has been published. This is a fundamental assessment that is required to enable those the subject of compulsory acquisition to comment upon.

- 11.6 No justification for the compulsory acquisition of the Site has been presented. The statutory tests are simply not made out. The exercise of powers of compulsory acquisition is intended to be a measure of last resort, yet RSP has failed to engage with SHP with any genuine, funded proposal for acquisition of SHP's land.
- 11.7 It is clear that there are significant gaps in the 2018 consultation material. We would remind RSP of its statutory duty to have regard to responses received during the consultation and would question whether RSP has satisfied this duty should any DCO application be submitted on or before the end of March 2018.
- 11.8 Should a DCO application be submitted, it is our client's intention to participate fully in the examination. We therefore reserve the right to make further representations.

**APPENDIX ONE**  
**PINSENT MASONS' LETTERS TO PINS**





# Pinsent Masons

BY E-MAIL AND POST

FOR THE ATTENTION OF GARETH LEIGH  
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E richard.griffiths@pinsentmasons.com

11 October 2017

Dear Sirs

**THE FORMER MANSTON AIRPORT SITE  
LETTER OF CONCERN REGARDING THE PROPOSED APPLICATION FOR A  
DEVELOPMENT CONSENT ORDER TO UPGRADE AND RE-OPEN MANSTON AIRPORT  
AND INAPPROPRIATE USE OF THE PLANNING ACT 2008**

We confirm that we act for Stone Hill Park Limited ("**SH**P"), the freehold owner of the former Manston Airport site (the "**Site**").

Further to our meeting with the Planning Inspectorate on 27 September 2017, we write to express our serious concerns over the attempted use of the Planning Act 2008 (the "**2008 Act**") by RiverOak Strategic Partners Limited ("**RSP**") in order to try and seek a development consent order ("**DCO**") for its proposal for an alteration of the airport by upgrading and re-opening the airport primarily for cargo, with some passenger services, at the Site.

For the reasons set out in this letter:

1. RSP's proposals do not meet the statutory thresholds under the Planning Act 2008 ("**2008 Act**") to be considered a "nationally significant infrastructure project" ("**NSIP**"). Its proposed application for a Development Consent Order ("**DCO**"), therefore, cannot proceed, and should not be proceeding, under the 2008 Act. For this reason alone, RSP should be asked to withdraw its proposals from the DCO process forthwith. In addition to this fundamental issue, the following points are other reasons why the proposed DCO application cannot lawfully proceed. They are made independently of and without prejudice to the fundamental issue;
2. RSP's proposed DCO application is proceeding unlawfully by seeking to circumvent the Infrastructure Planning (Environmental Impact Assessment) Regulations 2017 (the "**2017 Regulations**") in respect of how applicants should approach the environmental assessment of their proposals. RSP is unable to proceed on this basis;

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3. There has been inadequate pre-application consultation undertaken by RSP in respect of the proposed DCO application and it is unable to proceed on this basis;
4. There has been, and remains, a lack of clarity over both the identity of the proposed applicant and its financial standing throughout the process. The proposed DCO application cannot proceed as there is no evidence of the ability of RSP to meet the financial liabilities relating to costs and compensation arising in relation to the application process. Any attempt to move forward with proposals should be supported by evidence related to the ability to fund them, including the costs of the application process (including challenges), compulsory land acquisition costs and compensation including proceedings, blight (including noise, air quality and property depreciation blight) caused by airport operations as well as blight affecting the SHP development proposals, required impact mitigation, construction, licensing, and operational requirements required to deliver the RSP proposals. There is an absence of any evidence of sufficient financial capability for RSP to be in a position to reimburse both SHP's costs from SHP's objections in relation to the proposed application (should SHP's objections succeed or due to the conduct of RSP in relation to the application process), or the consequential losses which SHP has suffered and is continuing to suffer from the blight and delay caused to SHP's own major new settlement-led proposals for the Site arising from RSP's proposals, not to mention potential costs claims from other parties. The proposed DCO application cannot appropriately proceed on this basis;
5. The proposed applicant does not own or control any part of the Site and is unable to progress any application for compulsory acquisition powers as it has not demonstrated that compulsory acquisition powers are a last resort following meaningful attempts to negotiate to acquire the Site or otherwise deliver the proposals by agreement with the owners of the Site, nor has it justified the extent of the land identified or evidenced any real and meaningful attempts to consider alternatives;
6. Flowing from all of the above, the proposed application is incapable of acceptance under section 55(3)(f) of the 2008 Act in that it will plainly not be of a satisfactory standard. The proposed application has no reasonable prospect of being granted or the proposals successfully proceeding – in reality, the proposals are unrealistic and an attempted abuse of the DCO process.

It is blatantly obvious that the only reason why RSP has sought to attempt to promote its proposals under the 2008 Act is so that it can try and take advantage of the wide powers available under the 2008 Act to secure unfair commercial advantage by threatening the use of compulsory acquisition. The history of the proposals makes this clear, including the background to the involvement of a number of particular individuals in RSP itself.

You and your team at the Planning Inspectorate are requested to please carefully consider the contents of this letter, and revert with confirmation to us of the Planning Inspectorate's position on the points raised. No doubt you will wish to discuss these matters with RSP in the ongoing pre-submission discussions we understand are taking place.

Before presenting the detail in support of the points we have set out above, we first set out our client's interest in the matter and the importance of these issues from their point of view.

1. **BACKGROUND TO SHP, ITS OWNERSHIP OF THE SITE, AND SHP'S EXPERT TEAM**

1.1 Further to our meeting with you, as explained, SHP is a JV comprising:

- 1.1.1 80% shareholding by Invicta Asset Management Limited, which is controlled by experienced major mixed-use developers, Trevor Cartner and Chris Musgrave. Trevor Cartner is also Chairman of Helios Property



Group. Helios Property Group and Mr Cartner are master-developers with a successful track record of leading major residential and mixed-use schemes. Mr Cartner and Mr Musgrave recently developed the Discovery Park business park scheme in Kent, having successfully revived the site (located near Manston at Sandwich) bringing 2,000 extra jobs following the exit of long term occupier Pfizer. In addition they are developing Wynyard Park and Tunstall Park in the North East and Flaxby Park in Yorkshire which together account for some 10,000 new homes and 2 million square feet of commercial space. Invicta is providing SHP with an experienced team which has master planned the Site as a major vibrant, mixed-use and sustainable new settlement community called "Stone Hill Park" to provide thousands of much needed homes and jobs to the area, with a current planning application submitted and progressing. Further significant work is being undertaken in relation to the Stone Hill Park project and proposals are being progressed, though the RSP proposals are causing delay and uncertainty and consequential losses to SHP given the threat of compulsory acquisition of the Site. SHP is strongly committed to progressing the Stone Hill Park proposals despite the RSP proposals;

- 1.1.2 20% shareholding by Highland and Universal Investments Limited, a highly experienced private equity investment company.
- 1.2 SHP and its shareholders are all incorporated in England and Wales, and are therefore subject to the transparent filing requirements of Companies House.
- 1.3 SHP has been the freehold owner of the Site since October 2014.<sup>1</sup> This of course means that SHP is a "Category 1" person under section 44(1) of the 2008 Act.
- 1.4 It should be noted that RSP has no legal or equitable interest in the Site whatsoever.
- 1.5 The closure of Manston Airport in May 2014 and the emergence of our client's proposals was preceded by a series of unsuccessful attempts over more than 10 years to run a viable airport operation from the Site, as set out in summary below:
  - 1.5.1 the owner of Manston Airport from 1998-2005 (Wiggins Group) went into administration in 2005 with a long track record of failing to achieve anywhere close to their forecast increase in passenger numbers and freight;
  - 1.5.2 Manston Airport was acquired from administrators by Infratil Ltd (a well respected global infrastructure company which owned airports around the world) who owned the Airport from 2005 – 2013. During this period, Infratil Ltd made repeated attempts to increase passenger and freight growth to sustainable levels. However, the company incurred substantial losses (c.£50m) at Manston Airport and the Airport was put up for sale in March 2012;
  - 1.5.3 Manston Airport was sold to Manston Skyport Limited at the end of December 2013. As expansion opportunities with Ryanair and cargo operators failed to materialise, and with the scale of losses at a level that could no longer be sustained, the Airport closed in May 2014;
  - 1.5.4 SHP acquired the Site in October 2014, with airport operations at the Site having ceased in May 2014, following the failure of repeated efforts to deliver viable airport operations at the Site, as highlighted above. SHP wished to progress proposals to transform this brownfield site into a vibrant and exciting sustainable new settlement, as a dynamic place to live, work and

<sup>1</sup> Stone Hill Park Limited, Company number 09223403, previously named Lothian Shelf (718) Limited.

play, delivering a sustainable new community and much needed new housing and jobs (see further below in section 2);

- 1.5.5 Although airport operations at the Site had closed, despite the failure of repeated efforts to keep it open, Thanet District Council ("TDC") wished to explore whether airport operations could be viably and sustainably re-commenced. TDC therefore embarked on a process to try to find an indemnity partner (which included detailed consideration of the former applicant of the current RSP proposals – a company called RiverOak Investment Corporation LLC ("RIC") incorporated in the United States of America ("USA")) in order to potentially compulsorily acquire the Site or acquire it by agreement and re-commence airport operations. However, despite such a process, the Council's cabinet decided on two occasions, most recently in October 2015, to take no further action to progress a compulsory purchase order of the Site as there was no credible indemnity partner who could demonstrate a viable and deliverable plan for airport operations to re-commence on the Site. Part of its decision in October 2015 was that RIC did not fulfil the requirements of the Council for a suitable indemnity partner.
- 1.6 Following this unsuccessful attempt to find an indemnity partner, TDC commissioned AviaSolutions, an aviation industry consultancy, to provide an independent assessment of the prospects for re-opening airport operations at the Site. AviaSolutions' findings (published in September 2016 in a report titled "Commercial Viability of Manston Airport"), found that *"airport operations at Manston are very unlikely to be financially viable in the longer term, and almost certainly not possible in the period to 2031"*. With this independent evidence base, and with the consistent demonstration for over 10 years that airport operations at the Site have simply not been viable, together with the clear national, regional and local need for more homes and jobs, and recognising that the Site is the largest brownfield opportunity site in TDC's area, TDC progressed the Site through the TDC Local Plan process for allocation as a major mixed use new settlement (see section 2 below).
- 1.7 SHP has since been working closely with TDC to deliver the aims and aspirations of the emerging Local Plan. As is explained in section 2 below, the Site is a highly significant site in the delivery of TDC's required housing numbers. Given that it has been consistently shown that airport operations at the Site are unviable, and with TDC's own independent report looking ahead into the future and concluding that *"airport operations at Manston are very unlikely to be financially viable in the longer term, and almost certainly not possible in the period to 2031"*, re-development of the Site is the only sensible course of action to take.
- 1.8 In order to both continue to move its new settlement plans forward for the Site, and to deal with the RSP proposals and the effect of them, SHP has engaged a highly experienced team of professionals, including as follows:
  - 1.8.1 [REDACTED] Q.C., Leading Counsel;
  - 1.8.2 Pinsent Masons LLP, legal advisors;
  - 1.8.3 GVA, DCO, planning and compulsory acquisition advisors;
  - 1.8.4 AECOM, transport and surface access advisors;
  - 1.8.5 WSP, environmental impact consultants; and
  - 1.8.6 Three very well respected mainstream UK and internationally recognised airport consultants;

- (a) York Aviation, specialists in freight and passenger airports;
- (b) Altitude Aviation Advisory, specialists in freight and passenger airports;
- (c) Oxera Consulting LLP, specialists in airport economics, funding and viability.

It is worth noting that RSP's aviation consultant, Dr Sally Dixon of Azimuth Associates, has incorrectly cited York Aviation's work in support of its proposals, which York Aviation will be dealing with as part of SHP's evidence to deal with the RSP proposals in the event that they are not withdrawn forthwith. We note that RSP describes Dr Sally Dixon, a former colleague of Anthony Freudmann at Wiggins Group (owners of Manston Airport from 1998 – 2005, and where Dr Dixon was involved in producing the Master Plan for Manston Airport in 2000-2001), as an "aviation academic". It has not been confirmed if Dr Sally Dixon has any tangible experience or track record of advising on commercial airport operations, successful or otherwise.

1.9 Input from all of the above expert professionals has been received in assessing the RSP proposals.

## 2. SHP'S PLANS FOR THE SITE

2.1 SHP is actively promoting a major new settlement on the Site. Overall, the Site has capacity for around 3,500 to 4,000 new homes; a major Advanced Manufacturing Park creating over 2,000 jobs; a major sports and leisure village including destination attractions and a hotel, the first 50m Olympic sized swimming pool and leisure complex in Kent; visitor attractions including revamped heritage Spitfire and RAF Museums, heritage trails and attractions honouring the airfield and airport history of the Site; and a country park incorporating most of the old runway to promote healthy living. A heritage aviation component is also being progressed. The proposals would provide thousands of new homes and jobs for local people including employment opportunities for the young and specialised housing for older people, important transport infrastructure upgrades, and essential investment of hundreds of millions of pounds into Thanet District and the Kent region. SHP's plans are for a vibrant and sustainable new settlement, providing a huge boost, not just locally, but regionally and nationally in terms of the pressing need for housing, jobs and high quality sustainable development.

2.2 A planning application for a phase comprising 2,500 homes, the Advanced Manufacturing Park, a community centre, the sports and leisure village and the major country park has been lodged with TDC. This planning application covers the whole Site, but with development focused on the southern part of the Site (see the red line plan and illustrative masterplan submitted with the application in 2016 contained in **Enclosure 1**). SHP is currently finalising requests from TDC for some additional information, which will be submitted to TDC shortly.

2.3 This planning application accords with the January 2017 emerging Local Plan policy for the Site and is supported by Council officers. Draft policy SP05 allocates the Site for a new settlement, with *at least* 2,500 homes and up to 85,000sqm employment and leisure floorspace to be delivered in the plan period, community business space and leisure uses/recreational facilities, as well as green space and significant highways and transport improvements. TDC officers have prepared the policy in reliance on its independent evidence base, which confirms that airport operations on the Site are not viable (as summarised in section 1 above) and that this large brownfield site should not be left sterilised by out of date planning policy.

- 2.4 SHP is also progressing work on further planning applications for the new settlement, with a further and enhanced iteration of the overall new settlement masterplan also being progressed. It is intended to lodge these applications within a number of months, following and informed by the appropriate pre-application consultation and engagement. These additional applications will increase the number of homes and employment uses on the entirety of the Site.
- 2.5 The importance of the Site locally, regionally and nationally, to housing need and the economy cannot be overstated. The Site is the largest strategic site allocation within the District, and also the largest brownfield site. The allocation of the Site for *at least* 2,500 homes in the next Plan Period accounts for 14% of total housing provision based on TDC's current projections (a significantly higher proportion than any other individual site, the next largest site contributing 8% on greenfield land). The Site's overall capacity means it can deliver significantly more homes beyond the Plan Period. TDC is due to submit its draft Local Plan to the Secretary of State for examination in early 2018. If TDC submits its draft Local Plan prior to the end of March 2018, the Council will need to identify sites to accommodate 17,140 homes over the Plan Period. However, to accord with the recently proposed new method by DCLG to calculate housing need across England, if submission of the TDC Local Plan was to be delayed beyond March 2018, TDC would need to identify sites for 20,563 homes. The contribution of at least 2,500 homes at the Site to meet this housing need is clearly highly significant in either case.
- 2.6 RSP's proposals for the Site are plainly incompatible with the emerging Local Plan whereas SHP's proposals fully accord with it. RSP's proposals would sterilise and prevent the delivery of a development with significant local, regional and national benefits to housing supply and job provision. RSP's proposals have the prospect of de-railing a district council's Local Plan, given that the removal of or delay to the coming forward of any part of the Site as a strategic housing site would result in TDC having to renew its evidence base and renew its search for a series of major housing sites in lieu. In turn, this would open up the prospect of a number of new greenfield sites having to be identified and allocated given the increase in housing numbers (compared with a brownfield site allocated to deliver at least 2,500 units in the Plan Period). The delay this would cause to the Local Plan would hold back the future development growth of the whole District. This hugely damaging impact of RSP's proposals has not even been assessed or addressed by RSP. The implications of losing or delaying the largest strategic site for housing delivery in the whole of TDC's area is simply ignored by RSP to the significant detriment of the whole of the Council area.
- 2.7 TDC have, in their consultation response to the RSP proposals, raised a number of serious concerns in relation to the proposals which we assume you have seen (see **Enclosure 2**).

### 3. **RSP'S PROPOSALS DO NOT QUALIFY AS A NSIP**

- 3.1 We understand from the public timetable on the Planning Inspectorate website (rather than from RSP), that RSP is intending to submit an application for a DCO in Q4 of 2017. This application, as noted on the website, would be for the *"upgrade and re-opening of Manston Airport primarily as a cargo airport, with some passenger services, with a capacity of at least 12,000 air cargo movements per year."* However, it is noted that there does not seem to be any reference to 12,000 air cargo movements anywhere else in the documents on the Planning Inspectorate website or the consultation documents made available by RSP. RSP forecasts that by year 20 of opening, there would be 17,171 freight ATMs per annum.
- 3.2 It is, however, clear that the proposals do not meet the thresholds to qualify as a NSIP under the 2008 Act. These thresholds are statutory and obviously important, as their

purpose is clearly to "filter out" proposals which are not properly considered to be of national importance, and for any such proposals to continue to be determined at local level, subject to the appropriate planning application and related processes.

- 3.3 This is not surprising, given entry into the 2008 Act process enables applicants to include in their application for development consent wide-ranging powers that are intended to be reserved only for projects of proper national significance. These powers are not made available to speculative development of less than national significance, which can be determined through other routes. Projects which benefit from designation as "nationally significant" are able to access these wide ranging powers, including, importantly, powers of compulsory acquisition, which are plainly to be used only as a matter of last resort, and involve significant interference with human rights; they should not be capable of being applied for under the 2008 Act unless the project clearly and properly meets the description for a NSIP. Whether the application fully satisfies the 2008 Act threshold tests for a NSIP is therefore a fundamental principle that must be thoroughly tested before the application can proceed any further and in any event on submission of any application. Of course, that is a core principle included in the acceptance process under section 55 of the 2008 Act. This is particularly so in this case given the extent of the compulsory acquisition being sought (i.e. the whole of the Site) and the speculative nature of the proposals.
- 3.4 Despite this, it is evident that the pre-application consultation materials from RSP fail to explain how RSP's proposals meet the tests to be considered a NSIP under the applicable statutory provisions (sections 14 and 23 of the 2008 Act).
- 3.5 Section 14(1)(i) prescribes airport-related development as a NSIP. Section 23 then defines what description of airport-related development falls within section 14. It is not a general inclusion of all airport-related development. Instead, it sets out three categories of development:
- (a) the construction of an airport in a case within subsection (2)
  - (b) the alteration of an airport in a case within subsection (4), or
  - (b) an increase in the permitted use of an airport in a case within subsection (7).
- 3.6 The descriptions provided by RSP make it clear that the development for which consent is sought is an **alteration** of the existing infrastructure at the Site and RSP acknowledge that the Site is a closed airport.
- 3.7 In this respect, an **alteration** of an airport proposal must meet the tests in subsection (4) of section 23 of the 2008 Act.
- 3.8 Subsection (4) requires that the airport is in England or in English waters, and the alteration is expected to have the effect specified in subsection (5).
- 3.9 Subsection (5) states that the effect is:
- "(a) to increase by at least 10 million per year the number of passengers for whom the airport is capable of providing air passenger transport services, or*
  - (b) to **increase by at least 10,000 per year the number of air transport movements of cargo aircraft for which the airport is capable of providing air cargo transport services**". (Emphasis added)*
- 3.10 The materials published by RSP to date do not demonstrate that RSP's proposals would meet either of the statutory thresholds in sub-section (5). The materials indicate that the proposal is focussed on freight and there is no suggestion that passenger

numbers will reach the required level for NSIP designation. For freight aircraft movements, the proposals must therefore have the effect of an **increase of at least 10,000 ATMs per year of cargo aircraft for which the airport is capable of providing air cargo transport services.**

- 3.11 The Statement of Community Consultation ("SoCC") at paragraph 1.2 and the Consultation feedback form describe the proposals as follows:

*"The airport would include **the ability to handle at least 10,000 air freight movements per year**, which means the project is classified as a 'Nationally Significant Infrastructure Project' by the Planning Act 2008".*

- 3.12 The SoCC goes on in section 2 to describe the existing airport, and the proposals to "secure the future of this valuable national asset by redeveloping and reopening it as a successful hub for international air freight which also offers passenger, executive travel and aircraft engineering services" (paragraph 2.1) and "RiverOak's plans to redevelop and reopen Manston as a mixed-use airport are anchored by a significant and much needed freight hub **able to handle at least 10,000 air freight movements a year**" (paragraph 2.2).

- 3.13 The same description as appears in paragraph 2.2 also appears in:

3.13.1 paragraph 1.3.1 of the Interim Consultation Report which was published in June 2017;

3.13.2 page 12 of the 2017 Consultation Overview Report; and

3.13.3 paragraph 5 of the Outline Business Case.

- 3.14 By contrast, paragraph 1.1.7 of the PEIR describes the test in different terms, and states that the development is considered to be a NSIP because it "involves an alteration to an airport that is located within England, which is expected to lead to an increase in airport capacity of at least 10,000 ATMs of cargo aircraft **than currently provided by the airport**" (our emphasis).

- 3.15 The words highlighted in bold text above are those relied upon by RSP in its PEIR. However, these words plainly do **not** appear in the 2008 Act, and this interpretation plainly does **not** appear in the explanatory notes to the 2008 Act or any published guidance.

- 3.16 To take a starting position of no ATMs is simply manifestly incorrect with reference to section 23. The clear statutory wording and intention of section 23 is to capture projects where the effect of the development proposed would be to increase the number of ATMs that the airport is **capable** of handling by at least 10,000 ATMs per year of cargo aircraft. It would be nonsense for an airport site to have to go through the 2008 Act where its capability already exists at 10,000 ATMs per year or more simply because no aircraft currently fly from that airport. It is important (and obvious) to recognise that an airport's *current* ATM figure may not be the same (and rarely is the same) as its *capability* ATM figure.

- 3.17 The present planning permission for the Site is unconstrained in relation to both annual passenger throughput and in relation to annual freight ATMs. The only restriction on the operation of an airport at the Site is a restriction contained in a section 106 agreement dated 26 September 2000 in relation to noise limitations for night time flights.

- 3.18 Notwithstanding that it is currently closed, the permitted use in planning terms of the Site remains as an "airport" and that is obviously RSP's position too, both in its

proposed DCO application consultation material and in the fact that RSP objected to change of use proposals made by SHP on the basis that the existing airport use and the airport safeguarding of the Site should not be undermined by any change of use, even a temporary one.

- 3.19 SHP's expert aviation team have considered the number of ATMs of cargo aircraft for which the Site is capable of providing air cargo transport services. At this stage, their conclusion is that the Site is capable of providing at least 21,000 ATMs per year of cargo aircraft. Given RSP's year 20 forecast is 17,171 ATMs for freight, the Site is therefore perfectly capable of accommodating RSP's proposals without the need for seeking a DCO under the 2008 Act. RSP's proposals would clearly not, therefore, lead to an increase of at least 10,000 ATMs per year of cargo aircraft as the airport at the Site can already deliver at least 21,000 ATMs. The capability to handle the RSP forecast throughput is already there and is unconstrained by any planning conditions restricting cargo ATMs. The development proposed by RSP is therefore actually about "improving facilities at the Site" whilst "operating within the existing capability of the airport". That clearly does not qualify as a NSIP and no DCO can lawfully be applied for.
- 3.20 By way of illustration, this is no difference in concept to the development that has been undertaken at the new Heathrow Terminal 2 (which was granted planning permission under the Town and Country Planning Act 1990), which improved facilities for passengers whose flights could already be accommodated within the existing planning limitations on passenger throughput and ATMs, or the recently approved new passenger terminal at Stansted (approved under the Town and Country Planning Act 1990), or changes at East Midlands Airport to aprons (also approved under the Town and Country Planning Act 1990).
- 3.21 In planning, licensing and practical terms, what would be required for anyone seeking to deliver the so-called "business plan" outlined by RSP to progress the Site as a freight focussed airport, would be simply to:
- 3.21.1 apply to the CAA for an Aerodrome Licence to be granted (under the EASA Aerodrome regulations);
  - 3.21.2 reinstate/refurbish the internal fittings of existing buildings;
  - 3.21.3 rely on the permitted development rights conferred on airport operators to make any alterations required to the cargo aprons and to reinstate approach lighting and other airport equipment;
  - 3.21.4 apply for planning permission under the Town and Country Planning Act for any required replacement cargo sheds (if any such sheds were needed); and
  - 3.21.5 obtain the necessary agreement of the site's owner to such works and operations.
- 3.22 None of this would increase the "capability" of the Site by 10,000 ATMs of cargo aircraft as the airport at the Site has more than sufficient capability to accommodate the ATMs projected in RSP's so-called "business plan". It is therefore a clear attempted misuse of the 2008 Act for RSP to claim that its proposals meet the thresholds for a NSIP.
- 3.23 In order for affected parties and the public to be able to understand the nature of the development proposed and its effects on them, it must be clear on the face of the project description whether it is or is not a project which falls within sections 14 and 23 of the 2008 Act. In addition, it is obvious that in blight terms, particularly where compulsory acquisition powers are applied for, it is crucial that proposals which do not

clearly meet the required NSIP thresholds must not be allowed to proceed under the regime. RSP's proposals clearly do not meet the required thresholds.

#### 4. ASSOCIATED DEVELOPMENT AND THE STATUTORY TESTS

- 4.1 Entirely without prejudice to the above point (i.e. that RSP's proposals clearly do not amount to a NSIP), even if it were the case that providing capacity for at least 10,000 ATMs of cargo aircraft per annum (page 3, RSP's Overview Report) at the Site did bring RSP's proposals within the scope of section 23 of the 2008 Act, there are a number of elements of the RSP proposals that could not properly be said to form part of an airport-related NSIP in any event.
- 4.2 RSP sets out its proposed description of development in paragraph 3.2 of the PEIR on page 25. Additional development not mentioned in the list on page 25 of the PEIR is identified in the Outline Business Case published by RSP with its statutory consultation.
- 4.3 Under section 115 of the 2008 Act, development consent may be granted for development which is "*development for which development consent is required*" (i.e. the NSIP) or "*associated development*." Only some of the elements of the proposed development described by RSP could be considered to be operationally part of an airport, or integral for the operation of an airport, and therefore potentially part of a NSIP (should the statutory tests for a NSIP be met, which is obviously not accepted, as above).
- 4.4 Equally, only some of the elements described by RSP could be considered to be associated development. Section 115(2) defines "associated development" as development which "*is associated with*" the development for which development consent is required (i.e. the NSIP).
- 4.5 The DCLG "*Guidance on associated development applications for major infrastructure projects*" (April 2013) sets out the core principles that the Secretary of State will use in determining whether development should be treated as associated development. The first of these principles is that there is a requirement for "*a direct relationship between associated development and the principal development. Associated development should therefore either support the construction or operation of the principal development, or help address its impacts*" (Paragraph 5(i)).
- 4.6 Principle (iii) set out in the DCLG Guidance is that "*Development should not be treated as associated development if it is only necessary as a source of additional revenue for the applicant, in order to cross-subsidise the cost of the principal development. This does not mean that the applicant cannot cross subsidise, but if part of a proposal is only necessary as a means of cross-subsidising the principal development then that part should not be treated as associated development*".
- 4.7 In the opinion of SHP's expert aviation advisors, there are a number of components of RSP's proposals that are neither a NSIP nor part of the NSIP and do not satisfy the tests on associated development. For example, the purported NSIP in this case is airport-related development that is expected to have the effect of increasing by at least 10,000 ATMs per year the number of cargo aircraft for which the airport in question is capable of providing. The RSP consultation materials provide no explanation as to how, for example, any of the below are necessary for any of the reasons given in principle (i) of the DCLG Guidance described above:
  - 4.7.1 a "museum quarter";
  - 4.7.2 the creation of an "aircraft teardown and recycling facility";



- 4.7.3 a "flight training school";
- 4.7.4 a "fixed base operation for executive travel"; and
- 4.7.5 "business facilities for aviation related organisations".

On the face of the consultation materials, these facilities are required by RSP in order to provide early revenue streams and to subsidise the capital costs of the core airport proposal (the freight operations). As such, they are "only necessary" to cross subsidise and thus cannot be validly considered to be associated development. They are speculative uses necessary only to try and prop up what is in reality a commercially unviable scheme.

- 4.8 Indeed, RIC's Scoping Report described these facilities as being merely "*to complement*" freight services (paragraph 2.1.8 of the Scoping Report). However, associated development cannot be promoted (with accompanying powers of compulsory acquisition) for proposals which are not required to support construction or operation of the principal development (the development which meets the NSIP threshold). Merely "nice to have" or "complementary" proposals such as these do not justify inclusion in a statutory order with draconian compulsory acquisition powers. The Annex to the DCLG Guidance listing examples of the types of associated development that may be expected for an airport-related development lists only "*Freight distribution centre, including freight forwarding and temporary storage facilities*". RSP's proposals go far beyond what the 2008 Act regime was intended to cover as associated development, and include no justification beyond being necessary to create the asserted financial viability.
- 4.9 It should be clear to consultees which components of the proposal are considered to be part of the NSIP (noting above that SHP considers that RSP has not demonstrated that its proposals meet the thresholds for NSIP status), and which are associated development. Where they are proposed to be associated development, it must be made clear how those elements meet the definition set out in section 115 of the 2008 Act.
- 4.10 These are matters which require resolution now, at the pre-application stage, given the blighting effect on land included for such uses for intended compulsory acquisition. The inclusion of these uses is not justified for a project which not only fails to meet the thresholds in section 23, but also fails to demonstrate how the requirements of section 115 and the related guidance are met for the elements claimed as associated development.

## 5. THE IDENTITY OF THE APPLICANT

- 5.1 The pre-application materials are unclear as to the identity of the applicant. This is material at this stage in the process for the reasons set out above and later in this letter.
- 5.2 The "*upgrade and re-opening of Manston Airport primarily as a cargo airport, with some passenger services, with a capacity of at least 12,000 air cargo movements per year*" was originally notified to the Planning Inspectorate as a potential NSIP by RIC, a company incorporated and registered in the USA. It was RIC that submitted the request for a scoping opinion pursuant to the Infrastructure Planning (Environmental Impact Assessment) Regulations 2009, and carried out the first public consultation on the proposal to upgrade and re-open Manston Airport. Throughout the public consultation materials published in 2016, RIC was described as "RiverOak".
- 5.3 However, the current promoter and applicant of the proposal to upgrade and re-open Manston Airport is an unconnected company, RSP, which was incorporated in

England and Wales on 8 July 2016 with Anthony Freudmann listed as the sole director and shareholder on Companies House records. The total issued share capital of RSP has a value of £1 (as evidenced by the confirmation statement filed at Companies House on 23 March 2017). The company's recent incorporation means it has no filed accounts.

5.4 The current shareholders of RSP are listed at Companies House as being RiverOak Manston Limited and M.I.O Investments Limited. Anthony Freudmann was no longer a direct shareholder with effect from 15 December 2016.

5.4.1 **M.I.O Investments Limited** is a company registered in the Commonwealth territory of Belize. The RSP website states that this company "*was established by our investors as a specific funding vehicle for their financial interests in the Manston Project, which is standard practice*". However, by being registered in Belize, there is no information in the public domain regarding the ownership of this company, or its financial standing.

5.4.2 **RiverOak Manston Limited** is a company registered in England and Wales which was also incorporated in July 2016. As with RSP, there are no filed accounts, as it is a recently established company. Its issued share capital is reported to be owned by **Anthony Freudmann, Niall Lawlor and GY Manston LLC**. GY Manston LLC is a company incorporated in the USA, registered in Delaware. The financial standing of the individuals is not known and the foreign incorporation of GY Manston LLC again means no information is in the public domain about the company or its financial means.

5.4.3 Only M.I.O Investments is mentioned on RSP's website, and no substantial information is given. Statements on RSP's website (see **Enclosure 3**) appear to suggest that anonymous investors channelling undisclosed amounts of funding through a Belize registered company is "*standard practice*" for the promotion and operation of an airport, a statement which cannot be substantiated and does not in any event address the applicant's responsibility for transparency when threatening the use of powers of compulsory acquisition regarding how the project costs, land acquisition costs and blight costs are to be met.

5.4.4 An applicant that is seeking to promote a supposedly nationally significant freight airport clearly needs to substantiate that it has sufficient financial standing to fund the costs of:

- (a) the application process (including challenges);
- (b) compulsory land acquisition costs and compensation and proceedings (including challenges);
- (c) blight (including noise, air quality and property depreciation blight) caused by airport operations as well as blight affecting the SHP development proposals;
- (d) required impact mitigation for the construction and operational phases of the proposed development;
- (e) construction of the proposed development;
- (f) licensing of the proposed development and predicted/claimed operations; and

- (g) operational requirements in connection with the proposed development and predicted/claimed operations.
- 5.4.5 In this case, it is also of especial importance given the applicant is seeking the wholesale compulsory acquisition of a site totalling 296 ha which is being promoted by its landowner and experienced developers for a major new settlement with hundreds of millions of pounds of investment planned.
- 5.4.6 The applicant must be held to account in terms of financial transparency and robustness in relation to all these areas. Please also refer to section 8 below.
- 5.5 It is clear following detailed examination that there is no connection between the original promoting entity and applicant, incorporated in the USA, and the new promoting entity and applicant, incorporated in England and Wales. This fact was not made clear. Indeed, our client only found out that RSP had been established and, we understand, acquired all rights and interests in the work paid for to date by RIC in the project through a planning application appeal process unconnected to this matter. Only when that occurred did RSP confirm that they were the new applicant (see press release dated 14 March 2017 at **Enclosure 3**). The press release states that RSP purchased from RIC all of RIC's interests in the development of the project. RIC's press release on 24 March 2017 (again in **Enclosure 4**) states that RSP "*is not affiliated with RiverOak Investment Corp., LLC,*" and confirmed that it will have no ongoing involvement in the project, stating that the re-opening of Manston Airport "*will be operated, owned and managed completely independently of RiverOak Investment Corp., LLC*".
- 5.6 RSP's solicitors, Bircham Dyson Bell (who previously also acted for RIC) only confirmed the change of applicant in a letter dated 30 March 2017, stating that RIC's exit from the project had taken place under an agreement dated 15 December 2016 (over three months earlier). In the meantime, RSP had purported to take entry to land under powers granted to RIC on 16 December 2016, claiming to be authorised to do so. In fact, RIC had not given any authority for RSP to enter land under the section 53 licence granted to RIC, and sent an email to SHP's solicitors which confirmed only that RIC was no longer involved in the project (also dated 30 March 2017).
- 5.7 The Planning Inspectorate confirmed in a letter dated 27 March 2017 that the section 53 authorisation granted was to RIC as a legal entity in its own right and not to RSP. RSP then proceeded to submit a new application to the Planning Inspectorate for authorisation to enter land, clearly acknowledging that the identity of the applicant was material.
- 5.8 In the same way that RSP failed to make clear that there had been a change of applicant in seeking to rely on section 53 access rights, the pre-application consultation materials do not clearly explain that there has been a change in the promoting entity. Pre-application advice recorded on PINs' website dated 8 March 2017 states "*If the Applicant for Manston Airport chooses to report on its non-statutory consultation in the CR submitted with an application, it would be reasonable to expect any change in name to be explained and for the steps the Applicant took to clarify the change to consultees to be summarised*". The change here is clearly much more significant than a change of name (as presented in the advice) – it is in fact a change of legal entity. In this case RSP is a different legal company and in fact registered in a different continent. No clarificatory statement or explanation was included in the consultation materials. No explanation has been given to consultees.
- 5.9 Instead, the promoted statutory consultation undertaken in 2017 is cryptic and unclear as to the identity of the promoter and applicant, and as to which entity has undertaken which parts of the project development. The consultation materials use the term

"RiverOak" to refer both to RSP and to the original promoter, who has no ongoing involvement in the project. See for example:

- 5.9.1 Page 12 of the Consultation Overview, where the current promoter, RSP is referred to as "RiverOak".
  - 5.9.2 Paragraph 1.1.3 of the Interim Consultation Report, in which RSP is referred to as "RiverOak", which states that the previous 2016 consultation was carried out by "RiverOak". However, it was, in fact, not carried out by the current promoter and applicant, RSP, but by RIC, a different entity altogether.
  - 5.9.3 The materials do not give the full company name, or number of RSP, making it very difficult for consultees to discern that a change of entity (as opposed to just a change of name of the same entity) has occurred.
- 5.10 Clarity on the identity of the promoting entity and applicant is much more than an administrative matter – it is clearly material to the pre-application processes including those relating to access to land, pre-application consultation, environmental impact assessment and the proposals for compulsory acquisition. It is also material generally as to the financial standing of the promoter and their ability to deliver and fund the costs and compensation of their proposals. The landowner of the Site (whose land is threatened by compulsory acquisition), other stakeholders and members of the public need to be able to clearly understand who the applicant is and the financial position of that applicant for all the reasons set out above. There is clear prejudice arising.

6. **ATTEMPT TO UNLAWFULLY CIRCUMVENT THE INFRASTRUCTURE PLANNING (ENVIRONMENTAL IMPACT ASSESSMENT) REGULATIONS 2017**

- 6.1 It is clear from the information provided to date that the proposed development (if it was considered to meet the NSIP thresholds, which is clearly not the case as set out above), requires Environmental Impact Assessment ("EIA"). Projects seeking consent under the 2008 Act must carry out an assessment in accordance with the current regulations, which are the Infrastructure Planning (Environmental Impact Assessment) Regulations 2017 (the "**2017 Regulations**"). These 2017 Regulations were enacted to implement material changes to the consultation and publicity for EIA development, to the nature of the information to be contained in a PEIR and in an Environmental Statement compared to the previous Infrastructure Planning (Environmental Impact Assessment) Regulations 2009 (the "**2009 Regulations**"). Applicants must comply with these 2017 Regulations unless they fall within the specified transitional arrangements in Regulation 37.

- 6.2 Regulation 37 states that the earlier 2009 Regulations continue to apply where, before the commencement of the 2017 Regulations (on 16 May 2017):

*"(a) the applicant has –*

*(ii) requested the Secretary of State or the relevant authority to adopt a scoping opinion (as defined in the 2009 Regulations) in respect of the development to which the application relates;" (our emphasis)*

- 6.3 The proposed application by RSP clearly does not fall within those transitional arrangements, as **the applicant**, RSP, did not seek a screening or scoping opinion on the project prior to 16 May 2017. Instead, the applicant is claiming that it may rely upon a scoping opinion sought by RIC, (which, as described above, is a separate and unconnected company which no longer has any interest in promoting a re-opened airport at the Site). A scoping opinion sought by another party does not satisfy the

requirement for **the applicant** to have sought an opinion to come within the transitional arrangements.

- 6.4 The transitional provisions are very clear that it is **the applicant** which must have sought the scoping opinion. This wording is clear and deliberate (see further below). As such, the applicant is obliged to comply with the current 2017 Regulations. RSP has not done so during its consultation carried out in June 2017.
- 6.5 This point is clearly a material one, as EIA is a process which includes not only the written Environmental Statement submitted with the final application for a DCO, but also (as defined in regulation 5) "*the carrying out of any consultation, publication and notification required under these [2017] regulations*". Ensuring that it is the applicant who submits the application who has undertaken the whole of the (correct) EIA process throughout ensures consistency in the EIA process which is fundamental to the front-loading of any NSIP application. The processes summarised below are a fundamental part of the EIA process under the Directive and the implementing regulations, and must be carried out on the correct legal basis:
- 6.5.1 Consultation on and publication of a SoCC, under section 47 of the 2008 Act and Regulation 12 of the 2017 Regulations – RSP has not complied with Regulation 12 under the 2017 Regulations;
- 6.5.2 Regulation 8 notice – this requires "*A person who proposes to make an application for an order granting development consent*" before carrying out consultation under section 42 of the 2008 Act "*to notify the Secretary of State that **the person** proposes to provide an environmental statement in respect of that development*" (our emphasis). The identity of the applicant is material here – it is not something which can be done by another party. RSP has not complied with Regulation 8 under the 2017 Regulations;
- 6.5.3 Section 48 of the 2008 Act (Duty to Publicise) and Regulation 13 of the 2017 Regulations (**the applicant** must send copies of the section 48 notice to the prescribed consultation bodies). RSP has not complied with Regulation 13 of the 2017 Regulations;
- 6.5.4 Preliminary Environmental Information required in Regulation 12 of the 2017 Regulations, which must contain information which has been "*compiled by **the applicant**; and is reasonably required for the consultation bodies to develop an informed view of the likely significant environmental effects of the development and of any associated development*" (our emphasis) (the comparable definition of preliminary environmental information was materially different in the 2009 Regulations). RSP has not complied with Regulation 12 of the 2017 Regulations; and
- 6.5.5 The content of the final Environmental Statement, as set out in Regulation 14 and Regulation 5 of the 2017 Regulations (again, the scope of what was prescribed as the content of an Environmental Statement was materially different in the 2009 Regulations). RSP's PEIR did not contain preliminary information on the areas set out in Regulation 14 and Regulation 5 of the 2017 Regulations.
- 6.6 The purpose of the 2017 Regulations was to implement the changes introduced in the EIA Directive to improve the quality of information available to the consultation bodies during the pre-application stage, to the decision maker once an application is submitted, and to the public to aid public engagement in decision making. In seeking to rely upon transitional provisions which are not available to RSP as applicant, RSP is seeking to circumvent the proper application of the Directive and the 2017

Regulations. In short, RSP became the applicant too late to be able to rely on the 2009 Regulations.

- 6.7 As set out above, RSP is required to comply with the current 2017 Regulations unless the transitional provisions in Regulation 37 apply, which they do not. It is prejudicial to SHP and to other affected parties that RSP has not complied with the 2017 Regulations.
- 6.8 Identifying the correct regulations which apply to the proposed application by RSP is not simply a procedural point – it goes materially to defining the nature of the information to be provided at each stage of the process. This is not a matter which is capable of being rectified post-submission – it is a substantive point which informs the information which consultees are entitled to receive to be able to form "*an informed view of the likely significant environmental effects of the development and any associated development*".
- 6.9 A summary of the key points of difference is as follows:
- 6.9.1 revised definition of EIA process (Regulation 5);
  - 6.9.2 revised definition of an ES (in Regulation 14);
  - 6.9.3 revised definition of PEIR (in Regulation 12);
  - 6.9.4 new requirement for environmental information to be prepared by "competent experts" and for a statement of competence to be given (Regulation 14(4));
  - 6.9.5 new requirement for an Environmental Statement to be based upon the most recent scoping opinion adopted (in Regulation 14);
  - 6.9.6 a longer minimum consultation period of 30 days (Regulation 9 Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009 and Regulations 19 / 20 / 22 / 24 of the 2017 Regulations);
  - 6.9.7 changes to the prescribed content of an EIA in Schedule 4:
    - (a) a longer list of matters that the EIA must consider, including additionally population, human health, and climate (for example greenhouse gas emissions, impacts relevant to adaptation);
    - (b) description of the **reasonable alternatives** studied by the applicant, which are relevant to the proposed development and its specific characteristics, and an indication of the main reasons for the option chosen, taking into account the effects of the development on the environment...;
    - (c) Regulation 21 and Schedule 4 Paragraph 7 require a consideration of appropriate **monitoring measures**, and for an EIA to include a full description of monitoring arrangements proposed;
    - (d) Regulation 5(4) and Schedule 4 Paragraph 8 require the EIA to provide information on the expected significant effects arising from the **vulnerability of the proposed development to major accidents or disasters** that are relevant to that development.
- 6.10 The PEIR prepared by RSP and published with its purported statutory consultation in 2017 does not comply with these requirements, and does not allow consultees to have

an informed view of the likely significant environmental effects of the project in accordance with the 2017 Regulations. The EIA consultation and publicity processes have therefore been carried out in a deficient manner and not in accordance with the requirements of the 2017 Regulations.

- 6.11 If an application was to be submitted by RSP in reliance on consultation undertaken to date, the requirements of Chapter 2 of Part 5 to the 2008 Act would also not have been complied with. Should an application be submitted, it would fail the test under section 55(3)(e) of the 2008 Act when the Secretary of State would need to decide whether to accept the application. The application would also not be of a satisfactory standard as the Environmental Statement would have been prepared under the incorrect EIA Regulations, therefore the application would fail the test under section 55(3)(f) of the 2008 Act.
- 6.12 Allowing an application to proceed to submission when it has clearly failed to comply with the correct pre-application consultation requirements for the EIA process would be highly prejudicial, and would make a mockery of the integrity of both the EIA and the acceptance process as part of the 2008 Act. Should the application be accepted without the correct process being followed, there would be no immediate opportunity for SHP or others to seek judicial review of that acceptance decision, forcing SHP and others to expend very significant sums of money having to engage with an inappropriate Examination process, including preparation and submission of relevant representations, preparation of legal and other submissions at the Preliminary Meeting, written representations, attendance at hearings and compulsory acquisition hearings. This is highly prejudicial.
- 6.13 The applicant would need to prepare a compliant PEIR and consult on it correctly under the 2017 Regulations before any application could proceed to be considered for acceptance. This is necessary to allow those affected sufficient information to understand the proposals and the likely significant environmental effects in accordance with the 2017 Regulations.
- 6.14 Section 7 below considers the inadequacy of the content of the PEIR. The costs implications are set out in Section 9.

## 7. INADEQUACY OF CONSULTATION

- 7.1 The promoted statutory consultation carried out in relation to RSP's proposed application has clearly been inadequate, and the consultation has not enabled informed, meaningful engagement from the community and affected landowners due to the absence of appropriately detailed information and clarity as to the precise nature of what is being proposed and the likely significant and other environmental effects as a result.
- 7.2 **Inadequacies with the statement of community consultation:** The statutory consultation was required to be carried out in accordance with the SoCC. However, the SoCC is clearly inadequate, as supported by TDC's response on the draft SoCC dated 9 March 2017, and the way in which a great number of TDC's comments have been disregarded or ignored by RSP. It is clear TDC was very concerned about the draft SoCC and raised points highlighting various deficiencies, which have been simply ignored by RSP. SHP shares these concerns.
- 7.3 **Insufficient detail to allow for meaningful consultation:** It is clear that TDC has significant concerns in relation to the inadequacy of consultation. TDC raised concerns about the lack of information available regarding details of the RSP proposals, and that the level of information available may not allow meaningful comment by the local community. As we have set out elsewhere in this letter, SHP's team of highly qualified and experienced expert consultants is not clear from RSP's consultation documents

as to what is actually proposed with respect to the development and consider it is clearly not a NSIP, and therefore is ineligible to be assessed under the 2008 Act. If experienced expert consultants with a huge amount of expertise in the aviation industry cannot adequately decipher RSP's proposals, then members of the public cannot be reasonably expected to do so. This serves to highlight the inadequacy of the information available on consultation; it is abundantly clear that a proper opportunity for meaningful consultation on sufficiently clear and eligible proposals has not been afforded to the community and others whose interests may be affected by RSP's proposals if they were to proceed. PINS will no doubt be aware of the confusion and dissatisfaction surrounding the consultation carried out by RSP, based on the volume of section 51 correspondence it has received from members of the community.

- 7.4 **Deficiencies with the PEIR:** It is clear that the statutory consultation carried out on the preliminary environmental information was both flawed and premature, and that further consultation would be needed in order to rectify the identified failures and inadequacies, and to ensure that there is a proper opportunity for meaningful engagement. Not least, RSP has not complied with the 2017 Regulations which it must do for the reasons expressed in section 6 above.
- 7.5 Under the 2009 Regulations, a PEIR must contain such information as is "*reasonably required to assess the environmental effects of the development (and of any associated development)*." Under the 2017 Regulations, a PEIR must contain such information that is "*reasonably required for the consultation bodies to develop an informed view of the likely significant environmental effects of the development (and of any associated development)*."
- 7.6 The 2017 Regulations, inter alia, put into legislation the requirement of Advice Note Seven.<sup>2</sup> For example, paragraph 2.4 of Advice Note Seven states that "*[A] good PEI document is one that enables consultees (both specialist and non-specialist) to understand the likely environmental effects of the proposed developments and helps to inform their consultation response.*"
- 7.7 SHP's expert consultants have reviewed the PEIR. The view of the professional team is that the PEIR information in relation to the likely significant environmental effects of the proposals is not such as to enable consultees to provide a properly informed view of RSP's proposals. For example, on a non-exhaustive basis:
- 7.7.1 **Transport** – the transport chapter has a deficient methodology, is missing key information and is incomplete. For example, despite RSP's proposals being for a freight air cargo hub, there is no trip generation for the operational phase of the development. Without such information, no-one can identify the likely transport impacts and whether any off-site mitigation measures are required and, if so, how they will be secured. It is therefore not possible to draw any conclusions regarding the likely significant or other impacts of RSP's proposals on the transport network;
- 7.7.2 **Air Quality** - the PEIR accepts that no transport data is available upon which to base an assessment for the operational phase of air quality effects. Consequently, many of the reported significance levels may in fact become significant impacts and need further mitigation. It is also evident that there is an absence of details to inform the extent of the likely aircraft operational effects on air quality. Accordingly, consultees can have no confidence over the content of the air quality chapter. If the significance increases, then consultees should be made aware of that increase before any application is submitted as it could change people's views;

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<sup>2</sup> Environmental Impact Assessment: Preliminary Environmental Information, Screening and Scoping., March 2015



- 7.7.3 **Noise and vibration** - in the absence of traffic data for the operational phase of the proposals, together with an absence of details to inform the extent of the project study area for noise and vibration, the likely significant and other effects are largely unknown with results being subject to change;
- 7.7.4 **Ecology** – the PEIR follows just a threadbare generic approach to the delivery of construction works and operation. Conclusions are premature and inadequately evidenced, especially in the absence of traffic data;
- 7.7.5 **Health impacts** - the PEIR does not provide a Health Impact Assessment but states that the potential for significant effects of the proposals on public health is considered within the air quality and noise technical chapters. However, in the absence of fundamental data, the effects on public health remain an issue that would clearly need to be considered further in order for consultees to understand the potential impacts. Note that this is one of the key differences between the 2009 Regulations and the 2017 Regulations. This is an example of how failure to comply with the relevant legislation cannot be "swept under the carpet" at the acceptance stage;
- 7.7.6 **Loss of housing** - there is no assessment of the impact on the housing market of the loss of the emerging Local Plan's largest strategic site for new housing. RSP's proposals would result in a loss of the *at least* 2,500 homes allocated in the emerging Local Plan with the Site's overall potential of between around 3,500 to 4,000 homes. The impact of that loss, for example the extent to which alternative sites on greenfield land would be required to be made available to meet the housing supply demands, and the resultant likely significant environmental effects of that, have not been assessed. Consultees need to be informed that the result of RSP's proposals would be this loss of this proposed housing allocation, the further housing capacity of the Site and the consequential effects in the identification and development of alternative housing sites and the likely significant effects of that. In addition, there is no discussion of the impact on the housing market of RSP's projected employment figures, a point raised by TDC but ignored by the applicant.
- 7.8 These are glaring omissions that need to be filled in order to provide consultees with an ability to properly understand the proposals and what the likely significant and other impacts are so that they can come to a properly informed view about the proposals.
- 7.9 **Lack of detail about mitigation and compensation schemes for Category 3 persons:** Given the "generic" approach of the PEIR and the absences of key data, the Planning Inspectorate must interrogate precisely how RSP has identified its Category 3 list of persons. For a proposal of this nature, which presents itself as a significant airport-related development, the methodology applied clearly needs to be particularly transparent and the Planning Inspectorate must ensure that it is clearly set out, explained and tested prior to any submission. Any doubt over the approach must then result in a refusal to accept any application on the grounds of an inadequate consultation under section 42 of the 2008 Act.
- 7.10 We also note that TDC raised significant concerns that the ramifications on the local community would not be objectively outlined in the statutory consultation, and the absence of detail in relation to any property mitigation and compensation scheme is further evidence of this.
- 7.11 It is completely unclear what, if any, actions have been taken by RSP with respect to any property blight scheme and compensation for those affected, particularly by noise, air quality and property depreciation. RSP's proposals, if they ever proceeded, would be likely to cause a significant detrimental impact not just on SHP's land and the

immediate surrounding area, but also on a wider area of many surrounding properties over large distances, including with daytime and night-time flights, as well as surface transport congestion (note the PEIR is so threadbare it is impossible to gauge the extent of the likely and other potential impacts). The consultation does not set out any property blight scheme details including the extent and calculation of anticipated compensation.

- 7.12 The Overview Report, as part of the consultation documents, simply makes a passing reference to a "Noise Mitigation Strategy" that will be implemented and states that an "aircraft noise insulation scheme" will be offered. The Overview Report states that details of this insulation scheme are being developed and will be subject to a separate consultation (Section 7.0 of the Overview Report). There is no further detail provided than this, including nothing in relation to how such a scheme will be funded and to what extent. We can find no evidence of this "separate consultation". If RSP intends to submit their application by Q4 2017, then that would clearly give no time for any meaningful consultation to be carried out on such an important scheme component which would materially affect homes and businesses and to be properly taken into account in any application. If RSP was to seek to submit an application without carrying out the consultation, then that would clearly be a procedural and substantive defect and there would be a breach of legitimate expectation in relation to the promised separate consultation.

## 8. FAILURE TO COMPLY WITH COMPULSORY ACQUISITION LEGISLATIVE AND GUIDANCE REQUIREMENTS

- 8.1 So far as an application for the grant of compulsory acquisition powers is concerned, the Planning Inspectorate must be satisfied that the requirements of section 55 of the 2008 Act and any Guidance issued thereunder must have been complied with before any application is made.
- 8.2 In relation to compulsory acquisition powers, the *Guidance related to procedures for the compulsory acquisition of land* states at paragraph 21 that before an application is made an applicant must comply with the requirements of Chapter 2 of Part 5 of the Planning Act 2008. Further, paragraph 25 states that applicants should as a general rule seek to acquire land by agreement, and authority to acquire land compulsorily should only be sought as part of a DCO if attempts to acquire by agreement fail (the only exception to the rule relates to linear schemes, which is not relevant here).
- 8.3 There have been no attempts by RSP to acquire by agreement or otherwise deliver the proposals by agreement with the owners of the Site. Accordingly, the requirements of section 55 and related Guidance have not been met and any application which seeks compulsory acquisition powers is manifestly premature.
- 8.4 **Availability of powers:** outside of the 2008 Act, compulsory acquisition powers are obviously not usually available for commercial companies. In this instance, RSP relies entirely upon its claim that its project is a NSIP in order to avail itself of compulsory acquisition powers, and the ability to seek authorisation for rights of entry to land. For the reasons set out in section 3 above, however, the proposals are not a NSIP and, as such, RSP cannot legitimately seek powers of compulsory acquisition. Given in particular the blight issues that arise with proposals where compulsory acquisition powers are sought, this is a matter of utmost importance to be resolved at this stage (and should have been resolved already).
- 8.5 **No demonstration of compulsory acquisition as a last resort:** as set out above, compulsory acquisition powers are available only as a measure of last resort, requiring applicants to make meaningful attempts to acquire the interests they seek voluntarily by negotiation or otherwise deliver their proposals with the agreement of the owners of

the Site. That should include a consideration of alternatives in terms of site location, site operations and site layout / related land required.

- 8.6 SHP acquired the Site in 2014, after it was closed by its previous owners. Following closure of the airport, TDC therefore embarked on a process to try to find an indemnity partner (which included detailed consideration of the former applicant, RIC) in order to potentially compulsorily acquire the Site or acquire it by agreement and re-commence airport operations. However, despite such a process, the Council's cabinet decided on two occasions, most recently in October 2015, to take no further action to progress a compulsory purchase order of the Site as there was no credible indemnity partner who could demonstrate a viable and deliverable plan for airport operations to re-commence on the Site. Part of its decision in October 2015 was that RIC did not fulfil the requirements of the Council for a suitable indemnity partner.
- 8.7 No offers from RSP to acquire the Site by agreement or otherwise deliver the RSP proposals by agreement with the Site's owners have been received by SHP. RIC, the previous applicant, made an approach in June 2016 but RSP has made no formal attempts to negotiate.
- 8.8 RSP, the current applicant, has plainly not, therefore, used its best or any reasonable efforts to acquire the Site by agreement or otherwise deliver the RSP proposals by agreement with the Site's owners involving any alternatives to outright acquisition of the land; compulsory acquisition plainly therefore cannot be seen as a measure of last resort.
- 8.9 In the compulsory acquisition powers context, or otherwise, RSP has not demonstrated a commercially viable airport proposition, or evidence that its shareholders are willing to subsidise an unviable, loss making operation. The three previous commercial owners of Manston were all unable to run the airport without sustaining major ongoing losses. Furthermore, the advice of our client's set of expert aviation advisers (i.e. York Aviation - whose work is cited by RSP in their consultation materials as evidence to demonstrate need and viability for a cargo hub at Manston, Altitude Advisory and Oxera) as well as the Local Planning Authority's own evidence base for its emerging Local Plan, including a report prepared by aviation consultants, AviaSolutions, all concur that the Site is not viable as an airport and has no credible prospect of being viable. On the other hand, RSP is relying on the advice of an "aviation academic" whose experience of advising on any commercial airport operations is unknown, and who previously worked with Anthony Freudmann as part of a company who used to own Manston Airport but did not make a success of it. SHP has developed a masterplan for the Site, has progressed a significant planning application over a large part of the site, is preparing further applications and has emerging Local Plan support. In contrast, RSP's airport proposals are entirely speculative, not supported by the emerging Local Plan, the emerging Local Plan's evidence base or by any national policy.
- 8.10 **Inadequate justification of extent of land acquisition proposed and inadequate consideration of alternatives:** there has been no justification of the extent of the land proposed to be included in the limits of land sought to be acquired. There is very little explanation of what uses are to be sited on relevant parcels of the land and the rationale for that, and there is wholly inadequate consideration of the alternatives in both the compulsory acquisition and wider contexts. RSP has not demonstrated that it has made any attempt to reduce the extent of the land required to the minimum required - it has simply drawn a line around the whole of SHP's interests without any justification, rather than explaining the minimum land requirements. In the compulsory acquisition and other contexts, that is clearly inadequate.
- 8.11 As explained in section 4 above, it is unclear as to why all of the development that RSP is proposing is required and, therefore, why all of the land is required. Indeed,

SHP's aviation experts consider that, from what is discernible about the proposals, only a much reduced land area would be needed to carry out the proposals (though the ATM forecasts cited by RSP are not accepted by SHP as being realistic or achievable). The Inspectorate must require RSP to explain and justify why it needs the extent of land it is proposing. This is a glaring absence from all materials presented in the promoted statutory consultation.

- 8.12 **Extent of land for associated development:** However, RSP's aspirations for Manston go far beyond what is a NSIP airport development and incorporate significant amounts of commercial development which is only necessary to provide financial cross subsidy to an airport proposal which is not viable. RSP cannot legitimately seek compulsory acquisition powers for land to host development which is neither NSIP nor associated development.
- 8.13 **Lack of applicant credible financial standing:** The lack of credible financial standing of RSP is also a highly material concern. As identified in section 5 above in relation to the identity of the applicant, there is no evidence that RSP is of adequate financial standing to meet the financial tests necessary for a promoter to be granted powers of compulsory acquisition, let alone deliver the proposals. RSP is an independent stand-alone special purpose vehicle, incorporated in July 2016 with no trading history and no evidenced assets or ability to leverage the finance required to fund the cost of a NSIP application, land acquisition, construction and operational costs and compensation matters set out in paragraph 5.4.4 of this letter above.
- 8.14 The ultimate shareholders for RSP are individuals or foreign registered companies in jurisdictions where the level of information available to the public is extremely limited. In the event that RSP was to liquidate or otherwise failed to meet its liabilities in relation to the costs and compensation requirements referred to above, absent robust security as to costs and compensation, there is a risk that the corporate veil (given that RSP is an independent legal SPV entity) may apply and affected parties would have no recourse against any other company or individual. RSP has already behaved improperly towards SHP and others in failing to disclose the change in identity of the promoter, and in seeking improperly to rely upon section 53 authorisations which were not granted to RSP. It is also pertinent that RIC, a company with a longer trading history and more substantial reported assets than RSP, failed to convince TDC that it was of sufficient financial standing for the Council to accept a CPO indemnity to purchase the land to try and keep the airport open. It is manifestly inappropriate for an entity such as RSP, with no track record, no land interests and no evidence of adequate funding to be allowed to continue to blight land and continue to threaten compulsory acquisition, especially when the Site is a highly material strategic housing allocation, in the context of an urgent national, regional and local need for the acceleration of housing delivery and the Government's clear commitment to increase the delivery of housing as set out in the Housing White Paper.
- 8.15 **Land compensation:** No assessment has been made or information provided as to RSP's estimate of the extent of the land acquisition costs. There are bold assertions that RSP has the ability to meet the costs, but no demonstration of how this would be done. In previous negotiations, RIC significantly undervalued the Site and no realistic offers for the purchase of the land reflecting the value that would have to be paid under the Compensation Code were made. RSP has not made any offers.
- 8.16 **Blight and Category 3 persons:** In addition to being able to meet the land acquisition costs of the Site, RSP must also be able to demonstrate that it is of sufficient standing to meet the wider blight costs of the scheme including provision for dealing with any statutory as well as area wide blight. The effects of blight on the area are already being felt in relation to SHP's scheme as well as wider area blight concerns as a result of RSP's proposals.

- 8.17 As identified in section 7 on inadequacy of consultation, as there are such significant gaps in the information provided by RSP this, in turn, casts serious doubt over how RSP can have properly and comprehensively identified affected parties who could fall within Category 3 of section 44 of the 2008 Act. RSP's financial standing must be sufficiently robustly evidenced such that, in addition to the compensation costs for land acquisition and extinguishment of rights over the Site, the costs of meeting Category 3 claims can also be fully met.
- 8.18 **Noise mitigation and insulation schemes:** RSP has not offered or consulted on any noise mitigation or insulation schemes, which is highly unusual in relation to any supposedly nationally significant infrastructure airport project. A host of airports obviously have extensive noise mitigation and insulation schemes for private homes and public buildings and sensitive uses such as schools and hospitals. The lack of assessment and mitigation in this respect is indicative of the applicant's threadbare approach to the proposals. Indeed, the draft Airports NPS, which is an "*an important and relevant consideration in respect of applications for new runway capacity and other airport infrastructure in London and the South East of England*" (paragraph 1.10) makes it clear that in the context of expansion at other UK airports, there is an expectation that "*People are entitled to know what steps will be taken to help protect them against aircraft noise and, where appropriate, to help them to move house.*" (Paragraph 5.233). RSP has failed to provide any information on the costs of meeting the legitimate claims of affected neighbouring properties affected by noise.
- 8.19 **Costs of construction:** In addition to the compulsory acquisition costs, as set out above, there must also be a reasonable prospect that RSP can meet the likely costs of constructing the project, and that once constructed it will be capable of viable sustainable operation. Land should clearly not be acquired by compulsion for "white elephant" schemes, which have no genuine or credible prospects of long term operation. There is clear evidence from SHP's three expert aviation consultants, and from AviaSolutions (appointed by TDC and reporting as part of the local plan evidence base), that the long term operation of Manston airport is simply not a viable proposition. The application simply cannot proceed on any credible basis.
- 8.20 **Meeting costs awards:** It is also vital that RSP should be of sufficient financial standing to be able to meet any potential costs awards to those affected parties, such as SHP, forced to expend significant sums defending their interests against RSP's proposals in the event that their objections succeed. Please see section 9 below for more detail in relation to the costs position of SHP in respect of this proposed application.
- 8.21 **Security for compensation, blight and wasted costs:** RSP's proposals are blighting land now. There is no confidence or evidence that this company has the financial standing to complete the DCO examination process, let alone meet the host of other costs and compensation costs, which will run into tens of millions of pounds plus. RSP must credibly demonstrate the requisite funds to meet those costs and compensation. RSP has simply not done this. Instead, RSP's shareholders are companies in jurisdictions where there is an opaque public recording system. Therefore SHP, and indeed the wider public and the Planning Inspectorate, have manifestly insufficient idea about RSP's standing or where the funds would come from to meet its liabilities (see section 9 further below).
- 8.22 As well as evidence of sufficient financial standing of the applicant being required generally, in light of the above, it is clear that an Escrow account needs to be established now which needs to include the full amount of, at the very least, a robust estimate of the compulsory acquisition costs and compensation, blight compensation (not just for SHP but for affected Category 3 persons) and for an appropriate noise mitigation and insulation scheme. Appropriate security as to costs also needs to be provided in an Escrow account, as set out in section 9 below.

## 9. COSTS

9.1 Given the above, it is clear our client, SHP, is being forced to expend significant costs in dealing with a manifestly inappropriate and deficient application (which should never have been made or been allowed to progress from the beginning) and is prejudiced by RSP's attempt to inappropriately take advantage of the NSIP procedure, in reality simply as a device to try and compulsorily acquire SHP's land after TDC refused to do so. To defend its interests against the DCO proposals and compulsory acquisition of its land, SHP has, and will continue to have to, incur significant costs unless the proposals to submit an application are immediately withdrawn, which is what should now happen.

9.2 As we discussed in our meeting with you, we formally put both RSP and the Secretary of State on notice that our client will pursue all necessary avenues to defend its interests and will be seeking to recover all of its costs incurred in the entire DCO process, including costs to date, plus compensation for consequential losses. Should the DCO application progress and be accepted and proceed to Examination, our client will be forced to incur further significant costs of defending its interests throughout. The intention is to include in a costs claim the following bases:

9.2.1 **Section 53** - Unrecovered costs from having to deal with requests under section 53 of the 2008 Act.

9.2.2 **Costs of defending compulsory acquisition of land** - If SHP was successful in objecting to RSP's request for the inclusion of compulsory acquisition powers in the DCO, and the Secretary of State either refuses development consent or makes a DCO without compulsory acquisition powers (of the whole or part of SHP's land), SHP will seek a full award of costs with respect to the costs incurred by SHP in preparation for and during the Examination. Similarly, SHP will seek recovery of SHP's costs if RSP asks for land to be excluded from the land for which it seeks compulsory acquisition powers during the Examination.

9.2.3 **Costs incurred as a result of the Applicant's unreasonable behaviour** – It is SHP's intention to seek (at an appropriate juncture e.g. following any withdrawal of the application for a DCO or curtailment or cancellation of the Examination following the Preliminary Meeting or otherwise, or in any event at the completion of any Examination) a full award for costs in relation to unnecessary or wasted expense incurred by SHP as a result of the unreasonable behaviour of RSP in the way it has made and pursued its application. RSP has made an application on a false premise, i.e. that the project is a NSIP, has clearly failed to comply with procedural requirements and to substantiate its case and it continues in unreasonable behaviour in pursuing its application based on a lack of credible evidence and disregarding or clearly paying insufficient attention to a host of important matters raised by SHP, TDC and a range of other parties.

9.2.4 **Costs incurred in judicially reviewing the making of a DCO** – In the light of the legal deficiencies we have identified, if the Secretary of State makes a DCO (with or without the full extent of compulsory acquisition powers sought) it is SHP's intention to submit a claim to judicially review that decision, and we will seek a full award of costs with respect to costs incurred by SHP if SHP is successful in taking such action. Having regard to the circumstances of the case the costs claimed will not be limited to those incurred in bringing the judicial review proceedings, and will include costs incurred from acceptance of the application and throughout the Examination. As you know, there is no statutory opportunity for SHP to judicially review decisions relating to acceptance or proceeding to Examination after the

Preliminary Meeting, and SHP will therefore be forced to engage in these processes by making submissions to the Planning Inspectorate and being involved in the Examination process. SHP is therefore reliant on the Secretary of State to be especially vigilant at those stages, in terms of ensuring procedural and substantive requirements are met. There must be no opportunity for abuse of the NSIP process, and that the application must be of a satisfactory standard, reinforced in these circumstances including by the threat of wholesale compulsory acquisition of the Site. Failure by the Secretary of State to adequately and thoroughly discharge its duties in this respect would have the consequence of our client being put to the great expense of incurring further significant costs in participating in every stage of the application process in order to protect its interests.

- 9.3 These costs will be substantial and, as highlighted in this letter, we have serious concerns over the lack of certainty that RSP will be able to meet any award of costs in our client's favour and in relation to any other party. We would therefore expect the Inspectorate to ensure that RSP is of sufficient financial standing before contemplating any further its application, which can only be achieved in this instance through the inclusion in the Escrow account referred to in section 8 above of sufficient sums to cover the costs which may become payable. We will supply further details of SHP's costs to inform this shortly but it is clear that the consequential losses to SHP arising from delay to its new settlement project will run into the many millions of pounds and that the costs for SHP (to date and to continue to defend its interests) are very significant.

10. **APPLICATION INCAPABLE OF ACCEPTANCE AS PLAINLY OF UNSATISFACTORY STANDARD**

- 10.1 For the reasons summarised above, the proposed application is manifestly incapable of acceptance under Section 55(3)(f) of the 2008 Act because it is not a NSIP and it is plainly not of a satisfactory standard even if it was. The proposed application has no reasonable prospect of being granted or the proposals successfully proceeding – in reality, the proposals are an attempted abuse of the DCO process.

11. **SECTION 51 ADVICE**

- 11.1 During the meeting on 27 September 2017, it was identified that the Planning Inspectorate's website required updating to reflect the change in applicant for the DCO. Section 51 advice dated 27 March 2017 attaches a copy of the letter sent by PINS to Herbert Smith Freehills, where it is noted "*on 14th March 2017, BDB on behalf of RiverOak Investment Corporation LLC wrote to the Planning Inspectorate ("the Inspectorate") to confirm that there had been a formal change in the identity of the promoter of the Manston Airport Development Consent Order (DCO) to RiverOak Strategic Partners Ltd (RSP). This is now reflected in the detail provided on the Inspectorate's internet project page for Manston Airport".* This was a material change, and given the circumstances that later came to light (i.e. that RIC had transferred its interest to RSP on 15 December 2016), it is important that BDB's written correspondence from 14 March 2017 is published as either a document or as section 51 advice. Such correspondence is required in its entirety to examine further the extent to which the change in identity of the applicant was done on a transparent basis or not. Please could you provide an update as to when outstanding section 51 advice will be published on the website?

## 12. CONCLUSION

- 12.1 As was discussed during the section 51 meeting held on 27 September 2017, this letter has set out that:
- 12.1.1 RSP's proposals do not meet the statutory thresholds under the Planning Act 2008 to be considered a "nationally significant infrastructure project". Its proposed application for a Development Consent Order, therefore, cannot proceed, and should not be proceeding, under the 2008 Act. For this reason alone, RSP should be asked to withdraw its proposals from the DCO process forthwith. In addition to this fundamental issue the following points are other reasons why the proposed DCO application cannot lawfully proceed. They are made independently of and without prejudice to the fundamental issue;
  - 12.1.2 RSP's proposed DCO application is proceeding unlawfully by seeking to circumvent the Infrastructure Planning (Environmental Impact Assessment) Regulations 2017 in respect of how applicants should approach the environmental assessment of their proposals. RSP is unable to proceed on this basis;
  - 12.1.3 There has been inadequate pre-application consultation undertaken by RSP in respect of the proposed DCO application and it is unable to proceed on this basis;
  - 12.1.4 There has been, and remains, a lack of clarity over both the identity of the proposed applicant and its financial standing throughout the process. The proposed DCO application cannot proceed as there is no evidence of the ability of RSP to meet the financial liabilities relating to costs and compensation arising in relation to the application process. Any attempt to move forward with proposals should be supported by evidence related to the ability to fund them, including the costs of the application process (including challenges), compulsory land acquisition costs and compensations including proceedings, blight (including noise, air quality and property depreciation blight) caused by airport operations as well as blight affecting the SHP development proposals, required impact mitigation, construction, licensing, and operational requirements required to deliver the RSP proposals. There is an absence of any evidence of sufficient financial capability for RSP to be in a position to reimburse both SHP's costs from SHP's objections in relation to the proposed application (should SHP's objections succeed or due to the conduct of RSP in relation to the application process), or the consequential losses which SHP has suffered and is continuing to suffer from the blight and delay caused to SHP's own major new settlement-led proposals for the Site arising from RSP's proposals, not to mention potential costs claims from other parties. The proposed DCO application cannot appropriately proceed on this basis;
  - 12.1.5 The proposed applicant does not own or control any part of the Site and is unable to progress any application for compulsory acquisition powers as it has not demonstrated that compulsory acquisition powers are a last resort following meaningful attempts to negotiate to acquire the Site or otherwise deliver the proposals by agreement with the owners of the Site, nor has it justified the extent of the land identified or evidenced any real and meaningful attempts to consider alternatives;
  - 12.1.6 Flowing from all of the above, the proposed application is incapable of acceptance under Section 55(3)(f) of the 2008 Act in that it will plainly not be of a satisfactory standard. The proposed application has no reasonable



prospect of being granted or the proposals successfully proceeding – in reality, the proposals are unrealistic and an attempted abuse of the DCO process.

12.2 It is imperative that these issues are dealt with immediately prior to potential application submission, to avoid the attempted circumvention of primary and secondary legislation, international and UK EIA obligations, and to mitigate and prevent further prejudice, losses and consequential effects on SHP and other affected parties of proposals which are not properly within scope of the 2008 Act.

12.3 Should RSP decide to try and continue with its application notwithstanding these fundamental issues, the 2008 Act sets out the tests that the Secretary of State must have regard to when considering whether to accept an application in section 55 of the 2008 Act. Compliance with the list below is mandatory, thus, the Secretary of State cannot accept an application unless these requirements are met. Taking these in turn, RSP has failed to demonstrate compliance with the following:

12.3.1 Section 55(3)(c): *"that development consent is required for any of the development to which the application relates"*. As set out above, RSP has not demonstrated why a DCO would be required at all, with reference to the statutory thresholds set out in section 14 and section 23 of the 2008 Act.

12.3.2 Section 55(3)(e): *"that the applicant has, in relation to a proposed application that has become the application, complied with Chapter 2 of Part 5 (pre-application procedure)"*. In this regard, the Secretary of State may have regard to *"the extent to which the applicant has had regard to any guidance issued under section 50"* (section 55(4)(c)). As set out above, the pre-application consultation requirements, and those contained in the 2017 Regulations have not been fulfilled, and there are multiple shortcomings which cannot be overcome post-submission.

12.3.3 Section 55(3)(f) *"that the application (including accompaniments) is of a standard that the Secretary of State considers satisfactory"*. When considering whether the conclusion of satisfactory standard in section 55(3)(f) can be made, the Secretary of State *"must have regard to the extent to which—*

*(a) the application complies with the requirements in section 37(3) (form and contents of application) and any standards set under section 37(5), and*

*(b) any applicable guidance given under section 37(4) has been followed in relation to the application"*.

Failure to comply with any of the 2017 Regulations, the applicable guidance on associated development and in relation to compulsory acquisition would result in RSP not satisfying this test.

12.4 This letter covers the key points of principle which SHP considers must be resolved immediately, and is not seeking to cover all the flaws and concerns with the application. SHP will be writing with further concerns in due course as required.

12.5 We should be grateful if the Planning Inspectorate would please acknowledge receipt of this letter by return. We would ask for confirmation that its contents will be taken into account by the Planning Inspectorate in relation to further section 51 advice being sought by RSP in advance of submission of any application. A written response from the Planning Inspectorate to the points raised is also requested.

- 12.6 We would request a further meeting with the Planning Inspectorate under section 51 to discuss further the contents of this letter.
13. A copy of this letter is being sent to Bircham Dyson Bell (the solicitors acting for RSP), and also to TDC as the relevant local planning authority.

Yours faithfully



**Pinsent Masons LLP**

**Enclosures:**

Enclosure 1: Plan of the site

Enclosure 2: TDC response to statutory consultation

Enclosure 3: RSP statements in relation to its role as the applicant

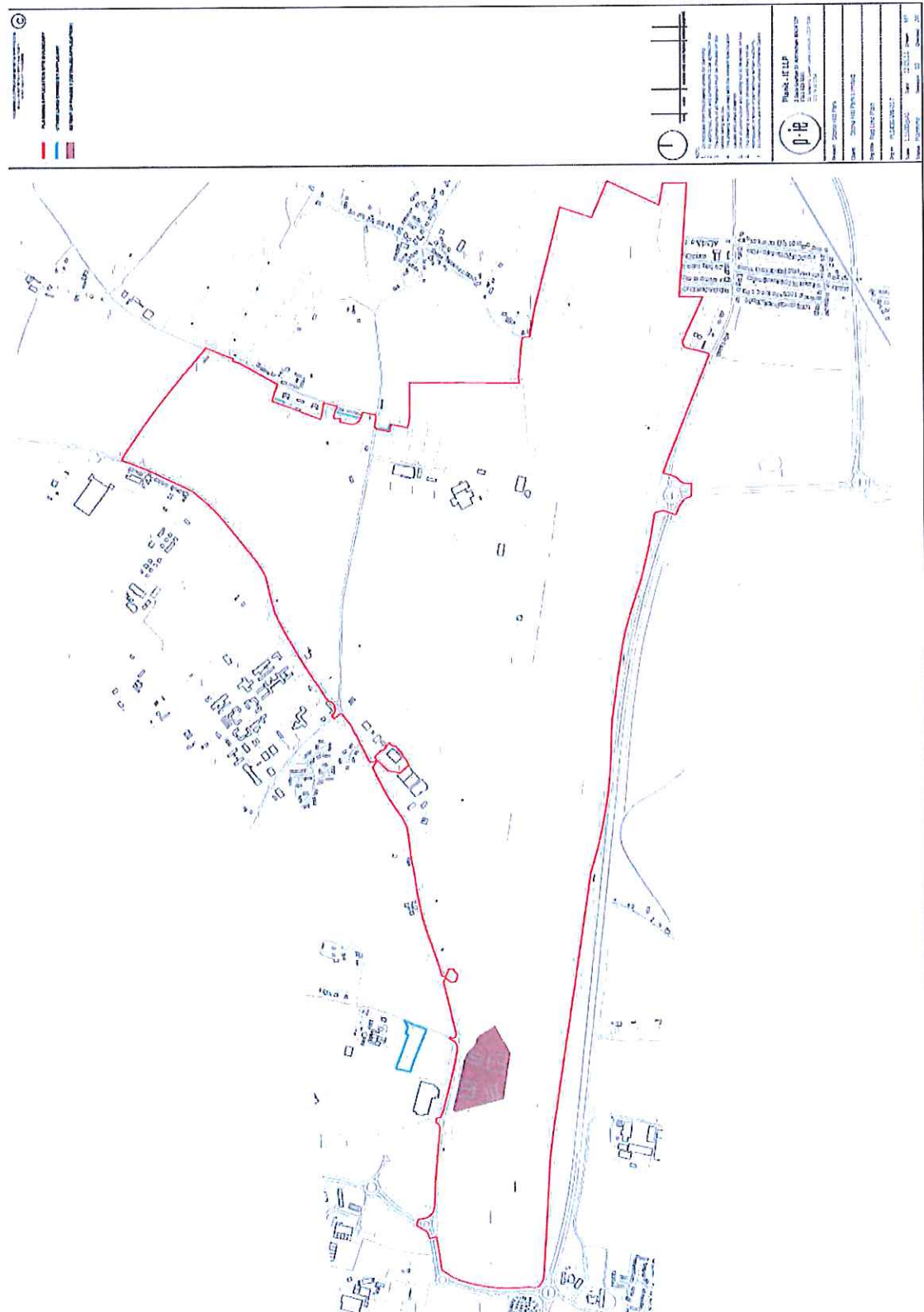
Enclosure 4: RSP and RIC press releases

**cc:**

Iain Livingstone, Thanet District Council

RSP c/o - Angus Walker, Bircham Dyson Bell

Enclosure 1: Red line plan & Illustrative masterplan from SHP's planning application, 2016







## Enclosure 2: TDC response to RSP's statutory consultation

### COMMUNITY SERVICES

Please ask for: Iain Livingstone  
Direct Line: 01843 577140  
Date: 20/07/17



Mr G Yerrall  
Riveroak Strategic Partners  
Audley House  
9 North Audley Street  
Mayfair, London  
W1K 6WF

Dear Mr Yerrall,

#### **Application by RiverOak Investment Corp LLC for an Order Granting Development Consent for Manston Airport**

#### **Statutory Consultation on Proposed Project**

Thank you for your consulting Thanet District Council under the provisions of Section 42 of the Planning Act 2008.

We will outline our specific comments on the information provided at this pre-application consultation stage of the process.

#### **Principle and Policy Conflict**

The proposed redevelopment of the Manston Airport site as a dedicated freight airport with additional uses would be directly contrary to the emerging Local Plan (to 2031) policy SP05, which allocates the site for a mixed use development with the capacity to deliver at least 2,500 new dwellings and up to 85,000sqm employment and leisure floorspace. It is considered on the basis of the Council's empirical evidence that airport operations at Manston are very unlikely to be financially viable in the longer term, and not possible in the period to 2031, and this has informed the proposed allocation within the preferred options revisions consulted upon in January 2017.

#### **Basis of Project and Business Case**

We have reviewed the 'Outline Business Case' submitted as part of your public consultation. This provides a high-level overview of the perceived benefits of the project, rather than as a business case for how the project will be funded and delivered. For example, at a basic level it does not include any breakdown of the cost of the proposed work (6a-m). There is a severe lack of detail about where additional investment, to develop the airport to the point where the development would be capable of providing services to handle 10,000 air transport movements of cargo aircraft a year, will come from, and what the actual amount of investment required to achieve 10,000 air transport movements is. It is also the case that there is a lack of information or evidence about how these 10,000 flights will occur without any operators identified or secured for the site, and only limited interest has been outlined in the background documentation from two smaller operators.

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The resource implications of both acquiring the land and implementing the project will need to be provided in the full submission, including outlining the degree to which other bodies have agreed to make financial contributions or to underwrite the scheme to fill any shortfall, and on what basis such contribution or underwriting has been made. Without this information there is significant uncertainty about the delivery of the project.

Putting aside what the Planning Inspectorate might want to see we would expect additional financial information to provide certainty about the delivery of the project, at the same level as the requirements on public-funded bodies under 'The Green Book' appraisal approach to provide certainty to the local community and the Inspectorate about the delivery of the project.

### **Economic Impacts**

The 'Overview Report' states that by year two of operation, you expect 850 people to be directly employed on the site, with a further 5,000 people employed within the region in the supply chain, in associated industries or businesses or as a result of the airport's presence in the economy. By year 20 these figures are expected to rise to over 4,200 people at the airport site and a further 26,000 in the wider regional economy. The 'wider regional economy' is not defined in any of the consultation documentation, and we would expect this to be defined clearly in the full submission, linked to empirical evidence of regional economic impacts from airports so that its impact can be assessed independently.

The job numbers have been derived from the estimates from the Azimuth Associates documentation to create a formulae linking freight tonnage to job numbers on a theoretical basis. No optimism bias has been allowed for in these estimates, nor has the growth in automation been considered in this academic study. Without any information about who is going to deliver the freight tonnage and therefore create the job numbers stated we question whether the economic benefits of the airport in terms of job creation can be considered deliverable.

In turn this uncertainty makes us question the significance of the beneficial socio-economic impacts from the development within your Preliminary Environmental Information Report (PEIR).

On the critical point of economic impact we would want to see greater use of different sources of data to reduce the dependence on this academic study.

### **Housing Requirements**

Notwithstanding these concerns, the implications of proposed job creation on the amount of housing required in both Thanet and East Kent is a significant concern. This is briefly mentioned at point 13.9.8 of the PEIR, characterised as a major adverse – significant (impact). The emerging Local Plan's stated housing need to 2031 (17,140 homes) is predicated upon the expected addition of 5000 jobs in the same period. The development of your airport, by virtue of the estimated job numbers created both directly and within the supply chain, has the potential to significantly affect the objectively assessed need (OAN) for housing within the East Kent region.

The impact is a likely significant increase in housing land requirements. This may result in indirect effects, such as additional loss of countryside through housing development, which has not been assessed in the PEIR and significant new infrastructure demands. An assessment must be carried out within the full submission reviewing job creation in your project and the relevant plan documents in Thanet, Dover and Canterbury (phased over respective plan periods), reviewing the labour supply with existing studies available in all three areas, assessing where the projected workforce will be drawn from to the airport, modelling migration adjustment from this information therefore deriving implications on housing need in the district and the region.

The loss of the site as an allocation in the emerging Local Plan, for at least 2,500 dwellings, does not appear to have been considered in your submission. The proposal would also result in the loss of 56 open market units and 56no. extra care units approved on the Jentex site, meaning the total housing



shortfall resulting from this development would be at least 2,612. This would be a direct impact from your project, and the ramifications for this on Thanet's countryside must be adequately assessed within your submission (including within the socio-economic and landscape visual impact sections of the Environment Statement (ES)).

#### **Other socio-economic impacts**

Additional burdens on local services are considered to be major adverse impact during operation in the PEIR, which would result from the increase in residence of operational workers in the district. This effect should be linked to the work to be carried out around the increase housing requirement in the district and neighbouring authorities (above in Housing Requirement section), to quantify the impact on local services as accurately as possible.

No mention is provided about an on-site education/training facility, as referenced in the Azimuth Associates report within the masterplan, overview report or PEIR, and therefore it is assumed that this will not form part of the submission. In terms of learning and development opportunities, these are broadly mentioned in the Azimuth Associates report, however not outlined in the Socio-Economic impacts section of the PEIR. It would therefore appear that there is limited weight that can be attributed to any beneficial impacts on learning and development from the project given this lack of detail about discussions with any providers and how any measures will be integrated into the project. Paragraph 13.9.7 indicates that specific surveys of the location and character of vulnerable groups and community facilities will be undertaken, with more details to be provided in the ES. We will await this information, and request that the potential for local employment and training during construction and operational phase be outlined in full in the ES and subsequently secured via appropriate obligations.

The tourism profile of the district provided within the PEIR should be updated to reflect available data on visitors from the 2015 Cambridge Economic Impact Model, further information can be found via: <https://www.visitthanetbusiness.co.uk/>. The Council has adopted its Economic Growth Strategy, which is referenced at PEIR section 13.4.27, however the Experian report from 2012 was not adopted and is not considered up-to-date. We welcome the acknowledgement of the potential significant impact on businesses from noise and traffic and transportation however this should be elaborated upon in the ES. The impact on tourism is characterised at operational stage as moderate adverse, and we await information on how the likely effects on local amenity, businesses, the destination and the experience of visitors will be mitigated by environmental measures. It is stated that this could be through limiting night flights and aircraft flightpaths, however all indicative flight paths would travel over Ramsgate, and night flight mitigation would not impact on the multiple flights during the day that could adversely affect local business and tourism and the destination.

#### **Noise and impact on living conditions**

We are significantly concerned about the potential impact from your proposed development on the living conditions of those residential occupiers within close proximity of the airport, those residents living under the (indicative) flight paths, especially in relation to night flights, as well as disruption to multiple schools within Ramsgate. This impact has been characterised as major adverse – significant in the PEIR, and it is noted that further detailed assessment work is being carried out regarding construction and operational noise, including aircraft air noise which is pending further work on routes, aircraft type and specification. It will be necessary to consider the cumulative impact of existing aircraft operations in the vicinity, proposed airside operations as well as all training flights at the airport, and that this information should be submitted within the ES.

We would expect the final submission to include the full details of the proposed noise mitigation strategy as well as the noise insulation scheme (include those properties that you believe would be covered by the scheme on the basis of the information available at the time). It is noted that the document states that the noise contour map for the project will extend daytime and nighttime contours in comparison to the previously produced contour map for the previous use of the airport, but this is not being consulted on at this stage.



We would advise that an additional noise baseline observation location should be included within the Nethercourt residential estate, given its proximity to the airport and the anticipated landing/take off routes, as well as the approved Manston Green development location, with consideration of a permanent noise monitoring station on the site if any Development Consent Order (DCO) is approved.

Until the further assessment work has been completed and data made available we are unable to comment on whether the impacts have been adequately quantified and mitigated. We will therefore await this information before commenting in detail within the Council's Local Impact Report.

Notwithstanding the above concerns, if approved by the Planning Inspectorate we would expect that a Section 106 agreement would be formulated to cover all monitoring and mitigation for the use of the airport, with controls on noise levels, as well as controls on the number of night flights (capped at 8 movements as an absolute maximum given that this is the level to be assessed in the ES).

On a detailed layout point, the masterplan shows industrial buildings directly adjacent to residential properties on Manston Court road. The layout of this area should maximise the distance between industrial development and residential properties, with appropriate proposed use/heights/lighting to avoid harm to living conditions of those occupiers.

It is noted that the Secretary of State has required consideration of Vortex Strike arising from plane movements, but this has not been included in the noise assessment. We would welcome information on where this has been considered within the submission.

#### **Landscape and Visual Impact**

The development would result in a highly urbanising effect of the landscape, due to the amount and height of the buildings proposed. Particular impacts will result from the new Air Traffic Control Centre building, 28metres above ground level, and hanger buildings and cargo facilities at 29m and 21m above ground level. The impact on residential and recreational visual receptors is acknowledged in the PEIR as significant. The number of viewpoints in Figure 11.2 appears to be limited for a development which could have a significant effect on Thanet's landscape, with no separate between short, medium or long range viewpoints. We would advise a number of additional viewpoints are added, at a minimum in the following locations:

- A viewpoint on Shottendane Road close to Minster Road, to show the landscape impact from Westgate
- A viewpoint (a256) on Haine Road (adjacent to eastern extent of the site), just south of the approved Manston Green layout.
- A viewpoint from Grinsell Road looking north.
- A viewpoint from Canterbury Road West adjacent to Jentex site (western side).
- A viewpoint on Manston Road between the two Museums,
- A viewpoint on Manston Road adjacent to Charles River site.

We are happy to provide further detail about the proposed locations above if necessary. In additional, the following points are made about the proposed viewpoint locations:

- Viewpoint 3 should be assessed at nighttime to visualise extent of light intrusion into landscape when viewed from the north on Vincent Road.
- Viewpoint 6 and new viewpoint above should include nighttime assessment.
- A viewpoint (a256) on Haine Road (adjacent to eastern extent of the site) should be selected, just south of the approved Manston Green layout.

The above should be included within the baseline of data utilised for the further assessments in the DCO. There is also a general lack of viewpoints to the south of the site, where the impact from the development on the designated landscape character areas in Thanet are defined as significant by the

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PEIR. Whilst this partial relates to noise and aircraft movements affecting the character and tranquility of the area, there will be a visual impact from the structures proposed. Whilst the impact on visual receptors using the transport network has been considered to be "not significant", we would suggest that a day/night viewpoint is selected on the A256 north bound when approaching the brow of the hill before descending to the roundabout with the A299. Some structures appear visible on the airport site from this road and therefore this should be assessed to ensure that the assessment currently provided in the PEIR is adequate and impact on this view quantified in the ES.

Whilst a baseline from the assessment of landscape has been produced for the PEIR, the results of this work at this stage does not appear to have informed the masterplan of the site, or this has not been explicitly outlined in the information, nor whether the further work in the ES will alter this layout at all. No mitigation measures are outlined, and we await the "Manston Airport Design Principles" document to assess the adequacy of the measures proposed.

The PEIR mentions a "Masterplan narrative" (RPS, February 2017) document, but this is not included and does not appear to be in the public domain as part of this consultation. It is assumed that this will form part of the "Manston Airport Design Principles" document.

It is noted that no assessment of the effects of lighting from the proposed development has occurred according to the PEIR, and we await further information on the impact on visual receptors from this element of the development.

#### **Air Quality**

Aircraft emissions have been assessed within the PEIR, and indicate there will be no exceedance of the air quality objective for nitrogen dioxide or pm10 in the vicinity of the airport where existing background levels are low (taken from extensive Council baseline monitoring). However, by year 20 a rise of around 5ug/m3 is predicted at the nearest residential receptors and this is yet to include transport related emissions as these data are as yet unavailable. Therefore an emissions mitigation assessment must be provided in accordance with Thanet District Council Air Quality Technical Planning guidance 2016. The air quality assessment should also include flight training school operations, fire training (plume dispersal) and airside aircraft maintenance emissions. The assessment methodology was passed to Defra's air quality helpdesk for comment as guided to by the LAQM TG16 Technical Guidance and their recommendation was for a full technical peer review.

The applicant should also consider installation of a permanent air quality monitoring station on approval.

A qualitative assessment of aircraft odour emissions given the history of odour complaints from the former airport use should also be provided in the ES.

#### **Land Quality and Freshwater**

A draft Phase 1 Geo-environmental report has been completed (appendix 10.1) outlining the potential contaminants of concern based on the historic site uses. It is noted that breaking of aircraft at the former airport is not included and should also be added as a potential contaminant source within the conceptual model.

Additional reports referenced in the PEIR highlight complete pollutant linkages at the adjacent Jentex site and former airport bulk fuel installation. Accordingly, the Planning Inspectorate advised that ground investigation is required; with the scope and methodology to be agreed by the Environment Agency (including appropriate mitigation measures during any borehole construction to safeguard the Southern Water public abstraction) and the Council. The Phase 1 investigation states that a phased approach will be taken when considering the use of direct groundwater monitoring to minimise disturbance to the aquifer. In addition to EA requirements in relation to groundwater, the Council should be consulted regarding the scope of the proposed intrusive investigations, and any subsequent remediation requirements, as these are material planning considerations.



Within the PEIR significance evaluation for land quality, negligible magnitude of the adverse effects on human health and groundwater has been considered for the application site itself, with the proviso that appropriate investigation and mitigation will be undertaken to safeguard sensitive receptors. However, a number of 'site specific measures' will be required to address effective identification, protection, containment, attenuation, management and recovery of potential contaminants at the site during the construction and operational phases. These are yet to be agreed by the regulators.

Accurate assessment of the adverse effects on identified receptors is contingent upon appropriate containment and management measures being introduced at the site. With regard to the operational phase, it is stated that the project will use 'in-built (embedded design) mitigation' which will require sign-off by relevant regulators. An updated assessment based on these specific measures is therefore required.

Although the likelihood is low, impacts of a plane crash outside contained areas must also be considered as part of the PEIR. This has not been looked at in the preliminary significance evaluation and it is understood that further work is currently being undertaken by Amec Foster Wheeler to address this. Manston airport benefits from a particularly wide (and long) runway. However, the adverse effects for this scenario should be considered in conjunction with appropriate emergency and pollution response plans. These must have capacity to prevent potential spread of contamination (e.g. fuels and fire retardant foams), which could impact the public water supply or SSSI at Pegwell Bay following an incident; including possible damage to impermeable hardstandings.

Likewise, the magnitude of effects on human health from UXOs are described as negligible provided detailed threat and risk assessments are completed prior to groundworks. Additional precautions may need to be considered as part of the CEMP however as effects may be significant should unsuspected munitions be encountered during any digging operations. Further specialist advice is required regarding the UXO assessment and any necessary precautions.

We are aware that the location and design of fuel tanks for the proposed freight hub is still under discussion with the Environment Agency and Southern Water, including possible use of the Jentex site. This option will require redevelopment of the existing facility. EA Groundwater Protection Policies (March 2017) do not support the siting of bulk fuel farms within Groundwater Source Protection Zone 1. Therefore, the requirements for siting and options for above ground tanks must be explored with Environment Agency. A relevant Bristol airport case study is referenced in the PEIR and further details should be provided.

It is noted that a Construction Environmental Management Plan (CEMP) is to be submitted as part of the DCO to reduce effects of pollution from the construction phase. The CEMP must be informed by the findings of intrusive investigation work. Please note that any works must be carried in a strictly controlled manner to ensure that contaminants are not exposed and releases allowed to air, land or controlled waters, which could cause pollution, harm or nuisance. Construction works must also comply with the Control of Pollution Act 1974 (e.g. any works likely to cause nuisance to neighbouring properties must not commence prior to 8:00am with stated weekday working hours are 07:30-17:30hrs).

#### **Historical Environment**

Kent County Council (KCC) and Historical England have been consulted on the proposal, and these bodies are key consultees and their expertise should be relied upon.

In relation to the impact on heritage assets, there may be non-designated heritage assets not identified in the Kent County Council Historic Environment Record which could be affected by the proposal, and the assessment criteria should make provision for these potentially being identified through the DCO process.



Any harm arising from new buildings or building increasing in scale should consider the potential alteration of design, form or siting of the proposed development to mitigate any impacts, as additional planting or screening as suggested is unlikely to be effective.

The approach to the use of photomontages for the visual representations of the levels of possible harm should be agreed with the Council as well as Historic England.

From the PEIR, it appears that you seek to rely upon information from trial trenching carried out in support of the current planning application for the redevelopment of the airport site to assess future studies. It is important to note the agreed trial trenching was connected to the proposed layout of that scheme, with no trial trenching on the northern grass area. Given the extent of development on the section of land within your proposal, it is considered highly likely that you will be required to carry out your own trial trenching in this location to support your DCO submission, however we defer to KCC to comment.

### **Traffic and Transportation**

KCC will comment on the impact from the development on the highway network, and their expertise should be relied upon.

We are concerned about the potential impacts on the network surrounding the site from both construction and operational phase given the likely level of traffic generated by the proposed development, especially regarding Spitfire Way, Spitfire Junction and Manston Court Road. At this stage in the process there is insufficient information to consider these impacts. We therefore await further information about the scope of the transport assessment, which should include any additional housing requirement (see Economic impacts section), the methodology for distributing trips on the network and physical improvements to the network as well as mitigation measures in due course.

We request that we are directly involved in coordinating the list of committed development to be included within the future baselines with KCC. An assessment of the impact from the proposed development on the Thanet Transport Strategy must also be included within the submission, which should also be taken into account when agreeing modelling scenarios with KCC.

As previously stated, we believe that operational and junction capacity assessment should be included within the ES.

### **Biodiversity**

KCC, Natural England and Environment Agency will comment as key consultees on the impact from the proposal on biodiversity and their expertise should be relied upon.

### **Other matters**

The summary of the proposal includes an Aircraft Teardown facility as a "key component" of the project, however this does not appear to be mentioned at all in any of the documentation, including the site masterplan and the PEIR, and therefore it appears that you are not consulting on it at this stage. Despite that it is worth noting our concern with this proposal given the historic use of the site and enforcement action taken against similar operations previously due to potential contamination. It is imperative that more information is provided at the earliest stage to the local community about this facility, how it will operate. This should include but not be restricted to how fuels and other harmful or toxic materials will be removed from airplanes during breaking. We advise early discussions with the Environment Agency on this element of the project. On the basis of no information being provided about the facility, we are concerned about the need, viability and operation of such a facility within a Groundwater Source Protection Zone.



Within the PEIR, the assessment of cumulative impact is based upon a list of committed development which does not include the outline planning permission under reference OL/TH/11/0910, for the site known as Eurokent (approval for up to 550 houses and up to 63,000 sqm commercial floorspace with retail and community facilities) nor does it include the approval under reference OL/TH/14/0040 for up to 785 houses, primary school and community hall on the site known as Manston Green, which is directly adjacent to the eastern boundary of the airport site. Both of these must be included and taken into account within the PEIR, especially when considering the impact on the transportation network and on living conditions of future residents from the proposed development. Additional sites may be required for inclusion when the ES is finalised.

### **Conclusion**

There are potentially significant detrimental environmental and amenity impacts on Thanet and its local community from the development. Therefore with regard to the public consultation we await further information following the completion of the required survey and investigatory work. However, particular concern is raised that the ramifications for the emerging Thanet Local Plan have not been adequately quantified, and there is a lack of information relating to delivery of the project.

If the DCO and compulsory acquisition is successful, you will be required to work with the Council as the host authority, when dealing with detailed matters for the project. We are extremely disappointed that you have been unwilling to enter into a Planning Performance Agreement (PPA) with Thanet District Council, our neighbouring authorities Dover District Council and Canterbury City Council in East Kent and KCC, to allow us to ensure that adequate resources for handling the NSIP process are available and to encourage joint working between the applicant and statutory consultees. We would welcome the opportunity to do this through a PPA.

The above comments are made without prejudice to the Council's written representation submission, adequacy of consultation and local impact report on the Development Consent Order application.

Yours sincerely



Iain Livingstone  
Planning Applications Manager



### Enclosure 3: Statements on RSP's website



#### George Yerrall confirms RSP ownership of Manston Airport DCO project and consistency of team

Published on March 14th, 2017

In response to a question during the Lothian Shelf planning appraisal, George Yerrall, a director of RiverOak Strategic Partners Limited (RSP), confirmed that RSP, a UK registered company, purchased all rights and interests in the Manston project from RiverOak Investment Corp in December 2016. RSP has retained the same professional team including lawyers and all other consultancies, to ensure that the project can continue working towards statutory consultation in May 2017.



#### The formation and funding of RiverOak Strategic Partners

Published on March 30th, 2017

We know that there is considerable interest in the formation and funding of RiverOak Strategic Partners, particularly the identity of our investors and we understand that this is born of a desire by many local people to feel confident that the DCO can proceed successfully and Manston can reopen as swiftly as possible.

We share your determination! The creation of RiverOak Strategic Partners meets our long held commitment to have a UK operating company. Our investors are represented on the RSP board by Nick Rothwell, Rico Sykes and Gerard Heuster. M.I.O Investments Limited has been established by our investors as a specific funding vehicle for their financial interests in the Manston project, which is standard practice. MIO Investments Limited is a company registered in the Commonwealth territory of Belize.

We have provided all required details of our company ownership structure to Companies House and also informed the Planning Inspectorate of the creation of RSP. Additional, comprehensive details of our funding partners and investment arrangements will of course be provided to PINS as part of the DCO application, providing solid evidence of our ability to meet all of the financial obligations associated with the acquisition, reopening and operation of the airport.





**Enclosure 4: RSP & RIC press releases**

RiverOak Investment Corp announces new venture for Manston Airport DCO

Page 1 of 2

## RiverOak Investment Corp announces new venture for Manston Airport DCO

NEWS PROVIDED BY  
**RiverOak Investment Corp., LLC** →  
24 Mar, 2017, 10:30 GMT

STAMFORD, Conn., March 24, 2017 /PRNewswire/ -- US based RiverOak Investment Corp., LLC today announced that RiverOak Strategic Partners Limited, a newly UK-registered joint venture company has acquired all rights and interests and has assumed full financial and operational responsibility for the Development Consent Order in respect of Manston Airport and the future reopening and operation of the airport.

The new operating company which is not affiliated with RiverOak Investment Corp., LLC, is fully resourced and funded to accommodate all costs arising from the Development Consent Order application to acquire and reinstate Manston as a fully operational airport and will be operated, owned and managed completely independently of RiverOak Investment Corp., LLC.

Directors of RiverOak Strategic Partners Limited are Niall Lawlor, Tony Freudmann, George Yerrall, Nick Rothwell, Rico Seitz and Gerard Heusler. Messrs. Lawlor, Freudmann and Yerrall have assumed day-to-day operational control of the project.

08

<http://www.prnewswire.co.uk/news-releases/riveroak-investment-corp-announces-ne...> 05/10/2017



Sald Lawlor: "This is an important milestone for the Manston DCO. We have always been aware that, without a fully independent UK operating company, it has been much tougher to convince some of our stakeholders of our genuine commitment to Manston. The creation of RiverOak Strategic Partners Limited should therefore be viewed as a firm indication of our absolute and ongoing determination to revive Manston Airport as a successful and profitable airfreight hub, of national significance, with complementary passenger and engineering services."

"We believe that we can bring a comprehensive approach to the shaping of a stronger economic future for Thanet and the wider East Kent region, creating a vibrant economic air cargo hub which delivers high quality jobs for local people and utilizes the much-needed runway capacity for the South East that Manston is ready and able to provide."

Steve DeNardo, Chief Executive of RiverOak Investment Corp., LLC said that the best course forward for the success of the Manston DCO is to put it in the hands of RiverOak Strategic Partners Limited, the principals of which have worked tirelessly to revive Manston as a viable airport in Southeast England. We wish them and the supporters of the airport every success.

SOURCE RiverOak Investment Corp., LLC





# Pinsent Masons

BY E-MAIL AND POST

FOR THE ATTENTION OF GARETH LEIGH  
Infrastructure Planning Lead  
The Planning Inspectorate  
3/18 Eagle Wing  
Temple Quay House  
2 The Square  
Bristol, BS1 6PN

Our Ref 89253130.7vrg7\671983.07000

DDI +44 20 7490 6981

E richard.griffiths@pinsentmasons.com

13 November 2017

Dear Sirs,

**THE FORMER MANSTON AIRPORT SITE PROPOSED DCO APPLICATION  
PROPOSED DCO APPLICANT: RIVEROAK STRATEGIC PARTNERS LIMITED**

We write further to our previous letters of 11 October 2017 and 26 October 2017 sent on behalf of our client, Stone Hill Park Limited ("**SHP**"), the owner of the former Manston Airport Site. As you are aware, the former Manston Airport Site is allocated in the draft Local Plan and is the subject of a submitted major mixed-use planning application.

As indicated in those letters, SHP has engaged expert aviation consultancy, York Aviation, to review the reports prepared by RiverOak Strategic Partners Limited's ("**RSP**") consultants, Azimuth Associates (Dr Dixon) ("**Azimuth/Dixon**"), upon which RSP relies to support its case for its proposed application for a Development Consent Order ("**DCO**") in respect of proposed alterations to Manston Airport. York Aviation's review is enclosed with this letter in the form of a summary report (the "**York Aviation Report**"). Azimuth/Dixon heavily rely on work previously undertaken by York Aviation and, as part of its review, York Aviation explains why Azimuth/Dixon have misrepresented their work, which brings into question the whole evidence base upon which RSP has prepared its proposals and consulted with the public (see section 1.3 of this letter). York Aviation has also considered and calculated the capability of Manston Airport and reviewed Azimuth/Dixon's freight forecasts, concluding that Azimuth/Dixon's forecasts lack credibility (see sections 1.4 and 1.5 of this letter). Capability must be demonstrated by an applicant who seeks to promote a project under section 23(4)(b) and section 23(5)(b) of the Planning Act 2008 (as amended) (the "**2008 Act**").

This letter also deals with Bircham Dyson Bell's letter sent to you on 27 October 2017 (the "**BDB Letter**") with their comments on behalf of RSP in response to our letter of 11 October 2017.

The York Aviation Report, along with this letter and our previous correspondence, further demonstrates why the points that we have raised need to be carefully considered and dealt with pre-submission and, should RSP submit its application, during the acceptance stage assessed against the statutory tests. For the reasons expressed in this letter and the factual and analytical information now provided, we consider that the points are so fundamental that RSP's

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proposed application cannot proceed. Should RSP submit its DCO application, we consider that the consultation carried out to date, the latest meeting note between the Planning Inspectorate and RSP dated 26 September 2017, and the BDB Letter all demonstrate that the application cannot lawfully be accepted. Accordingly, we would be grateful if you could review both this letter and the York Aviation Report in the course of dealing with the concerns of SHP and we ask for a response from the Planning Inspectorate as soon as reasonably practicable.

We deal firstly with the BDB Letter. The overriding observation on the contents of the BDB Letter is that it does not answer any of the fundamental points made in our letter of 11 October 2017. Absent any answers, it must be concluded that they have no answers.

Moreover, as well as the BDB Letter providing no substantive response and being evasive, in some cases it even seeks to try and suggest that the onus is on our client, SHP, to demonstrate the relevant matters, when the onus is quite clearly on the applicant of the proposed DCO application. This is a position and approach which the Planning Inspectorate should note.

The table below illustrates a number of these points further:

<b>Concern raised in Pinsent Masons' letter of 11 October 2017</b>	<b>Any substantive response provided in BDB Letter?</b>	<b>Comments</b>
Section 23 of the Planning Act 2008 is not engaged.	No – the BDB Letter accepts our point that capability is the test in section 23, but provides no actual response whatsoever on the capability of Manston Airport and how the requisite test is met.	Please see section 2 of this letter, and the information in the York Aviation Report on the capability of Manston Airport and forecasting regarding anticipated freight throughput of a re-opened Manston Airport (briefly summarised in section 1 of this letter).  The BDB Letter seeks to place the onus on SHP to evidence the Airport's capability, when it is clearly the applicant that is required to set out the capability of Manston Airport in order to demonstrate that the requirements of section 23 are met, which is an acceptance test issue under section 55(3)(c).  Failing to identify the capability of the Airport also means that the consultation is inadequate. RSP needs to explain what the actual increase would be to the capability of the Airport as a result of its proposed alteration so that stakeholders and the public understand the new capability (not just the projected use). This is an acceptance test issue under section 55(3)(e) and must be addressed now.
RSP's failure to justify proposed associated development	No - the response does not provide any coherent or logical response.	See section 3 of this letter.  In summary, the BDB Letter seeks to deflect the issue with reference to "sports pitches" authorised in the Hinkley Point C (Nuclear Generating Station) Order 2013 in an attempt to provide the Planning Inspectorate with some sort of precedent.



<b>Concern raised in Pinsent Masons' letter of 11 October 2017</b>	<b>Any substantive response provided in BDB Letter?</b>	<b>Comments</b>
		<p>However:</p> <p>(1) the BDB Letter provides no explanation of how the requirements of the statutory tests and guidance are met in relation to RSP's proposals, which is relevant to whether a proposed project has met the acceptance test set out in section 55(3)(e) (and section 55(4) is important in this regard);</p> <p>(2) reference to "sports pitches" for Hinkley Point C is clearly not a comparable example as in that case there was a direct link between the need for construction worker campuses and welfare facilities (including sports pitches) for the construction of that NSIP given the nature and proposed scale of that project, whilst in this case a direct link between a "flight training school" to a freight cargo hub has not been demonstrated or evidenced to be necessary for the construction, operation or mitigation of impacts of what is claimed to be an NSIP;</p> <p>(3) in addition, this point is significantly larger than a "flight training school." For example, RSP is proposing an extensive unspecified development of c.119,000 square metres of warehouse, office and business units on the "Northern Grass" area without explanation.</p> <p>This is an acceptance test issue under sections 55(3)(c) and (e) and must be addressed now.</p>
Identity of the Applicant	No - no attempt is made in the BDB Letter to explain how the change of the applicant was appropriately publicised in the pre-application consultation (which it was not).	<p>Please see section 4 of this letter.</p> <p>In summary, the identity of the applicant is of fundamental importance to determining whether the applicant can properly take advantage of the transitional provisions in Regulation 37 of the EIA Regulations 2017, and as to the adequacy of pre-application consultation.</p> <p>This is an acceptance test issue under section 55(3)(e) and must be addressed now.</p>



Concern raised in Pinsent Masons' letter of 11 October 2017	Any substantive response provided in BDB Letter?	Comments
RSP's attempt to circumvent the Infrastructure Planning (Environmental Impact Assessment) Regulations 2017	No - the response does not address the transitional provisions in Regulation 37 at all.	<p>Please see section 5 of this letter.</p> <p>In summary, the BDB Letter fails to answer any of the fundamental legal concerns, simply providing a response that:</p> <ul style="list-style-type: none"><li>(1) seeks to confuse the basic point;</li><li>(2) ignores the relevant legislation; and</li><li>(3) refers to an irrelevant (and incorrect) example as a supposed precedent.</li></ul> <p>Simply complying with the 2017 EIA Regulations "<i>where practicable</i>" whilst asserting that RSP is able to take the benefit of the transitional provisions so only has to comply with the 2009 EIA Regulations (as recorded in the note of a meeting held between the Inspectorate and RSP on 26 September 2017), is not satisfactory – where an applicant cannot take the benefit of the transitional provisions, as in RSP's case, then it has to fully comply with the 2017 EIA Regulations. There is no discretion.</p> <p>This is an acceptance test issue under section 55(3)(e) and, assuming the application is made under the 2009 EIA Regulations, section 55(3)(f).</p>
Inadequacy of consultation	No - the BDB Letter offers no substantive response to the adequacy of its consultation.	<p>See section 6 of this letter.</p> <p>In summary, without setting out the capability of Manston Airport, the consultation and the PEIR have simply not informed the public of what the "new" capability of the Airport would be and thus what likely significant environmental effects could arise as a result of the "new" capability (based on a preliminary view). RSP has only looked at its own forecast and has not assessed the "new" capability that it is applying for.</p> <p>Furthermore, the consultation has failed to take into account SHP's submitted major planning application (which is a Tier 1 project in EIA cumulative terms) and the evidence base of the emerging local plan.</p> <p>Defects relating to the 2017 EIA Regulations are already set out above, but</p>



Concern raised in Pinsent Masons' letter of 11 October 2017	Any substantive response provided in BDB Letter?	Comments
		equally apply to statutory tests on adequacy of consultation.  Adequacy of consultation is specifically a test which is relevant at acceptance under section 55(3)(e). This must be addressed now.
Failure to comply with compulsory acquisition legislative and guidance requirements	No - the BDB Letter offers no response to the concerns, other than to say that RSP remains open to any approach by SHP.	Please see section 7 of this letter.  In summary, the Guidance related to procedures for the compulsory acquisition of land is not being followed. This is a matter to which the Secretary of State is obliged to properly consider under section 55(4)(c) when reaching a conclusion under section 55(3)(e).  The onus and duties are clearly on the applicant and not SHP.

Contrary to what the BDB Letter seems to want to suggest, the purpose of our 11 October 2017 letter is very clear. Where the Planning Inspectorate receives information highlighting concerns that go to the heart of the lawful acceptability of a proposed application for a DCO, it is clearly incumbent on the Inspectorate to properly and thoroughly consider that information, take appropriate advice as necessary, and advise the Secretary of State accordingly so the Secretary of State may exercise his duties properly under section 55 of the 2008 Act.

It was for this reason that we copied Bircham Dyson Bell into our letter, to give RSP a full and proper opportunity to respond in full.

It is clearly very disappointing and very telling that RSP has not done so. It is not reasonable in these circumstances to fail to respond to the serious issues related to a proposed DCO application.

The points raised in our 11 October 2017 letter are fundamental points that have to be dealt with now and are all acceptance issues if the application is to be made. They are points that need addressing to ascertain:

1. whether section 23 of the 2008 Act is engaged;
2. whether the proposed application will properly contain development that can be included in an application for a DCO, which links into section 55(4)(c) of the 2008 Act (in respect of the extent to which RSP has had regard to DCLG Guidance on associated development and compulsory acquisition) and section 115 of the 2008 Act;
3. whether the Preliminary Environmental Information Report ("PEIR") and, ultimately, the Environmental Impact Assessment have been prepared and consulted on under the correct Environmental Impact Assessment Regulations;
4. whether the consultation carried out has made clear what the proposed application is actually for and provided the public with sufficient information to make an informed and meaningful consultation response; and



5. in summary, whether the requirements in section 55(3) of the 2008 Act are met.

It is against this backdrop that we met with you on 27 September 2017, seeking section 51 advice about the process of applying for development consent and making representations about a proposed application, and wrote to you on 11 October 2017. This was to ensure that, when the Inspectorate is providing section 51 advice to the potential applicant on draft documentation, these matters are fully and properly addressed and that any subsequent acceptance process (if any) is carried out with the Planning Inspectorate advising the Secretary of State fully and appropriately of these issues.

If this does not happen, as we have made clear, SHP will have no option but to seek all necessary legal recourse.

**1. YORK AVIATION'S CRITICISM OF AZIMUTH/DIXON'S USE OF THEIR WORK AND SUMMARY REPORT PREPARED BY YORK AVIATION**

1.1 As referred to above, we enclose with this letter a summary report by York Aviation that reviews the reports prepared by RSP's consultants, Azimuth/Dixon, and upon which RSP relies to support its case for the proposed application for a DCO for the redevelopment and re-opening of Manston Airport as a hub for international air freight services, which also offers passenger, executive travel and aircraft engineering services.

1.2 In summary, the York Aviation Report covers the following:

**1.3 Misinterpretation of York Aviation research – relevant for section 55 of the 2008 Act**

1.3.1 The York Aviation Report explains why Azimuth/Dixon have misinterpreted two pieces of research undertaken by York Aviation during the Airports Commission process - an unpublished note for Transport for London and a detailed piece of research undertaken for the Freight Transport Association in conjunction with Transport for London (the "**TfL and FTA Notes**").

1.3.2 Azimuth/Dixon heavily rely on the TfL and FTA Notes; indeed they form the backbone of Azimuth/Dixon's case. However, as author of those TfL and FTA Notes, York Aviation makes it clear in the enclosed York Aviation Report that the TfL and FTA Notes cannot be used in the manner applied by Azimuth/Dixon and accordingly the way Azimuth/Dixon and RSP have relied upon them is wrong. It is clear that the Planning Inspectorate and the Secretary of State must take that into account when considering whether the RSP proposals are capable of being accepted given the degree of reliance placed by Azimuth/Dixon on the TfL and FTA Notes. Without reliance on the TfL and FTA Notes, RSP has no statistical data at all upon which to base its proposed application and therefore the consultation carried out is flawed and misleading. Accordingly, the consultation is inadequate and any proposed application cannot be considered "satisfactory".

**1.4 Azimuth/Dixon forecasts entirely theoretical and lacking in credibility – relevant for section 23 of the 2008 Act**

1.4.1 The York Aviation Report highlights that Azimuth/Dixon's attempted analysis of the air freight market is focused on:

- (a) the existence of a theoretical opportunity based on estimates of spill from London in the event of the third runway at Heathrow not being built or being delayed;



- (b) a clearly unsupported hypothesis that there is a trend away from belly-hold freight;
  - (c) a small sample of interviews with largely marginal players in the UK air freight sector and/or local interests; and
  - (d) inappropriate global forecasts rather than UK specific data.
- 1.4.2 The York Aviation Report highlights that Azimuth/Dixon do not, at any point, provide any substantive evidence or analysis as to whether Manston Airport can effectively, viably and sustainably compete in the air freight market. For example, Azimuth/Dixon do not explain how Manston Airport will:
- (a) be able to price effectively against the belly-hold rates offered by growing established and operational UK regional airports or the continental hubs; and
  - (b) compete against the range of destinations offered by the long haul passenger networks (which provide significant belly-hold capacity for freight) of the continental hubs or the much greater freighter network offering of East Midlands or Stansted Airports.
- 1.4.3 In overall terms, the York Aviation Report highlights that the forecasts presented by Azimuth/Dixon at Table 1 of Volume III are simply not credible and do not provide any robust basis for a DCO application to progress. For example, to illustrate this lack of credibility, in Year 2 (the first operational year), a cargo throughput of nearly 100,000 tonnes is forecast by Azimuth/Dixon. This would make Manston the fifth largest freight airport in the UK in its first year of re-opening (compared to 2016 actual throughput at the other airports), placing it close to the scale of freight at Manchester Airport which includes a substantial belly-hold component. This is simply not credible, with no demonstration as to how this could be achieved.
- 1.4.4 Indeed, the Azimuth/Dixon forecasting goes against the Department for Transport's UK Aviation Forecast released in October 2017 (covering the period to 2050), which notes in section 2.56 that *"at the airport level the number of freighter movements has been volatile with some evidence of overall national decline in recent decades. In the absence of clear trends for individual airports, the modelling now assumes that the number of such movements will remain unchanged from 2016 levels at airport level across the system."* The DfT report goes on further to explain recent trends in sections 4.4 and 4.5. The credibility of the Azimuth/Dixon is further undermined by the fact that it does not take account of the existence of the definitive 'official' UK forecast for freighter movements over the period to 2050.
- 1.4.5 The York Aviation Report highlights that, historically, Manston was not able to attract a sufficient share of the UK air cargo market to sustain viable operations, despite investment and significant efforts. This history is ignored by Azimuth/Dixon. In basic terms, Manston is simply too peripheral for the kind of operations envisaged by RSP. Any realistic forecast figures would clearly not be enough to sustain a commercially viable operation at Manston Airport as the York Aviation Report makes clear.
- 1.4.6 The significance of this analysis at this stage of the proposed DCO process is to address the critical questions as to whether RSP's proposals:



- (a) provide a credible forecast to justify its proposed alteration and on which to consult with the public; and
- (b) provide a robust evidence base to demonstrate a compelling case in the public interest to compulsory acquire Manston Airport.

On the basis of the York Aviation evidence, the answer to both is "no", meaning that the damaging blighting effect of RSP's proposals should be stopped.

**1.5 York Aviation's calculation of Manston Airport's capability – relevant for section 23 of the 2008 Act**

- 1.5.1 The York Aviation Report demonstrates that the capability of the Airport is at least 21,000<sup>1</sup> annual Air Transport Movements ("ATMs") by cargo aircraft with reference to the existing permitted use and infrastructure at Manston Airport.
- 1.5.2 Whilst it is not for SHP to provide information on the capability of Manston Airport, it has done so because, tellingly, RSP has not. As the proposed applicant, RSP has to provide this information in its consultation material, which it has failed to do. "Capability" is a key component of engaging section 23 of the 2008 Act, as we discuss further below, and the application cannot be properly made without this being clearly established.

**1.6 York Aviation's calculation of land required for RSP's proposals – relevant for section 55 of the 2008 Act**

- 1.6.1 York Aviation has examined whether the land sought by RSP is, in fact, all required to accommodate RSP's forecasts of demand (notwithstanding that we disagree with those forecasts). The conclusion is that RSP does not require significant areas of the land it currently seeks for inclusion in its proposed application, including the "Northern Grass" area. Indeed, the land area sought for commercial development is much larger than that utilised by other, mature airports. A plan is included in the York Aviation Report that shows these land areas that are not necessary for RSP's proposals.
- 1.6.2 There is a serious lack of detail in RSP's consultation material justifying the extent of land proposed to be acquired. It has not been demonstrated why the whole of our client's freehold ownership is required by RSP for its proposals, and the BDB Letter provides no answer.

**1.7 Flawed socio-economic case - relevant for section 55 of the 2008 Act**

- 1.7.1 York Aviation explains why RSP's socio-economic case is flawed because Azimuth/Dixon have, inter alia:
  - (a) wrongly assessed the impact at a national level and failed to take into account the indirect negative effect of RSP's proposals on other UK airport operations (displacement);
  - (b) the direct negative effect of losing the economic and housing benefits from SHP's submitted planning application which is supported by the draft Local Plan; and

<sup>1</sup> Based on an 18-hour operational day. Should a night time noise policy be agreed with Thanet District Council pursuant to the existing planning agreement that enabled a longer operational day and/or a number of scheduled night movements, then the capability could, in theory, be higher than 21,000 annual cargo aircraft movements.



- (c) the direct negative effect of removing the largest strategic and brownfield site in Thanet District for housing.

These are not marginal or peripheral issues and should all have been included in the assessments at consultation in order to fairly inform consultees in relation to the impacts of the proposal.

1.8 York Aviation has also reviewed the proposed passenger element of RSP's proposals and is clear that there can be no confidence in the forecasting carried out by Azimuth/Dixon. However, as RSP's proposals are primarily for a freight airport, this work has not been finalised at this time given the desire to avoid further unnecessary wasted costs.

1.9 It is clear from the York Aviation Report that fundamental questions arise with regard to:

1.9.1 the approach RSP has taken in relation to the starting position in terms of Manston Airport's "capability" for the purposes of section 23 of the 2008 Act. Without this information, the Secretary of State is simply unable to consider whether RSP's proposals constitute a Nationally Significant Infrastructure Project ("**NSIP**") under section 23;

1.9.2 the actual alteration being applied for - no detail is provided as to the effect of the proposals on capability, meaning that the public and the Secretary of State do not have before them either the capability of the Airport before the proposed alteration or the capability of the Airport with the proposed alteration, detail that is required for section 23 and section 55 of the 2008 Act;

1.9.3 whether the proposed application has any realistic prospect of demonstrating, with a robust evidence base (including without being able to rely on the incorrect use of the TfL and FTA Notes which form the backbone of the Azimuth/Dixon assessment), that RSP's proposals are credible in any way thereby providing the case for why the "new" capability being applied for is required;

1.9.4 whether a compelling case in the public interest to require compulsory acquisition is even credibly arguable; and

1.9.5 the inadequacy of the consultation undertaken by RSP, including the misleading and selective nature of the material consulted on, e.g.

- (a) the misinterpretation of the TfL and FTA Notes that are crucial in RSP's case and indeed so crucial that in presentations given by RSP, freight movement numbers cited are attributed to York Aviation's TfL and FTA Notes. Given the enclosed York Aviation Report, this reliance is wrong and with it, the public have been given the impression that York Aviation supports RSP's proposals;

- (b) the failure to define the current capability of Manston Airport and the consequential failure to properly assess the proposals based on the "new" capability of Manston – you cannot do the latter without first doing the former; and

- (c) the failure to therefore inform the public of the true consequences of RSP's proposals (see later in this letter), including the failure to properly assess the socio-economic effects of the proposals amongst other failings in the environmental assessment.





## 2. SECTION 23 OF THE 2008 ACT AND THE NEED TO SHOW "CAPABILITY" OF THE AIRPORT IN QUESTION

### Summary

- 2.1 It is clearly not acceptable for RSP to seek to postpone to the date of submission of the application itself to "*demonstrate why the project is an NSIP.*"
- 2.2 It is fundamental for the consultation exercise required under Chapter 2 of Part 5 to the 2008 Act for an applicant to make clear why its proposals fall within section 14 of the 2008 Act (and, in this case, section 23 of the 2008 Act). This must be established clearly before the application is made.
- 2.3 RSP has provided no explanation as to what the capability of Manston Airport is. Capability is a key element of section 23(5)(b). Without an explanation of capability, section 23 is not engaged.
- 2.4 Should an applicant provide this information, supported by evidence, and pass the section 23(4) and section 23(5) tests, the applicant then needs to explain what the actual increase would be to the capability of the airport as a result of the proposed alteration. In other words, would the extent of the proposed alteration result in the capability being increased by the minimum of 10,000 ATMs or, for example, 50,000 ATMs? The proposed alteration itself has a capability.
- 2.5 It is not possible for the public and stakeholders to understand the basis upon which the RSP proposals are being made when the consultation material fails to identify the capability of Manston Airport, being the point from which the increase in capability is to be calculated, and the proposed new capability (not projected use). This not only results in a failure to engage section 23, but also in inadequate consultation and inadequate assessment and thus a failure to satisfy section 55 of the 2008 Act.

### Detail

- 2.6 As is well known, the Secretary of State can only accept RSP's proposed application if he is satisfied that "*development consent is required for any of the development to which the application relates*" (section 55(3)(c) of the 2008 Act). In order to do this, he must identify whether the application contains an NSIP. In respect of this case, he must conclude that the proposals fall within one of the categories of "airport-related development" set out in section 23(1) of the 2008 Act.
- 2.7 Paragraphs 1.1.6 and 1.1.7 of the PEIR confirm that RSP's proposals fall within the "alteration" category of "airport-related development" (section 23(1)(b) of the 2008 Act). Therefore, the Planning Inspectorate, and ultimately the Secretary of State, need to be satisfied that subsections (4) and (5) of section 23 are met. This can only be done by understanding the capability of Manston Airport of providing air cargo transport services. If this did not need to be understood, then there would be no need for the words "*for which the airport is capable of providing air cargo transport services*" in section 23(5)(b) and the test would have mirrored that in section 23(3)(b) instead.
- 2.8 It is obvious why a clear statement of the capability of an airport is required where an alteration is proposed. Section 23(5)(b) requires there to be an increase of at least 10,000 per year in the number of ATMs of cargo aircraft. To determine the effect of that increase, then one needs to understand the capability of the airport before the alteration to understand the extent of and true effects of the alteration.
- 2.9 In simple language, RSP suggests its proposals will add onto the capability of Manston Airport at least 10,000 ATMs of cargo aircraft annually but it does so without addressing what the current capability is and uses figures which do not allow anyone



to see and compare current capability with proposed capability. In this respect, it is not SHP that is confusing capability with projected use as claimed in the BDB Letter, but RSP. RSP's consultation material does not refer anywhere to the current capability of Manston Airport, and RSP's PEIR only assesses the projected use based on Azimuth/Dixon's erroneous conclusions. This is a fundamental error.

2.12 Instead, what is required under section 23(5)(b) is for the consultation material to be clear on:

- 2.12.1 the capability of Manston Airport of providing air cargo transport services;
- 2.12.2 an explanation as to why the proposed development would increase that capability by at least 10,000 ATMs of cargo aircraft annually;
- 2.12.3 an explanation as to what the proposed "new" capability (not projected use) would be as a result of the proposed alteration; and
- 2.12.4 for the PEIR to provide the preliminary assessment of that increase (i.e. the effect of the "new" capability).

This has simply not been done by RSP.

2.13 All of this can be explained in a simple formula - effectively, what the public requires in the consultation material and what the Secretary of State requires in order to consider the proposed application at acceptance is the following information, without which the consultation and application are deficient:

*capability of airport + increase in the capability of the airport resulting from proposed alteration<sup>2</sup> = new total capability.*

2.14 The word "capable" clearly means the capability of the airport derived from its lawful use/planning status, having regard to any relevant planning permissions (including any restrictions that apply) and the existing infrastructure.

2.15 Manston Airport's permitted use, evidenced by means of a certificate of lawfulness, is for civil aerodrome use. There are no conditions limiting either passenger numbers or ATMs other than in the section 106 legal agreement that sets out limitations on night-time flying until such time that a night-time flying noise policy is in place. The built development and infrastructure at the Airport includes the runway, air traffic control, fire station, navigational aids, aprons, stands, and taxiways.

2.16 As explained above and in the York Aviation Report enclosed, York Aviation calculates, by reference to the existing permitted use and existing infrastructure at Manston Airport, that the capability of the Airport is at least 21,000 annual ATMs. York Aviation recognises that there are operational patterns at every airport which may mean that, practically, the maximum capability is not reached. However, this is no different to a generating station that has a maximum "capacity" of X MW but in practice it normally operates at Y MW, being below its maximum "capacity". It is the maximum "capability" of an airport which must be used for the purposes of section 23 of the 2008 Act to achieve the requisite amount of certainty required to decide whether a project meets the NSIP thresholds for a legal Act of Parliament.

2.17 Any assertion by RSP that the capability of Manston Airport is zero would fly in the face of paragraphs 1.1.6 and 1.1.7 of the PEIR, which confirms that RSP's proposals amount to an "alteration" of an airport. Indeed, the BDB Letter does not challenge this point and nor can it, given that previous presentations on behalf of RSP state that the

<sup>2</sup> Not projected use, but the maximum number of new ATMs that the proposed alteration would give rise to.



10,000 cargo aircraft movement threshold could be met through the provision of 14 aircraft arrivals and 14 aircraft departures each day. It is clear that RSP itself has accepted already that the proposals amount to an "alteration" of an airport and that the Airport has a significant capability. Unfortunately, however, RSP does not explain what that capability is. Accordingly, the only evidence before the Inspectorate and the Secretary of State on the capability of Manston Airport, and which is proposed to be altered by the proposed DCO application, is from our client.

2.18 As RSP has not provided this information, the matters set out below consequently follow:

2.18.1 the public and stakeholders have not been informed, and therefore are not aware, of the prospect that RSP's proposals (assuming for these purposes they are achievable), with the expected increase to the airport's capability of at least 10,000 ATMs of cargo aircraft annually, would see the Airport's capability increase to at least 31,000 ATMs of cargo aircraft annually. This is the minimum "new" capability, and RSP actually needs to explain what the proposed "new" capability (not projected use) would be as a result of its proposals; and

2.18.2 the PEIR is manifestly inadequate and not fit for purpose as it has not undertaken any environmental assessment of at least 31,000 ATMs of cargo aircraft annually, being the minimum consequence if RSP's proposed application is an NSIP based on the current capability of Manston Airport. Instead, it has only ever assessed the projected use, not the increase in airport "capability". It is the "new" capability that must be consulted upon and environmentally assessed (under the 2017 EIA Regulations), which as we say would be, at a minimum, 31,000 ATMs of cargo aircraft annually.

2.19 As explained in our letter of 11 October 2017, it is clear that RSP is trying to use the 2008 Act as a tool to inappropriately obtain compulsory acquisition powers. In summary, RSP's failure to set out what the capability of Manston Airport is, with reasoned evidence, prevents the application from proceeding for the following reasons:

2.19.1 the Secretary of State cannot consider the proposed application under section 23(5)(b) as a fundamental piece of information is missing. Therefore, the test in section 55(3)(c) is not met;

2.19.2 the public and stakeholders have not been properly consulted as to the true consequences of the proposals. RSP only discusses in its consultation material its projected use, it does not tackle the point that legally it is seeking to increase the capability of the Airport. As referred to above, this is best explained in the formula: *capability of airport + increase in the capability of the airport resulting from proposed alteration*<sup>3</sup> = *new total capability*. Therefore, the consultation is inadequate and the test in section 55(3)(e) is not met.

2.19.3 the environmental impact of the new capability has not been assessed in the PEIR. Again this means that the consultation is inadequate and the test in section 55(3)(e) is not met; and

2.19.4 any Environmental Impact Assessment progressed on this basis will not be of a satisfactory standard and will not have complied with the appropriate Environmental Impact Assessment Regulations in assessing the direct

<sup>3</sup> Not projected use, but the maximum number of new ATMs that the proposed alteration would give rise to.



impacts of the proposals. Accordingly, the test in section 55(3)(f) cannot be met.

### 3. RSP'S FAILURE TO JUSTIFY ASSOCIATED DEVELOPMENT

- 3.1 The response contained in the BDB Letter to the concerns in our letter of 11 October 2017 regarding a failure by RSP to explain which components of its proposals it considers to be part of the NSIP and which it considers to be associated development, is not a coherent or logical response.
- 3.2 Instead, the BDB Letter seems to seek to deflect the issue with reference to the Hinkley Point C (Nuclear Generating Station) Order 2013 in an attempt to provide the Planning Inspectorate with some sort of precedent. This inappropriate comparison only, in fact, serves to reinforce the concerns raised in our 11 October 2017 letter. The example provided in the BDB Letter is that "sports pitches" were accepted as associated development in the Hinkley Point C project, with the suggestion that these are analogous to a "flight training school" at an airport. The BDB Letter fails to provide any form of justification or reasoning for this comparison but we set out below why the comparison is an inappropriate one.
- 3.3 As the Inspectorate will know, the size of the Hinkley Point C project necessitates the accommodation of a large construction workforce in self-contained construction campuses. As these campuses are where the workers would live for prolonged periods of time, it is necessary that they contain appropriate construction worker welfare facilities, including canteens, amenity facilities and sports pitches for fitness - basic human rights requirements for workers. In addition, the sports pitches were required for mitigation purposes, to ensure that an influx of workers did not affect the amenity use of existing facilities for the local population. As the Examining Authority noted in its Report to the Secretary of State dated 19 December 2012 (see, as an example, paragraph 4.369), the campuses "*are an integral part of the Applicant's proposals for housing the workforce required to construct Hinkley Point C.*" This is consistent with the first principle of associated development (as per the DCLG Guidance on associated development) that there should be a direct relationship between associated development and the principal development, which means the associated development should either support the construction or the operation of the principal development or help address its impacts. Without construction welfare facilities, you would not have a construction workforce to construct the Hinkley Point C project. A direct relationship clearly exists.
- 3.4 A "flight training school" is clearly not required to increase the number of ATMs of cargo aircraft at Manston Airport, whether in construction or in operation, neither is it demonstrated to be required as mitigation for the impacts of development. There is no direct relationship. The only "relationship" is that RSP is seeking an opportunity to obtain an additional source of revenue.
- 3.5 It is pertinent that the BDB Letter does not even try to demonstrate why a "flight training school" has a direct relationship with RSP's alleged proposed "NSIP" and it is pertinent that the BDB Letter does not tackle what the direct relationship is between the alleged proposed "NSIP" and the other elements of its proposal, such as the extent of the proposed commercial development on the land known as the Northern Grass area. This is because there is no direct relationship – it is plain that they are free standing businesses providing additional sources of revenue and therefore cannot be accepted as associated development.
- 3.6 As stated in our 11 October 2017 letter at section 4, these are matters that require resolution now, at the pre-application and acceptance stage, given the blighting effect on land included for such uses for intended compulsory acquisition and the



importance of a clear description of development vis a vis the statutory tests and relevant guidance.

- 3.7 The Secretary of State, when reaching a conclusion in section 55(3)(e) of the 2008 Act must have regard to the extent to which the applicant has had regard to any guidance issued under section 50 of the 2008 Act. This includes DCLG's Guidance on associated development applications for major infrastructure projects (April 2013). Accordingly, the points that we have raised cannot be put to one side and left to the examination stage. The Planning Inspectorate and the Secretary of State must be satisfied that the application has undertaken appropriate pre-application requirements and contains the necessary justification and explanation at the acceptance stage.

#### 4. IDENTITY OF THE APPLICANT

- 4.1 We have now seen the email submitted to the Planning Inspectorate on 14 March 2017, which was issued following the uncovering at our client's planning appeal process (on an application DCO unconnected to this matter) that RSP was the new applicant for the proposed DCO application at Manston Airport.

- 4.2 The email, which seems to be portrayed as a confirmatory email, is another example of imprecision and lack of clarity – an all too common theme surrounding this proposed application. The email simply states "*[t]he personnel of Tony Freudmann, Niall Lawlor and George Yerrall remain the same, as do the consultants previously instructed by RiverOak Investment Corporation Inc.*" This simply means that the named personnel remain on the project as do the consultants. There is no explanation whatsoever about the new UK entity or that the previous applicant, RiverOak Investment Corporation LLC, no longer has any involvement or interest in the proposed alteration to Manston Airport. Simply using some of the same personnel and consultants does not alter the fact that a new, and completely unconnected, legal entity has become the new applicant for the proposed DCO application.

- 4.3 We would emphasise our concern set out in paragraph 5.9 of our 11 October 2017 letter that the 2017 consultation materials have misled the public and stakeholders. It would appear that RSP has simply treated the change in legal entity as if it were an immaterial change of name, when clearly it is not. This has serious ramifications, not least for those who may be subject to compulsory acquisition, blight and nuisance and who may therefore wish to seek compensation, as well as others affected and the general public. These are serious points that have not been dealt with properly or transparently in the consultation material. Nowhere in the 2017 consultation material does RSP clearly explain the change in applicant that took place in December 2016. Rather the documents define "RiverOak Strategic Partners Limited" as "RiverOak", and then refer to RiverOak's consultation of 2016, which is misleading and factually incorrect (see, for example, paragraph 1.1 and section 2 of the Interim Consultation Report on RSP's website).

- 4.4 Our concerns at Section 5 of our 11 October 2017 letter need to be properly dealt with and the disclosure of the email of 14 March 2017 re-confirms the issue.

#### 5. RSP'S ATTEMPT TO CIRCUMVENT THE INFRASTRUCTURE PLANNING (ENVIRONMENTAL IMPACT ASSESSMENT) REGULATIONS 2017

- 5.1 Again, the BDB Letter fails to answer our concerns, providing a response that confuses the basic point, ignores the legislation and which refers to an irrelevant (and incorrect) example in an attempt to provide the Planning Inspectorate with a supposed precedent. Our concerns set out in section 6 of our 11 October 2017 letter remain to be dealt with.



- 5.2 First, the response tries to make a point that any new scoping request would be for the same project and would have a cost to the public purse.
- 5.3 This, again, is an attempt to confuse the point as our letter of 11 October 2017 was not suggesting that a new scoping opinion must be sought by RSP (in any event, scoping opinions are voluntary). Rather, the point is that:
- 5.3.1 the scoping opinion for the proposed DCO application was requested in June 2016 by RiverOak Investment Corporation LLC (as is clear from the front cover and paragraph 1.1.1 of the scoping request and as acknowledged by the Secretary of State in paragraph 1.1 of the scoping opinion where RiverOak Investment Corporation LLC is referred to as "the Applicant"), and
- 5.3.2 the "Applicant" changed in December 2016 to RSP,
- so RSP cannot take advantage of the transitional arrangements in Regulation 37 of the Infrastructure Planning (Environmental Impact Assessment) Regulations 2017 (the "**2017 EIA Regulations**").
- 5.4 This does not mean that RSP should obtain a new scoping opinion, rather that its statutory consultation carried out between 12 June and 23 July 2017 has been carried out under the incorrect Environmental Impact Assessment Regulations, which means the consultation, notification and PEIR are all deficient and the pre-application procedure under the 2008 Act has simply not been complied with.
- 5.5 Given the 2017 EIA Regulations were laid before Parliament in April 2017, RSP could have rectified this issue. Indeed, RSP could have taken action earlier when the Government consulted on the draft of the 2017 EIA Regulations between December 2016 and February 2017 given the transitional arrangements in the draft would also have meant that RSP would have to comply with the 2017 EIA Regulations and not the Infrastructure Planning (Environmental Impact Assessment) Regulations 2009 (the "**2009 EIA Regulations**"). RSP is clearly in error.
- 5.6 There is no discretion on the part of the Secretary of State with regards to this issue. Regulation 37 of the 2017 EIA Regulations is clear. If it was intended to refer to a scoping opinion requested for a particular project, then the 2017 EIA Regulations would have been drafted so that it referred to the 2009 EIA Regulations continuing to apply where a scoping opinion for a proposed development has been obtained prior to the commencement of the 2017 EIA Regulations. Instead, Parliament chose to restrict the transitional arrangements to where "the applicant" has requested a scoping opinion prior to the commencement date.
- 5.7 This leads to only one conclusion for the Secretary of State, should RSP seek to submit a DCO application: that the application cannot be accepted on the grounds that:
- 5.7.1 section 55(3)(e) has not been satisfied for the reasons expressed above; and
- 5.7.2 section 55(3)(f) has not been satisfied given the Environmental Impact Assessment has been publicised and prepared by reference to the 2009 EIA Regulations rather than the 2017 EIA Regulations.
- 5.8 We would also note that simply complying with the 2017 EIA Regulations "*where practicable*" whilst asserting that RSP benefits from the transitional provisions so only has to comply with the 2009 EIA Regulations (as recorded in the note of a meeting held between the Inspectorate and RSP on 26 September 2017), is not satisfactory – where an applicant does not benefit from the transitional provisions, as in RSP's case,



then it has to fully comply with the 2017 EIA Regulations, there is no discretion to be applied.

5.9 With respect to the East Anglia ONE offshore wind farm project, the example is totally irrelevant and misleading, including for the following reasons:

5.9.1 the scoping opinions were requested in July 2010 and July 2011 with the application submitted in November 2012 and the DCO granted in June 2014. Accordingly, the example clearly does not act as a precedent given the 2009 EIA Regulations applied from inception to DCO grant. Therefore, there was no requirement to demonstrate that the applicant for the DCO application was the same as the applicant that requested the Secretary of State to adopt a scoping opinion; and

5.9.2 the example is not comparable in any way as:

(a) East Anglia Offshore Wind Limited requested the scoping opinions in 2010 and 2011. By the time the application was submitted in November 2012, the applicant had changed to East Anglia One Limited, a wholly owned subsidiary of East Anglia Offshore Wind Limited.

(b) The same approach was taken on East Anglia THREE, where East Anglia Offshore Wind Limited applied for the scoping opinion in November 2012, with the application then submitted in November 2015 in the name of East Anglia Three Limited. The reason for this approach is that East Anglia Offshore Wind Limited has been awarded the licence by The Crown Estate to develop approximately 7.2GW of wind capacity off the coast of East Anglia. The East Anglia Zone will be developed as a number of individual generating stations, and hence wholly owned subsidiaries have been set up to submit the DCO applications.

(c) This is in no-way comparable to RSP, whose shareholder is not the entity that submitted the request for a scoping opinion in June 2016. As we stated in section 5 of our 11 October 2017 letter, the shareholders of RSP are RiverOak Manston Limited and M.I.O Investments Limited (a Belize registered entity with anonymous shareholders and directors) and the original applicant, RiverOak Investment Corporation LLC, has expressly and publicly confirmed in March 2017 that RSP "is not affiliated with RiverOak Investment Corp., LLC." The comparison with East Anglia Offshore Wind is clearly wrong.

## 6. INADEQUACY OF CONSULTATION

6.1 The adequacy of consultation is a matter for the acceptance stage, not for the examination, and so our concerns set out in section 7 of our 11 October 2017 letter must be addressed.

6.2 We do not repeat the points raised in our letter of 11 October 2017, but would take the opportunity to highlight the following:

6.2.1 the consultation carried out to date is inadequate, and not in accordance with either the 2009 EIA Regulations or the 2017 EIA Regulations on the basis that the PEIR has failed to provide a preliminary assessment of the proposed development, being *Current capability of airport + increase in the capability*



of the airport resulting from proposed alteration<sup>4</sup> = new total capability. The legal effect of RSP's proposed application would be to increase the capability of Manston Airport and it must environmentally assess that increase and not just its projected forecast;

- 6.2.2 the consultation carried out to date is inadequate, and not in accordance with either the 2009 EIA Regulations or the 2017 EIA Regulations on the basis that the PEIR has failed to assess SHP's major planning application for a phase on the Manston Airport site comprising 2,500 homes, Advanced Manufacturing Park, a village centre, sports and leisure village and major country park. This application is submitted, and therefore there is no justification for not including it in the assessment (indeed, the application is classed as a Tier 1 project in the Inspectorate's Advice Note Seventeen on Cumulative Effects Assessment, December 2015). Of course, as RSP's proposals are incompatible with SHP's planning application, the effect would be the total loss of the SHP's proposed development. Accordingly, the effect of that loss on housing within the District needs to be assessed;
- 6.2.3 the proposed development on the "Northern Grass" area is extensive, at c.119,000 square metres of warehouse, office and business units. We have already made the point in our 11 October 2017 letter that SHP's aviation experts consider that there are a number of components of RSP's proposals that do not form part of any NSIP (even if there was one) and do not satisfy the tests of associated development. The Northern Grass area is one of those components. In addition, given the extent of development proposed, the public should be able to understand the impact of c.119,000 square metres of warehousing and office/business units floorspace, yet the PEIR does not provide sufficient information to understand/assess how this element of the floorspace will affect traffic in the area. This simply emphasises that the PEIR does not enable consultees (both specialist and non-specialist) to understand the likely environmental effects of the proposed development and does not help to inform their consultation response (which is what a "good" PEIR document should do according to the Inspectorate's own Advice Note Seven dated March 2015); and
- 6.2.4 as explained in section 5 of this letter, the consultation itself has not been carried out in accordance with the correct Environmental Impact Assessment Regulations – the 2017 EIA Regulations are the correct Regulations.

## 7. **RSP'S FAILURE TO COMPLY WITH COMPULSORY ACQUISITION LEGISLATIVE AND GUIDANCE REQUIREMENTS**

- 7.1 The points raised in our letter of 11 October 2017 are clearly matters for the acceptance stage for the reasons set out in section 8 of that letter.
- 7.2 We note that there is no response to the point that RSP has not, as the new applicant of the proposed DCO application, made any offers to acquire Manston Airport by agreement or otherwise deliver RSP's proposals by agreement. This just demonstrates that RSP, as the current applicant, has not been resorting to compulsory acquisition as a measure of last resort.
- 7.3 It cannot be right that an application which will contain a request to acquire by compulsion the whole application site and in which the applicant has no interest, can be considered for acceptance where the applicant has made no offer to acquire by agreement from the affected landowner.

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<sup>4</sup> Not projected use, but the maximum number of new ATMs that the proposed alteration would give rise to.





- 7.4 Furthermore, given the evidence contained in the York Aviation Report that RSP does not require significant areas of land for its proposals, notably the "Northern Grass" area amongst other areas as shown on the plan in the York Aviation Report, there is no justification for RSP to seek compulsory acquisition powers over the whole of the Manston Airport site. This is especially the case when the consultation material is silent on why all of the land is required and no explanation provided directly to SHP through offers of voluntary agreement. Indeed, the land area sought for commercial development is much larger than that utilised by other, mature airports.
- 7.5 Under these circumstances, we cannot see how, with any degree of reasonableness, the application could possibly be considered for acceptance. Not least, the *Guidance related to procedures for the compulsory acquisition of land* would not have been followed. The Secretary of State is obliged to have regard to this fact under section 55(4)(c) of the 2008 Act when reaching a conclusion under section 55(3)(e).
- 7.6 Furthermore, compliance with the pre-application guidance under the 2008 Act is one of the safeguards designed to protect landowners against breach of their rights under Article 1 of the First Protocol of the ECHR to peaceful enjoyment of their land, and should therefore be taken very seriously by both promoters and the Planning Inspectorate. In circumstances where the expropriation of land is contemplated in a scenario where one commercial entity is to be dispossessed in favour of another (as would be the case here were RSP to be granted powers of acquisition), the approach to be taken to compliance with the safeguards should be all the stricter. This view was endorsed by Lord Walker in *R (on the application of Sainsbury's Supermarkets Ltd) v Wolverhampton CC*<sup>5</sup>, who noted that "*the exercise of powers of compulsory acquisition, especially in a 'private to private' acquisition, amounts to a serious invasion of the current owner's proprietary rights...A stricter approach is therefore called for*".
- 7.7 We find it surprising and disappointing that the BDB Letter seeks to place the onus on our client to make an approach to RSP. This just supports the fact that RSP is simply using the 2008 Act to inappropriately obtain compulsory acquisition powers.

## 8. COSTS

- 8.1 Given our client's concerns over RSP's misuse of the 2008 Act process, it is only right that we should be transparent and place RSP and the Secretary of State on notice that our client will pursue all necessary avenues to defend its interests and will be seeking to recover all of its costs incurred in the entire DCO process. Once again, we place RSP and the Secretary of State on notice, for the same reasons as explained in section 9 of our 11 October 2017 letter. The BDB Letter re-emphasises the unreasonable conduct of the proposed applicant in this process.

## 9. SHP'S PLANNING APPLICATION AND TDC'S LOCAL PLAN

- 9.1 We make three brief points in response to the last paragraph of the BDB Letter:
- 9.1.1 Firstly, it is very common for developers to submit refinements to, or subsequent iterations of, a major submitted planning application during the determination process. SHP is no different, and that is precisely what it is doing. This is standard practice. Furthermore, on 30 October 2017, our client submitted to Thanet District Council revisions to its submitted planning application for a phase comprising 2,500 homes, Advanced Manufacturing Park, a village centre, sports and leisure village and major country park. These revisions reflect the on-going discussions that have taken place over the course of the past several months with the Council and various statutory

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<sup>5</sup> [2010] UKSC 20 at paragraph 84



consultees. Accordingly, there is no "state of flux" over our client's planning application as claimed.

- 9.1.2 Secondly, and as we informed you on 26 October 2017, on 25 October 2017 Thanet District Council's cabinet approved the publication of the draft Local Plan and its submission to the Planning Inspectorate for Examination. The draft Plan includes Policy SP05 supporting a new settlement for at least 2,500 homes on the Manston Airport site. The planning policy position has moved on since the appeal decision referenced, and the weight to be attached to the Plan is more substantial now than it was then. Whilst the emerging local plan cannot yet attract full weight in policy terms as it has not yet been examined and adopted, neither can it, nor should it, be ignored as advocated by BDB for RSP. In addition to the draft Plan policies, there is a substantial evidence base produced independently by the Council which demonstrates that the continued operation of Manston Airport is not considered by the relevant local planning authority (advised by independent expert advisers) to be a viable proposition. The up to date evidence base upon which the emerging local plan is being promoted is a highly relevant factor.
- 9.1.3 Thirdly, RSP's failure to assess the effect of its proposals on the District's housing numbers and emerging development plan is a major and unacceptable omission, especially when the Manston Airport site is the largest strategic site allocation within the District, is the largest brownfield site and accounts for at least 14% of total housing provision in the next Plan Period based on the Council's current projections. It is only right and proper for the Council, the public and other stakeholders to understand the effect on the availability of housing and the socio-economic consequences should the Manston Airport site be lost as a strategic housing site. This needs to be covered in public consultation, the PEIR and ultimately any DCO application.

For the reasons expressed in our letter of 11 October 2017 and above, we consider that any application to be submitted as currently proposed by RSP to the Secretary of State for Manston Airport would be manifestly incapable of acceptance under section 55 of the 2008 Act.

We would be grateful if you could review both this letter and the York Aviation Report in the course of dealing with the concerns of SHP and we ask for a response from the Planning Inspectorate as soon as reasonably practicable to avoid any further wasted time.

Yours faithfully

*Pinsent Masons LLP*

**Pinsent Masons LLP**

**Enclosures:** York Aviation Report dated November 2017

cc. Bircham Dyson Bell for RSP



**York Aviation**

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**STONE HILL PARK LIMITED**

**SUMMARY REPORT ANALYSING USE OF YORK AVIATION  
MATERIAL BY RIVEROAK STRATEGIC PARTNERS LIMITED AND  
ASSESSMENT OF CAPABILITY OF MANSTON AIRPORT**

**NOVEMBER 2017**

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**York Aviation**

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**Dated: 10<sup>th</sup> November 2017**

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**Dated: 13<sup>th</sup> November 2017**

**STONE HILL PARK LIMITED**

**SUMMARY REPORT ANALYSING USE OF YORK AVIATION  
MATERIAL BY RIVEROAK STRATEGIC PARTNERS LIMITED AND  
ASSESSMENT OF CAPABILITY OF MANSTON AIRPORT**

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## EXECUTIVE SUMMARY

1. York Aviation was appointed by Stone Hill Park Limited (SHP) in September 2017 to review the evidence presented by RiverOak Strategic Partners Limited (RSP) in connection with RSP's prospective application for a Development Consent Order (DCO) for the redevelopment and re-opening of Manston Airport as a hub for international air freight services, which also offers passenger, executive travel and aircraft engineering services.
2. We were the authors of two specific reports upon which RSP seek to rely in making their case, namely a report for the Freight Transport Association (FTA) and Transport for London (TfL) in 2015 and a note on Freight Connectivity for TfL in 2013. The first of these documents was used by RSP in its public consultation and this may have led respondents to believe that we were supporting the re-opening of Manston, which is not true and, as we go onto explain in this report, our analysis in these documents for the FTA and TfL does not support RSP's conclusion that there would be a substantive or sustainable role for Manston in the UK air freight industry.
3. The RSP case is principally based on circumstantial evidence presented in the Volumes I to IV of *Manston – A Regional and National Asset* prepared by Dr Sally Dixon of Azimuth Associates (June 2017 consultation version). Much of the material upon which Azimuth seek to rely as the basis of RSP's case relates to the economic costs to the UK if additional passenger hub capacity is not provided in the South East of England by 2050. This is not relevant to the specific question as to whether there would be sufficient demand for pure freighter movements to be operated to/from Manston in the foreseeable future or by their assessment year 2040.
4. The analysis presented by Azimuth shows a lack of understanding of the economics of the air freight market. This leads to a misinterpretation of our work, upon which Azimuth seek to rely to support RSP's case. Just because there could be excess air freight demand in 2050, compared to the bellyhold capacity available in the absence of further runway capacity at the UK's main hub, it does not follow that displaced bellyhold freight will seek a more expensive pure freighter service from a relatively nearby airport over the use of available bellyhold capacity from a more distant airport which can be provided at a lower cost to the shipper with only a marginal penalty in terms of the overall shipment time.
5. Fundamentally, Manston's past operation was economically inefficient due to the inherent lack of viability. Hence, reopening the Airport, in the face of a very limited niche market, has the potential to damage the productivity of the UK aviation sector overall, particularly, as we have demonstrated in our own assessment of cargo demand for Manston in Section 3 of this report, that there are more economically efficient alternatives available for any freight displaced due to specific capacity constraints at Heathrow both now and in the future.
6. Manston is too peripheral for integrator operations serving the UK. Integrators have a strong preference for locations more centrally located in the UK with good road access to all of the major markets. The availability of land for warehouses, for example as suggested in terms of the use of the 'Northern Grasslands' part of the overall Airport site, is far less important than a location central to the market and the availability of good road access, neither of which are characteristics of Manston. It is simply in the wrong place to serve the market being located at the far south east at the end of a peninsular, away from the main centres of population and distribution in the UK.



7. In the absence of hard market evidence of the need for Manston Airport, Azimuth undertook an interview survey to supplement RSP's case and to inform the forecasts. However, the list of interviewees was small, dominated by mainly local companies with something of a vested interest in seeing Manston re-opened. Even so, if anything, the views of those interviewed by Azimuth suggest that there would, at best, be a limited role for Manston. The one airline interviewed made clear that *"success at Manston depended upon identifying a niche market and becoming known for excellence. In particular, suggestions included a perishables centre, handling of live animals, easy access for charter flights, and handling cargo that is not necessarily straightforward"*. The scale of this opportunity was never quantified by Azimuth. It is clear, however, that the realistic expectation for Manston is for a small niche operation rather than as a general 'overspill' cargo airport for London.
8. The outputs from these interviews are then used by Azimuth as a basis for postulating a number of cargo aircraft movements that might operate at Manston. However, it is not possible to relate the proposed services to be operated with the responses by the interviewees. There is simply no explanation for, or justification for, the services postulated by Azimuth. At the very least, there is a lack of transparency in the approach adopted.
9. In our view, the Azimuth cargo movement forecasts simply lack credibility. To illustrate this lack of credibility of the forecasts, in Year 2 (the first operational year), a cargo throughput of nearly 100,000 tonnes is forecast by Azimuth. This would make Manston the 5<sup>th</sup> largest freight airport in the UK in its first year after re-opening (compared to 2016 actual throughput at the other airports). This would place it close to the scale of freight operations at Manchester Airport, which includes a substantial amount of bellyhold freight. It would make Manston the 3<sup>rd</sup> busiest airport in the UK in terms of tonnage carried on dedicated freighter aircraft. This is simply not a credible proposition. This lack of credibility is important in reaching any decision under section 23 of the Planning Act 2008 (as amended).
10. We have updated and further developed our analysis of the UK air freight market from that previously undertaken in 2013 and 2015 for TfL and for the FTA and TfL (RSP seek to rely on our 2013 and 2015 work as corroboration of their own cargo movement forecasts). When properly interpreted, our forecasts of air freight demand and capacity across the UK as a whole, taking the role of bellyhold fully into account, show that, to the extent that there is any need for additional pure freighter movements, there is plenty of freighter capacity at Stansted and East Midlands to accommodate any growth. These airports are better located relative to the market and the key locations for distribution within the UK. Overall, we conclude from this analysis that there will be no shortage of freighter capacity in the UK in the period up to 2040 (RSP's assessment end date) and that overspill from other airports would not provide a rationale for re-opening Manston.
11. Taking the most optimistic basis for assessing its potential role, we have estimated that Manston might be able to achieve at most 4,470 annual air transport movements by cargo aircraft by 2040, but this is highly unlikely given its location and the clear market trend away from the use of dedicated freighter aircraft. Our more likely projection is that it might attain 2,000 annual air cargo aircraft movements by 2040 and it is equally plausible that it might not achieve more than 750 such movements annually. These are all far below Azimuth's projection, upon which RSP rely, of 17,171 annual cargo aircraft movements.

12. Our initial assessment of the passenger market is that the throughput might, at best, be around half of that projected by RSP and, hence, given the dependence on passenger related income for the financial viability of airport operations, this will impact substantially on the viability of the proposal. The other activities suggested by RSP, such as business aviation, maintenance, repair and overhaul, and aircraft dismantling are highly competitive markets and, to the extent that Manston might attract any such operations, these are unlikely to contribute substantially to the overall viability of the Airport.
13. The existing infrastructure at Manston Airport, if made good, is capable of handling 21,000 annual air cargo aircraft movements<sup>1</sup>. The actual usage of that capability would depend on the pattern of operation and how the infrastructure was used on a day by day basis. Our assessment, therefore, provides essential missing information from RSP's materials to date which is necessary for the purposes of section 23 of the Planning Act 2008 (as amended), for assessment purposes under the Environmental Impact Assessment Regulations and for consultation purposes.
14. Without prejudice to our view that demand to use Manston is not likely to be anything like 17,171 cargo aircraft movements a year, we have considered the land required to accommodate such a number of movements. Our assessment is that the land required would be substantially less than shown on the RSP Master Plan and that the proposed land take is excessive and without justification in terms of the compulsory acquisition of the land. Any development required to handle 17,171 annual movements by air cargo aircraft can all be accommodated to the south of the B2050 and, even allowing for passenger operations and other activities, would not require all of the airfield land to the south of the road. Obviously, on the basis of more realistic forecasts of future demand, the area required to support the ongoing operation of the Airport would be materially smaller.
15. We can see no justification for the inclusion of the 'Northern Grasslands' area within the DCO on the basis of it being for associated development. There will be little requirement for or likelihood of the relocation of freight forwarding activity from adjacent to the UK's main cargo hub at Heathrow to Manston, as suggested by RSP, and any requirement for such activity specifically to support the proposed level of freight activity at Manston could easily be accommodated on land to the south of the B2050. The development on the 'Northern Grasslands' site appears to be speculative commercial development which, based on the precedent at East Midlands Airport – the UK's principal airport for pure freighter operations – would be expected to be largely for non-aviation related uses.

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<sup>1</sup> Based on an 18-hour operational day. Should a night time noise policy be agreed with Thanet District Council pursuant to the existing planning agreement that enabled a longer operational day and/or a number of scheduled night movements, then the capability could, in theory, be higher than 21,000 annual cargo aircraft movements.





16. In terms of the socio-economic implications of the proposed development, Azimuth have shown a lack of understanding of how such impacts should properly be calculated. Leaving aside the use of inappropriate multipliers, the impacts have been assessed at a national scale and should have taken displacement of activity from other airports fully into account, reducing the impacts well below those stated. Furthermore, the assessment should have considered the impact on alternative uses of the site, including SHP's proposed mixed use development and the socio-economic benefits deriving therefrom. We have set out a more realistic and robust assessment, which shows that the local impacts within Kent, even on Azimuth's forecasts, would be substantially less than claimed and it is these lower order effects which would need to be balanced with the environmental and other impacts in assessing the acceptability of the proposed development against the alternatives.
17. Unsurprisingly, the socio-economic impacts associated with the Airport are lower still on the basis of more realistic forecasts of likely usage if it re-opened. The operation is simply of a much smaller scale such that, in Year 2, it would generate only 452 jobs, 17% of Azimuth's estimate of 2,654. By Year 20, the differential is even larger, with the Azimuth estimates reaching over 30,000 jobs compared to our estimate of just over 1,000 jobs. Once again, the evidence presented by Azimuth on behalf of RSP cannot be relied upon. It is infected with the flaws in the traffic forecasting methodology identified previously but also the approach to identifying socio-economic impacts is, in itself, badly flawed. The socio-economic impacts are, as a result, massively overstated. In any event, these benefits would not be realised if the Airport ceases operation again due to it not being commercially viable.
18. As well as the Azimuth reports which form the basis of RSP's case, we have also reviewed a number of other reports on the potential for Manston. In overall terms, we agree with Aviasolutions for Thanet District Council that there is little realistic prospect of the re-opening of Manston Airport being a commercially viable proposition. We have reviewed their original report and the more recent reports and concur with their views on the overall structure of the UK air cargo market, noting that they, unlike Azimuth, have correctly understood the implications of our 2015 work for the FTA. We do not accept Northpoint's rebuttal of the Aviasolutions work. Like Azimuth, Northpoint's work is largely aspirational without any robust evidence or analysis of the market. Northpoint, too, misinterprets our previous work for the FTA and TfL.
19. In overall terms, we do not consider that the case that the re-opening of Manston Airport would constitute a Nationally Significant Infrastructure Project has been robustly made or substantiated. In any event, given that the baseline capability of Manston Airport is at least 21,000 annual cargo air transport movements (see section 4), this means that RSP must, effectively, be seeking to increase the capability of Manston Airport from 21,000 annual air transport movements by cargo aircraft to at least 31,000 such movements each year, a level of activity which has not been consulted on or assessed in RSP's Preliminary Environmental Information Report (PEIR). Indeed, RSP's consultation material does not provide any detail as to what the increase in capability would be as a result of its proposals (i.e. the increase in capability as a result of its proposed alteration to Manston Airport). As a minimum, the increase in capability would be to 31,000 annual air transport movements by cargo aircraft, but in our view their proposals would result in a significantly higher 'new' capability which is not revealed or assessed by RSP.

20. Our overall assessment is that RSP have failed to provide their own evidence of the capability of Manston Airport and the amount by which their proposals would increase that capability by. Rather, the only information that they present is a forecast of future freight demand, which has no credibility as explained in this report. There are, hence, major omissions in RSP's consultation material. This failure means that, in our opinion, the requirements in section 23 of the Planning Act 2008 (as amended) have not been satisfied. In essence, we would have expected RSP to be able to show:

- the capability of Manston Airport of providing air cargo transport services;
- the amount by which RSP is proposing to increase that capability by and thus the "new" capability; and
- a credible forecast for why that 'new' capability is required.

None of this information is provided by RSP.



## 1 INTRODUCTION

1.1 York Aviation was appointed by Stone Hill Park Limited (SHP) in September 2017 to review the evidence presented by RiverOak Strategic Partners Limited (RSP) in connection with RSP's prospective application for a Development Consent Order (DCO) for the redevelopment and re-opening of Manston Airport as a hub for international air freight services, which also offers passenger, executive travel and aircraft engineering services.

1.2 York Aviation is a specialist air transport consultancy that focusses on airport planning, demand forecasting, strategy, operation and management. The company was established in 2002. We offer a broad range of services to airports, airlines, governments, economic development organisations and other parties with an interest in air transport. Our team is a mixture of experienced air transport professionals and economists. Key members of the team have substantial experience of airport operations and development gained through working for Manchester Airports Group. Our core services include:

- business planning and strategy;
- capacity and facilities planning;
- master planning and planning application support;
- demand forecasting;
- economic impact assessment and economic appraisal;
- policy and regulatory advice;
- route development;
- transaction support.

1.3 Our clients include:

- Transport for London;
- Transport for the North;
- Department for Transport;
- Scottish Enterprise;
- Northern Ireland Government;
- Manchester Airports Group;
- Birmingham Airport;
- London City Airport;
- London Luton Airport;
- Ryanair;
- Freight Transport Association.

As well as numerous investors in airports and other parties with an interest in the development, operation and management of airports in the UK and abroad.

- 1.4 Louise Congdon, Managing Partner of York Aviation has provided evidence in relation to the need for and economic impact of airport development at several airport public inquiries, including Manchester Runway 2, Liverpool Airport, Doncaster Sheffield Airport, Stansted Generation 1, London Ashford Airport (Lydd) and London City Airport.
- 1.5 We were the authors of two specific reports upon which RSP seek to rely in making their case, namely a report for the Freight Transport Association (FTA) and Transport for London (TfL) in 2015 and a note on Freight Connectivity for TfL in 2013. The first of these documents was used by RSP in its public consultation and this may have led respondents to believe that we were supporting the re-opening of Manston, which is not true and, as we go onto explain in this report, our analysis in these documents for the FTA and TfL does not support RSP’s conclusion that there would be a substantive and sustainable role for Manston in the UK air freight industry.

**Historical Position**

- 1.6 Manston Airport closed to commercial operations in May 2014, following several unsuccessful attempts to attain commercially viable operations. In the decade prior to closure, the Airport did manage to attract some cargo and passenger activity but not to levels that could ensure financial and commercial viability for its owners. The historic traffic performance is set out in **Table 1.1**. The Airport’s cargo traffic peak was in 2003.

**Table 1.1: Historic Commercial Traffic at Manston Airport**

	Passengers	Cargo (tonnes)	Air Transport Movements <sup>2</sup> (excl. Air Taxis)	of which, Cargo Aircraft Movements <sup>3</sup>	Total Aircraft Movements
2003	3,256	43,026	1,106	1,081	24,934
2004	101,328	26,626	3,333	730	23,324
2005	204,016	7,612	4,631	177	21,358
2006	9,845	20,841	461	322	16,687
2007	15,556	28,371	608	444	21,521
2008	11,625	25,673	540	412	19,269
2009	5,335	30,038	583	485	18,902
2010	25,692	28,103	1,151	491	16,260
2011	37,169	27,495	1,472	419	18,695
2012	8,262	31,078	687	432	14,688
2013	40,143	29,306	1,640	511	17,504

Source: CAA Airport Statistics

<sup>2</sup> Air Transport Movements (ATMs) are those services sold to the public as distinct from private flights or those operated on behalf of individual companies using their own aircraft. All substantive cargo operations in the UK would be treated as air transport movements. Aircraft movements are all aircraft movements at an airport, including ‘touch and go’ landings by flying school aircraft.

<sup>3</sup> Based on more detailed records maintained by the former airport operator, it would appear that CAA data may not record all empty cargo positioning flights. However, we do not have complete data. The total number of cargo flights could, hence, be somewhat greater than shown.



- 1.7 Table 1.1 shows that the number of air cargo movements and the tonnage carried was fairly consistent over the last 10 years of the Airport's operation, but these operations were not sufficient to support a commercially viable operation at the Airport.
- 1.8 We address the realistic levels of freight demand that Manston Airport might attract if reopened in **Section 3** of this report.

### The Application

- 1.9 RSP's prospective DCO application is predicated on its proposed alterations to the Airport's infrastructure, the effect of which is expected to increase by at least 10,000 a year the number of cargo air transport movements (CATMs) a year that the Airport is capable of accommodating. In practice, the case set out in the consultation documents produced by RSP and used in the Preliminary Environmental Information Report (PEIR) are predicated on it being able to attract and handle a forecast of 17,171 CATMs and 1.4 million passengers per annum (mppa) by 2039 and all of the assessments are made on this basis.
- 1.10 In order for RSP's proposals to be considered a Nationally Significant Infrastructure Project (NSIP), which can be taken forward using the DCO procedure under the Planning Act 2008 (as amended), it must comprise of an alteration to an airport which would *"increase by at least 10 million per year the number of passengers for whom the airport is capable of providing air passenger services"* or *"increase by at least 10,000 a year the number of air transport movements of cargo aircraft for which the airport is capable of providing air cargo transport services."*<sup>4</sup> <sup>5</sup> In this case, the relevant criterion relates to air transport movements for cargo aircraft. It is clear, therefore, that validating the capability of Manston Airport of providing air cargo transport services is vital to determining the legitimacy of a DCO.
- 1.11 RSP's prospective DCO application does not provide any explanation or understanding of the capability of the Airport before its proposed alteration is made. The capability of the Airport is a necessary component of Section 23(5) of the Planning Act 2008 (as amended), as it is from that figure that a prospective applicant must consider the effect of its proposed alteration, which must be expected to have the effect of an increase of at least 10,000 annual air transport movements by cargo aircraft. Without identifying the capability of Manston Airport, one does not have all of the components required under section 23 of the Planning Act 2008 (as amended) for a decision to be made as to whether the proposed alteration falls within section 23. In addition, an applicant must then explain what the 'new' capability would be following its proposed alteration in order to then assess the effects of the proposed alteration. We consider this further in **Section 4**.

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<sup>4</sup> Section 23(5) of the Planning Act 2008 (as amended).

<sup>5</sup> It is noted that the Planning Act 2008 (as amended) also refers to an increase in permitted use as a relevant criterion. In this case, the existing planning consent under which Manston operated contained no limit on the number of annual aircraft movements permitted although there was a prohibition on night movement of aircraft between 23.00 and 07.00 in force, pending agreement to a night movement policy with the local planning authority, Thanet District Council. In any event, the increase would still need to be at least 10,000 per year in the number of air transport movements of cargo aircraft for which the airport is permitted to provide air cargo transport services.

- 1.12 A further consideration is the extent of development proposed in terms of its capability of supporting the projected number of movements but, more importantly, given that RSP is seeking to compulsorily acquire the entirety of the Manston Airport site from SHP, whether the land area proposed is actually necessary in order to handle the projected number of aircraft movements and whether there is a “*compelling case in the public interest*” for its acquisition<sup>6</sup>. This requires consideration as to whether the case for the development and re-opening of Manston Airport is “*compelling*” and whether the full extent of land required has been fully justified. We consider this in Section 4 of this report.
- 1.13 We consider the socio-economic case for the development in **Section 5** of this report.

### **This Report**

- 1.14 RSP sets out its strategic case and need for the re-opening of Manston Airport as a hub for international air freight in 4 volumes prepared by Dr. Sally Dixon of Azimuth Associates (Azimuth), namely ‘*Manston Airport - a Regional and National Asset, Volumes I-IV; an analysis of air freight capacity limitations and constraints in the South East and Manston’s ability to address these and provide for future growth; June 2017*’. **Section 2** of this report reviews this analysis and the extent to which the analysis presented by Azimuth justifies the forecast cargo and passenger activity projected for Manston. This is important for the purposes of section 23 of the Planning Act 2008 (as amended) and whether the analysis presented by Azimuth provides a compelling case in the public interest for the acquisition of the site through compulsory acquisition procedures.
- 1.15 Within this report, we address, in particular, the use made by Azimuth of analysis that we undertook for Transport for London<sup>7</sup> and for the Freight Transport Association<sup>8</sup> in connection with the work of the Airports Commission and the need for new hub airport capacity for London. For reasons which will be made clear, the York Aviation work relied upon by RSP does not, and cannot be taken to, support RSP’s proposed alteration to Manston Airport and, therefore, cannot be relied upon by RSP, the Planning Inspectorate, the Secretary of State and any future appointed Examining Authority (should RSP submit the application and the Secretary of State accepts the application). Given the errors in the interpretation and use of our work by Azimuth, we are concerned that the consultation carried out to date has not properly informed the public in respect of the valid interpretation of our work regarding the prospects for the viable operation of Manston as a freight airport.
- 1.16 We also review independent reports produced variously by Aviasolutions (Avia) for Thanet District Council in September 2016 and August 2017 and Northpoint Aviation Services (Northpoint) for RSP. This peer review of the other reports is at **Section 6** of this report. To the extent that we agree with these other reports, we do not repeat the detailed analysis in this report but reference the corroborating evidence as appropriate.

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<sup>6</sup> Department for Communities and Local Government, *Guidance on compulsory purchase process*, October 2015, page 6.

<sup>7</sup> Referenced by Azimuth as Transport for London (TfL), *Note on Freight Connectivity*, unpublished paper 2013. For the avoidance of doubt, this note as made available by TfL under a Freedom of Information Request is appended to this report at **Appendix A**.

<sup>8</sup> York Aviation (2015), *Implications for the Air Freight Sector of Different Airport Capacity Options*.



1.17 Our conclusions are presented in **Section 7**.

## 2 CRITIQUE OF RSP APPROACH TO FORECASTING

2.1 In this section, we review the work of Azimuth that forms the justification for the DCO and was part of RSP's consultation documents in June and July 2017. The work is presented in 4 volumes:

- Volume I: Demand in the south east of the UK
- Volume II: A qualitative study of potential demand
- Volume III: The forecast
- Volume IV: The economic and social impact of airport operations

This section also addresses the basis of the demand forecasts for Manston as set out in Volumes I, II and III, focussing principally on air freight in this summary report. We address the socio-economic assessment in Volume IV in Section 5 of this report. Given the repetition of much of the material across the first three volumes of Azimuth's work, we have grouped issues broadly under the appropriate volume in this section.

2.2 We do not, in the main, dispute the accuracy of the factual detail, some relevant and some not, set out in the Azimuth reports or the veracity of the secondary evidence presented. We do, however, have serious and considerable issues in relation to the interpretation and the completeness of this evidence base, in particular relating to the use of previous York Aviation reports, and the inferences and conclusions drawn from it. Ultimately, we consider that the case put forward by Azimuth is weak and unsubstantiated as the extensive evidence base presented does not, in reality, support the conclusions drawn which, in many cases, go well beyond what can reasonably and sensibly be inferred from the information presented. Much of the information is effectively circumstantial and falls far short of making a compelling case, or indeed any case, that the demand forecasts would be capable of being realised.

2.3 Although Azimuth state at paragraph 1.2.1 of Volume 1 "*RiverOak, who specialise in identifying profitable market opportunities, has identified the substantial need for additional and specialised airport capacity for dedicated freighters in the southeast of England*", we are unaware of any other research upon which RSP rely. All other documents produced in support of the prospective DCO appear to rely on the work of Azimuth.

2.4 In essence, the work of Azimuth sets out to address three key questions, which they assert provide the answer as to whether there is a compelling case in the public interest for the development of Manston Airport sufficient to meet the test for the inclusion of compulsory acquisition powers as part of the DCO. These are largely addressed in Volumes I and II, and lead on to the preparation of demand forecasts set out in Volume III. The three tests put forward by Azimuth are:

- *Does the UK require additional airport capacity in order to meet its political, economic, and social aims?*
- *Should this additional capacity be located in the South East of England?*
- *Can Manston Airport, with investment from RiverOak, relieve pressure on the UK network and meet the requirement of a nationally significant infrastructure project?*



- 2.5 At the outset, we query whether these are the correct questions to be addressed in terms of the case that RSP seek to make for the use of Manston as a major freighter hub. As is clear from the draft Airports National Policy Statement (NPS)<sup>9</sup>, the first two questions relate to the requirement for more capacity at the UK's main passenger hub airport at Heathrow. The updated draft NPS makes clear at paragraph 1.30 that, in relation to the Government's preferred solution of a new northwest runway at Heathrow:

*"Consideration has been given to alternative solutions to the preferred scheme, and the conclusion has been reached that there are no alternatives that would deliver the objectives of the Airports NPS in relation to increasing airport capacity in the South East and maintaining the UK's hub status."*

- 2.6 Hence, these first two questions are not relevant to considering whether there is a need for dedicated freighter capacity at Manston sufficient to meet the tests for a DCO. Manston would make no contribution to meeting the identified requirement of passenger hub capacity for the UK or for the South East of England. Furthermore, the draft NPS makes clear, at paragraph 1.39 in relation to any other development consent application for airport development, that:

*"Nevertheless, the Secretary of State considers that the contents of the Airports NPS will be both important and relevant considerations in the determination of such an application, particularly where it relates to London or the South East of England. Among the considerations that will be important and relevant are the findings in the Airports NPS as to the need for new airport capacity and that the preferred scheme is the most appropriate means of meeting that need."*

- 2.7 This confirms that the proposed northwest runway at Heathrow addresses the identified need as set out by the Airports Commission for new airport capacity in the South East of England and that this provides a context against which any other DCO application would need to be assessed.

### **Demand in the South East of the UK (Volume I)**

- 2.8 As has been noted above and in the most recent 2017 reports from Avia, much of the analysis presented by Azimuth relates to the evidence for a shortage of airport capacity overall in the South East of England and, specifically, the work of the Airports Commission relating to the need for additional hub airport capacity serving both the needs of passengers and of air freight. Much of the evidence presented by Azimuth to justify the existence of an airport capacity shortfall in the South East of England relates to the shortfall in capacity for passenger aircraft and, specifically, a shortage of capacity at the main aviation hub at Heathrow as noted above. This does not provide any underpinning justification for the specific development that RSP proposes at Manston, which comprises a specialist freight airport with a small number of low fare, regional and charter flights for passengers.

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<sup>9</sup> Department for Transport, *Revised Draft Airports National Policy Statement: new runway capacity and infrastructure at airports in the South East of England*, October 2017. Note that the provisions referred to have not changed since the original draft as of February 2017, which pre-dated RSP's consultation.

- 2.9 Azimuth cite a number of reports which highlight the potential shortage of airport capacity, not just in the UK but across Europe, and the economic costs of not addressing these shortfalls. Azimuth then seek to imply that Manston could provide part of the solution and contribute to delivering these benefits. This is not justified and creates a false impression of the potential economic significance of RSP's proposals. A key point is that the reports relied on by Azimuth need to be seen in the context in which they were written, namely to set out the economic consequences of the failure to address the shortage of hub airport capacity principally for passengers but also providing bellyhold capacity for freight in the UK. All of the reports pre-date the Government's decision to promote an additional runway at Heathrow and were largely directed at ensuring that a positive decision was taken regarding the development of additional runway capacity.
- 2.10 Furthermore, the reference at paragraph 5.1.4 to concern expressed in the Aviation Policy Framework<sup>10</sup> regarding the implications of capacity shortfalls on the range of destinations served does not, as Azimuth infer, indicate a need for additional aircraft movements by dedicated freighter aircraft as these would require a concentration of freight flows to a specific destinations to fill a single aircraft at a time. Rather, the Aviation Policy Framework refers to the need for a wide range of global destinations being available at the UK's national hub airport, offering passenger and bellyhold capacity so as to maximise the choice and convenience for both passengers and shippers<sup>11</sup> of airfreight. It is this variety of destinations and, importantly, the high frequencies of service that lead the market to favour a bellyhold hub and spoke system so that freight can reach its end destination in the most efficient and cost effective way possible.
- 2.11 In the light of the Government's support for the provision of a third runway at Heathrow and the potential for further development of airport capacity beyond 2030<sup>12</sup>, the use of these economic assessments of a constrained situation to 2050 is no longer relevant, if indeed it ever was, as a context for the potential re-opening of Manston as a freight airport. The use of this data by Azimuth to support RSP's proposals is disingenuous at the very least.

#### ***Reliance on York Aviation work***

- 2.12 Ultimately, Azimuth rely heavily on two existing pieces of research undertaken by York Aviation during the Airports Commission process. The first an unpublished note for Transport for London (TfL) prepared in the early stages of that process (see Appendix A), and a later more detailed piece of research undertaken for the Freight Transport Association (FTA), in conjunction with TfL<sup>13</sup>. Both documents considered the overall position of the air freight market in the London system and what might be the circumstances of that market in 2050 under different assumptions regarding runway capacity development in the South East. Whilst we continue to believe that, in the very long term, there will be excess demand for air freight and that existing infrastructure in the London area will struggle to service this demand, more recent developments lessen the capacity pressure.

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<sup>10</sup> Department for Transport, *Aviation Policy Framework*, 2013.

<sup>11</sup> Shippers are the originators of the airfreight, i.e. the exporters or importers.

<sup>12</sup> Department for Transport, *Beyond the Horizon The future of UK Aviation*, Call for Evidence, July 2017, paragraph 7.23.

<sup>13</sup> The FTA report being included explicitly in RSP's consultation documents on its website.

- 2.13 The key point, however, is that, to the extent that there is excess air freight demand in the long term, it does not follow that there will be a market for Manston, as asserted by Azimuth, as any excess demand at the Heathrow hub does not lend itself to being displaced onto dedicated freighter operations at Manston, for reasons we explain later in this section. To the extent that there is any role for additional freighter aircraft to accommodate some part of the displaced demand, there is ample spare capacity at other airports in the short to medium term at least. Thus, the York Aviation work relied upon by RSP does not, and cannot be taken to, support the need for a re-opened Manston Airport as a freight airport and cannot be so relied upon by RSP, the Secretary of State, the Planning Inspectorate and any appointed Examining Authority (should RSP submit its application and the Secretary of State accepts the application).
- 2.14 Specifically, Azimuth seek to rely on estimates presented in our reports of the number of freighter movements which might be required to carry the freight tonnage that could be displaced from the London airports in 2050 if there is no additional capacity provided by that date. It is important to note that our reports for TfL and the FTA went on to explain why there were other alternatives, such as regional airports or trucking to Europe, which would be favoured to meet demand ahead of any residual use of more dedicated freighters.
- 2.15 Despite the reports being very clear, when read in their entirety, that the solution to any shortage of capacity would not be extensive use of pure freighter aircraft, Azimuth rely on the freighter movement equivalents from our reports as justification for their projections of freighter movements at Manston both in the short to medium term and up to 2039. There are a number of problems with this approach:
- The analysis as at 2050 is not representative of the position at 2039 or any earlier date;
  - The Government is committed to there being a third runway at Heathrow, with a major justification being the increase in bellyhold freight capability at the UK's principal freight hub;
  - Gatwick has increased its effective hourly movement capacity, enabling more passenger aircraft and associated bellyhold capacity, particularly related to recent expansion of the long haul network;
  - Stansted has 20,500 annual movements that are reserved for freighter aircraft, of which only around half are currently used. The Airport's Sustainable Development Plan<sup>14</sup> sets out an aspiration to grow cargo, including on dedicated freighter aircraft, to 400,000 tonnes annually;
  - Regional airports have developed additional long haul services, providing additional bellyhold capacity, and have plenty of spare capacity to accommodate additional freighter aircraft movements to the extent that there is any need for more pure freighter capacity;
  - The Government has not ruled out the provision of further additional airport capacity beyond 2030.
- 2.16 Fundamentally, the use of theoretical levels of excess air freight demand at 2050 cannot be used to underpin short to medium term forecasts for the expected usage at Manston or an assessment as to whether it could be viably developed in the meantime, regardless of the precise timing of the delivery of the third runway at Heathrow.

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<sup>14</sup> Stansted Airport Ltd, *Sustainable Development Plan 2015*, Summary.

### Transport for London

- 2.17 At the outset, it is important to note that our 2013 paper for TfL (referenced by Azimuth as an unpublished TfL note<sup>15</sup>) points out the UK did not then appear to be disadvantaged in terms of air freight capacity and that there was still substantial capacity for freighter movements remaining at Stansted. This is an important consideration in terms of short term forecasting and should have informed Azimuth's thinking.
- 2.18 In this paper for TfL, we estimated the excess air freight that could not be accommodated in bellyhold capacity on passenger aircraft under different scenarios of additional capacity at the London airports and converted that excess to an equivalent number of freighter movements. The 54,000 potential additional freighter movements that Azimuth (and Northpoint) cite at paragraph 3.4.5 are the additional freight carrying capacity required in the event of there being no further runway capacity at any of the London airports<sup>16</sup> (a severely constrained scenario) that is simply no longer realistic as we have set out above. Azimuth's (and Northpoint's) use of this figure as a potential market for Manston is misleading.
- 2.19 The note then goes on to set out how this requirement for additional freight capacity might be met and the economic consequences. In the first instance, we noted that around 14,000 additional freighter movements could be accommodated in the London system if no capacity expansion takes place, and this included the use of additional available freighter slots at Stansted. Azimuth appear to have taken our inclusion of Manston, as an example of a smaller airport in the South East that could accommodate some movements, as an indication that it could play a substantial role, wrongly stating in the Executive Summary and at paragraph 3.4.5 that we said that Manston was expected to handle 14,000 freighter movements. Manston was given simply as an example of an airport with freighter activity at the time of writing (2013) with the potential to accommodate some additional movements (as we set out in Section 4 of this report, the capability of Manston Airport is 21,000 annual cargo aircraft movements before allowing for any night operations).
- 2.20 In essence, our assumption was that, across the London airports (including Manston albeit on the periphery of the South East of England), it was plausible that, by 2050, double the number of existing freighter movements could be accommodated compared to 2012. If anything, the correct inference to draw from this is that we expected the number of freighter movements to double from 2012 levels, i.e. to around 1,000 movements a year at Manston.
- 2.21 Beyond this, the question of how excess freight demand in the London system in the future will be served is largely left open in our 2013 note but we made clear, at paragraph 26, that we believed the two most likely options would be greater use of bellyhold capacity and freighter operations at UK regional airports, noting Birmingham, East Midlands and Manchester particularly, or the trucking of freight to major European hub airports with substantial route networks and bellyhold capacity. This reflects the growing role of regional airports in serving their local freight markets (avoiding the need to truck to London), while balancing particularly the attractiveness of the substantial bellyhold capacity, lower air freight rates, and flexibility offered by the major continental hubs. We discuss this further below in relation to the economics of the air freight sector.

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<sup>15</sup> See Appendix A.

<sup>16</sup> Based on the Airports Commission capacity assumptions.



- 2.22 Our TfL note also makes clear (paragraph 25) that, to the extent that there was a capacity constraint, the first consequence might well be less capacity for transit freight through the UK airports, prioritising freight to and from the UK. Ultimately, our TfL note concludes that:

*“In the constrained, max use, case, there would be severe limitations of pure freighter movements at the London airports, which could amount to around 26% of the required air freight capacity to/from London. The extent to which this would act as a limitation on overall air freight volumes would depend on the extent to which the freight is still carried from regional airports or by truck. Clearly this would impact on the cost/efficiency of shipment, which in turn could impact on freight volumes carried. Again, it is outside the scope of the current exercise to assess these effects.*

*Overall, in assessing the economic value for air freight between the scenarios, the main difference is likely to lie in producer costs passed through to users and the impact that would have on business costs and hence output/freight generated. It would not be safe to assume that the reduction in cargo ATMs at the London airports necessarily translates to lost shipment value in its entirety.”*

- 2.23 Azimuth, at paragraph 3.3.2, incorrectly characterises our note to TfL as expressing a concern about the amount of trucking to Europe. Significantly, the last part of paragraph 9 is omitted by Azimuth. When looked at in its entirety, it is evident that we were noting that trucking is an inevitable part of the market, for reasons which we explain later in this section:

*“However, the role of the low countries and Germany in acting as the major freight centre in western Europe is noticeable. In total, the main German freight airports handled almost 4.2 million tonnes of freight in 2012 which, when combined with the Netherlands and Benelux countries, amounted to 7.2 million tonnes of air freight flown. These airports have developed major and specialist air freight roles, with freight being trucked from all over Europe to feed these freight hubs. The integration of trucking with air freight should not be overlooked, even within the UK. In practice, it is unlikely that the UK could replicate this role, even with unconstrained airport capacity, due to its island location on the western edge of Europe.”<sup>17</sup>*

- 2.24 In other words, our assessment was that there would not, in effect, be a shortage of capacity for freight, albeit that there would be some loss of producer efficiency by way of increased trucking and time related costs, which would be small in the context of the overall cost of air freight transport. Our summary conclusion in this note makes this clear:

*“The key difference between these two scenarios would be in terms of the efficiencies and economies of scale gained by the industry arising from the concentration of freight activity at a single hub. In both cases, the overall volume of air freight to and from the UK is expected to be broadly the same, although the actual freight carried including transit freight would be higher in the hub case. However, under the new hub scenario, savings from greater efficiency may be passed onto users, so reducing shipping costs and facilitating trade leading to higher freight volumes, but it is beyond the scope of the current exercise to assess this.”<sup>18</sup>*

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<sup>17</sup> See Reference 6, paragraph 9.

<sup>18</sup> Ibid, paragraph 30.

2.25 We were cautioning against the assumption that there would be a requirement for more capacity for dedicated freighter aircraft in a constrained scenario as there would be other more cost effective routes by which the freight would be carried, albeit at a higher cost than with the availability of more bellyhold capacity under a 4-runway hub scenario as being advocated by TfL at the time. Use of more dedicated freighter aircraft would represent a further increase in cost for shippers as we explain further later in this section.

#### Freight Transport Association

2.26 Our work for the FTA and TfL in 2015<sup>19</sup> again identified the potential for excess demand for air freight in the London system by 2050 and converted this number to freighter movements to demonstrate the point that a four runway hub could house this excess demand in one place. If this demand could not be served in the London system, the report makes clear our belief that it would then be trucked to alternate airports that offer significant options in terms of bellyhold freight or freighter operations. In this context, the bellyhold capacity and destinations offered by the continental hubs are a decisive factor in determining how the market will be served due to the range of destinations served and the lower costs inherent in using bellyhold freight. These continental airports act as freight consolidation hubs for the whole of Europe given their more central locations and, hence, offer consolidation advantages and more competitive freight rates.

2.27 Azimuth's interpretation of our work for FTA appears to erroneously assume that excess demand in the London system will need to be met by additional freighter movements from an airport in the vicinity of London. For instance, at para 4.2.3, they state that *"Even so and as York Aviation figures show, there will be a shortfall of slots for dedicated freighters, likely to be in the region of 45,000 by 2050"*. Whilst our report does estimate that the excess air freight demand with a third runway at Heathrow would be around 1.2 million tonnes by 2050, equivalent to 45,000 additional freighter movements, at no point does our report say that this is how the market could or should be served. Indeed, as we state on Page 20 of our FTA report *"we have assumed that freighter aircraft primarily act as a means to supplement bellyhold capacity where insufficient bellyhold capacity is available"* and our later analysis of how the market might react to this excess tonnage focusses on this assumption by considering the attractiveness of alternative airports in terms of both passenger and freight services on offer. We continue to be of the view that bellyhold capacity elsewhere will be the primary alternate given the price advantages, the flexibility offered by the long haul networks of major airports, including those on Continental Europe, and the low cost of trucking as our report for FTA makes clear.

2.28 By the time of this report for FTA, Manston had closed but, even if it had not and had been included within our modelling work, the lack of bellyhold capacity and limited overall market presence would have meant it could only be projected to capture a very small percentage of the excess demand. For instance, East Midlands, an airport with around 10 times the freight throughput of Manston, and only 1 hour further away from London than Manston (and substantially closer than Manston to many of the major regional markets and manufacturing centres) captured only 8% of the excess demand in our 2015 modelling. In the Heathrow 3<sup>rd</sup> runway scenario, this equates to around 100,000 tonnes in 2050. This would equate to around 3,600 additional freighter movements in 2050.

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<sup>19</sup> See paragraph 1.14 above.

### ***The Economics of the Air Freight Industry***

- 2.29 Throughout the analysis, Azimuth appear to assume complete interchangeability between bellyhold freight, pure freighter operations and express/integrator operations without any analysis of the economic drivers for the use of each type of freight transport and the economics of trucking of air freight between the UK and Europe. This is a fundamentally unrealistic assumption and leads to a misrepresentation of the market opportunity for pure freighters.
- 2.30 In our work on international connectivity for Transport for the North (TfN) in 2016 (in conjunction with MDS Transmodal<sup>20</sup>), we identified the key characteristics of the air freight market. We identified that air freight can, in principle, be broken down into three main sectors:
- (i) bellyhold, where cargo is carried principally in wide-body long-haul passenger jets<sup>21</sup>. Shippers are able to take advantage of flights to a wide variety of destinations from the main hub airports such as Heathrow and from other major European hubs, e.g. Frankfurt and Paris, similarly offering a wide range of global destinations on passenger flights;
  - (ii) freight only services, which are viable on only a handful of routes and/or for specialist commodities on an ad hoc basis. This is an increasingly limited sector in the UK due to the variety of bellyhold routes available and the strong presence of the integrators in the market;
  - (iii) express 'parcel' type services that operate on a hub and spoke network basis by 'integrators' (typically DHL, Fedex and UPS). These services increasingly carry larger consignments and East Midlands and Stansted Airports dominate the UK market, feeding bigger hubs located more centrally within Europe.
- 2.31 In general, air freight is seeking door to door journey times of the order of 4-5 days, which is possible using bellyhold through major hub airports, whilst integrator freight will generally seek a door to door journey time of no greater than 2 days.
- 2.32 The majority of tonnage moves by bellyhold as, in essence, this capacity is sold at marginal cost, with the majority of the airlines' operating costs covered by the passengers carried. The market is dominated by Heathrow and the other major European passenger hub airports because the sheer range and frequency of services provides a competitive environment which typically delivers the lowest freight rates and the greatest range of destinations served. There is high locational inertia in the air freight sector, which is likely to remain focussed around Heathrow for the foreseeable future as it is expected to remain by far the largest UK airport for cargo. In our TfN work, we estimated that around 70% of freight from the North of England in 2015 was trucked to or from other hubs for uploading, with some freight trucked to Heathrow for consolidation by the freight forwarders before being trucked back to Manchester to avail of bellyhold capacity there. Assuming similar proportions from other regions of the UK, it is clear that at least a part of any excess demand at the London airports is likely to be satisfied at regional airports, not least as airports such as Manchester, Birmingham and Edinburgh increase their range of direct long haul services offering bellyhold capacity.

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<sup>20</sup> Transport for the North, *International Connectivity Evidence Report*, York Aviation/MDS Transmodal July 2016, Appendix C.

<sup>21</sup> Short haul flights provide small amounts of bellyhold capacity but, generally, low fares airlines do not carry cargo within their operating model.

- 2.33 The integrator sector carries more urgent parcel traffic based upon hub and spoke networks offering (typically) two day intercontinental transits. Spoke services from the UK from East Midlands and Stansted serve central European hubs at airports such as Brussels and Frankfurt. The need for frequency tends to mean that, typically, only one 'spoke' can be justified per integrator per country and these spoke services tend to be centrally located to maximise accessibility from all parts of Great Britain. East Midlands Airport is ideally placed in this regard. The integrators are increasingly using bellyhold capacity as well, essentially acting as freight forwarders in this regard.
- 2.34 A handful of freight only services complement bellyhold and integrator services where there is sufficient cargo to justify dedicated aircraft to a particular destination. There are a small number of scheduled freighter services which circumnavigate the globe, picking up and dropping off cargo at each point. More often, dedicated freighter services, other than those linking with major cargo hubs such as Hong Kong, Seoul or Dubai, operate on an ad hoc basis dealing with special consignments, such as large loads, or specific commodities where time is of the essence, such as the perishables trade, which was previously the principal cargo usage at Manston. Whilst there is some cascade from bellyhold to pure freighter operations where capacity is not available or time is critical, ultimately, it is the economics of the operation which is key. It does not follow that displaced bellyhold freight will seek a more expensive pure freighter service from a nearby airport over the use of available bellyhold capacity from a more distant airport.
- 2.35 In particular, we identified that the high cost of air freight leads to a pressure to be cost effective and the role of freight forwarders<sup>22</sup> in consolidating loads in order to secure the lowest possible freight rates. Cargo, other than integrator operations, tends to be assembled by specialist air freight forwarders, which cluster around the major hub airports so as to avail of the competitive freight rates on offer. As the road transport costs are very low compared to the value of the cargo and the air freight costs, air cargo is often trucked long distances to find capacity (at a lower freight rate). This forms an important driver in how freight moves from its origin to the actual airport of unloading and applies both within the UK and between the UK and Europe.
- 2.36 The charges levied per tonne of cargo for the long haul flight leg are high relative to inland haulage costs so that a relatively small difference in air freight rates between different airports will easily cover any additional costs for road haulage. It is for this reason that the majority of air freight will always gravitate towards bellyhold where there is capacity available, even if there is a substantial road haul as part of the journey. Given the wide range of bellyhold services available from the UK, which will increase following the development of a third runway at Heathrow and long haul service growth elsewhere, it is reasonable to expect that pure freighter operations will continue to make up a declining share of the market.

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<sup>22</sup> A freight forwarder, forwarder, or forwarding agent is a person or company that organizes shipments for individuals or corporations to get goods from the manufacturer or producer to a market, customer or final point of distribution. For example, the freight forwarder may arrange to have cargo moved from a plant to an airport by truck, flown to the destination city, then moved from the airport to a customer's building by another truck.





2.37 Trucking of air freight is not a new phenomenon. The work by Steer Davies Gleave for the Department for Transport (DfT) in 2010<sup>23</sup> estimated that over 50% of air freight leaving the UK for Europe was trucked rather than using the bellyhold of passenger aircraft. In other words, airlines are using trucks rather than aircraft to distribute freight arriving on and connecting to their global passenger (bellyhold) and freighter operations. At the time of this analysis, Manston was still operational. If it was more economical to use a pure freighter service from Manston rather than trucking over the Channel, this would have been happening in 2010 but it was not. Other than the potential additional border checks as a consequence of Brexit, Azimuth advance no reasons why freight would switch from the cheaper trucking/bellyhold model to expensive pure freighter operations. We believe that the economics of air freight will continue to favour the use of bellyhold freight, other than for a minority of consignments, to and from the UK even if there is a lengthy trucking leg.

***Manston in the context of the drivers of air freight***

2.38 At Para 4.0.2, Azimuth suggest the reasons why cargo airlines choose airports. In reality, Manston does not fulfil a number of these key criteria meaning that, even in the most favourable circumstances, it can never be more than a niche player in the market. Specifically:

- ➔ It does not provide convenient access to the main markets;
- ➔ The drive time to Central London is nearly two hours<sup>24</sup>;
- ➔ The great majority of the Airport's natural catchment is sea and there is very limited evidence of any local demand base;
- ➔ Competition is strong from the London airports, with already established freight forwarding and a wide range of bellyhold capacity;
- ➔ Given that the Airport is closed and staff dispersed, Manston would not provide any advantages in terms of experience of cargo handling and is likely to offer only marginal advantages in terms of the speed of transit through the Airport;
- ➔ Manston could potentially offer lower airport costs, albeit this would impact on the viability of the Airport, but these lower airport costs and any reduction in flying time would not offset the additional cost of freighter transport compared to bellyhold;
- ➔ It is also unclear as to what extent night time operations will be an option at Manston given the operating constraints under which the Airport formerly operated which prohibited scheduled night flying<sup>25</sup>.

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<sup>23</sup> Steer Davies Gleave, *Air Freight: Economic and Environmental Drivers and Impacts*, March 2010

<sup>24</sup> Based on Google maps standard driving speeds.

<sup>25</sup> Azimuth Vol 1 paragraph 7.1.6 quotes from a 2005 MORI survey that people were not impacted by night flights but this would reflect that there were no scheduled night flights when the airport was operational. Local resident support for re-opening (paragraph 7.1.1) needs to be seen in this context. We note that RSP's Consultation Overview Report states (on page 11) that "*Air freight operations would be predominantly during the daytime, in accordance with operations at other similar air freight airports. There may be a requirement for a small number of night-time flights, the details of which will be determined as part of the on-going project design, taking account of feedback from the Statutory Consultation, and presented with the DCO and assessed within the Environmental Statement. For the purpose of the PEIR assessment, and as a worst case, the working assumption is that there might be a maximum of eight (8) aircraft movements at night between the hours of 2300 and 0600.*"

- 2.39 A key consideration is Manston's geographic position substantially away from the economic spine of the UK and with very limited local demand. It is remote from most markets with a journey time to the M25 of nearly 1 hour and accessibility beyond would be subject to the general levels of traffic congestion in the London area. Azimuth's suggestion (paragraph 1.2.2) that Manston might effectively serve as a 4<sup>th</sup> runway for Heathrow for air cargo flights is merely fanciful given the journey time of 1¾ hours, which is little shorter than the time from Heathrow to East Midlands Airport with an already well developed infrastructure for handling air freight and more likely to fulfil such a role in relation to freight overspill from Heathrow that is time critical or of such a special nature as to warrant the use of pure freighter aircraft.
- 2.40 Many of the other points raised by Azimuth regarding security, e-commerce and just-in-time delivery are all factors relating to the overall efficiency of the industry. If anything, what the analysis presented by Azimuth demonstrates is the importance of developing efficient freight networks serving the whole of the UK rather than the need for a re-opened freight focussed airport in the South East of England. Manston could only recapture economic benefits from cargo being trucked to the continent, as asserted at paragraph 4.8.4, to the extent that it provides a more economically efficient solution. Manston was not viable in the past and there do not appear to be significant changed circumstances that would make it viable in the future. This lack of inherent viability is indicative of the fact that it did not provide an economically efficient solution.
- 2.41 One of the key reasons that the UK aviation sector is so productive, as cited by Azimuth at paragraph 5.2.1, is that it allows the market to work. Inefficient and unnecessary actors in the market are allowed to fail. There is a strong argument to suggest that the closure of Manston is simply a part of the process of the market working and delivering more efficient solutions. The argument around the importance of the sector and Manston's role only applies if it is commercially viable (and makes an adequate return to shareholders) and represents an economically efficient allocation of resources. Otherwise, it will in fact damage the productivity of the UK aviation sector.
- 2.42 Azimuth asserts, paragraph 6.2.2, that the perceived lack of investment in Manston by the previous owners was an impediment to freight growth. However, this is at odds with previous statements by former operators of the Airport and comments by interviewees, in Azimuth's Volume I, on the quality of service received by customers at Manston. In its 2002 results, the Wiggins Group plc claimed that, following investment, Manston was capable of handling 200,000 tonnes of cargo a year<sup>26</sup>. The subsequent owners, Infratil, published a Master Plan in 2009<sup>27</sup> which identified triggers when there might need to be some increase in cargo aprons or warehousing at 100,000 tonnes and 200,000 tonnes of cargo annually. Given that peak tonnage was 43,000 tonnes, this does not suggest that lack of capacity or shortage of investment was an impediment to increasing cargo volumes at Manston in the past, rather the limitation was the market.

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<sup>26</sup> <https://www.investegate.co.uk/wiggins-group-plc---230-/rns/final-results/200207300700452686Z/>

<sup>27</sup> Manston, *Kent International Airport Master Plan*, November 2009, page 62.

- 2.43 The only specific impediment to increasing throughput cited by Azimuth is a limitation to 1 aircraft being handled at a time but we understand that this was not the case, albeit supervised taxi-ing procedures had to be put in place when there were 2 aircraft using the apron at the same time. In practice, it does not appear that lack of investment was an issue which impacted on freight throughput. Rather, it must be assumed that the previous owners did not believe there was a viable economic case for investment. Lack of investment does not necessarily mean constrained demand and it may simply be that there was not sufficient demand to justify investment and that the market was functioning properly.

### **Qualitative assessment of demand (Volume II)**

#### ***Forecasting Methodology***

- 2.44 Volume II of Azimuth's work begins with an assessment of different forecasting approaches for cargo, noting that forecasting of cargo is not as well developed as that for passenger activity. We agree that air freight forecasting is difficult and that there is a lack of hard data. However, we do not agree with Azimuth's assertion that quantitative methods are, therefore, not suitable and that qualitative methods are more appropriate. The evidence cited by Azimuth at Table 3 does not support this conclusion and suggests that causal methods (regression analysis) remain the most appropriate for forecasting demand for cargo and freighters. Such an approach is far more akin to the type of analysis undertaken by York Aviation in its work for TfL and FTA and upon which Azimuth seek to rely as a basis for the scale of activity that Manston might attract.
- 2.45 Whilst we understand the reason for Azimuth's assertion that it may not be appropriate to extrapolate Manston's future performance from its historic performance, this does not take away from the importance of grounding any future forecast in quantitative evidence of the drivers of the market and how these might change in the future. In any event, the assertion is at odds with the reliance placed by Azimuth on our quantitative assessments of 'spill' from the London airports at 2050, in the circumstances of no additional runway at Heathrow, as corroboration of their qualitative projections for Manston to 2039. To reiterate, reliance on these estimates is not appropriate for considering the potential role for Manston, not least as they relate to 2050 and cannot be applied to 2039, or any earlier year, without working through from first principles how any constraints in the London system might bite and the likely market reaction.

- 2.46 As well as reviewing forecasting methodologies, Azimuth sets out some air freight growth forecasts produced by others. At paragraph 3.6.1, Azimuth cite the DfT's assumption for growth in freighter movements in its 2013 UK Aviation Forecasts at 0.4% p.a.<sup>28</sup>. The DfT makes clear that the growth in freighter flights is seen as a residual, representing the share of freight on pure freighter flights after allowance is made for bellyhold cargo being the primary mode. It is clear that the DfT is expecting the share of the market using pure freighters to and from the UK to continue to decline. Indeed, the most recent UK Aviation Forecasts published by the DfT<sup>29</sup> suggest that there is expected to be no growth in the number of pure freighter movements to and from the UK above 2016 levels in the period to 2050. Hence, any increase in freight movements at Manston would have to come at the expense of other airports. We discuss the ability of other airports to handle such movements in Section 3.
- 2.47 Given the existence of a definitive 'official' UK forecast for freighter movements over the period to 2050, it is not clear why Azimuth rely on global forecasts for air freight produced by the manufacturers Boeing and Airbus for the purpose of selling aircraft (paragraph 2.1.10) as a basis for the longer term projections of freighter movements at Manston in their Volume III (paragraph 2.3.2). The global growth rates cited by Azimuth are inappropriate for projecting growth in freighter movements at Manston for several reasons:
- They relate to RTKs (Revenue tonne kilometres) (Boeing<sup>30</sup>) and FTKs (Freight tonne kilometres) (Airbus<sup>31</sup>) and will reflect increased tonnage per aircraft, including freight carried in the bellyholds of passenger aircraft, and longer sector lengths as well as any growth in aircraft movements;
  - The projections relate to growth in air cargo at the global level and lower growth is clearly shown as expected to/from and between more advanced economies such as the UK;
  - In the case of Airbus, specific lower growth rates are cited for growth in freight tonne kilometres in freighter aircraft (2.6% p.a. compared to 3.8% per annum in their latest forecasts which are lower in any event than the previous forecasts used by Azimuth). Even then, this growth rate relates to FTKs not to freighter movements.
- 2.48 Taken together, these reports point to a declining market share for freighter aircraft in mature markets such as the UK, where there is a good supply of bellyhold capacity. It is, hence, not reasonable to use the Boeing and Airbus growth rates as a basis for projecting future growth in movements by pure freighter aircraft to and from the UK, particularly given the existence of DfT projections for such movements. Rather than being conservative, as suggested at paragraph 2.3.2 in Volume III, the use of a 4% per annum growth rate for years 10 to 20 at Manston is highly optimistic, and is certainly not supported by the DfT's analysis of the UK market.

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<sup>28</sup> Department for Transport, *UK Aviation Forecasts 2013*, paragraph 3.49.

<sup>29</sup> Department for Transport, *UK Aviation Forecasts*, October 2017, paragraph 2.56. The decline in pure freight movements since 2001 is illustrated in Figure 4.5.

<sup>30</sup> Boeing, *World Air Cargo Forecast 2016-2017*, page 2.

<sup>31</sup> Airbus, *Growing Horizons – Global Market Outlook 2017/2036*, page 101. Note that the 2016 version to which Azimuth refer is no longer available on the Airbus website.



### *Interviews*

- 2.49 Having rejected the recognised methodologies for forecasting freight demand at an airport, Azimuth rely on interviews with 24 individuals and/or organisations as set out in Table 4 of their report. To a large extent, these are people with past connections with Manston and who may not have a totally unbiased view on the desirability of it re-opening. It is notable that few cargo airlines or large scale air freight operators were interviewed, rather the list is dominated by local interested parties and logistics firms, not all of which are still in business. In some cases, throughout the remainder of Volume II, individuals are referred to who are not listed in Table 4 and, in other cases, individuals or organisations are referred to in different terms to those listed in the table. This does not suggest a very robust or rigorous approach to setting out the potential for Manston. Although the framework of questions is set out at paragraph 4.3.1, we are unable to identify any questions that would enable an assessment to be made of future passenger or freight volumes that would be likely to use Manston and which could be used as the basis for any forecast of future usage.
- 2.50 In the light of this, the remainder of Volume II is largely a qualitative description of current problems experienced in transporting cargo in general in the UK and in terms of past operations at Manston. These do not, however, provide any insight into the potential scale of demand for freight or passenger services at Manston. Essentially, it constitutes a speculative description of where there might be opportunities if Manston re-opens. We highlight the speculative nature of some of these comments relating to freight activity below. Taking Azimuth's categories in turn:

### *Process and Issues associated with airfreight*

- 2.51 This analysis is generic and of no direct relevance to the potential for Manston. In particular, no linkage is drawn between the commodities which typically use air freight set out at paragraph 5.1.2 and the economic sectors active in Kent. Significantly, at paragraph 5.1.5, Azimuth cite a respondent that made clear that "*tendered*" prices determine how air freight moves. This is a powerful reason why bellyhold will in most instances win over pure freighter operations. Issues of price for pure freighter operations are reinforced at paragraph 5.1.10, particularly in relation to the risks associated with higher fuel prices.
- 2.52 There are then a number of comments regarding the current difficulties of operating at Heathrow at paragraph 5.1.6ff. It is recognised that there are few realistic slots available for additional freighter operations at Heathrow so unsurprisingly Coyne Airways cite a difficulty for them if they sought to fly to Heathrow on an ad hoc basis. However, in reality, this airline is not a major player in the UK or Europe, operating a small number of weekly flights from Amsterdam to feed its network of flights within the Caspian Sea region<sup>32</sup>. Comments from ACC Shipping and Active Transport need to be read in the context that they are local Kent shippers and transporters of cargo that have a vested interest in seeing Manston re-opened.

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<sup>32</sup> [http://www.coyneair.com/caspian\\_schedule.htm](http://www.coyneair.com/caspian_schedule.htm)

Future trends in airfreight

- 2.53 To some extent, the issues highlighted here regarding security relate to the specific issues around Calais at the time when the interviews were carried out but the situation has now changed since October 2016. It is recognised that security of air freight is an increasing concern globally but this would apply at Manston as well as elsewhere.
- 2.54 Again, paragraph 5.1.15 highlights the dominance of bellyhold freight. Whilst noting that the A380 aircraft has more limited space for bellyhold cargo than B747s at paragraph 5.1.14, Azimuth neglect to point out that other new aircraft, such as B787 and A350 aircraft, do not suffer from similar reductions in space and capacity and continue to offer substantial bellyhold opportunities and capacity.

Motivation to use Manston

- 2.55 The response cited at paragraph 5.1.19 makes clear that the most important factor in considering freighter operations is “*cost, speed and access to road networks*”, which is not a condition which Manston can meet for the majority of the UK. The local transport firms (paragraph 5.1.21) clearly saw an advantage for them in Manston re-opening but it is far less clear that this was reflected by the broader industry. Significantly, paragraph 5.1.20 does not address the operational reasons why major freight forwarders seek to locate close to Heathrow, Stansted or East Midlands, except possibly for their city centre sales offices.
- 2.56 The response quoted at paragraph 5.1.23 makes clear that for Manston to be an attractive option to freighter operations, it would need to offer night operations. In the light of the past ban on scheduled night flying, this would be a major change to operating mode, with consequential environmental impacts. Furthermore, RSP’s position in relation to whether scheduled night flights will be allowed or not is ambiguous (see paragraph 2.37 above) and we understand that some supporters of the re-opening have said that such operations would not be allowed. In the event that night flights are not allowed or heavily restricted, this would further diminish the attractiveness of Manston for pure freighter operations (comparisons with the major European freight hub at Frankfurt as included by Azimuth are simply not realistic).

Demand model and data for Manston Airport

- 2.57 This section does not, in fact, contain any data for Manston nor set out a view on how future demand might be modelled.

Freight focussed findings

- 2.58 The one airline interviewed made clear (paragraph 5.2.3) that “*success at Manston depended upon identifying a niche market and becoming known for excellence. In particular, suggestions included a perishables centre, handling of live animals, easy access for charter flights, and handling cargo that is not necessarily straightforward*”. We would have expected the remainder of the report to concentrate on quantifying the size of this niche market, including any Brexit implications for exports (paragraph 5.2.1). It is clear, however, that the realistic expectation for Manston is for a small niche operation rather than as a general ‘overspill’ airport for London.

- 2.59 The spurious suggestion that freight might be “banned” from Heathrow (paragraph 5.2.6) and Manston might benefit is clearly nonsense in the context of the Government’s support for a third runway to provide capacity for freight in the bellyholds of passenger aircraft as much as for passengers.
- 2.60 Whilst the suggestion from Coyne Airways about the potential for Manston to offer fuel cost savings when flying south from the UK (paragraph 5.2.11) is interesting, it appears not to take any account of the locations where freight is generated in the UK or where it is consolidated into viable loads. It does not seem likely that Coyne Airways would itself relocate its one European feeder service from Amsterdam to Manston given this would increase rather than decrease fuel burn. As noted earlier, the real reason freight is trucked across the channel is to avail of cheaper freight rates available at the main European hub airports, which act as focal points for cargo for the whole of Europe.
- 2.61 Azimuth also claim that the bellyhold model is broken and that there is about to be a shift back to pure freighter operations at paragraph 5.2.25 but this is pure speculation and at odds with other industry commentators (see Airbus freighter forecasts which project an increasing share of bellyhold globally<sup>33</sup>) and the UK Government’s view as expressed by the Department for Transport.
- 2.62 Whilst paragraph 5.2.24 says there was underinvestment in facilities by the previous owners, the quotation from Finlays at paragraph 5.2.26 makes clear that Manston previously offered a good level of service. Hence, there is little evidence to suggest that underinvestment was any impediment to Manston attaining its natural share of the market in the past. Although Finlays have now relocated their operation back to Stansted, we would accept that they might choose to return to Manston with a similar number of movements as previously if the facilities were reinstated and provided the cost of operating was competitive compared to Stansted. There may also be scope for some humanitarian and military flights (paragraph 5.2.48) but these will be small in number and not the basis for a viable operation of the Airport.
- 2.63 At paragraph 5.2.45, Fedex’s criteria for an airport to be attractive to an integrator are set out and these seems to describe the characteristics of their main UK base at Stansted. There is then a discussion about some of the problems DHL perceive at Heathrow but, of course, DHL’s principal UK operation is focussed at East Midlands where they have an extensive operation. From our work with the integrators and with the Freight Transport Association, we know that Manston is too peripheral for integrator operations serving the UK. Integrators have a strong preference for locations more centrally located in the UK with good road access to all of the major markets. The availability of land for warehouses (paragraph 6.2.6) is far less important than a location central to the market and the availability of good road access, neither of which are characteristics of Manston. This would apply equally to the suggestion that Amazon might locate there or that the Airport could become a base for drone operations (6.3.24-27). It is simply in the wrong place to serve the market being at the far south east at the end of the country on a peninsula.

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<sup>33</sup> See Footnote 31.

- 2.64 The comparisons to Frankfurt Airport, in terms of the ability to sustain a freight operation without night movements, are simply irrelevant given that Frankfurt carries the second highest freight tonnage of any European airport and acts as a major cargo hub for air and road freight given its highly central location. Much of Frankfurt's cargo is carried in the bellyholds of passenger aircraft and this underpins the freight hub role. Given that Manston does not have anything like the overall market attractiveness of Frankfurt, for many reasons, any constraint on night operations would be a major impediment to freighter operations.
- 2.65 We do not discuss the passenger market in this report, albeit we have reviewed Azimuth's forecasts and disagree with their conclusions, which we can report upon should any application be made by RSP. The latter parts of Azimuth's Section 5 mention opportunities around ancillary activities such as MRO, aircraft recycling, flying schools and business aviation. We would simply highlight, at this stage, that these areas are highly competitive markets and it is not immediately obvious why Manston would provide an attractive option for operators in these markets when compared to what is often global competition. Nor is it evident that such activities would contribute substantially to the viability of Manston.

### ***Analysis and Conclusions***

- 2.66 Sections 6 and 7 of Azimuth's Volume II, go on to discuss what this means for Manston and draw conclusions. In general terms, Azimuth seek to draw conclusions about the cargo performance of Frankfurt, Heathrow and Stansted airports which are not consistent with the actual facts.
- 2.67 Again, there is reliance on our work for TfL and the FTA (paragraph 6.1.8) to justify the conclusions reached. As stated above this work does not support RSP's case.
- 2.68 Azimuth then identify that there are sectoral and geographic markets for which Manston has potential but there is no quantification of the scale of these markets. This is a fundamental gap if the scale of any potential opportunity is to be understood.
- 2.69 At paragraph 6.3.1, Azimuth set out 9 potential scenario drivers for Manston. However, it is not clear how these scenario drivers have been taken forward to the forecasts set out in Volume III, which do not set different potential scenarios for growth. If we take each of these drivers in turn:
1. *The UK's position in Europe* – Azimuth appear to assume that there will be an opportunity for multi-hop freighter services from Manston but it is far from clear that the traffic rights for such services will continue to be available post-Brexit.
  2. *Changes to fuel prices* – in the face of the decline in the value of sterling, these are more likely to work against the operation of more freighter aircraft.
  3. *The availability of more efficient aircraft* – the introduction of B787 and A350 aircraft will increase bellyhold capacity rather than reduce the capacity.
  4. *Onshoring of manufacturing in the UK* – it is not clear how this is relevant given Kent does not have a strong manufacturing base.
  5. *Changes to logistics and transport systems in Kent* – this is a circular argument as it relies on the re-opening of Manston driving a step change in the logistics and transport sector in Kent.





6. *Dramatic changes to economic performance* – it is noted that these are not factored into the forecasts but to the extent that there are Brexit effects on the economy, these would reduce trade and demand for air freight.

7. *Manston becomes a major integrator/forwarder base* -

8. *Manston becomes an Amazon base* -

9. *Manston becomes a hub for drone activity* –

for the reasons noted above, all three of these seem highly unlikely and are, at best, pure speculation with no evidence base whatsoever.

2.70 Section 7 sets out the conclusions from Volume II. According to Azimuth (paragraph 7.1.1), the key issues that are seen to favour Manston are:

- Lack of available slots at other South East airports;
- Bumping of freight from passenger aircraft;
- Security issues particularly with oversized cargo;
- Speed of turnaround.

However, our analysis of the factors would suggest that, other than perhaps the last two factors, there are few factors which would favour Manston and, in any event, these could be replicated by other airports closer to the main UK distribution centres, such as Doncaster Sheffield Airport, if these were deciding factors in the market.

2.71 Based on their analysis, Azimuth then set out (at paragraph 7.1.2), the markets which it believes that Manston could attract:

- Parcels and packages through an integrator;
- Perishables including fruit, vegetables, flowers, fish, and shellfish;
- Oversized freight;
- Formula One and luxury cars;
- Live animals;
- Time sensitive items such as aircraft [parts] and the oil and gas industry;
- Humanitarian and military flights.

In addition, some passenger operations along with a number of ancillary activities such as recycling, MRO<sup>34</sup> etc. are postulated for Manston.

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<sup>34</sup> Maintenance, repair and overhaul of aircraft

- 2.72 Whilst, except for integrator operations, they are plausible markets for some potential operations from Manston, Azimuth make no assessment of the potential quantum of local demand as a basis for assessing how big a market there is. Whilst seeking to discredit analytical methods for projecting future demand at Manston, at the same time, Azimuth rely heavily on estimates made by us and using such methods that suggest there would be excess demand in the London system at 2050 if there is no new runway at all. Fundamentally, Azimuth make no assessment of the viability of what might be on offer or address any concerns as to why such operations have not secured a viable future for the Airport previously.
- 2.73 The key conclusion drawn by Azimuth is that *“This report demonstrates the potential demand for Manston Airport, indicating its viability and clearly showing that Manston Airport is a valuable local, regional and national asset, providing airport infrastructure badly needed by the UK.”* (Paragraph 7.0.1) There is, quite frankly, no factual basis for Azimuth to make this claim. Azimuth claim that the capacity is *“badly needed by UK”* but this is linked to erroneous use of the economic costs of there being no further runway capacity in the UK (see paragraph 2.6 of this report) and a lack of understanding of the air freight market.
- 2.74 In summary, Azimuth’s insistence that Manston’s past market performance is not a relevant consideration in understanding how it might perform in the future is both erroneous and contradictory to the evidence put forward to support the qualitative market forecasting approach. The interview findings presented are clearly focussed towards operators that have used Manston in the past and would be pleased to be able to use it again but the evidence presented does not suggest that operators would do more than reinstate past operations. This did not result in an airport that was viable and certainly did not result in annual cargo air transport movements predicted by Azimuth. In our view, and having regard to the evidence, it is unlikely that circumstances have changed so dramatically in the intervening period since the Airport was last operational that there is likely to have been a fundamental change in its ability to capture market share. Its previous cargo performance remains the best starting point from which to consider its future.
- 2.75 In defence of their position, Azimuth cite lack of investment by the previous owners as being a key cause of Manston’s inability to fulfil its potential previously but this is not borne out by the interview responses as the quality of service was noted as good. Fundamentally, the failure to consider the drivers of the Airport’s previous performance effectively is a key error which infects the subsequent forecasts presented. The limited size of the market is perhaps the best explanation as to why there was not still further investment in developing the facilities as the operation was fundamentally not viable and it would have been imprudent to invest further.

### Forecasting (Volume III)

- 2.76 The forecasts set out in Volume III draw extensively on the analysis in Volumes I and II. Although stated to be derived on a 'bottom up' basis (Executive Summary Page 1) and claimed to be more conservative than top down, econometrically driven, projections, reliance is still placed, at paragraph 1.1.1, on our quantitative work for TfL/FTA to justify/verify the overall quantum of movements projected, stating *"Rather than merely extrapolating past activity, studies that have focused on the 'lost' or suppressed demand include York Aviation's work (2015, p. 19)."* This work was itself fundamentally top down, based on examining past activity and its implications for the future. Azimuth rely on this as, effectively, the only quantitative evidence presented of a possible level of future demand which might be available to Manston. However, for the reasons set out earlier, Azimuth has incorrectly interpreted our findings and their use of our data to support RSP's case cannot be relied on.
- 2.77 Paragraph 2.1.2 again suggests that the literature review undertaken showed that *"a qualitative approach was the most appropriate method through which to gather data on the potential demand for an individual airport"*. Whilst we agree that freight forecasting is difficult, as Azimuth themselves note, at paragraph 2.1.4, qualitative forecasts still need to be based on *"market data"* and, at paragraph 2.1.6, Azimuth go on to refer to the anecdotal information collected in the interviews as primary market data. Overall, this anecdotal evidence does not provide a basis for the development of a forecast of future usage nor for the presentation of a business case of the proposed development.
- 2.78 To further justify the approach to forecasting, Azimuth claim that the Airports Commission recommended the use of a Delphic approach. This is not strictly true as what the Airports Commission actually said was:
- "In cases where there is limited or no data available, judgement based forecasting, using techniques such as the 'Delphi Method' is applied. This approach involves experts in the field considering historical patterns to predict future trends and is often used in conjunction with both naïve and causal models to compare forecast trends. The Delphi method is considered especially useful for long term forecasting (20-30 years) and is effective in drawing on existing knowledge to identify areas of agreement and disagreement in forming the forecast. However, for complex themes the Delphi Method is not always considered appropriate as there is no way of testing different outcomes e.g. through scenario testing."*<sup>35</sup>
- 2.79 First of all, the Delphi Method involves a number of independent experts considering historic patterns of data and forming a judgement based forecast. Results are shared and refined until a consensus is reached amongst experts. This is not the same as a single judgemental based forecast as Azimuth have presented, based not on historic data but some unquantified estimate of 'lost' demand. In any event, we would question the appropriateness of this methodology, for the reasons that the Airports Commission cite, namely the importance of scenario testing in the context of a forecast to be used for a planning application, particularly one where the applicant is purporting to promote a NSIP under Section 23 of the Planning Act 2008 (as amended) and seeking to demonstrate that there is a compelling case in the public interest for the compulsory acquisition of the Airport site.

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<sup>35</sup> Airports Commission, Discussion Paper 01, *Aviation Demand Forecasting*, February 2013, Paragraph 2.8

## ***Freight Forecasts***

### **Short to Medium Term (10 years)**

- 2.80 Azimuth place reliance on both the overspill argument (paragraph 2.2.2) and that there will be a reversal away from the existing preference for bellyhold for most types of air freight, despite the overwhelming evidence that this is likely to remain the case in future due to the lower freight rates available. Azimuth's claim is not supported by the facts, current market trends or by other industry observers including the DfT and Airbus.
- 2.81 Furthermore, Azimuth appear to assume that, to the extent there is overspill seeking freighter capacity as an alternative, that Manston would be the only solution. This is not the case given available capacity for freighters at airports such as East Midlands (particularly well placed for the distribution of goods across the UK), Stansted and Doncaster Sheffield. These airports are already established and operational and, therefore, well placed to deal with any such requirements in the short to medium term using their existing infrastructure and without the need for any compulsory acquisition of land.
- 2.82 At paragraphs 2.2.6 and 2.2.7, Azimuth set out the methodology they have used for deriving freight movements and tonnage for Manston. In essence, these movement forecasts are entirely based on claimed confidential discussions with airlines, airports and others involved in the industry, which are then converted to freight tonnage based on the capacity of each aircraft and assumed load factors. These discussions would appear to be different from the list of interviewees reported in Volume II, which included only 1 airline (unlikely itself to relocate its single European operation to Manston) and no other airports. Although it is claimed (paragraph 2.2.9) that switching costs have been taken into account, there is no explanation as to how these costs have been factored into the assessment of what operations Manston might attract. It is likely that RSP would need to incentivise such a switch of activity and this would impact on the overall viability of the Airport, particularly in the early years. A further consequential issue arising from this is the economic cost of displacement of activity, which we discuss further in Section 5, as this needs to be accounted for in economic assessment of RSP's proposal.
- 2.83 A vague list of potential operations is set out at paragraph 3.2.3, albeit with specific assumptions then stated about the loadings on each. However, the basic information regarding the likely annual frequency of each operation is not given, which is essential to enable an understanding of the likelihood of such operations using Manston in the context of the UK air cargo market as a whole and taking into account ongoing operations at other airports. Paragraph 3.2.3 appears to set out simply a list of generic airlines that might offer services if Manston is re-opened. It provides no insight into whether the demand to fill those services will be there or whether the services could be operated viably by the airlines concerned and at what weekly or annual frequency. This is simply not an appropriate or robust basis for a forecast.

- 2.84 Whilst accepting that there may be confidentiality concerns in revealing the specific plans of any individual airline, this is all the more reason why there needs to be some underpinning analysis of the potential scale and viability of each specific market identified in the forecast in order to provide some basis for asserting that any of the airlines might operate to the destinations postulated. As presented, the aircraft movements and the consequential tonnage forecasts are entirely hypothetical with no obvious linkage back to any of the evidence presented in the earlier volumes. This is not acceptable given the implications and importance of any proposed application for a DCO and the requirement that a compelling case be demonstrated for the purpose of compulsory acquisition. At the very least, there is a lack of transparency in the approach that needs to be explained so that consultees can understand the forecast and in order to determine whether or not the proposed DCO application falls within Section 23 of the Planning Act 2008 (as amended).
- 2.85 To illustrate the lack of credibility of the forecasts, Table 1 shows for Year 2 (the first operational year), a throughput of nearly 100,000 tonnes. This would make Manston the 5<sup>th</sup> largest freight airport in the UK in its first year after re-opening (compared to 2016 actual throughput at the other airports). This would place it close to the scale of freight operations at Manchester Airport, including bellyhold freight. It would make Manston the 3<sup>rd</sup> busiest airport in the UK in terms of tonnage carried on dedicated freighter aircraft. This is simply not a credible proposition. It is simply at odds with the verifiable evidence and contrary to all experience there is of operations at Manston. If there is a short term market of that scale available for Manston, why did it historically not exceed 43,000 tonnes (2003)? Without full explanation of the scale of each of the markets and a reasoned justification for the number of movements assumed for each of the operations identified at paragraph 3.2.3, the forecasts as presented cannot be considered robust and substantial further evidence is required to validate the basis of the RSP DCO proposal.

#### Long Term (10-20 years)

- 2.86 As noted earlier in this section, the long term forecasts wrongly apply a 4% per annum growth rate as a basis for deriving the longer term freighter aircraft movement forecasts for Manston. To reiterate, this is inappropriate and unrealistic given that it is based on forecasts by Airbus for freight tonne kilometres at the global level<sup>36</sup>. Even if the short term forecasts were credible, which they are not, their extrapolation is on an unrealistic basis. At most, any extrapolation should more realistically have been based on the 2013 DfT freighter movement growth rate of 0.4% per annum and the latest DfT estimates<sup>37</sup> suggest that even this may be too high.
- 2.87 Table 6 then sets out the infrastructure requirements for cargo, which are based entirely on the forecasts put forward. However, even then, we are not told how these infrastructure requirements have been derived in terms of the operating pattern over the day, turnaround times, the number of night movements and other key assumptions for each aircraft type stated or indeed how they relate to the capability of Manston Airport with its existing infrastructure. Such information is critical to validate the infrastructure required (if indeed any is required given our assessment of the capability of Manston Airport), as well as to carry out the assessment of the environmental impacts.

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<sup>36</sup> Now reduced to 3.8% in the latest Airbus forecasts.

<sup>37</sup> Department for Transport, UK Aviation Forecasts, October 2017, paragraph 2.56.

### ***Passenger Forecasts***

- 2.88 Although not the main focus of this summary report, we note that the passenger forecasts, set out by Azimuth in Section 2.4, suffer from many of the same problems as the freight forecasts. They appear to be based almost entirely on supposition and inferences that cannot be relied upon. There appears to be no consideration of what is known about market sizes, nature or previous performance, nor a recognition of the extent to which growth will need to be incentivised through discounting of airport charges and marketing support payments. Similarly to the freight forecasts, and for reasons that are not given, Boeing global growth rates appear to be used by Azimuth for passenger operations beyond year 10 rather than the UK specific forecasts produced by the DfT<sup>38</sup>, which are substantially lower. This, once again, is a substantial overstatement of the potential for growth.

### **Overall Conclusions on Forecasts**

- 2.89 Azimuth's entire analysis of the air freight market is focussed on the existence of a theoretical opportunity based on estimates of spill from London in the event of the third runway at Heathrow not being built or being delayed, an unsupported hypothesis that there is a trend away from bellyhold freight, and based on a small sample of interviews with largely marginal players in the UK air freight sector and/or local interests.
- 2.90 Azimuth's reports do not at any point provide any substantive evidence or analysis as to whether Manston Airport can effectively, viably and sustainably compete in that market. Azimuth's reports do not explain how Manston Airport will be able to price effectively against the bellyhold rates offered by growing established and operational UK regional airports or the continental hubs. Azimuth's reports do not explain how Manston Airport will compete against the range of destinations offered by the long haul passenger networks of the continental hubs or the much greater freighter network offers of East Midlands or Stansted airports. We agree that there may be a niche market for Manston, just as there was previously, and that this market will probably grow in the future in line with the pure freighter market overall (noting that the DfT does not see growth in this market to 2050), but we cannot see how Manston will provide a sufficiently attractive alternative in a broader freight market to attract a market share sufficiently large as to reach the volume and movement numbers envisaged by Azimuth and required to justify RSP's proposals to be considered under the Planning Act 2008 (as amended). Indeed, if we look at past history, it seems highly unlikely that commercially viable operations for the Airport would be attainable for the foreseeable future.
- 2.91 In overall terms, the forecasts presented by Azimuth at Table 1 of Volume III are simply not credible and do not provide a robust basis for promoting a DCO. We present analytically derived cargo movement forecasts in Section 3 of this report to evidence and support this conclusion that any future projected use of Manston Airport would be significantly lower than that asserted by RSP.

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<sup>38</sup> Department for Transport, UK Aviation Forecasts 2013 and 2017.



2.92 In terms of Azimuth's key questions, as set out at paragraph 2.3 at the start of this section, the first two tests may well be met in terms of the need for more airport capacity in the South East of England. That is why the draft Airports National Policy Statement is promoting the development of a third runway at Heathrow as a solution in the period up to 2030. The first two questions are, therefore, irrelevant to RSP's proposals. However, in relation to the third test, the key point is that for Manston to be a long term solution to the UK's capacity problems, it must be a sustainable, commercial proposition, capable of attracting airlines, passengers and shippers to use it. Azimuth's analysis ignores the history at Manston and does not provide any evidence to conclude that any future projected use of Manston Airport would require an increase in the capability of the Airport.

2.93 Indeed, whilst we have provided in this report our assessment of the capability of Manston Airport (Section 4), we note that nowhere has RSP done the same exercise. The failure of RSP to provide their own evidence of the capability of Manston Airport and the amount by which the proposals would increase that capability by is a major omission in RSP's consultation material. Rather, the only information that they present is a forecast of future freight movement demand, which has no credibility as explained in this report. This failure means that, in our opinion, the requirements in Section 23 of the Planning Act 2008 (as amended) have not been satisfied. In essence, we would have expected RSP to be able to show:

- the capability of Manston Airport of providing air cargo transport services;
- the amount by which RSP is proposing to increase that capability by and thus the "new" capability; and
- a credible forecast for why that 'new' capability is required.

None of this information is provided by RSP.

### 3 FREIGHT FORECASTS

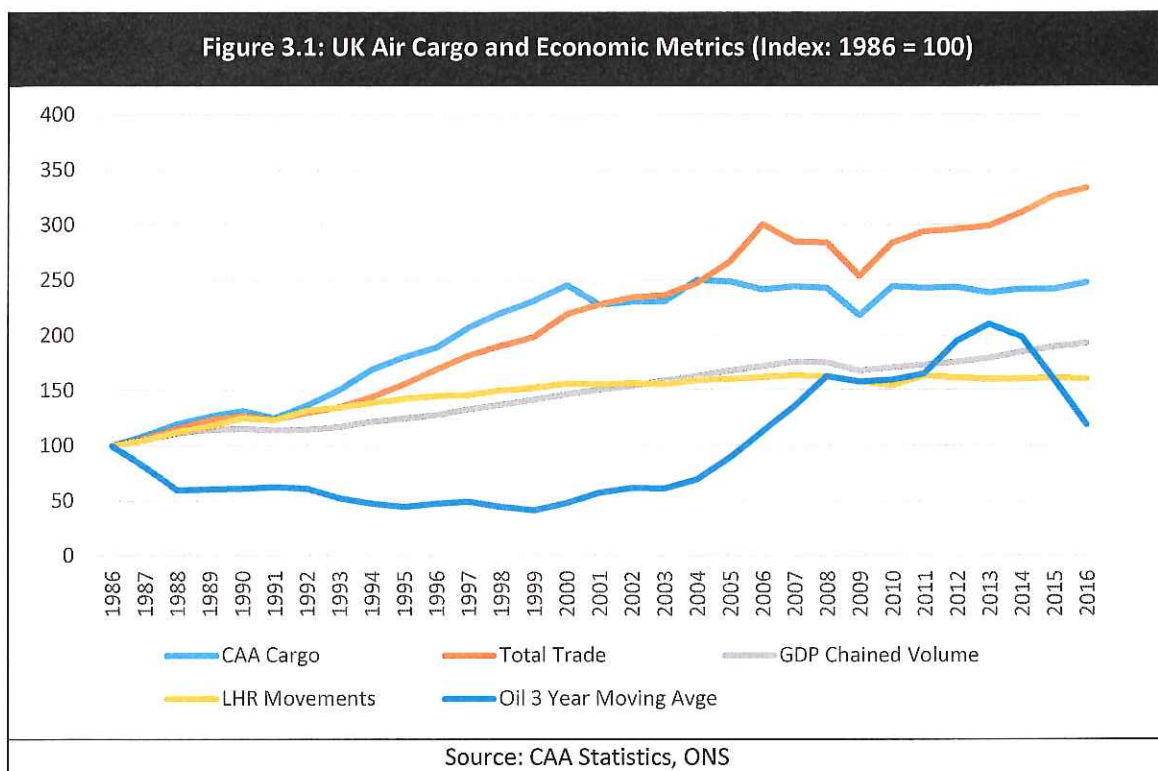
#### Introduction

- 3.1 In this section, we present our view of demand in the UK air cargo market at present and consider how this market will develop in the future, setting out a number of potential cargo forecast scenarios for Manston Airport specifically over the period to 2039/40 (RSP's assessment year). This is a more robust approach than the qualitative approach adopted by Azimuth and builds on the approach adopted in our work for TfL and the FTA, by updating this work and assessing Manston's potential share of the market. This is the correct way to use our earlier work to inform an assessment of the potential at Manston.
- 3.2 The analysis presented here builds on our previous work but supersedes it and extends it in terms of:
- considering changes in the market and circumstances since the time of the previous research, notably the decision to move forward with a third runway at Heathrow, the increasing long haul passenger operations at regional airports and the continued commitment from Stansted Airport to the freight market through its future plans;
  - examining the demand and capacity position not only in London but across the UK as a whole;
  - analysing potential cargo capacity growth in more detail using Airports Commission traffic forecast data, not available at the time of our previous work;
  - more explicitly considering the nature of air cargo that might be affected by any form of constraint within the London airport system or in the UK;
  - providing some indication of how cargo demand is spread geographically in the UK to aid consideration of how it might be served in the future.
- 3.3 Our previous work did not consider in detail the role that might be played by Manston Airport or indeed other UK regional airports. It considered, in broad terms, the effect of a constrained London system capacity on freight demand and how this demand might be met within the confines of the capacity position at the time, noting particularly the role that might be played by the major continental hub airports, given the price advantages that they might offer through the availability of bellyhold capacity.
- 3.4 In this report, we now consider specifically the potential role for Manston by way of a scenario analysis that draws on the analysis of the overall market and the past performance of the Airport. The use of scenarios rather than a single forecast is intended to show a range of possible outcomes for Manston, allied to an assessment of the likelihood that the scenarios might be achieved in a manner which properly reflects the uncertainties identified in air freight forecasts.



### Historic Performance of the UK Air Cargo Market

- 3.5 Our assessment of the quantum of air freight demand in the UK is fundamentally driven by analysis of the past performance of UK air cargo against a range of key economic and market indicators, notably UK trade in goods, GDP, oil price and ATM numbers at Heathrow. **Figure 3.1** shows the indices for these various metrics over time (with each indicator set to 100 in 1986).
- 3.6 This analysis reveals a number of interesting patterns. Until around 2000, UK air cargo was strongly related to UK trade in goods, with what would appear to be some stimulus provided by falling oil prices that would have made the cost of air cargo relatively more competitive with other cheaper modes. However, in around 2000, the market changed and this relationship appears to break. UK trade in goods continues to grow but growth in air cargo essentially stalls.

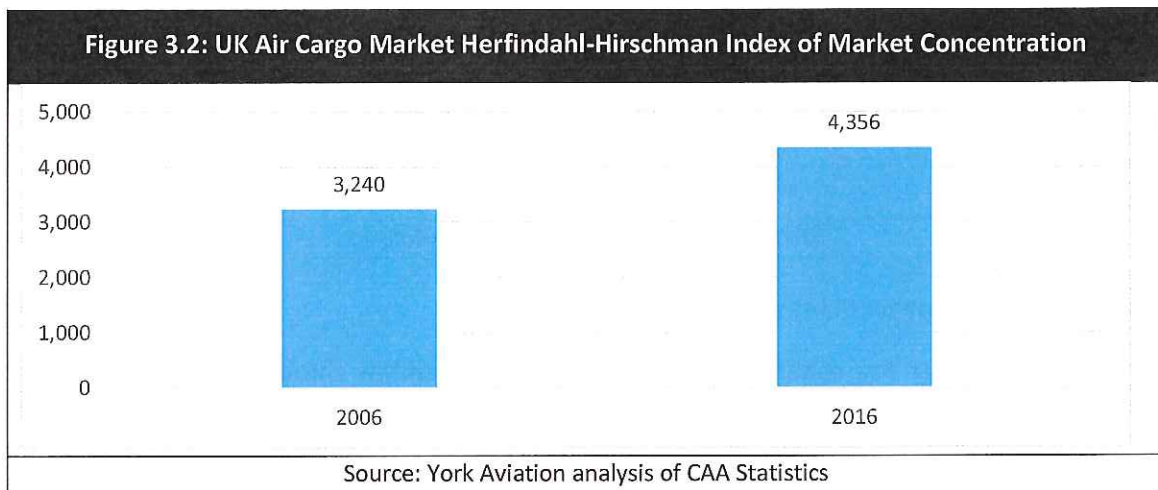


- 3.7 It is, therefore, helpful to look at why this might have happened. There are two main factors that need to be considered. The first is the oil price, which, through much of the late 80s and 90s, had been on a relatively benign downward trend. However, in around 2000, it started to rise again, accelerating through the mid-2000s and peaking in around 2013. The price of fuel is a key factor in the attractiveness of air cargo compared to other modes, particularly for pure freighter services, where the full direct operating costs of the flight must be borne by the cargo being shipped (as opposed to bellyhold freight where direct operating costs are largely covered by passenger operations, with cargo revenue essentially treated as a marginal benefit). This change in oil prices slowed demand for air freight globally and, in particular, drove users towards bellyhold rather than freighter options<sup>39</sup>. We set out the effect in the UK further below.

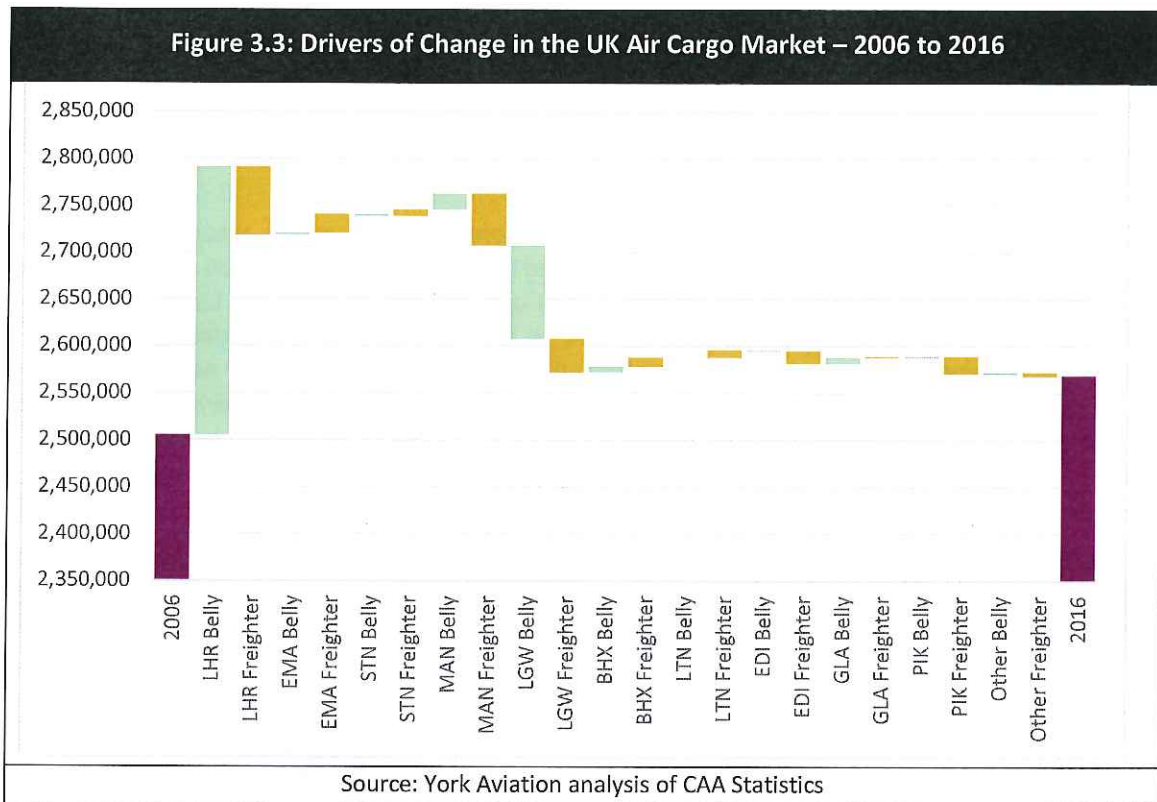
<sup>39</sup> Department for Transport, *UK Aviation Forecasts 2013*, paragraph 3.48, Steer Davies Gleave for Department for Transport, *Air Freight: Economic Drivers and Environmental Impacts*, 2010, Executive Summary.

- 3.8 The second point to note is the relationship to Heathrow ATMs. Up until around 2000, Heathrow was still growing its annual ATMs, which ultimately was driving the availability of bellyhold capacity in the UK air freight market. However, with runway capacity constraints biting, from around 2000, the rates of growth in ATMs at Heathrow initially slowed dramatically then stalled as it reached its consented limit.
- 3.9 When these two factors are combined, it is possible to understand what has happened in the UK air cargo market. It also has two key implications for considering the growth of the air cargo market moving forward and specifically in relation to Manston:
- it is reasonable to assume that the fundamental link between economic or trade growth and air cargo still exists and that, ultimately, with economic growth and increasing trade, demand for air cargo will grow. However, with oil prices remaining higher than seen in the past, it is likely that the growth path will be lower. We have assumed that it is likely to be more in line with the growth in real GDP over time;
  - the capacity position at Heathrow is clearly a constraining issue for UK air freight demand but it is noticeable that this constraint has not resulted in significant gains being made by other airports in the London system. This suggests that, while there is probably a degree of constrained demand in the London system at present, this is affecting bellyhold air cargo and that is not translating through into substantially greater freighter growth at, for instance, Stansted or East Midlands. We examine this issue further below.
- 3.10 This is particularly important as it suggests that the market for bellyhold freight is different from that for pure freighter traffic. This is a function of price and urgency in relation to general air freight, as opposed to either express freight or niche products. For express freight or niche products, shippers are prepared to pay a premium which allows the use of freighters because either speed is of the essence or the destination is hard to reach or the cargo is difficult to handle in some way. For general air freight, these drivers are not the same. Accepting that all air cargo is to some degree sensitive to speed of delivery, it seems that what is likely to be being pushed from bellyhold capacity, in a capacity constrained environment, is less time sensitive and shippers' willingness to pay is lower. Hence, in the current market with relatively high fuel prices, freighter options are not an adequate substitute.
- 3.11 This is very important from the perspective of considering the potential role of Manston. It suggests that it will be very difficult for the Airport to compete effectively for any traffic displaced as a result of constraints in the London market as it cannot and will not be able to provide the price, frequency and breadth of destination advantages that bellyhold freight can offer. The airports competing for cargo traffic being pushed away from Heathrow, now and in the future, are the large UK regional airports with growing long haul passenger networks and the near European global hub airports, which offer the closest substitutes to Heathrow and are within easy trucking time of, certainly, the London and South East market. In any event, bellyhold capacity at Heathrow is expected to increase substantially once the third runway becomes operational so driving down the competitive prices in the market, making it even more difficult for freighters to compete. Even if there are delays to the provision of additional runway capacity at Heathrow, we would not expect a change to the pattern of behaviours observed since 2000, namely that cargo displaced from Heathrow will be trucked to other airports with available competitively prices bellyhold capacity.

- 3.12 Whilst the volume of air cargo flown to/from the UK's airports over the past 15 years has remained relatively static, there have been considerable changes in the way that demand has been serviced, which again reflect the drivers and constraints on demand described above. Essentially, the market has been consolidating to a small number of airports and bellyhold cargo has become more dominant.
- 3.13 The Herfindahl-Hirschman index (HHI) is a commonly accepted measure of market concentration<sup>40</sup>. **Figure 3.2** shows the HHI for the UK air cargo market in 2006 and in 2016. The change in the concentration level in the market over the last 10 years has been marked. The HHI for the UK air cargo market has increased by around 34%. The consolidation in the UK air cargo market in the last 10 years has resulted in an increase in the HHI of nearly 1,100. This continued concentration in the market can also be seen by examining the drivers of change in UK air cargo over the last decade. **Figure 3.3** sets out a bridge diagram between 2006 and 2016 showing the change in freight handled via bellyhold and pure freighter at major UK freight airports.



<sup>40</sup> It is calculated by squaring the market share of each firm competing in a market, and then summing the resulting numbers, and can range from close to zero to 10,000. The closer a market is to being a monopoly, the higher the market's concentration (and the lower its competition). If, for example, there were only one firm in an industry, that firm would have 100% market share, and the HHI would equal 10,000, indicating a monopoly. If there were thousands of firms competing, each would have nearly 0% market share, and the HHI would be close to zero, indicating nearly perfect competition.



3.14 There are a number of key points to note:

- ➔ the market has continued to consolidate into Heathrow through increased bellyhold capacity due to the increasing focus on long haul destinations. These gains have been offset by significant erosion of freighter capacity;
- ➔ elsewhere in London, Gatwick has seen both bellyhold and freighter capacity significantly eroded as that airport has become more capacity constrained and it has focussed increasingly on short haul low fare passenger services, albeit this trend is starting to reverse as more long haul operations come on stream. Stansted and Luton have seen some growth in freighter tonnage but this does not come close to offsetting what has been lost from elsewhere with Stansted heavily focussed on the integrator and express services market;
- ➔ East Midlands, with major DHL and UPS bases, has been the only airport that has seen significant growth in pure freighter traffic, but again this has not offset losses in freighter traffic from elsewhere, suggesting that, for more general air cargo, bellyhold capacity is fundamentally more attractive, even potentially if this involves trucking to distant airports;
- ➔ this is reinforced by what has happened at Manchester, which has seen growth in its bellyhold market, relating to its growing long haul network, but with its freighter traffic falling away. The growth in bellyhold traffic at Birmingham is also probably reflective of its growing long haul passenger network;
- ➔ in general, there has been a noticeable switch towards the use of bellyhold capacity. Since 2006, pure freighter cargo's share of the UK market has dropped from 37% to 30%, while actual freighter tonnage has dropped by 17%;



- the performance of Prestwick (PIK) provides perhaps the most obvious direct comparator to Manston, with a similar sized freighter operation in 2006 to Manston at its peak. Freight traffic at that airport has dropped by 64% since 2006. In the meantime, Prestwick was nationalised to maintain operations as it had been heavily loss making for a considerable period of time.

3.15 The implications for Manston are clear. Bellyhold is the preferred option for a significant proportion of the air cargo market and this preference has intensified in recent years. The only airports experiencing freighter growth are those with significant integrator activity. This suggests that Manston's likely niche freighter offer will struggle to penetrate the market. There has been consolidation into larger airports, which again suggests that Manston will struggle to establish market presence. Finally, the experience of Prestwick, its nearest comparator in many ways, is not encouraging for Manston. Prestwick's well established pure freighter operation has been heavily eroded and the airport has had to be nationalised to maintain its operation due to inherent lack of commercial viability.

### The Geographic Distribution of UK Air Cargo Demand

3.16 At the outset, it should be made clear that there is very limited data on where air cargo originates from or is destined for within the UK. However, some indications are available from other research, notably recent work by MDS Transmodal, in conjunction with York Aviation, for TfN in relation to its International Connectivity Strategy<sup>41</sup>. MDS analysed a series of datasets on air freight and road haulage and estimated that around 14% of UK air freight demand originates in or is destined for the North of England. We also know that air cargo is often trucked a considerable distance before being loaded on to aircraft.

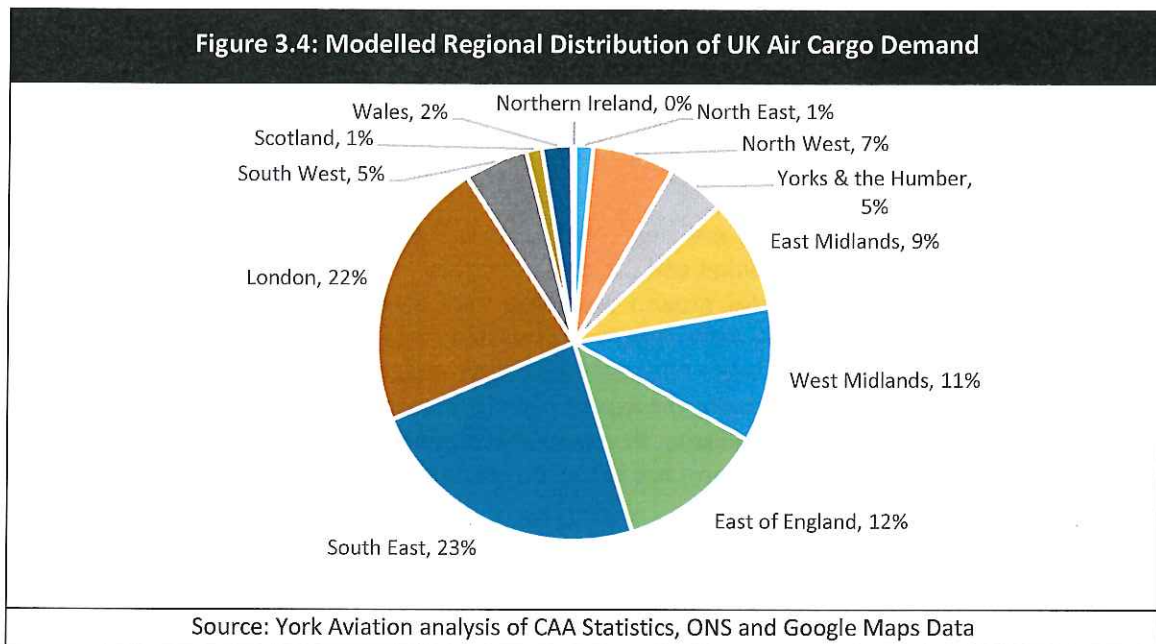
3.17 We have, therefore, developed a simple gravity model that distributes air cargo regionally across the UK based on:

- for exports, the distribution of manufacturing employment in the UK. This is intended to reflect that air cargo exports are likely to be primarily manufactured goods;
- for imports, the distribution of UK population. This is intended to reflect that imports are, in many cases, destined either for consumers directly or retailers. This is clearly a simplification but we believe a sensible one given the data available;
- a relatively low distance decay factor of 1.5, reflecting the relative insensitivity of air freight to trucking times. This has, in part, been calibrated based on observed distance decay factors using data available in the TfN work. This is generic and we have no reason to believe that the balance between trucking costs and the use of air freight would vary across the UK.

3.18 The resulting distribution of air cargo demand is shown in **Figure 3.4**. While there is a heavy concentration of demand in the Greater South East, there is significant demand located across the country. The issue for Manston is that it is poorly placed geographically to serve this demand, even for London and the South East, particularly once the location of distribution centres for import freight, which cluster around the M1 and M6, is taken into account.

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<sup>41</sup> Transport for the North, *International Connectivity Evidence Report*, York Aviation/MDS Transmodal July 2016, Appendix C.

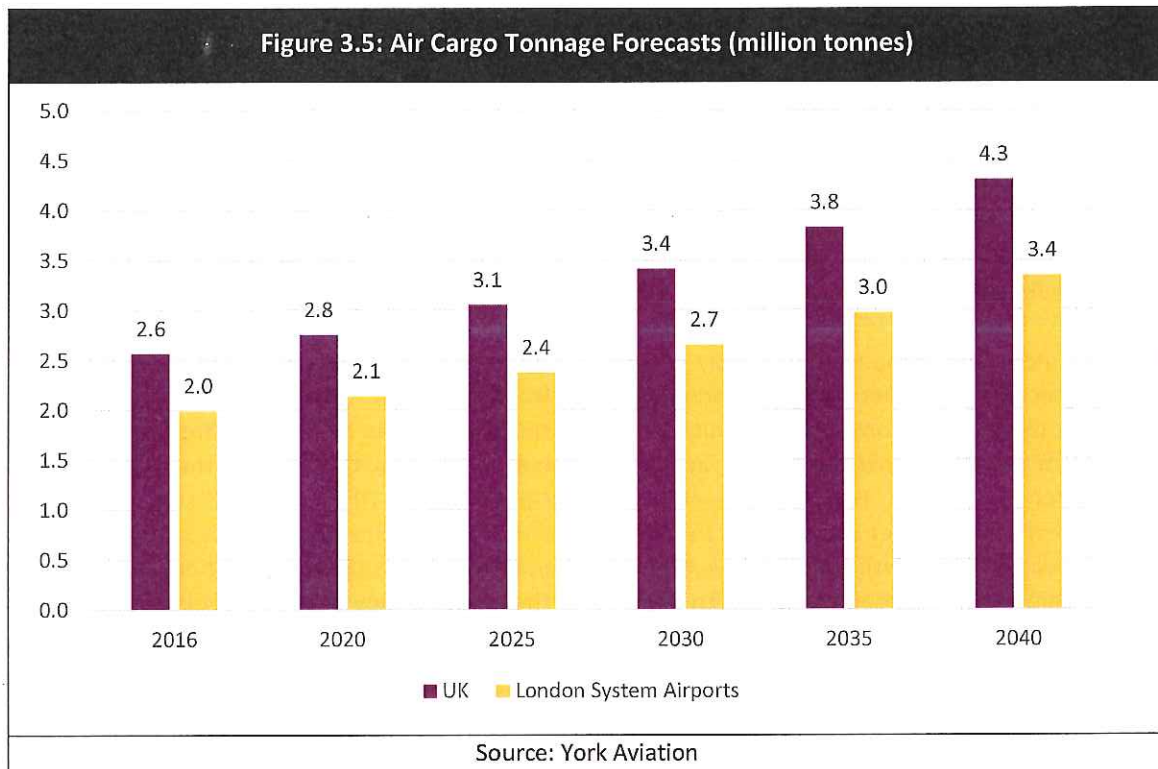


3.19 In the event of air cargo capacity constraints in London, this demand is likely to look initially for cargo capacity closer to home at the major regional airports, particularly those that are developing broader long haul passenger networks. Even if freighter aircraft are required for this demand, there are likely to be substantially better options than Manston. Not least the national freight hub at East Midlands, with its central location in the UK and excellent multimodal connectivity to a wide geographic area.

#### Future Demand for Air Cargo in the UK

- 3.20 The initial step in producing our cargo forecasts for Manston is to consider the likely size of the London system and UK air cargo markets in the period to 2040. This is an unconstrained forecast and does not, at this stage, consider whether capacity will be available to deliver this demand.
- 3.21 In line with our analysis above and consistent with our 2015 report for the FTA, we adopted a relatively simple approach, growing existing air cargo demand forward in line with GDP projections for the UK economy. The GDP forecasts used are the latest forecasts produced by the Office for Budgetary Responsibility at the time of writing. These are taken from:
- Economic & Fiscal Outlook (March 2017), which provides short to medium term forecasts;
  - Fiscal Sustainability Report (January 2017), which provides long term forecasts for the UK economy.

3.22 These forecasts suggest average real growth in UK GDP of around 2.2% over the period to 2040. The resulting projections of air cargo demand at the London system airports and across the UK are set out in **Figure 3.5**. This analysis sees total UK air cargo demand reach around 4.3 million tonnes by 2040 and demand in the London system<sup>42</sup> of around 3.4 million tonnes by 2040. At this stage, we have assumed that the split of tonnage between the London airports and the rest of the UK remains as currently, driven by the large concentration of freight forwarders in the vicinity of Heathrow in the light of its major air freight hub role. This may well overstate the scale of demand in London given increasing long haul networks at regional airports.



### Air Cargo Capacity at UK Airports

3.23 The second stage in our assessment is to consider the extent to which the demand identified above could be met by UK airports and the London system airports. This is, again, in line with our approach taken in our work for the FTA in 2015. However, the analysis undertaken for this research is more detailed, uses more up to date and detailed information on future passenger ATM forecasts and, specifically, considers Stansted’s more recent statements in relation to continuing growth in the cargo market to around 400,000 tonnes<sup>43</sup> and removal of the existing 35 mppa passenger planning cap and extension to 43 mppa<sup>44</sup>. Had we been specifically asked, we would have advised Azimuth of the need to carry out such an assessment so as to understand the implications of our earlier work for TfL and the FTA.

<sup>42</sup> Based on the London airports current share of the national market.

<sup>43</sup> Sustainable Development Plan – Stansted Airport (March 2015).

<sup>44</sup> Press Release – Stansted Airport (17 October 2017).

- 3.24 In order to estimate the likely bellyhold capacity that will be available through the period to 2040, we have produced projections of passenger ATM demand for each of the top 10 freight airports in the UK in 2016, along with a residual forecast for Other UK airports. For Heathrow, Gatwick and Manchester, these forecasts have been split into domestic, EU and non-EU ATMs. The future years for each airport have been based on the ATM forecasts produced by the Airports Commission for which detailed data files have been released<sup>45</sup>. Years prior to the opening of Runway 3 at Heathrow, uses the Base ATMs scenario, while post opening uses the HAL ATMs scenario, which reflects the third runway.
- 3.25 The existing freight loads per passenger ATM for each airport have been estimated using CAA Statistics. These average loads have then increased by 1.0% per annum tapering to 0.5% per annum for Heathrow and 1.6% per annum tapering to 1.0% per annum for other airports. This reflects trends in average loads identified from CAA Statistics over the last five years.
- 3.26 In relation to pure freighter capacity, we have, in the first instance, considered what might be termed a business as usual view of capacity moving forward. This considers the likely number of freighter ATMs that might be flown rather than considering the actual movement capacity of individual airports, which may be greater. This is, ultimately, a more stringent view of capacity moving forward and is more likely to lead to a conclusion that there is a lack of freighter capacity to meet any demand than simply considering what any given airport could actually handle, especially given that Stansted is some distance from its freighter ATM cap and East Midlands is not close to any form of ATM limit. To enable this analysis, we have grown freighter ATMs at each airport by 0.4% per annum, in line with the expected growth rate from the DfT's Aviation Forecasts 2013<sup>46</sup>. However, we note that the most recent DfT forecasts<sup>47</sup> suggest that no growth in freighter movements to or from the UK is now expected. Hence, our use of the previous DfT growth rate may overstate the market for pure freighter operations but we have retained this approach so as not to understate the extent of any potential overspill market for Manston.
- 3.27 Once again, average loads per freighter ATM have been estimated for each airport from CAA Statistics. As with bellyhold cargo per ATM, there has been an upward trend in average loads on freighters in recent years of around 1.1% per annum (York Aviation analysis of CAA Statistics). This is assumed to continue over the period.
- 3.28 In addition to this business as usual view, we have also taken a view as to the likely total tonnage capacity over time of the two largest freighter airports in the UK, East Midlands and Stansted, based on those airports' development plans:
- the Stansted Sustainable Development Plan talks about developing cargo capacity to handle around 400,000 tonnes of cargo. We have assumed that current capacity is around 300,000 tonnes and that this grows steadily over time to 400,000 tonnes by 2040;

<sup>45</sup> <https://www.gov.uk/government/publications/airports-commission-documents-and-data>.

<sup>46</sup> The exception to this is the small number of freighter movements at Heathrow, which are not allowed to grow until the Third Runway is opened.

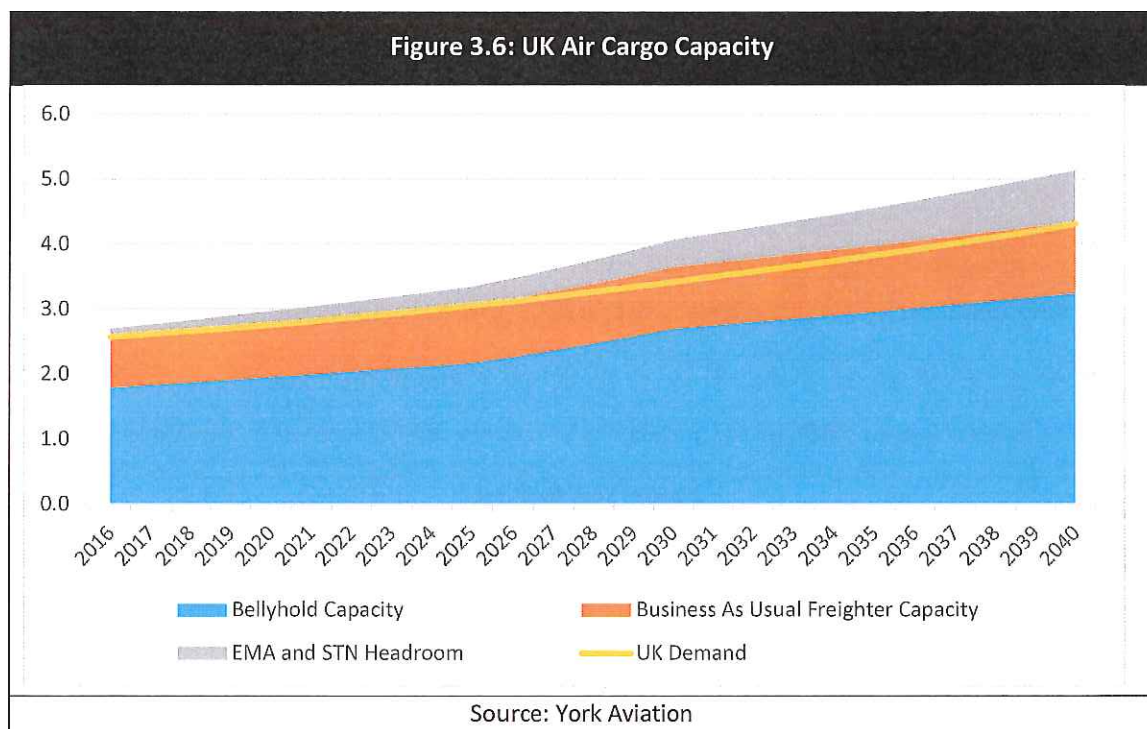
<sup>47</sup> Department for Transport, *UK Aviation Forecasts*, October 2017, paragraph 2.56.



→ the East Midlands Sustainable Development Plan describes its runway capacity as able to support a 10 million passenger and 1.2 million tonne cargo airport<sup>48</sup>. We have assumed that this capacity could be developed over time to 2040 from a base capacity of 400,000 tonnes.

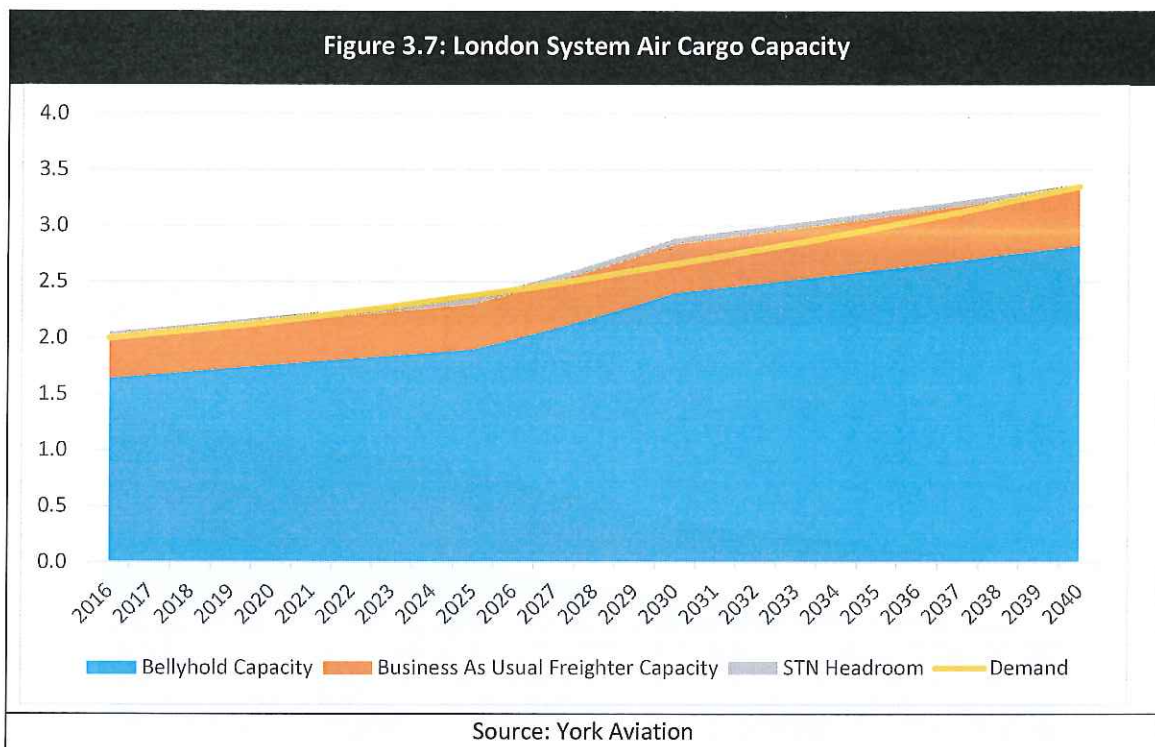
3.29 This assessment of the cargo capacity headroom at Stansted and East Midlands helps provide a view of how any excess demand identified could be handled by freighters in the UK if this were the response of the market to any shortage of bellyhold capacity, although it is important to note that we do not believe this would be the primary market response given the lower cost of bellyhold alternatives. It should, however, be recognised that the speed of build-up of this headroom is to a significant degree a matter of conjecture. There will be infrastructure developments required to enable capacity but, if demand were there, it is likely that these could be brought forward as they would be incremental expansion of existing facilities which could be phased in to meet demand more easily and cheaply than the substantial cost involved in re-opening Manston.

3.30 The resulting estimates for air cargo capacity for the UK as a whole and the London system over time are shown in **Figures 3.6 and 3.7**.



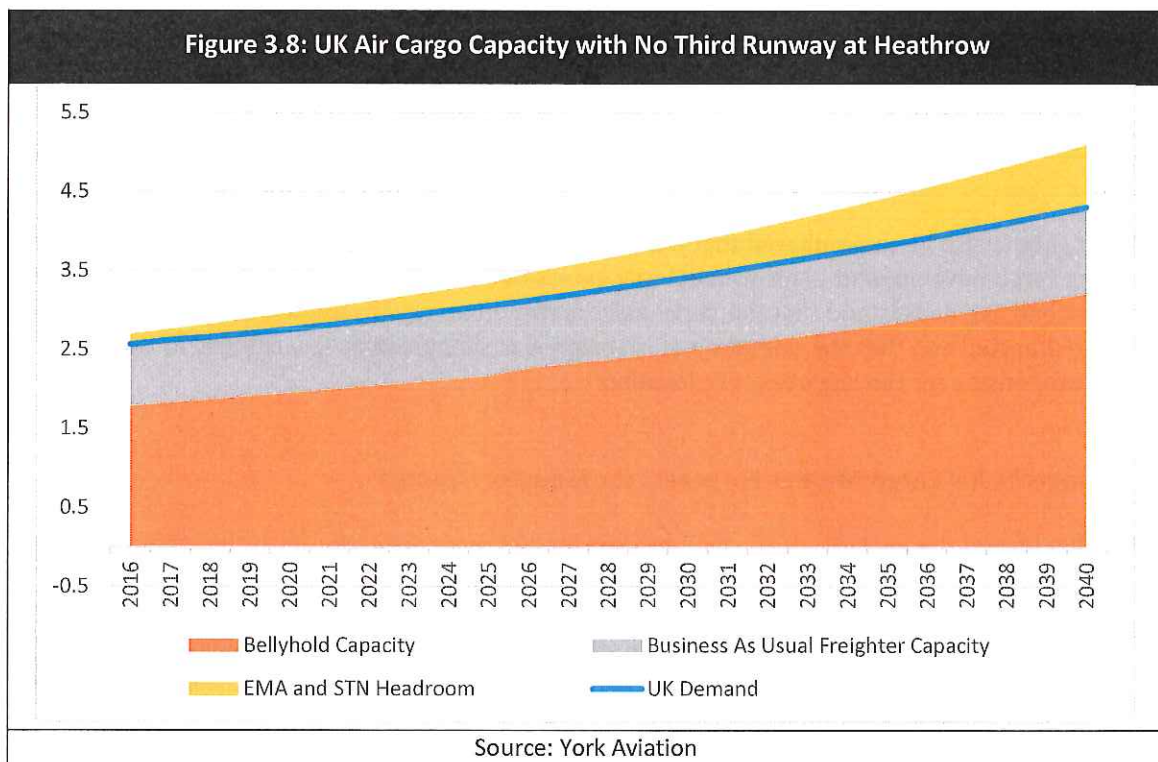
<sup>48</sup> East Midlands Airport Sustainable Development Plan, 2015. Page 75.

3.31 At a UK level, our analysis suggests that there are unlikely to be capacity issues in the cargo market prior to 2040 even on a Business As Usual Freighter Capacity basis. Once the third runway is opened at Heathrow, there is in fact likely to be excess capacity in the market, which is likely to soften demand for supporting freighter capacity dedicated to general air freight (accepting that integrator/express freight is a separate market to a significant degree). It should, however, be noted that capacity on a Business As Usual Freighter Capacity basis is likely to become constrained shortly after 2040 but this can easily be addressed by exploiting the inherent airport capacity headroom still available at Stansted and East Midlands if it is appropriate to serve the market in that way. Overall, we can conclude from this analysis that there will be no shortage of freighter capacity in the UK before 2040 and overspill from other airports would not provide a rationale for re-opening Manston.

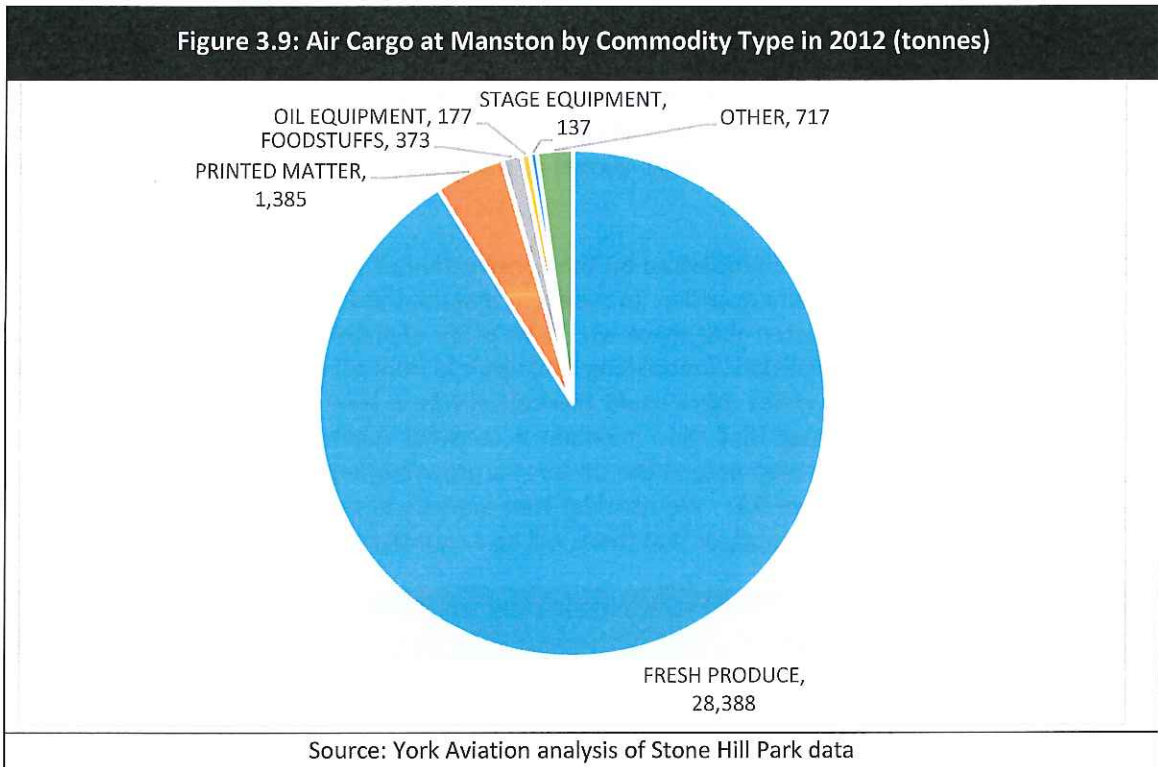


3.32 The situation at the London airports is slightly different if we assume that London maintains its market share of the overall market and there is no natural ‘clawback’ to the regions. With Heathrow’s bellyhold growth relatively constrained, there are potentially some limited capacity constraints in the medium term before the third runway opens but, if there was demand, we would expect Stansted to develop additional freighter capacity sooner. Any constraint would be fleeting. Once the third runway is opened, excess capacity develops rapidly. Potential capacity issues do not then start to re-emerge until around 2040, when it appears that Heathrow is likely to become runway capacity constrained once more.

- 3.33 The implications for Manston Airport are that, even in pure volume terms, push factors from other airports in London are unlikely to provide opportunities for growth before 2040, and this is before any consideration is given to Manston’s suitability to serve the markets in question. In the short to medium term, there is likely to be some limited constraint in the London system before the third runway at Heathrow is opened. However, this is largely a function of bellyhold constraints at Heathrow and it is highly questionable as to whether the type of cargo that is likely to be forced out will be suitable for Manston or indeed would switch from bellyhold to pure freighter operations at all.
- 3.34 Logic would suggest that what will be pushed out is relatively low yielding, general air cargo that is more sensitive to price and less sensitive to time. Essentially, this is akin to business passengers forcing leisure passengers out of Heathrow. This type of air cargo is not likely to see pure freighters as an effective alternate, given the higher prices involved. It is more likely to seek out alternative bellyhold capacity at UK regional airports (which might actually be closer to its point of origin given our analysis above) or travel via truck to the continental European airports.
- 3.35 Our analysis here has been predicated on the construction of a third runway at Heathrow, as this is clear stated Government policy. In the event that the third runway is delayed or does not happen at all, it is expected that there would be other adjustments in the UK air transport market, including the provision of more long haul services from other airports offering bellyhold capacity. In this case, whilst there could theoretically be a level of capacity shortfall at the London airports assuming that they maintain a constant market share, we would expect demand and capacity to keep pace at the UK level as growth at regional airports is accelerated. This is illustrated in **Figure 3.8**. We consider that analysis at the UK level remains the most relevant and this does not suggest that there will be a capacity shortfall before 2040.



3.36 An examination of the nature of cargo traffic that used Manston in the past also supports this assessment. Data provided to York Aviation by the current owner and set out in **Figure 3.9** shows that the Airport was essentially an import point for fresh produce (91% of total tonnage in 2012). This is a time critical market with associated high yields (hence allowing freighter operations) but also one that is dominated by Heathrow through its perishables hub and its bellyhold capacity to Africa. It is unlikely that Heathrow would shed significant amounts of this traffic with cargo constraints and certainly it would likely gain market share once the third runway is opened. Heathrow remains better located for the distribution of this produce to the core London market given its location inside the M25.



3.37 It should also be remembered that this assessment assumes that Stansted does not accelerate its cargo development plans to meet any excess demand that is suitable for freighter activity. Indeed, we understand that the perishables activity that used to use Manston has shifted back to Stansted and that the operation at Manston was supported by low charges to the airline to compensate for the less attractive location.

**Specific Air Cargo Market Forecasts for Manston Airport**

3.38 Building on the analysis above, we have considered three scenarios for future cargo growth at Manston Airport. In each case, we have considered the likelihood of the scenario coming forward. It should be noted that, in the air transport market, demand is the driver of airport usage not capacity. Provision of capacity at Manston is no guarantee that airlines, shippers and passengers will use it unless there is demand and Manston represents the most efficient way for that demand to be met.



**Scenario 1: Relief for Capacity Constraints in London (Highly Optimistic and very unlikely)**

- 3.39 In this scenario, we have assumed that Manston is able to capture the excess demand that is seen in the London system in the medium term when only Freighter Business As Usual capacity is considered. It is then able to maintain its market share into the long term, even once the excess demand has disappeared with the appearance of the third runway.
- 3.40 We ultimately regard this scenario as highly optimistic and very unlikely to occur. We do not believe that the nature of excess demand is likely to suit freighter operations. This fits with the current market, where Heathrow is almost certainly constrained in terms of its ability to offer bellyhold capacity and yet there remains significant freighter capacity elsewhere and there has been no upturn in the demand for air freighter operations. We also feel it is highly unlikely that Manston could maintain market share in the context of the opening of a third runway at Heathrow. Even in the absence of a third runway, pure freighter capacity at Manston is not likely to be attractive for most of the freight displaced which would still choose cheaper bellyhold capacity available elsewhere in the UK and Europe.
- 3.41 We consider this scenario to be an upper bound to the envelope for Manston Airport. Even in this scenario, forecast tonnage only reaches around 105,000 tonnes by 2040 or around 4,470 cargo aircraft movements. The estimate of aircraft movements assumes loads similar to that of Manchester Airport's current freighter operations, growing by around 1.1% per annum. This appears to be a relatively low loading compared to Manston's previous operations<sup>49</sup> (hence providing a higher ATM number for any given tonnage and thus likely to overstate the number of movements).
- 3.42 We note that Azimuth have assumed an even lower tonnage per cargo air transport movement of under 20 tonnes, so leading to an overstatement of the number of aircraft movement at any predicted tonnage, but this does not appear realistic based on Manston's past operations nor tonnages seen elsewhere.

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<sup>49</sup> We estimate that the number of tonnes per cargo ATM previously at Manston was 35-40 tonnes, taking into account empty aircraft backhauls.

***Scenario 2: Manston Achieves Its Previous Market Share (More Likely but still with optimistic elements)***

- 3.43 This scenario assumes that Manston essentially re-enters the market as a niche player in the key markets that it served previously, mainly fresh produce. This reflects the view that, in reality, very little has changed in the market compared to when Manston was last operational, not least that Heathrow was already suffering from runway capacity issues prior to 2014. There are no major changes that we would consider sufficient to alter Manston's attractiveness fundamentally compared to 2014. We note Azimuth's contention that Brexit will make trucking to Europe more difficult but would point out that the freight involved is most likely to be general air cargo heading for bellyhold capacity that is relatively less sensitive to time and that additional regulatory burdens are likely to be found at airports as well post Brexit. Hence, the impact on relative transit times may actually be comparatively limited. Furthermore, it is far from clear to us, from the evidence presented by Azimuth, that there were concerns regarding the quality of service offered at Manston historically sufficient to have constrained its share of the market in the past. Hence, it is not unreasonable to start from a position that its past market share was representative of what it might attain in future and that the provision of more infrastructure would not give rise to a change in the market or a higher level of underlying demand.
- 3.44 We regard this as the most likely of our three scenarios but it also has optimistic elements. Notably, it is highly optimistic to assume that Manston will be able to maintain market share in the face of expanded capacity at Heathrow. We would also note that the Airport was not viable at similar demand levels previously and would appear to have only been able to reach its recorded market share by 'buying' traffic through very low airport charges based on our discussions with SHP and its staff that worked at the Airport when operational. In this scenario, the Airport reaches around 47,000 tonnes by 2040 and around 2,000 cargo aircraft movements.

***Scenario 3: Relief for Capacity Constraints in London (More Realistic but still with some optimism)***

- 3.45 Scenario 3 is a variant of Scenario 1 that takes a more realistic view on how the limited excess demand in London in the medium term (allowing for pure freighter Business as Usual activities only) might be served. We would view this scenario as substantially more realistic than Scenario 1 but still with highly optimistic elements.
- 3.46 In this scenario, the excess demand is split as follows:
- 50% is assumed to be diverted via truck to make use of bellyhold capacity at UK regional airports or at the continental hubs in Europe. This reflects the view that, in the majority of cases, this freight is likely to be relatively price sensitive, less time critical general air cargo for which pure freighters are not likely to be an appropriate substitute;
  - the remainder is assumed to be split evenly between East Midlands, Stansted and Manston airports. This is, again, probably an optimistic assumption given the economies of scale and better proximity to markets overall offered by the other two airports compared with Manston.



- 3.47 Once the excess demand in London has peaked (just before the opening of a third runway), Manston is assumed to be able to maintain its market share into the future. This is again an optimistic assumption given what will be an excess of capacity in the market for much of the following period through to 2040. This scenario involves the lowest cargo throughput of the three options. By 2040, the Airport is handling only 17,500 tonnes of freight and handling around 750 aircraft movements each year.

*Summary of Cargo Forecast Scenarios*

- 3.48 The cargo tonnage and freighter ATMs associated with each of the three scenarios are set out below in **Table 3.1**.

**Table 3.1: Summary of Manston Cargo Forecast Scenarios**

	Scenario 1: Relief for London (Highly Optimistic)		Scenario 2: Previous Market Share		Scenario 3: Relief for London (More Realistic)	
	Tonnes	ATMs	Tonnes	ATMs	Tonnes	ATMs
2020	7,608	402	30,359	1,605	1,268	67
2021	18,407	963	30,966	1,619	3,068	160
2022	31,758	1,643	31,616	1,635	5,293	274
2023	45,571	2,332	32,280	1,652	7,595	389
2024	59,860	3,029	32,958	1,668	9,977	505
2025	74,638	3,736	33,650	1,684	12,440	623
2026	76,205	3,773	34,357	1,701	12,701	629
2027	77,958	3,818	35,147	1,721	12,993	636
2028	79,751	3,863	35,956	1,742	13,292	644
2029	81,585	3,909	36,782	1,762	13,598	651
2030	83,462	3,955	37,628	1,783	13,910	659
2031	85,381	4,002	38,494	1,804	14,230	667
2032	87,345	4,050	39,379	1,826	14,557	675
2033	89,354	4,098	40,285	1,848	14,892	683
2034	91,409	4,147	41,212	1,869	15,235	691
2035	93,511	4,196	42,159	1,892	15,585	699
2036	95,662	4,246	43,129	1,914	15,944	708
2037	97,958	4,300	44,164	1,939	16,326	717
2038	100,309	4,355	45,224	1,964	16,718	726
2039	102,716	4,411	46,310	1,989	17,119	735
2040	105,182	4,468	47,421	2,014	17,530	745

Source: York Aviation

3.49 Our updated analysis of the market and specific consideration of three potential scenarios for freighter growth at Manston Airport demonstrate that, even on the most optimistic assumptions, it is not likely to generate above 4,470 annual movements by air cargo aircraft. On a more realistic basis, it might attain similar levels of tonnage as seen in 2003 by 2040 but with a higher number of aircraft movements due to the assumption we have made that freighter loads would be similar to those seen elsewhere in the UK rather than the higher loads actually observed at Manston in the past. On past performance, the number of movements at Manston might well be lower. **None** of our scenarios suggest that there is a need to increase the capability of Manston Airport given our assessment in Section 4.





## 4 CAPABILITY OF THE SITE

- 4.1 Our start point for this assessment is the capability of the Airport site based on its historic and consented planning status and on the basis that the existing infrastructure could all be 'made good'. This assessment is based on the existing Lawful Use in planning terms. The existing Airport's permitted use is for civil aerodrome use, and there are no conditions limiting either passenger numbers or ATMs.

### Capacity of Existing Facilities

- 4.2 In the first instance, it is important to highlight that Manston Airport did not operate under any form of restriction on the number of aircraft movements. The planning agreement between TDC and Manston Airport, which governed the permitted activity of the Airport, was entered into in 2000. In respect of night-time flying it sets out the limitations on such operations until a "Night-time Flying Noise Policy" is in place. Clause 1.1 of the Second Schedule states:

*"The Owner agrees not to cause suffer or permit any Regular Night Flying Operations at any time (subject to Paragraph 1.4 below) before a Night-time Flying Noise Policy shall have been prepared and a copy lodged with the Council."*

Further, it defines:

*"Regular Night Flying Operation means Flight movements which are scheduled or programmed and which occur frequently or regularly to the same or similar patterns for the same operator during Night-time"*

- 4.3 It is understood that the Night-time was defined as 23.00-07.00, though Manston Airport was also seeking a Night Quota Period which would have run from 23.30-06.00. In practice, there were a number of night movements which were deemed to be ad-hoc and often driven by technical delays but that were permitted to operate in any event.
- 4.4 We have assessed the capability of the existing infrastructure at Manston Airport assuming that the range of existing facilities, as at the time of its closure, are made good. There are three principal elements – runway, passenger and freight:
- **Runway:** for the handling of commercial passenger and freight aircraft, the runway would operate without a parallel taxiway. The current marked parallel taxiway is too close to the runway centreline to allow such aircraft to taxi independently of a runway movement. Landing and departing flights would then need to back track along the runway to and from the entry/exit taxiways. The achievable maximum runway rate with this operation might be around 20 to 24 flights per hour depending on the mix of aircraft types. This runway movement rate, even at 50% utilisation of available slots, would be capable of accommodating around 64,000 aircraft movements a year. However, we recognise that this is in excess of the capability of the passenger and freight handling facilities as existing.

- **Passenger:** the passenger apron has been designed to accommodate 4 E-Jet FK100 passenger aircraft. These aircraft types are now rare and have a wingspan that is much less, at 28 metres, than the typical low fares airline Code C type aircraft that Ryanair, easyJet and Wizzair, for example, use. These airlines typically use aircraft such as the B737-800 and A320, with wingspans of 36 metres. On this basis, the passenger apron would be able to accommodate up to 3 of these larger Code C aircraft simultaneously and could, in the alternative, be used for handling cargo flights. The terminal itself is quite compact and would have a maximum of 6 check-in desks and very small baggage make up area, and a departure lounge that could depart a maximum of 2 flights within the same 30 to 40-minute period, with an hourly capacity in total of around 250 passengers. There are more than 1,000 car parking spaces. We estimate that the passenger terminal at its current size could support around 0.7 to 0.9 mppa based on there being up to two based Code C aircraft with a reasonable number of other visiting flights across a typical day.
- **Freight:** the aircraft parking area close to the freight sheds can park up to 2 or 3 small to medium sized cargo aircraft or one large aircraft. There are two freight sheds that were originally organised to be used one for imported freight and one for export. Adjacent to these is an 'equine' handling facility for processing livestock. In practice Manston, when operational, normally handled one large freight aircraft at a time due to size and juxtaposition of the freight sheds and apron to each other and the single taxiway connecting to the runway. Whilst Manston handled up to 30,000 tonnes of freight at its peak, our understanding is that the freight facilities could have handled substantially more tonnage.
- 4.5 Our assessment into the capability of Manston Airport is based on the reinstatement of the runway, air traffic control, fire station, navigational aids, apron (stands) and taxiways. We have taken into account the use of both apron areas, one to the west adjacent to the cargo sheds and one to the east, adjacent to the passenger terminal. These could accommodate collectively up to 4 freight aircraft simultaneously. The assessment is also based on an 18-hour operational day (allowing for a small number of ad hoc night movements consistent with previous operations) and with a turnaround window of up to 2½ hours from the arrival to departure of each freight aircraft resulting in the capability of each stand to handle over 7 aircraft rotations a day, or over 14 cargo aircraft movements.
- 4.6 On this basis, across a year, this would equate to a capability for at least 21,000<sup>50</sup> annual air cargo aircraft movements with the existing consented infrastructure, subject only to reinstatement. This assessment is consistent with the assertion made in presentations on behalf of RSP<sup>51</sup>, which stated that the 10,000 cargo aircraft movement threshold, necessary to pass the Section 23 test in the Planning Act 2008 (as amended), could be met by providing for 14 aircraft arrivals and 14 aircraft departures each day. As the existing infrastructure could provide for 4 cargo aircraft being handled simultaneously, this would equate to 20,440 annual air transport movements by cargo aircraft. This would be more than sufficient to accommodate any reasonable forecast of the cargo related movement demand that Manston might attract as we have set out in Section 3.

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<sup>50</sup> Should a night time noise policy be agreed with Thanet District Council pursuant to the existing planning agreement that enabled a longer operational day and/or a number of scheduled night movements, then the capability could, in theory, be higher than 21,000 annual cargo aircraft movements.

<sup>51</sup> RSP, Presentations for Thanet District, Dover District, and Canterbury City Councils



- 4.7 We recognise that the actual usage of that capability will depend on how an airport is used in terms of the daily and seasonal pattern of movements but this does not, of itself, reduce the capability offered by the existing consented infrastructure for air transport movements. Our assessment, therefore, provides essential missing information from RSP's materials to date which is necessary for the purposes of section 23 of the Planning Act 2008 (as amended), for assessment purposes under the Environmental Impact Assessment Regulations and for consultation purposes.

### Land Required to accommodate RSP's Forecasts

#### *The RSP Master Plan*

- 4.8 The Master Plan presented by RSP for the Manston Airport site is shown at **Figure 4.1**. It makes use of the full length of the runway and provides a full length parallel taxiway. The western side of the site is dedicated to freight handling activity and has 19 Code E aircraft stands for cargo flights and 4 large cargo sheds for the processing of freight supported by truck loading and parking areas. The eastern side of the site shows as a new passenger terminal and apron along with a MRO hangar and apron. The existing private aircraft handling facility (FBO) and fire station site is retained. We are not entirely clear how such works would be phased, although we understand that 4 phases of development are planned. RSP projects that Manston will need to be able to handle 17,171 cargo related ATMs and that 1.4 mppa of passengers will be handled by 2039. These represent the basis for the proposed DCO application and we assume, therefore, that these will be the limits on the number of movements and passengers which the site would be capable of accommodating as these form the basis for the assessment of environmental and other impacts. However, this is unclear from the consultation documentation.
- 4.9 We are unclear why 19 Code E stands are proposed given that the fleet mix at 2039<sup>52</sup> shows 85% of aircraft (at 17,171 annual cargo aircraft movements) being by aircraft smaller than Code E dimensions. Even allowing for some larger Code F types (<2% of movements), it would be possible to reduce the area of apron required for the fleet mix proposed, leaving aside whether 19 stands are required for the simultaneous parking of cargo aircraft at any one time, which we discuss further below.
- 4.10 To the north of the site, on the 'Northern Grasslands', a new development is shown, which appears to consist of commercial sheds and factory buildings with no obvious connection to the operation of the Airport being located entirely on the landside of the B2050. We assume that RSP's intention is to lease out these landside commercial buildings on this northern site so as to provide a rental income to cross subsidise the operation of the Airport. We discuss the need for this land further below.

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<sup>52</sup> Azimuth Volume III, Table 2.

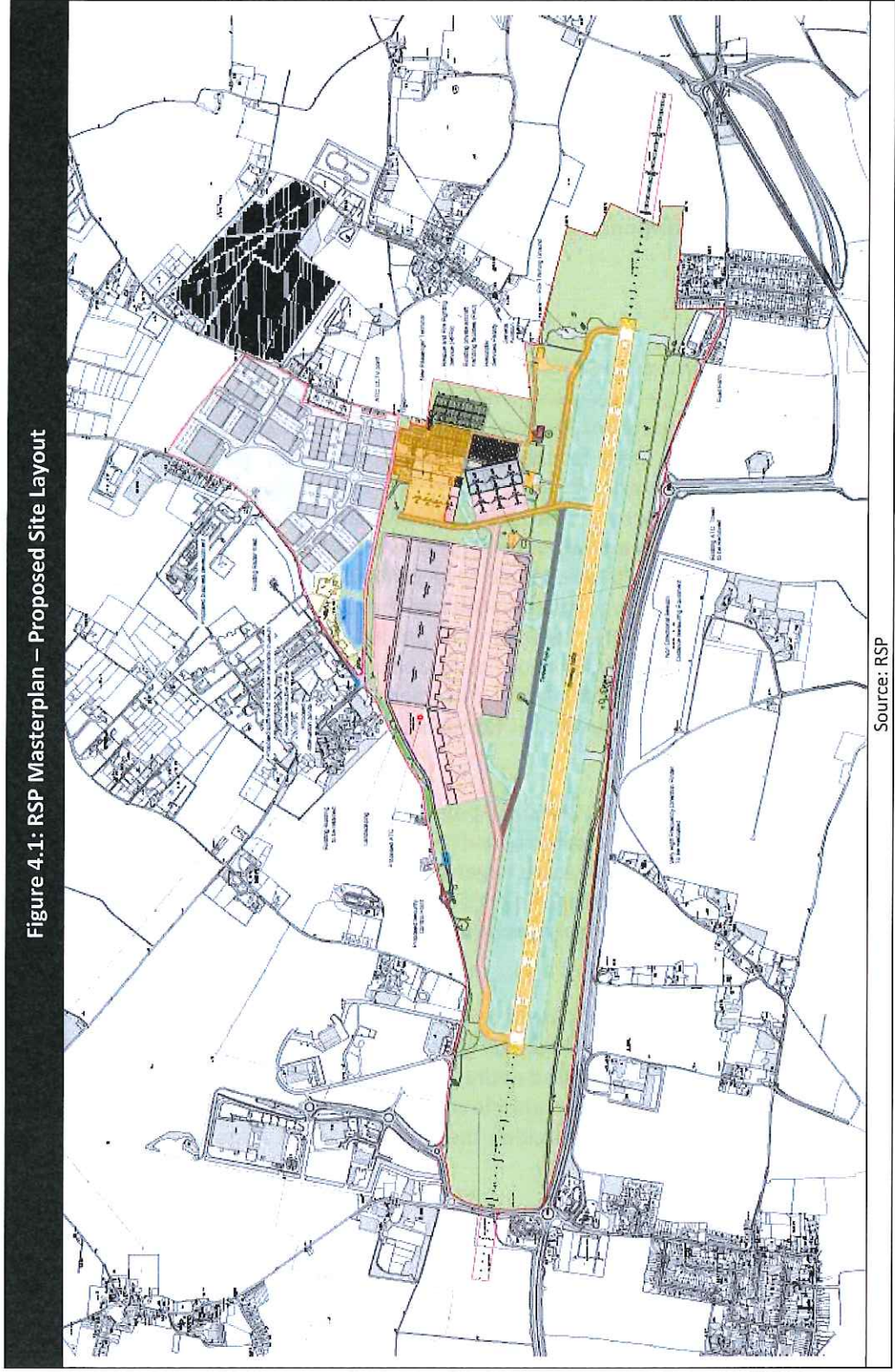


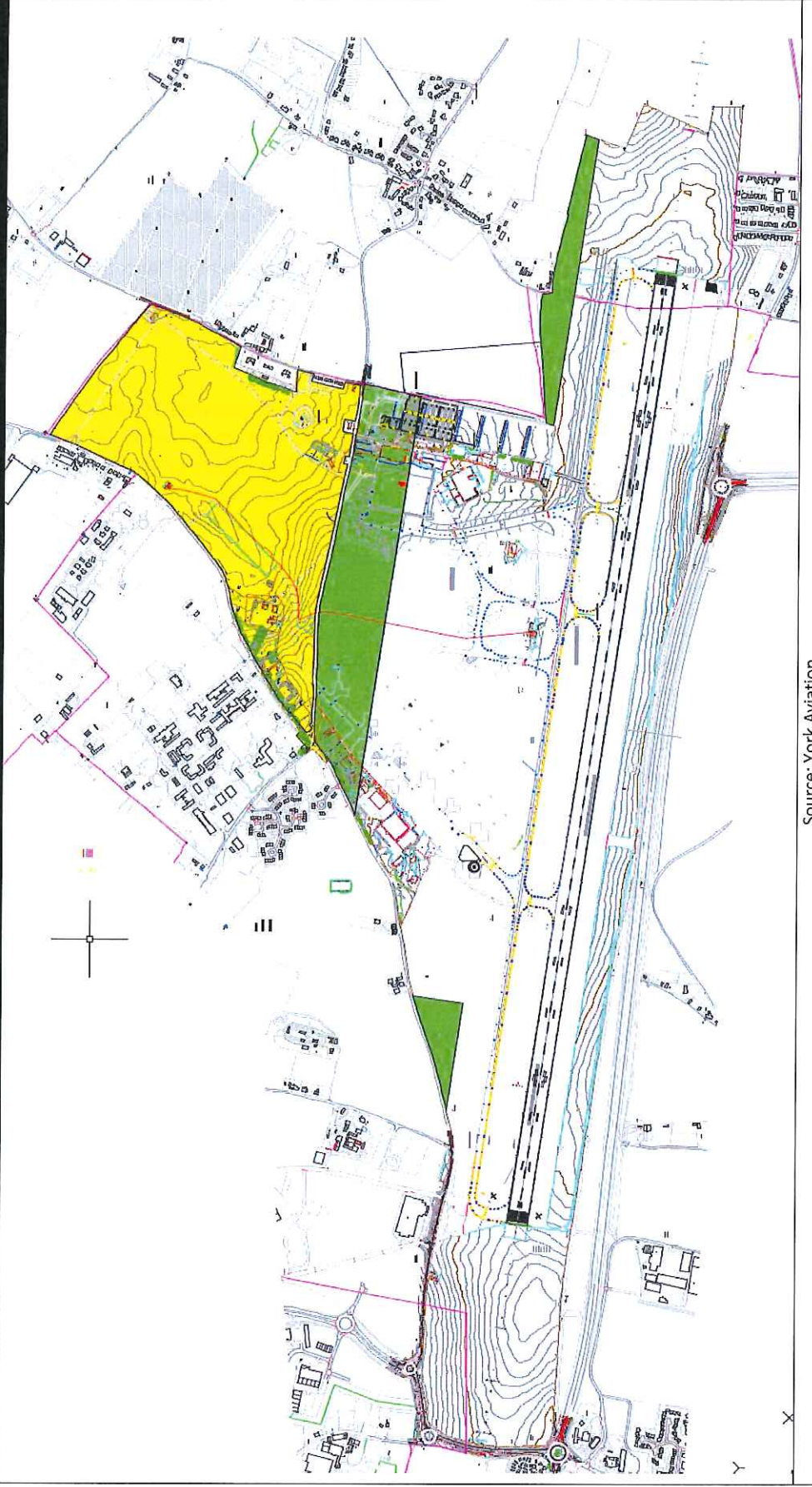
Figure 4.1: RSP Masterplan – Proposed Site Layout



### *Land Required*

- 4.11 Without prejudice to our position that we do not consider that RSP's proposals are credible in terms of the level of demand that might be attracted to Manston, we do not consider that the scale of development proposed by RSP for 17,171 cargo related movements is necessary, justifiable or reasonable, based on the principles set out at paragraph 4.5 above.
- 4.12 At **Figure 4.2**, we illustrate the justifiable and reasonable extent of land required at Manston Airport to support a cargo operation of 17,171 ATMs and passenger operation of 1.4 mppa (even though we do not accept that these ATMs and passenger numbers can be reached). This is based on our experience of airport operations around the world.
- 4.13 We recognise that there could be an opportunity for maintenance hangars for heavier aircraft maintenance activities but the need for these will not necessarily be triggered by the establishment of passenger operations. Depending on the nature of the freight and passenger carriers that set up services at Manston, the need for maintenance hangars cannot be ruled out and we have allowed for one twin bay hangar with a footprint of approximately 6,000m<sup>2</sup> or two single bay hangars at 3,000m<sup>2</sup> each.
- 4.14 It is also reasonable to expect that there will be some business and some general aviation activity. However, unless a bespoke FBO is set up, which we believe is unlikely given the distance from the main business aviation market in London and with Biggin Hill much closer to the core market, there would be very limited use by business aviation. Any small general aviation or flying school activity can be accommodated within the land area shown. These facilities, and any aircraft dismantling activity as also suggested in Azimuth's forecasts, would need to have direct airside access and so would need to be located to the south of the B2050. In other words, all of the operational facilities to support the operation of the Airport would require to be located to the south of the road and not on the 'Northern Grasslands' site.
- 4.15 We have clearly marked the area of land to the south of the B2050 that is not required for the defined airport operations in green on Figure 4.2. To the north of the Airport site, the 'Northern Grasslands' are marked in yellow and is not required for the scale of airport activity proposed by RSP. We discuss the potential use of this area further below. Figure 5.2 clearly shows that the extent of airport land needed to support the scale of freight and passenger activity proposed by RSP is significantly less than that proposed by the RSP. There are surplus areas of land within the core airport site as well as the 'Northern Grasslands' that are not required to support the throughput proposed.

Figure 4.2: Airport Land for 17,121 Freight ATMs and 1.4 mppa Operation – Surplus Land: Airport Land (Green), Northern Grasslands (Yellow)



Source: York Aviation

- 4.16 We summarise at **Table 4.2**, those facilities proposed by RSP in its Master Plan but are not, in fact, required to support essential airport operations.

<b>Table 4.2: Classification of RSP Proposed Airport Facilities at Manston Airport</b>		
	<b>RSP proposed airport-related development</b>	<b>Facilities not Essential for an Operational Cargo Airport</b>
4	Retention & Extension of Passenger Apron	✓
11	New replacement Passenger Terminal building	✓
12	New and extended passenger car parking areas	✓
23	Relocation of the two existing museums	✓
24	Demolish old Control Tower in northern area	✓
25	Airport related businesses on Northern Grasslands	✓
26	New MRO aircraft maintenance hangars	✓
27	New FBO in refurbished business aviation terminal	✓

- 4.17 Although a replacement radar is shown by RSP re-using the old radar tower within the ‘Northern Grasslands’ area, it is not clear that a replacement radar would actually be required, although a radar service would be required. It is likely that a radar service could be procured more cheaply by buying in radar coverage from an alternative radar position rather than re-providing a radar on site. This is increasingly common practice at smaller airports. In the event that a replacement radar was required, this would not need to be located on the ‘Northern Grasslands’ but could be located within the airfield site to the south of the B2050.
- 4.18 In terms of the use of the ‘Northern Grasslands’, there is no particular requirement for extensive freight forwarding facilities on site as consolidation of loads is likely to continue to take place in and around Heathrow as currently. Any freight forwarding activity directly to support 17,171 cargo aircraft movements is likely to be containable within the area shown for freight warehousing within the airfield site.
- 4.19 No other justification is given for the extent of the commercial development shown on the ‘Northern Grassland’ part of the site. In our view, it is certainly not ‘associated development’ required to support the operational airport, other than in terms of providing a financial cross subsidy from rental income for general commercial buildings.

4.20 The need, then, for such an extensive development across the ‘Northern Grasslands’ cannot, in our opinion, be justified and is substantially in excess of what is seen elsewhere. The scale of supporting infrastructure proposed appears substantially greater than exists at the UK’s main pure freight hub at East Midlands. We have seen no reasoned justification for the scale of facilities proposed. It appears to cover an area (c.48 hectares), which is more than double the size of the associated Pegasus Business Park area at East Midlands Airport (c.21 hectares), which currently handles virtually the same cargo tonnage as projected by Azimuth for Manston at 2039. Furthermore, it is significant that a substantial part of the East Midlands area is occupied by hotel development (3 hotels) in support of the much greater passenger throughput at that airport, a Regus office complex, and many of the other occupiers of sites within the Pegasus Business Park are not related to the activity at the Airport and include companies such as PwC, Laser Optical Engineering, Nikon Metrology UK, Medstrom Healthcare, Rail Vision and PKF Cooper Parry making use of an accessible location close to the M1. None of these activities would be essential in relation to freight activity at the airport and so would not meet the test for associated development required for inclusion with a DCO.

### **Realistic Requirements**

4.21 Clearly, as is evident from earlier sections of this report, our opinion is that RSP’s projections for the use of Manston Airport cannot be realised. Hence, the area of land required to accommodate lower levels of activity would be proportionately smaller, occupying a substantially smaller area of land to the south of the B2050 than shown on Figure 4.2.

### **Conclusions on Capability**

4.22 The existing infrastructure at Manston Airport, if made good, would be capable of handling 21,000 annual air cargo transport movements<sup>53</sup>. However, the actual usage of that capability would depend on the pattern of operation and how the infrastructure was used on a day by day basis.

4.23 Without prejudice to our view that demand to use Manston is not likely to be anything like 17,171 cargo aircraft movements a year, we consider that the land required to accommodate such a number of movements would be substantially less than shown on the RSP Master Plan.

4.24 We can see no justification for the inclusion of the ‘Northern Grasslands’ within the DCO as associated development as there will be little requirement for the relocation of freight forwarding activity from adjacent to the UK’s main cargo hub at Heathrow to Manston and any requirement could be accommodated south of the B2050. The development on the Northern Grasslands site appears to be speculative commercial development which, based on the precedent at East Midlands Airport – the UK’s principal airport for pure freighter operations – would be expected to be largely for non-aviation related uses.

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<sup>53</sup> Based on an 18-hour operational day. Should a night time noise policy be agreed with Thanet District Council pursuant to the existing planning agreement that enabled a longer operational day and/or a number of scheduled night movements, then the capability could, in theory, be higher than 21,000 annual cargo aircraft movements.





## 5 SOCIO-ECONOMIC IMPACT

### Introduction

- 5.1 In this section, we examine the socio-economic benefits that are put forward by Azimuth and the flaws that are apparent in their approach. These render the socio-economic case put forward unreliable. We then move on to provide our own estimates of the socio-economic impacts of Azimuth's traffic forecasts based on more appropriate assumptions and also set out the socio-economic impacts associated with our own traffic forecasts to provide a more reasonable basis for considering the extent of the benefits that might realistically accrue from the re-opening of the Airport.

### Comments on Azimuth Socio-Economic Assessment

- 5.2 Volume IV of the Azimuth's Report sets out the socio-economic case for the DCO for Manston. This assessment naturally relies on the traffic forecasts presented in Volume III. This means, of course, that the socio-economic assessment is rendered unreliable by the failings of the traffic forecasting approach and the incorrect inferences drawn from the assessment of the market. However, there are also substantial failings in relation to the methodology used for the socio-economic impact assessment itself, which result in significant over estimates of the impacts. We would also re-emphasise that the Airport must be commercially viable to be able to deliver these benefits, otherwise it will simply fail and no level of benefit will be delivered. RSP has not clearly demonstrated that the operation of the Airport would be viable at any level of throughput and, in the light of the conclusions of Aviasolutions in their advice to Thanet (see Section 6 of this report), viability must be in serious doubt based on our analysis of the likely usage as set out in Section 3. This renders any analysis of the socio-economic impacts to a large extent moot. Setting aside the issue that the Airport is highly unlikely to be viable and that the traffic forecasts set out are significantly overstated, we have identified below a number of key flaws in Azimuth's approach and analysis of the economic impacts.
- 5.3 At the outset, it is probably helpful to highlight the key area in which we agree with Azimuth's analysis and conclusions. We agree that the East Kent area is in need of regeneration. It is simply that we do not believe that Manston Airport can deliver the benefits set out. Any attempt to re-open the Airport is not likely to succeed as it is hard to see that viability could be attained with realistic forecasts of usage. Another failure of the Airport would be more likely to damage the image of Kent as a place to invest than enhance it.

- 5.4 Azimuth spend some time considering the appropriate employment density on which to base an assessment of direct employment. They ultimately conclude that East Midlands Airport provides an appropriate comparator (see paragraph 4.1.4 of Volume IV). This information is then used to drive large parts of the benefit calculations for Manston. York Aviation provides economic impact advice to MAG in relation to both its major freight airports, East Midlands and Stansted. From this knowledge, we would suggest that the job numbers quoted and used here are an incorrect base as they include substantial numbers of non-airport related jobs located on the business park at East Midlands Airport, discussed in the previous section. This means that the employment density used by Azimuth is far too high for genuine airport related activity. In any event, the employment at East Midlands is higher than might be anticipated anyway given the very significant employment supported at the site by DHL's UK main base of operations, which is not likely to be replicated at Manston.
- 5.5 We accept that it is difficult to identify an ideal comparator for a re-opened Manston in the UK but would suggest that an airport such as Glasgow Prestwick would be a much more appropriate comparator. The Airport has a low fares operation by Ryanair and has a reasonably significant pure freighter operation (although this has been substantially larger in the past). There is also detailed information on the economic impact of that airport in the public domain from work undertaken by both York Aviation<sup>54</sup> and SQW<sup>55</sup>. We have used information from this research later in this section to provide a more realistic base for assessing the economic impact of Manston.
- 5.6 The multipliers used by Azimuth for indirect and induced employment and economic activity in their assessment are simply inappropriate. Firstly, the multipliers adopted are for the impact at a national level. The study area for this economic assessment and the focus of Azimuth's comments is the sub-region around Manston Airport. Multipliers appropriate to this much smaller area should have been used and would have been substantially smaller. Secondly, the multiplier used (2.1) is a European average taken from research by InterVISTAS for ACI EUROPE<sup>56</sup>. The adoption of this Europe-wide multiplier is strange given that that the research does actually provide a specific multiplier for the UK<sup>57</sup>, which is substantially smaller at 1.5. Use of the appropriate multiplier would, of course, have significantly reduced the job impacts suggested, even at a national scale.
- 5.7 There is a further issue in relation to the use of an inappropriate multiplier covering national level effects in that displacement of activity from other airports should have been taken into account. To the extent that any of the activity projected for Manston is displaced from other airports, as our analysis strongly suggests it will be, there will be a relative reduction in employment and economic activity in the vicinity of these other airports. So whilst, correctly calculated, the employment and economic effects local to Manston would be additional, the effect of displacement of activity would need to be netted off wider national or regional (South East) impact assessments.

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<sup>54</sup> The Economic Impact of Glasgow Prestwick Airport – York Aviation (2012).

<http://www.evaluationsonline.org.uk/evaluations/Search.do?ui=basic&action=show&id=509>

<sup>55</sup> Economic Impact of Glasgow Prestwick Airport – SQW (2008).

<http://www.sqw.co.uk/files/4413/8712/8925/99.pdf>.

<sup>56</sup> The Economic Impact of European Airports – InterVISTAS for ACI Europe (2015).

<sup>57</sup> Ibid. Page 103.



- 5.8 As well as using a multiplier for indirect and induced impacts, a multiplier is used to assess the wider catalytic employment<sup>58</sup>. The multiplier used is taken from out of date research for ICAO<sup>59</sup> and it should be said that catalytic impacts remain a difficult area in terms of quantification. There is not sufficient detail in the ICAO report<sup>60</sup> that Azimuth rely on to understand how this catalytic multiplier has been derived. However, again, there are issues with the use of this multiplier. Firstly, it appears to be a global multiplier, which would again be completely inappropriate for use in considering sub-regional impacts around Manston and it has been wrongly applied to total job numbers rather than direct job numbers. In practice, the correct approach would have been to consider the specific additional connectivity that Manston Airport might provide for Kent and assess how this might relate to attracting additional business activity and tourism to the area.
- 5.9 In examining the employment projections presented (Section 5.1 of Volume IV), it appears that no allowance has been made for either productivity growth or returns to scale over time and as the Airport grows. While information on potential on-site productivity growth can be hard to come by, we would expect some allowance to have been made. A typical figure might be around 2% per annum based on our experience at other airports. The result of this omission is that future direct job numbers, in particular, are likely to be significantly overstated given the compounding effect of failing to account for productivity growth.
- 5.10 Section 7 of Volume IV discusses other socio-economic impacts. In particular, it talks about contributions to GDP. Para 7.1.1 describes GDP as “*a monetary measure of the state of a Region’s or a Country’s economy*”. This is not correct. It is a measure of the size of the economy. It does not comment on the state of the economy or the prosperity or wealth within it. The calculations of GDP impacts presented are based on the job numbers estimated earlier in the report. They are, therefore, likely to be significant overestimates given the flaws in the demand forecast method and the job density and multiplier assumptions.
- 5.11 The comments in Paragraph 7.1.7 describing how Manston could contribute significantly to Thanet’s Economic Growth Strategy aspirations in terms of GVA per job and per capita are, in reality, unsupported. Given the methodology adopted, which essentially measures Manston’s impact at a national level, it is actually very difficult to know what the effect might be on the Thanet economy. Undoubtedly, the Airport could support local jobs if it is re-opened but, in reality, the number of those jobs and their value has not been effectively calculated here. The aviation supply chain in the UK is heavily concentrated around the major airports, particularly in relation to air cargo. So, in practice, much of the economic benefit claimed would be realised in and around Heathrow rather than locally if Manston were to re-open. To the extent that any activity would be displaced to Manston, there would be negative economic implications elsewhere.

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<sup>58</sup> Catalytic employment is related to additional economic activity generated in areas adjacent to an airport as a result of the additional connectivity offered by the airport.

<sup>59</sup> ICAO – International Civil Aviation Organisation, which is the inter-governmental body which regulates air transport globally.

<sup>60</sup> ICAO – Economic contribution of civil aviation: Ripples of prosperity, 2000.

## The Socio-Economic Impact of the Azimuth Traffic Forecasts

5.12 Below, we have set out an estimate of the socio-economic impacts of the Azimuth traffic forecasts using more appropriate assumptions. We have retained the same basic analytical framework, which considers direct, indirect, induced and catalytic impacts, but we have used different basic assumptions in all areas:

- we have estimated the direct employment associated with the re-opening of the Airport based on employment densities observed at Glasgow Prestwick Airport during the production of our 2012 report for Scottish Enterprise<sup>61</sup>. This includes considering which elements of on-site employment are likely to be driven by passenger growth and which by cargo growth. Given the slightly differing approach, it is hard to provide a perfect comparison of job density. However, in Year 3, when both cargo and passenger operations begin, the York Aviation job density is around 650 jobs per million workload units, compared to around 890 assumed by Azimuth;
- we have used an indirect and induced multiplier for Kent of 0.4<sup>62</sup>. This is again taken from our work on Prestwick and reflects impacts of that airport in the Ayrshire economy, which would seem a sensible comparator. This multiplier is also in line with the benchmark multipliers set out in the Homes and Communities Agency Additionality Guide (2014)<sup>63</sup>. At this level, displacement effects do not need to be accounted for albeit they would still arise to the extent that activity at Manston displaces activity elsewhere;
- we have used catalytic multipliers for air freight taken from Steer Davies & Gleave's report on the UK Air Freight Industry for the DfT<sup>64</sup>. This identified national level catalytic multipliers for air freight of 3.46 and 3.76 (inclusive of the direct impact). There is no simple way to adjust these multipliers to the Kent economy. We have, therefore, reduced these multipliers by 75%. This is broadly akin the difference between sub-regional and national level multipliers for indirect and induced effects. As with all estimates of catalytic impacts, these should be regarded with some caution in the absence of a more detailed and specific assessment of the potential effects;
- we have assumed productivity growth at Manston Airport of around 2% per annum. This is typical of our experience of productivity growth rates at UK airports;
- in order to estimate the GVA impacts of the re-opening of the Airport, we have used GVA per job estimates from ONS for Kent. On-site jobs are assumed to generate GVA in line with the Transportation & Storage sector (£57,763), while jobs in the wider economy are assumed to reflect the average GVA per job for Kent (£52,623).

5.13 In **Tables 5.1** and **5.2**, we have set out our estimates of the socio-economic impact of the Azimuth traffic forecasts compared to the original estimates produced by Azimuth.

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<sup>61</sup> *The Economic Impact of Glasgow Prestwick Airport* – York Aviation (2012).

<sup>62</sup> Note that this excludes the initial direct effect.

<sup>63</sup> See page 36.

<sup>64</sup> *AIR FREIGHT Economic and Environmental Drivers and Impacts* – Steer Davies and Gleave for DfT (2010). Page 106.

**Table 5.1: Employment Impact of Manston Airport – YAL Socio-Economic Assumptions Comparison**

	Y2	Y5	Y10	Y15	Y20
<b>Azimuth Impact Assumptions with Azimuth's freight + passenger forecast</b>					
Direct	856	2,150	2,749	3,438	4,271
Indirect & Induced	1,798	4,515	5,773	7,220	8,970
Catalytic/Wider	0	8,601	10,996	13,753	17,085
<b>Total</b>	<b>2,654</b>	<b>15,266</b>	<b>19,518</b>	<b>24,411</b>	<b>30,326</b>
<b>YAL Impact Assumptions with Azimuth's freight + passenger forecast</b>					
Direct	688	1,555	1,791	2,033	2,291
Indirect & Induced	275	622	716	813	917
Catalytic/Wider	475	1,073	1,236	1,403	1,581
<b>Total</b>	<b>1,439</b>	<b>3,250</b>	<b>3,743</b>	<b>4,249</b>	<b>4,789</b>
<b>YAL Total as % of Azimuth</b>	<b>54%</b>	<b>21%</b>	<b>19%</b>	<b>17%</b>	<b>16%</b>

Source: York Aviation and Azimuth Associates

**Table 5.2: Gross Value Added Impact (£ million) – YAL Socio-Economic Assumptions Comparison**

	Y2	Y5	Y10	Y15	Y20
<b>Azimuth Impact Assumptions with Azimuth's freight + passenger forecast</b>					
Direct	£43	£108	£138	£173	£215
Indirect & Induced	£78	£195	£250	£312	£388
Catalytic/Wider	£0	£391	£499	£625	£776
<b>Total</b>	<b>£121</b>	<b>£694</b>	<b>£887</b>	<b>£1,110</b>	<b>£1,379</b>
<b>YAL Impact Assumptions with Azimuth's freight + passenger forecast</b>					
Direct	£41	£99	£126	£158	£197
Indirect & Induced	£15	£36	£46	£58	£72
Catalytic/Wider	£25	£61	£78	£97	£121
<b>Total</b>	<b>£82</b>	<b>£196</b>	<b>£250</b>	<b>£313</b>	<b>£389</b>
<b>YAL Total as % of Azimuth</b>	<b>68%</b>	<b>28%</b>	<b>28%</b>	<b>28%</b>	<b>28%</b>

Source: York Aviation and Azimuth Associates

5.14 The differences between the two sets of estimates are marked. Our assumptions result in economic impacts being around a half to two thirds of those estimated by Azimuth initially. However, the gap widens over time as the impact of Azimuth's failure to allow for productivity growth and high multiplier assumptions feed through. In our view, the Azimuth estimates simply cannot be relied upon as a measure of the potential economic impacts of re-opening of Manston Airport. Not only are they infected by the errors in traffic forecasting, but the approach itself is highly flawed. A more realistic and robust assessment suggests that the local impacts within Kent, even on Azimuth's forecasts, would be substantially less than claimed and it is these lower order effects which would need to be balanced with the environmental and impacts in assessing the acceptability of the proposed development, including the loss of SHP's proposed mixed use development and the socio-economic benefits deriving therefrom.

### A More Realistic View of the Socio-Economic Impacts of Manston

5.15 As we have described above, the socio-economic assessment undertaken by Azimuth was destined to fail before it started because of the failings in the traffic forecasts that feed the approach. We do not consider there is any realistic prospect of the Airport attaining 10,000 annual movements by cargo aircraft and the build up of traffic would be materially slower than Azimuth estimate.

5.16 We have, therefore, set out below an assessment of the socio-economic benefits that might be associated with re-opening Manston on the basis of York Aviation’s most likely cargo forecast (that Manston is able to regain its previous market share) and our passenger forecasts, which are around half those assumed by Azimuth. Once again, we have used our socio-economic impact assumptions as described above. The resulting employment and GVA impacts are again set out compared to Azimuth’s assessment of the economic impact of reopening Manston in Tables 5.3 and 5.4.

<b>Table 5.3: Employment Impact of Manston Airport – YAL Forecasts Comparison</b>					
	<b>Y2</b>	<b>Y5</b>	<b>Y10</b>	<b>Y15</b>	<b>Y20</b>
<b>Azimuth Impact Assumptions with Azimuth’s freight + passenger forecast</b>					
Direct	856	2,150	2,749	3,438	4,271
Indirect & Induced	1,798	4,515	5,773	7,220	8,970
Catalytic/Wider	0	8,601	10,996	13,753	17,085
<b>Total</b>	<b>2,654</b>	<b>15,266</b>	<b>19,518</b>	<b>24,411</b>	<b>30,326</b>
<b>YAL Impact Assumptions with YAL’s freight + passenger forecast</b>					
Direct	216	391	409	442	486
Indirect & Induced	87	156	164	177	194
Catalytic/Wider	149	270	283	305	335
<b>Total</b>	<b>452</b>	<b>817</b>	<b>856</b>	<b>925</b>	<b>1,015</b>
<b>YAL Total as % of Azimuth</b>	<b>17%</b>	<b>5%</b>	<b>4%</b>	<b>4%</b>	<b>3%</b>

Source: York Aviation and Azimuth Associates

<b>Table 5.4: Gross Value Added Impact (£ million) – YAL Forecasts Comparison</b>					
	<b>Y2</b>	<b>Y5</b>	<b>Y10</b>	<b>Y15</b>	<b>Y20</b>
<b>Azimuth Impact Assumptions with Azimuth’s freight + passenger forecast</b>					
Direct	£43	£108	£138	£173	£215
Indirect & Induced	£78	£195	£250	£312	£388
Catalytic/Wider	£0	£391	£499	£625	£776
<b>Total</b>	<b>£121</b>	<b>£694</b>	<b>£887</b>	<b>£1,110</b>	<b>£1,379</b>
<b>YAL Impact Assumptions with YAL’s freight + passenger forecast</b>					
Direct	£13	£25	£29	£34	£42
Indirect & Induced	£5	£9	£11	£13	£15
Catalytic/Wider	£8	£15	£18	£21	£26
<b>Total</b>	<b>£26</b>	<b>£49</b>	<b>£57</b>	<b>£68</b>	<b>£83</b>
<b>YAL Total as % of Azimuth</b>	<b>21%</b>	<b>7%</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>

Source: York Aviation and Azimuth Associates



- 5.17 Unsurprisingly, the socio-economic impacts associated with the Airport are reduced even further on the basis of more realistic forecasts. The operation is simply of a much smaller scale. In Year 2, it generates 452 jobs, only 17% of the Azimuth estimate of 2,654. By Year 20, the differential is even larger, with the Azimuth estimates reaching over 30,000 jobs, but with our estimates at only just over 1,000. More likely, the Airport would cease operating again due to the inability to attain viable operations. In these circumstances, it becomes a moot point as there would be no jobs and economic impact over the medium to long term.

### **Conclusion**

- 5.18 Once again, the evidence presented by Azimuth on behalf of RSP cannot be relied upon. It is infected with the flaws in the traffic forecasting methodology identified previously but the approach to identifying socio-economic impacts is, in itself, badly flawed. The socio-economic impacts are, as a result, massively overstated and, in any event, would not be realised if the operation of the Airport is not commercially and financially viable.

## 6 PEER REVIEW OF OTHER REPORTS

- 6.1 In this section, we set out a brief review of other reports produced on the potential for a re-opened Manston Airport.

### Aviasolutions for Thanet

#### *Commercial Viability of Manston Airport – September 2016*

- 6.2 We note that this assessment was focussed on the likely viability of a re-opened Manston Airport. Hence the main focus was on scenarios for passenger growth as passenger operations make a significantly greater financial contribution to operating an airport given the ability to earn revenue from retail, catering and car parking as well as direct revenue from airport charges (landing, aircraft parking, passenger fees and any cargo handling fees). We note that Avia took a much more optimistic view than we do of the scope for passenger overspill from the main London airports to Manston but, to an extent, these scenarios were designed to assess whether re-opening Manston would be commercially viable rather than to assess a realistic level of demand.

- 6.3 Having assessed the historical performance of Manston, Avia assumed that it would be possible for the Airport to regain the broad level of cargo activity that it was handling before it closed. This is not dissimilar to our 'most likely' assumption. Significantly, Avia noted that:

*“Our freight interviews indicated that the demand to use the airport for freight was very limited. This, in large parts, is due to two factors; the infrastructure investments that have already been made by the industry around Heathrow and Stansted, and the geographical location of the airport. Infrastructure, and the associated knowledge, skill and supporting industry at airports such as Heathrow and Stansted, as well as the major European hubs such as Frankfurt, and Paris, would be almost impossible for Manston to replicate. The geographic location of the airport, tucked into the corner of the UK, cannot compete with airports such as East Midlands for Integrator services that are sold as fast delivery, due to the increases in surface transportation times. The interviews did however indicate that charter services and ad-hoc freighter flights would certainly return, providing some revenue income for the airport”<sup>65</sup>.*

This accords with our view of the most likely prospects for Manston.

- 6.4 Overall, the Avia 2016 work concluded that Manston was not likely to be a commercially viable prospect if re-opened, certainly if it is assumed that another runway would be built at either Heathrow or Gatwick. We concur with this conclusion and, on the basis of our more realistic assessment of the level of passenger demand that the Airport might attract, commercial viability is even less likely to be attained.

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<sup>65</sup> Aviasolutions, *Commercial Viability of Manston Airport*, September 2016, Section 8.3.



### **Local Plan Representations - Final Report – August 2017**

6.5 This report largely deals with individual specific representations one at a time. Overall, Avia conclude that their *“opinion, based on updated market information since the publication of our previous study, is consistent with our earlier view that Manston Airport does not represent a financially viable investment opportunity under normal market conditions.”*<sup>66</sup>

6.6 In relation to these representations, Avia state clearly that:

*“The Local Plan Representations do not make a credible case, nor provide the evidence for AviaSolutions’ to change its views on the financial viability of Manston Airport. We remain of the view that whilst Heathrow Airport continues to offer substantial freight capacity to a truly global network, and Stansted Airport utilises only around half of the statutory provision of air freighter movements, the London air freight market has capacity to grow without the re-introduction of capacity at Manston Airport. Freight Forwarders have invested heavily in infrastructure around these core airports, carriers have developed their networks as such, and without clear value drivers that support relocating services to Manston Airport, the case remains to be made that demand exists for a freight facility at Manston Airport. This view is reinforced by the empirical evidence of multiple failed attempts to develop profitable operations at the airport.”*<sup>67</sup>

6.7 Again, Avia’s analysis concurs with our own in terms of the limited role that there would be for a re-opened Manston Airport given the evolution of the air freight market. We concur with Avia’s analysis of the potential for other activities at Manston such as business aviation or aircraft dismantling and note that, in our experience, income generation from such activities would be low.

6.8 We note that, in this report, Avia correctly interpret our work for the FTA in terms of the potential for the equivalent of 80,000 air freighter movements to be accommodated away from the main London airports by 2050 in the event of no new runway being constructed. As Avia note, this demand is likely to be accommodated at a variety of other airports, including Manchester and East Midlands, with the former offering a substantial amount of bellyhold capacity by that date and the latter offering a dedicated freighter service. Displacement to regional airports is also a logical response given the amount of cargo from the regions which is currently trucked to the London airports. We have had no dialogue with Avia regarding the interpretation of our work but their interpretation of it confirms that Azimuth have simply misused headline figures from our work to support RSP’s case without considering or understanding the broader meaning of our analysis in 2015 as Avia demonstrate.

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<sup>66</sup> Aviasolutions, *Local Plan Representations - Final Report*, August 2017, Executive Summary.

<sup>67</sup> Ibid.

**Review of Azimuth and Northpoint Forecasts for Manston – August 2017**

6.9 In this report, Avia conclude that the Azimuth and Northpoint forecasts are “highly ambitious” and that “the likelihood of these forecasts being realised is very low”<sup>68</sup>. Avia do not, themselves present any updated forecasts of their own in this report. They make clear that neither report presents “a credible case” sufficient for Avia to change its view on the likelihood of viable commercial operations being attained at Manston Airport.

6.10 Avia conclude that:

*“We remain of the view that whilst Heathrow Airport continues to offer substantial freight capacity to an extensive global network, and Stansted Airport offers capacity for air freighter movements, the London air freight market has capacity to grow without the re-introduction of capacity at Manston Airport. Freight Forwarders have invested heavily in infrastructure around the UK’s core cargo airports and carriers have developed their networks as such. Without clear value drivers that support relocating services to Manston Airport, the case remains to be made that demand exists for a freight facility at Manston Airport.*

*Provision of capacity alone is no guarantee of financial success, a view reinforced by the empirical evidence of multiple failed attempts to develop profitable aviation operations at Manston Airport.”<sup>69</sup>*

This accords with our view.

6.11 Like ourselves, Avia point out<sup>70</sup> that provision of infrastructure is not of itself sufficient to ensure a financially viable airport at Manston and that this will depend on the demand that can be attracted. Avia conclude, like ourselves, that “Azimuth’s report does not provide sufficient evidence of demand at Manston Airport from air freight operators to support the required investment in facilities and profit generation potential to re-establish Manston Airport as a going concern.”<sup>71</sup> Avia, like ourselves, highlight that if there had been a market for Manston to accommodate any overflow from Heathrow, this would have been evident prior to the Airport’s closure in 2014. Avia also conclude<sup>72</sup>, in relation to the extensive interviews carried out by Azimuth, that they largely address the overall issues of airport capacity in the South East of England and do not effectively explain why Manston, at the tip of Kent, would be an attractive solution for the UK air freight sector.

6.12 Avia also note that the other activities that Manston might attract, as suggested by interviewees, such as maintenance, repair and overhaul, aircraft dismantling, a fixed based operator for business aviation and the establishment of an integrator base could have been attracted previously if there was demand at Manston but that such demand was not evident. We concur that the reports of interviews set out by Azimuth do not constitute real evidence of actual demand for such facilities or the likelihood of them locating at Manston.

<sup>68</sup> Aviasolutions, *Review of Azimuth and Northpoint Forecasts for Manston*, August 2017, Executive Summary

<sup>69</sup> Ibid.

<sup>70</sup> Ibid, page 9.

<sup>71</sup> Ibid.

<sup>72</sup> Ibid, page 11.



- 6.13 Like ourselves, Avia point out that Azimuth’s freight forecasts would suggest that Manston would be a major presence in the UK air freight market from Year 2<sup>73</sup> and that by the end of the period would be on a par with the UK’s main freight hub at East Midlands by 2039. They go on to note that the methodology adopted by Azimuth to forecast cargo movements could be acceptable, which we take to mean a ‘bottom up’ movement driven approach. However, they caution that the primary data used (from the interviews) “*has significant potential to exaggerate or overstate the market*”<sup>74</sup>. As Avia note, the aspirations of the interviewees, that as we have noted earlier were largely local interests in Kent, would need to be tempered by commercial realism and the risks attaching to the operations put forward. Avia conclude, in relation to Azimuth’s freight forecasts, that “*the probability of such an outcome remains very low*”<sup>75</sup>. We concur.
- 6.14 In overall terms, Avia conclude that there is nothing in the Azimuth analysis which would give rise to them changing the conclusions set out in their earlier 2016 report.<sup>76</sup>
- 6.15 Avia then go on to consider the Northpoint report, discussed further below, which was prepared as a direct rebuttal of their 2016 report. In the first instance, they note that they do not accept that the benchmark airports<sup>77</sup> cited by Northpoint as comparators for what Manston could be are relevant:

*There are clearly structural and geographical reasons as to why each of these airports is different to the proposal for Manston Airport. As such, suggesting these are comparable benchmarks is not realistic. In order for Manston Airport to acquire the status of these airports it would need to demonstrate key elements of development, namely; commitments from key express players (DHL / UPS / FedEx / Amazon / Alibaba); an ability to operate night operations with few regulatory restrictions; and geographical advantages from nearby cities, industrial parks, and population centres.*

We agree. These benchmark airports serve different roles, principally based around their selection by large integrators/distributors as main distribution hubs for large urban conurbations. These are simply not comparable to Manston and it would be misleading to believe otherwise.

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<sup>73</sup> Ibid, Section 2.3.2.

<sup>74</sup> Ibid, Section 2.3.3.

<sup>75</sup> Ibid.

<sup>76</sup> Ibid, page 15.

<sup>77</sup> Alliance Fort Worth in Texas, USA, Hamilton Airport in Ontario, Canada, Bergamo in Italy, Liege in Belgium and Leipzig in Germany.

- 6.16 In relation to air freight forecasts, Avia again note RSP's reliance on our work for the Freight Transport Association. Again, Avia correctly interpret this work as being based on the assumption that "freight growth is bellyhold focussed" going on to note that our "report also questions Boeing and Airbus' forecast growth rates, which are utilised in the long term growth forecast by Dr Dixon."<sup>78</sup> Avia go on to note Northpoint's use of the 55,000 air cargo movements figure from our earlier work for Transport for London (2013) and cite Northpoint's claim that we asserted that Manston was the only realistic opportunity to accommodate this level of freighter movements if they were displaced. As we have discussed at length in Section 2, this is simply a misapplication of our 2013 work. Unsurprisingly, Avia could not find these figures in the 2015 report for the FTA.
- 6.17 Avia also highlight Northpoint's misinterpretation of the interaction between bellyhold and pure freighter demand. We agree with their conclusions in this regard, which explain why the market for more pure freighter operations to/from the UK is limited:

*"AviaSolutions' experience in the freight industry is that many bellyhold operators can, when supply exceeds demand, reduce rates to such a level as to cover the marginal cost of freight plus a margin. The business is often operated as an addition to the passenger service, and therefore its real marginal costs are low. It is simply impossible for a freighter operator to reduce its rate to match this marginal cost and operate at profitably [SIC]. Therefore, freighters tend to operate on thick routes where the economies of scale of a freighter operation can be realised. These routes are also curtailed by a non-related market, that of passenger demand. Where large scale passenger demand exists e.g. UK to USA, a residual effect of this is large scale freight capacity, which is unmatched to demand. The reverse can be seen on routes to the East, where passenger demand is less, but freight demand, particularly inbound to the UK, is high. As such, many freighters operate on these routings."<sup>79</sup>*

We agree that the extensive passenger based route network and the availability of bellyhold capacity limits the need for a substantial pure freighter operation to/from the UK, in contrast with other parts of the world where passenger air route networks are less developed. This is why global data on the demand for air freighters is simply not relevant in the UK context.

### **Northpoint**

- 6.18 We have largely addressed key points of Northpoint's rebuttal of the original Aviasolutions work above on the basis of Avia's most recent report. We highlight here a few other key observations on Northpoint's "The Shortcomings of the Avia Solutions Report and an Overview of RSP's Proposals for Airport Operation at Manston" prepared for RSP.
- 6.19 As with Azimuth's work, the key criticism of this work is that it is based on assertion rather than evidence or systematic analysis of the potential market for Manston. As noted above, benchmark airports in the middle of Continental Europe or adjacent to major conurbations in the US and Canada do not provide robust examples of how Manston might develop given its geographic position. Northpoint set out that:

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<sup>78</sup> Ibid, page 17.

<sup>79</sup> Ibid, Section 3.1.6.



*“RSP’s plans are centred on a developing a strategically important air cargo operation focused dedicated freighters importing and exporting a range of perishable and high-value/time-critical goods to markets in London and across the wider south-east.”<sup>80</sup>*

And that these operations would be supplemented by a “modest” passenger offering, a variety of business and general aviation activities as well as maintenance, repair, overhaul and aircraft dismantling activities. However, the report does not, itself set out how the scale of such activity could be assessed and whether it would, in combination, secure a viable operation.

- 6.20 In terms of forecasting the volume of air freight that Manston might secure, Northpoint make an unsubstantiated leap from noting the reasons why Heathrow is dominant in the market to asserting that the key determinant for pure freighter operations is the infrastructure provided at an airport and supply driven factors, noting that it is important that these latter are “transparent”<sup>81</sup>. We have already noted the lack of transparency in relation to the air cargo forecasts produced by Azimuth upon which RSP rely. Nor are the projections set out in Northpoint’s Appendix A any more transparent in terms of how the estimated tonnage to be accommodated by freighter movements at Manston has been derived.
- 6.21 Although lacking transparency, it would appear that Northpoint, like Azimuth, have relied on Boeing’s global forecasts for freight revenue tonne kilometres as a basis for projecting UK air cargo tonnage<sup>82</sup>. For the reasons set out in Section 2, this is inappropriate and will lead to a material overstatement of the overall market.
- 6.22 Like Azimuth, Northpoint see cross channel movement of air cargo as an opportunity for pure freighter operations at Manston<sup>83</sup> rather than simply the natural economic response to shortage of bellyhold capacity at Heathrow. Northpoint then seek to rely on our assessment of displaced tonnage equivalent to 55,000 annual movements by air cargo aircraft in 2050 from our 2013 work for TfL as corroborating evidence of Manston’s potential<sup>84</sup>. This is to misrepresent the conclusions from this work, which indicated clearly that, in practice, there was unlikely to be a problem even if Heathrow did not get a third runway, albeit that there might be some additional trucking costs to make use of bellyhold capacity in Europe. This would still be cheaper for shippers than the alternative use of pure freighter aircraft from Manston or elsewhere. Furthermore, in assessing the scope for airports to accommodate more freighter aircraft<sup>85</sup>, we do not agree with their assessment in respect of Stansted for the foreseeable future and Northpoint appear to ignore the main pure freight hub at East Midlands.

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<sup>80</sup> Northpoint, *The Shortcomings of the Avia Solutions Report and an Overview of RSP’s Proposals for Airport Operation at Manston*, paragraph 1.3.

<sup>81</sup> *Ibid*, paragraph 2.4.

<sup>82</sup> *Ibid*, paragraph 2.18.

<sup>83</sup> *Ibid*, paragraph 2.21.

<sup>84</sup> *Ibid*, paragraph 2.24.

<sup>85</sup> *Ibid*, paragraph 2.30.

- 6.23 In dismissing the potential for these other, established airports, Northpoint seek to highlight the constraining effect of night movement restrictions on air cargo operations. By inference, then, Northpoint appear to assume that Manston will not suffer from such restrictions so making it more attractive. This appears to be corroborated at Appendix A<sup>86</sup> where it is claimed that the presence of a logistics centre at Manston without significant night movement restrictions would be one of the attractions and a factor in the forecasts being attainable. However, it is our understanding that night movements will at best be limited to 8 per night and could be limited further if the promises of no night movements are upheld.
- 6.24 In relation to the potential in the aircraft maintenance and dismantling/recycling market<sup>87</sup>, we note that these are activities being 'chased' by many airports. There is no analysis of competition nor of the likelihood of Manston capturing any of these activities in Northpoint's report. In any event, the level of activity generated by such activities is unlikely to make the difference between the Airport being viable or not.
- 6.25 Overall, Northpoint present no real evidence in its Conclusions<sup>88</sup> to substantiate why the operation at Manston could be viable. Its forecasts of cargo movement and passenger demand are no more transparent nor based on market analysis than those set out by Azimuth and do not justify why the RSP application would meet the tests set out in Section 23 of the Planning Act 2008. In general, we agree with Avia's conclusions regarding the robustness of this report.

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<sup>86</sup> Ibid, Appendix A, A.8.

<sup>87</sup> Ibid, Section 4.

<sup>88</sup> Ibid, Section 5.



## 7 CONCLUSIONS

7.1 In this report, we have examined the case for RSP's proposed development at Manston Airport. Our overall assessment is that RSP have failed to provide their own evidence of the capability of Manston Airport and the amount by which their proposals would increase that capability by (all we have are forecasts which have no credibility as explained in this report). This results in glaring omissions in RSP's consultation material. This failure means that, in our opinion, the requirements in section 23 of the Planning Act 2008 (as amended) have not been satisfied. In essence, we would have expected RSP to be able to show:

- the capability of Manston Airport of providing air cargo transport services;
- the amount by which RSP is proposing to increase that capability by and thus the "new" capability; and
- a credible forecast for why that 'new' capability is required.

None of this information is provided by RSP.

7.2 RSP's case is principally based on circumstantial evidence presented in the Volumes I to IV of *Manston – A Regional and National Asset* prepared by Azimuth Associates. Much of the material upon which Azimuth seek to rely as the basis for the case for Manston relates to the economic costs to the UK if additional passenger hub capacity is not provided in the South East of England by 2050. This is not relevant to the specific question as to whether there would be sufficient demand for pure freighter aircraft movements to be operated to/from Manston in the foreseeable future.

7.3 The analysis presented by Azimuth shows a lack of understanding of the economics of the air freight market. This leads to a misinterpretation of work by ourselves, upon which Azimuth seek to rely to support their case. Just because there could be excess freight demand in 2050 in the absence of further runway capacity at the UK's main hub, it does not follow that displaced bellyhold freight will seek a more expensive pure freighter service from a relatively nearby airport over the use of available bellyhold capacity from a more distant airport which can be provided at a lower cost to the shipper with only marginal penalty in terms of time. Our previous work simply cannot be relied on to support RSP's case.

7.4 Fundamentally, Manston's past operation was economically inefficient due to the inherent lack of viability. Hence, reopening the Airport, in the face of a limited market, has the potential to damage the productivity of the UK aviation sector overall, particularly, as we have demonstrated in our own assessment of cargo demand for Manston in Section 3 that there are more economically efficient alternatives available for any freight displaced due to specific capacity constraints at Heathrow both now and in the future.

7.5 Whilst there may be a role for Manston, on the margin, providing some niche specialist air freight operations, the market for such services is small and often ad hoc, which will impact on the prospects for a viable operation of the Airport.

- 7.6 Manston is too peripheral for integrator operations serving the UK. Integrators have a strong preference for locations more centrally located in the UK with good road access to all of the major markets. The availability of land for warehouses, for example as suggested in terms of the use of the 'Northern Grasslands' part of the overall airport site, is far less important than a location central to the market and the availability of good road access, neither of which are characteristics of Manston. This would apply equally to the suggestion that Amazon might locate there or that the Airport could become a base for drone operations. It is simply in the wrong place to serve the market being in the far south east at the end of a peninsular, away from the main centres of population and distribution in the UK.
- 7.7 In the absence of hard market evidence of the need for Manston Airport, Azimuth undertook an interview survey to supplement the need case and inform the forecasts. However, the list of interviews was small, with few national players interviewed compared to a large number of local companies with something of a vested interest in seeing Manston re-opened. Even so, if anything, the views of those interviewed by Azimuth suggest that there would, at best, be a limited role for Manston. The one airline interviewed made clear that *"success at Manston depended upon identifying a niche market and becoming known for excellence. In particular, suggestions included a perishables centre, handling of live animals, easy access for charter flights, and handling cargo that is not necessarily straightforward"*. The scale of this opportunity was never quantified by Azimuth. It is clear, however, that the realistic expectation for Manston is for a small niche operation rather than as a general 'overspill' airport for London.
- 7.8 The outputs from these interviews are then used by Azimuth as a basis for postulating a number of cargo aircraft movements that might operate at Manston. However, it is simply not possible to relate the proposed services to be operated with the responses by the interviewees. There is a complete absence of any explanation for or justification of the services postulated. At the very least, there is a lack of transparency in the approach that needs to be explained so that consultees can understand the basis of what is proposed and to ascertain whether there is a credible forecast for why an increase in Manston's capability is required.
- 7.9 In our view, the Azimuth forecasts simply lack credibility. To illustrate this lack of credibility of the forecasts, in Year 2 (the first operational year), a cargo throughput of nearly 100,000 tonnes is forecast by Azimuth. This would make Manston the 5<sup>th</sup> largest freight airport in the UK in its first year after re-opening (compared to 2016 actual throughput at the other airports). This would place it close to the scale of freight operations at Manchester Airport, which includes a substantial amount of bellyhold freight. It would make Manston the 3<sup>rd</sup> busiest airport in the UK in terms of tonnage carried on dedicated freighter aircraft. This is simply not a credible proposition. This lack of credibility is important in reaching any decision under Section 23 of the Planning Act 2008 (as amended).
- 7.10 We have updated and further developed our analysis of the UK air freight market from than previously undertaken for TfL and the FTA, and upon which RSP seek to rely as corroboration of their own cargo movement forecasts. When properly interpreted, our forecasts of air freight demand and capacity across the UK as a whole, taking the role of bellyhold fully into account, show that there is plenty of freighter capacity at Stansted and East Midlands to the extent that there is a need for more pure freighter capacity. Overall, we conclude from this analysis that there will be no shortage of freighter capacity in the UK before 2040 (RSP's forecast assessment year) and that overspill from other airports would not provide a rationale for re-opening Manston.





- 7.11 Our initial assessment of the passenger market is that the throughput might, at best, be around half of that projected by RSP and, hence, given the dependence on passenger related income for the financial viability of airport operations, this will impact substantially on the viability of the proposal. The other activities suggested by RSP, such as business aviation, maintenance, repair and overhaul, and aircraft dismantling are highly competitive markets and, to the extent that Manston might attract any such operations, this are unlikely to contribute substantially to the overall viability of the Airport.
- 7.12 The existing infrastructure at Manston Airport, if made good, is capable of handling 21,000 annual air cargo aircraft movements<sup>89</sup>. The actual usage of that capability would depend on the pattern of operation and how the infrastructure was used on a day by day basis. Our assessment, therefore, provides essential missing information from RSP's materials to date which is necessary for the purposes of Section 23 of the Planning Act 2008 (as amended), for assessment purposes under the Environmental Impact Assessment Regulations and for consultation purposes.
- 7.13 Without prejudice to our view that demand to use Manston is not likely to be anything like 17,171 cargo aircraft movements a year, we have considered that the land required to accommodate such a number of movements. Our assessment is that the land required would be substantially less than shown on the RSP Master Plan and that the proposed land take is excessive and without justification in terms of the compulsory acquisition of the land. Any development required to handle 17,171 annual movements by air cargo aircraft can all be accommodated to the south of the B2050 and, even allowing for passenger operations and other activities, would not require all of the airfield land to the south of the road. Obviously, on the basis of more realistic forecasts of future demand, the area required to support the ongoing operation of the Airport would be materially smaller.
- 7.14 We can see no justification for the inclusion of the 'Northern Grasslands' within the DCO on the basis of it being for associated development as there will be little or no requirement for the relocation of freight forwarding activity from adjacent to the UK's main cargo hub at Heathrow to Manston and any requirement to support Manston operations could be accommodated south of the B2050. The development on the 'Northern Grasslands' site appears to be speculative commercial development which, based on the precedent at East Midlands Airport – the UK's principal airport for pure freighter operations – would be expected to be largely for non-aviation related uses.

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<sup>89</sup> Based on an 18-hour operational day. Should a night time noise policy be agreed with Thanet District Council pursuant to the existing planning agreement that enabled a longer operational day and/or a number of scheduled night movements, then the capability could, in theory, be higher than 21,000 annual cargo aircraft movements.

- 7.15 In terms of the socio-economic implications of the proposed development, Azimuth has shown a lack of understanding of how such impacts should properly be calculated. Leaving aside the use of inappropriate multipliers, the impacts have been assessed at a national scale and should have taken displacement of activity from other airports fully into account, reducing the impacts below those stated. Furthermore, the assessment should have considered the impact on alternative uses of the site, including SHP's proposed mixed use development and the socio-economic benefits deriving therefrom. We have set out a more realistic and robust assessment, which shows that the local impacts within Kent, even on Azimuth's forecasts would be substantially less than claimed and it is these lower order effects which would need to be balanced with the environmental and impacts in assessing the acceptability of the proposed development.
- 7.16 Unsurprisingly, the socio-economic impacts associated with the Airport are reduced even further on the basis of more realistic forecasts of likely usage if it re-opened. The operation is simply of a much smaller scale. In Year 2, it generates 452 jobs, only 17% of the Azimuth estimate of 2,654. By Year 20, the differential is even larger, with the Azimuth estimates reaching over 30,000 jobs, but with our estimates at only just over 1,000.
- 7.17 Once again, the evidence presented by Azimuth on behalf of RSP cannot be relied upon. It is infected with the flaws in the traffic forecasting methodology identified previously but the approach to identifying socio-economic impacts is, in itself, badly flawed. The socio-economic impacts are, as a result, massively overstated. In any event, these benefits would not be realised if the Airport ceases operation again due to it not being commercially viable.
- 7.18 As well as the Azimuth reports which form the basis of RSP's case, we have also reviewed a number of other reports on the potential for Manston. In overall terms, we agree with Aviasolutions for Thanet District Council that there is little realistic prospect of the re-opening of Manston Airport being a commercially viable proposition. We have reviewed their original report and the more recent reports and concur with their views on the overall structure of the UK air cargo market, noting that they, unlike Azimuth, have correctly understood the implications of our 2015 work for the FTA. We do not accept Northpoint's rebuttal of the Aviasolutions work. Like Azimuth, Northpoint's work is largely aspirational without any robust evidence or analysis of the market. Northpoint, too, misinterprets our previous work for the FTA and TfL.
- 7.19 **In overall terms, then, we do not consider that the case for the development of Manston Airport has been robustly substantiated. In any event, the capability of the existing infrastructure at the Airport, once made good in line with existing planning consents, is at least 21,000 annual air transport movements by air cargo aircraft. This means that, in practice, RSP are seeking permission to increase the number of cargo air transport movements that Manston Airport is capable of handling from 21,000 to at least 31,000 a year, well beyond the level assessed in the PEIR. Indeed, RSP's consultation material does not provide any detail as to what the increase in capability would be as a result of its proposals (i.e. the increase in capability as a result of its proposed alteration to Manston Airport). As a minimum, the increase in capability would be to 31,000 annual air transport movements by cargo aircraft, but in our view their proposals would result in a significantly higher 'new' capability which is not revealed or assessed by RSP.**

## APPENDIX A



York Aviation

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## Transport for London

### Note on Freight Connectivity

1. This note explains the approach taken to estimating the number of pure freighter air transport movements at the London airports in 2050 under three different scenarios of capacity growth:
  - Maximum use of existing capacity;
  - 2+2+2 – additional runways at each of Gatwick and Stansted;
  - New 4 runway hub.
2. The number of additional freighter movements required depends on the volume of passenger flights providing bellyhold capacity under the different scenarios. Under the constrained Max Use scenario, 48,000 pure freighter movements could be required, up from 14,000 at the London airports today. As there would be no spare runway capacity at the main London airports, this capacity would need to be provided from smaller airports serving the London area or from regional airports, with loss of economies of scale and producer efficiency, or through trucking to alternative hubs in Europe with implications for speed of transit.
3. With the provision of additional runways, increased bellyhold capacity reduces the number of additional freighter movements required to 28,000 and 21,000 respectively under the 2+2+2 and 4 runway hub scenarios. In both cases, we believe there will be sufficient runway capacity available to accommodate these freighter movements, albeit the 2+2+2 scenario will still result in dispersal of air freight capacity across a range of airports with the consequent loss of economies of scale and efficiency which could be attained at a single hub.

### Freight Volumes

4. In 2012, the London airports handled 1,805,761 tonnes of freight<sup>1</sup>. Only 17% of this freight was flown on pure freighter aircraft. 83% was flown in the bellyhold of passenger aircraft. This may be as a result of limited capacity for freighter operations at Heathrow, where the bulk of air freight consolidation activity is concentrated. However, it may equally reflect the scale of bellyhold capacity offered at Heathrow, which reduces the need for pure freighter capacity to serve the London market as a whole.
5. Using data from ACI EUROPE<sup>2</sup>, the volume of freight flown from the London airports is compared with that flown from other key European cities in Table 1.

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<sup>1</sup> CAA Airport Statistics.

<sup>2</sup> The small discrepancy to CAA Statistics is noted but it is not considered to be material. The \* against Hahn indicates estimated freight taken from airport's own website.

Table 1

	Tonnes
Heathrow	1,464,596
Gatwick	97,565
Stansted	214,904
Luton	29,637
<b>London</b>	<b>1,806,702</b>
Paris CDG	1,935,180
Paris Orly	94,700
<b>Paris</b>	<b>2,029,880</b>
Frankfurt	1,986,180
Frankfurt Hahn*	223,000
<b>Frankfurt</b>	<b>2,209,180</b>
Amsterdam	1,483,450
Milan MXP	405,858
Milan LIN	15,513
Milan BGY	116,733
<b>Milan</b>	<b>421,371</b>
Brussels	394,870
Luxembourg	614,906
Madrid	359,360
Zurich	281,683
Vienna	178,128
Dublin	102,717
Lisbon	90,264
Helsinki	176,987

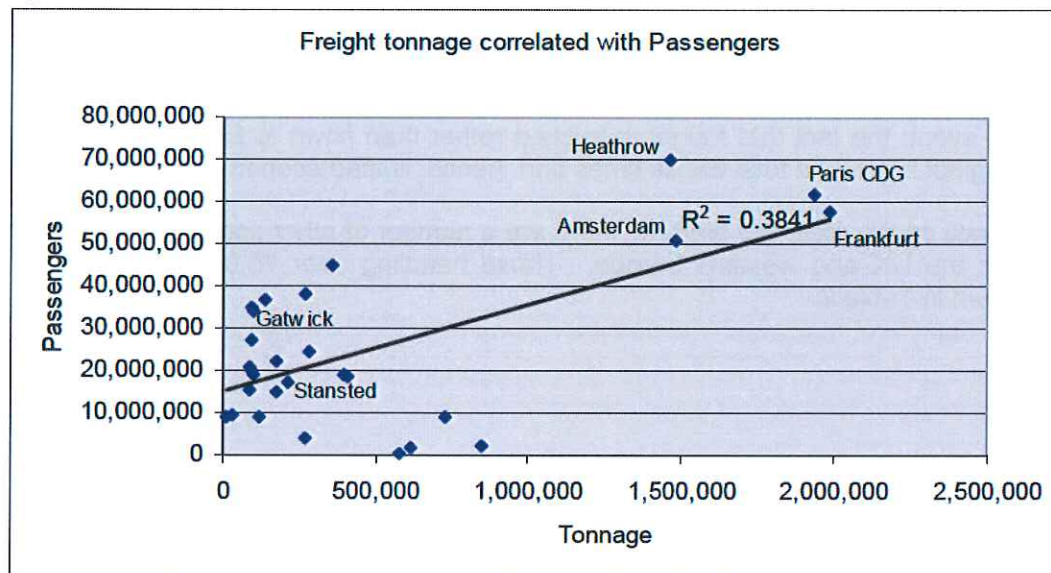
6. There is no clear evidence that London is currently disadvantaged in terms of air freight capacity as the majority of freight is flown from Heathrow in the bellyhold of passenger aircraft rather than in pure freighter aircraft. To the extent that there is a need for freighter capacity, it can be provided at Stansted where there is ample spare capacity for additional movements and areas are set aside to increase aircraft parking and freight handling facilities if required. Although it is possible that limitations on bellyhold capacity at Heathrow may force greater trucking of freight to Europe, this is not evident from a comparison of overall air freight carried compared to other major European countries. In any event, the fact that freight is trucked rather than flown to Europe may have only a marginal impact on total transit times and, hence, limited economic detriment.
7. As well as the main city airports, there are a number of other specialist freight airports in both the UK and western Europe. Those handling over 75,000 tonnes in 2012 are shown in Table 2.

Table 2

	Tonnes
Manchester	97,215
East Midlands	267,350
Cologne	730,040
Munich	272,203
Dusseldorf	86,729
Leipzig	846,086
Rome	135,777
Liege	577,226

8. Overall, on the basis of substantial air freight flows recorded by ACI EUROPE, the UK handled around 2.2 million tonnes of flown freight, France a similar amount, Italy around 600,000 tonnes and Spain around 500,000 tonnes. This does not suggest that the UK is disadvantaged in terms of freighter capacity overall currently.
9. However, the role of the low countries and Germany in acting as the major freight centre in western Europe is noticeable. In total, the main German freight airports handled almost 4.2 million tonnes of freight in 2012 which, when combined with the Netherlands and Benelux countries, amounted to 7.2 million tonnes of air freight flown. These airports have developed major and specialist air freight roles, with freight being trucked from all over Europe to feed these freight hubs. The integration of trucking with air freight should not be overlooked, even within the UK. In practice, it is unlikely that the UK could replicate this role, even with unconstrained airport capacity, due to its island location on the western edge of Europe.
10. There is some correlation between air freight flown to/from an airport and passengers carried as shown in Figure 1 below but this relates in large part to belly hold capacity. Figure 1 shows the correlation between flown freight and passengers across 29 European airports in 2012 as recorded by ACI EUROPE and which were either major airports in terms of freight handled or secondary airports serving the same cities.

Figure 1



## Freighter Operations

11. The pattern of freighter operations is complex. As well as air freight carried in the bellyhold of passenger aircraft, there are freight charters for specialist and ad hoc consignments and large numbers of flights by the integrators (DHL, Fedex, UPS) etc. Obtaining detailed timetable information for freight operations is not possible as most do not publish timetables. Only scheduled freighter operations are shown in OAG and there is some uncertainty over whether this data is comprehensive.
12. Using OAG data for the week of 17<sup>th</sup> June 2013, the London airports have 49 scheduled freighter departures (98 freighter movements). According to CAA statistics for 2012, there were just over 14,000 freighter aircraft movements at the London airports or around 270 per week. This suggests that the OAG recorded movements account for only around 37% of total freighter aircraft movements to/from the London airports.
13. Similar data has been extracted for other western European airports. The table in Appendix A summarises the main pattern of freighter departures at airports with more than 30 freighter departures per week. This table also includes the principal UK freight airports and secondary airports serving major cities which in combination had more than 30 scheduled freighter departures per week in June 2013.
14. The number of scheduled freighter departures at the main freight airports is summarised in Table 3 along with the freight tonnage handled and passengers carried. It is evident that there is no clear correlation between freight tonnage handled and the weekly number of scheduled departures. This is illustrated in Figure 2. Amsterdam and Frankfurt have a high number of scheduled movements relative to the total volume of air freight whilst Paris and Heathrow handle similar volumes of air freight but with significantly fewer scheduled movements. We believe that the principal reason for these differences is in the relative importance of bellyhold freight but also the extent to which integrator activity is present; for example Fedex has its principal European hub in Paris and its movements are not recorded in OAG.

Figure 2

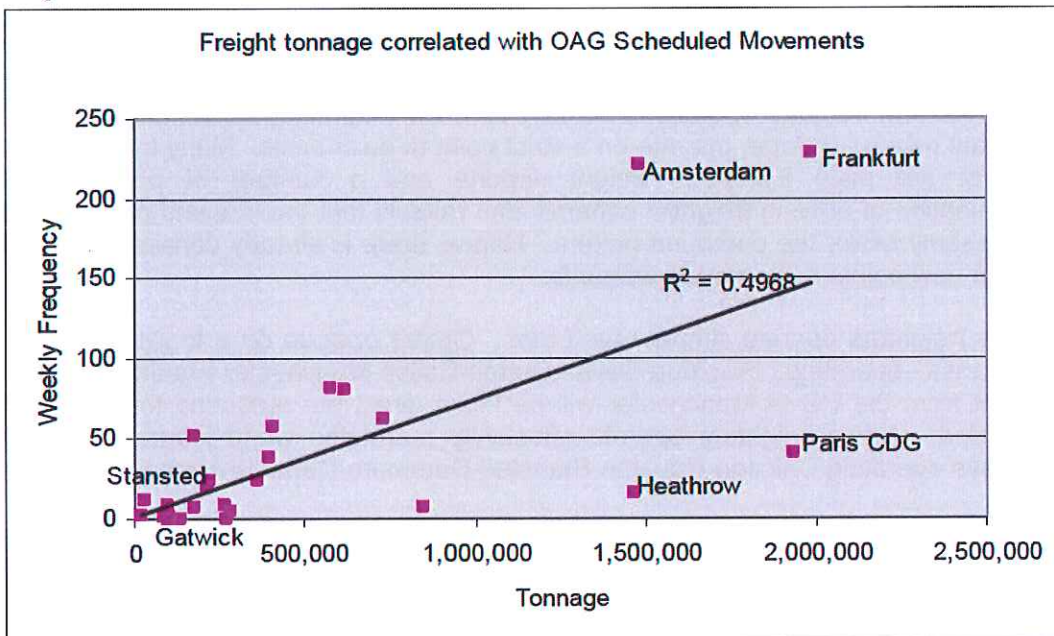


Table 3

	Freight tonnes	Pax	2013 wk freighters
Heathrow	1,464,596	70,038,804	16
Gatwick	97,565	34,222,405	0
Stansted	214,904	17,463,794	21
Luton	29,637	9,630,128	12
Manchester	97,215	19,841,747	8
East Midlands	267,350	4,086,849	9
Paris CDG	1,935,180	61,611,934	41
Paris Orly	94,700	27,232,263	0
Frankfurt	1,986,180	57,520,001	228
Frankfurt Hahn*	223,000		24
Cologne	730,040	9,280,070	62
Munich	272,203	38,360,604	0
Dusseldorf	86,729	20,833,246	1
Leipzig	846,086	2,279,221	7
Amsterdam	1,483,450	51,035,590	221
Milan MXP	405,858	18,522,760	58
Milan LIN	15,513	9,176,997	3
Milan BGY	116,733	8,888,017	0
Rome	135,777	36,980,161	0
Brussels	394,870	18,943,688	38
Liege	577,226	300,813	82
Luxembourg	614,906	1,912,806	81
Madrid	359,360	45,175,501	24
Barcelona	96,519	35,131,771	2
Zurich	281,683	24,751,649	5
Vienna	178,128	22,165,650	52
Dublin	102,717	19,096,572	1
Lisbon	90,264	15,301,236	1
Helsinki	176,987	14,859,981	7

\*2011 data from airport website

15. Examination of the detailed information set out in Appendix A also shows how complex the pattern of freighter operations actually is. Few freighters, particularly those serving markets beyond Europe, operate on a strict point to point basis. Many transit more than one of the main European freight airports and a number of points overseas. Examination of arriving freighter patterns also reveals that the inbound pattern does not necessarily mirror the outbound pattern. Hence, there is already considerable flexibility to add new points if the market warrants.
16. Some freighters operate simple round trips. Others operate on a triangular basis, e.g. Lufthansa operating Frankfurt-Dallas-Detroit-Dallas-Manchester-Frankfurt. Inbound freight from the US to Manchester will be flown direct but outbound freight will transit Frankfurt. Other freighters operate effectively round the world journeys, e.g. British Airways operating Chicago-Houston-Stansted-Dammam-Dubai-Shanghai.
17. There is simply no way of knowing how much of the freight capacity on such aircraft is assigned to or used by freight originating in or destined for any airport, which may vary day by day. Freighter departures are, hence, not a reliable proxy for how much air freight capacity is available to uplift goods to and from any country or city.
18. Overall, our analysis of current freighter operations suggests that it is hard to distinguish a relationship between freighter movements and tonnage of freight carried.



19. Nor is it evident that the UK air freight capability is adversely affected today by shortage of capacity at Heathrow. There is ample spare airport capacity at Stansted for pure freight aircraft to the extent that there is demand for such aircraft operations given the amount of bellyhold capacity available at Heathrow. The volume of freight uplifted probably reasonably reflects the UK market, allowing for transit freight, and the limitations of the UK acting as a hub for freight trucked from continental Europe based on its geographic position. The principal issue is one of producer efficiency as a consequence of splitting locations, with the bulk of freight forwarding/consolidator activity being located around Heathrow and freight needing to be trucked to Stansted, Luton, or continental hubs. Whilst concentrating all freight activity at the main hub might make additional freighter flights viable by facilitating onward connections between bellyhold freight and pure freight operations, it is not clear the extent to which this would result in higher volumes of air freight being carried to/from the UK (as distinct from transit freight) as the UK does not appear to be significantly underperforming in aggregate terms compared to countries such as France, Spain or Italy.

### **Predicting Future Freighter Operations**

20. In order to predict the volume of freighter activity in future at the London airports, we have developed a simple spreadsheet as set out in Table 4.
21. We have first projected forward total flown freight demand to and from London<sup>3</sup> on the assumption that it grows in line with overall passenger demand growth at 2.1% per annum in the absence of any specific forecasts of freight tonnage from DfT. We note that the DfT 2013 forecasts only give information for expected growth in pure freighter movements at 0.4% per annum but the basis of this is not clearly stated. Prima facie, this appears to understate unconstrained demand for pure freighter movements over the period to 2050.
22. In contrast, OE have identified that the expected average freight growth to and from Europe would be in the range 3.37% (Boeing) to 3.99% (Airbus). However, this would lead to substantially higher estimates of freight tonnage growth than passenger growth. Recent trends would suggest this to be unlikely so we have adopted the more cautious approach of using the same underlying growth as for passengers.
23. We have then estimated the bellyhold capacity offered at the London airports in 2050 based on the current average tonnage carried per international movement in 2012 at Heathrow, including both EU and non-EU flights, based on CAA Airport Statistics assuming average tonnes per movement increase by 0.5% per annum. This allows us to estimate the residual volume of freight under each scenario which would need to be accommodated on pure freighter aircraft.

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<sup>3</sup> This is a simplifying assumption as it assumes the same proportion of UK regional air freight is trucked to London for uplift and the same proportion of freight is trucked to the continental freight hubs. On balance, this is likely to be a neutral assumption for the situation of unconstrained hub capacity as the proportion of regional freight flying direct from major regional airports might be expected to increase, particularly as more long haul flights develop, whilst the proportion being trucked from London to Europe might be expected to decrease with unrestricted capacity available.

Table 4

	2012	2050 Max Use	2050 2x2x2	2050 New Hub
Freighters 2012	14,123			
Freight in Freighters	310,022			
Total Freight	1,805,761	3,977,759	3,977,759	3,977,759
Tonnes per freighter	21.17	25.59	25.59	25.59
Tonnes per international bellyhold movement London	1.76	2.13	2.13	2.13
Forecast International Movements	834,725	1,051,034	1,298,981	1,375,452
Bellyhold Capacity	1,469,116	2,235,836	2,763,285	2,925,960
Freighter tonnage required		1,741,923	1,214,474	1,051,799
Freighter movement		68,077	47,463	41,106
Additional Freighters Required		53,954	33,340	26,983

24. We estimate that the number of freighters required to accommodate projected air freight demand would rise from 14,000 in 2012 to around 41,000 in the New Hub case, 47,000 in the 2+2+2 case and 68,000 in the Max Use case. In both the New Hub case and 2+2+2 case, we estimate there will be sufficient runway capacity available to accommodate these movements at 2050, at the New Hub and/or Stansted respectively. However, in the Max Use case, the London airports will, by definition, be full with passenger aircraft movements. Whilst we believe there will still be a small number of pure freighter operations accommodated in off-peak periods (as today at Heathrow), the number of freighter operations will be constrained.
25. It is reasonable to assume that around 14,000 freighters a year could still be accommodated in the vicinity of London by using capacity at airports such as Manston, which already handles some long haul freighters. However, capacity equivalent to an additional 54,000 freighter movements per year could be required to ensure demand is met, although this could be mitigated to an extent if the freighter capacity was prioritised for freight to and from the UK with less transit freight.
26. A key question is the extent to which such freighter capacity would be provided at airports such as East Midlands, Manchester and Birmingham. This could serve to reduce trucking movements from the regions to London, as take place today, with environmental benefits but it would reduce producer efficiency through split operations. In the absence of detailed data regarding freight trucking movements today, it is difficult to determine whether this would have positive or negative impacts overall..

27. In terms of the specific destinations of future freighter movements, our analysis of the existing patterns of service reveals the difficulty of defining market demand and aircraft routings. We do not believe it is sensible to attempt to determine the future geographic split by destination in either the constrained or unconstrained cases as a single freighter may serve a variety of markets as necessary. In the constrained case, it is likely that more freight would be trucked to the continental hubs as well as to UK regional points, which would potential add to shipment costs.

### Conclusions

28. Overall, we have made a best estimate of the number of freighter aircraft movements likely to be using the London airports (or near London airports) under each of the capacity scenarios. These are as follows:

→ Maximum use of existing capacity	14,000
→ 2+2+2 – additional runways at each of Gatwick and Stansted	33,000
→ New 4 runway hub	27,000

29. In the latter two cases, our assessment is that, across both bellyhold capacity and pure freighter activity, there would be sufficient capacity to meet expected demand for air freight to and from the UK. Our estimates for additional freighter capacity are substantially above those made by DfT. Hence, to the extent that our baseline is understated (although we do not believe this to be substantial) due to the current patterns of trucking freight to the continent, this will offset any overstatement as a consequence of assuming higher growth than DfT and by reductions in the amount of trucking to London from regional airports due to expected growth in their own freighter operations over the period to 2050.
30. The key difference between these two scenarios would be in terms of the efficiencies and economies of scale gained by the industry arising from the concentration of freight activity at a single hub. In both cases, the overall volume of air freight to and from the UK is expected to be broadly the same, although the actual freight carried including transit freight would be higher in the hub case. However, under the new hub scenario, savings from greater efficiency may be passed onto users, so reducing shipping costs and facilitating trade leading to higher freight volumes, but it is beyond the scope of the current exercise to assess this.
31. In the constrained, max use, case, there would be severe limitations of pure freighter movements at the London airports, which could amount to around 26% of the required air freight capacity to/from London. The extent to which this would act as a limitation on overall air freight volumes would depend on the extent to which the freight is still carried from regional airports or by truck. Clearly this would impact on the cost/efficiency of shipment, which in turn could impact on freight volumes carried. Again, it is outside the scope of the current exercise to assess these effects.
32. Overall, in assessing the economic value for air freight between the scenarios, the main difference is likely to lie in producer costs passed through to users and the impact that would have on business costs and hence output/freight generated. It would not be safe to assume that the reduction in cargo ATMs at the London airports necessarily translates to lost shipment value in its entirety.

23 May 2013

Appendix A

		Total Airport	Total City	Total Country	
Heathrow	Amman	1			
	Amsterdam	1			
	Amsterdam	1	onwards to Sharjah and Singapore		
	Brussels	1			
	Copenhagen	1			
	Copenhagen	1	onwards to Sharjah and Singapore		
	Dubai	1			
	Frankfurt	1			
	Leipzig	1			
	Lisbon	1			
	Milan	1			
	Milan	2	onwards to Hong Kong		
	Paris	1	onwards to Delhi and Hong Kong		
	Seoul	2		16	
	Stansted	Amsterdam	1	originates in Bogota, Puerto Rico	
		Amsterdam	2	originates in Miami, Buenos Aires, Bogota and Puerto Rico	
		Cologne	1	onwards to Madrid and Johannesburg	
		Cologne	1	onwards to Tbilisi	
		Cologne	1	onwards to Tbilisi and Delhi	
		Dammam	1	originates in Chicago and Houston, onwards to Dubai and Shanghai	
Dubai		1	onwards to Hong Kong		
Frankfurt		1	originates in Chicago and Atlanta, onwards to Shanghai		
Frankfurt		2			
Frankfurt		1	onwards to Chicago		
Frankfurt		1	onwards to Hong Kong		
Frankfurt		1	originates in Seoul and		
Frankfurt		2	Moscow		
Frankfurt		1	originates in Atlanta, onwards to Delhi and Hong		
Frankfurt		1	Kong	49	
					71

	Frankfurt	2	originates in Moscow, onwards to Seoul			
	Luxembourg	2	originates in Hanoi and Hong Kong			
	Zaragoza	1	onwards to Bahrain and Hong Kong	21	49	71
London	Frankfurt	3				
Luton	Istanbul	1				
	Istanbul	2	originates in Paris			
	Istanbul	2	originates in Cologne			
	Milan	4		12	49	71
Manchester	Amsterdam	1	onwards to Dubai and Hong Kong			
	Brussels	1	onwards to Dubai and Hong Kong			
	Dubai	1	originates in Amsterdam, onwards to Hong Kong			
	Frankfurt	2	originates in Detroit and Dallas			
	Frankfurt	1	onwards to Dubai and Hong Kong			
	Frankfurt	1	originates in Toronto and Houston			
	Milan	1	onwards to Hong Kong	8	8	71
East Midlands	Frankfurt	1				
	Keflavik	2	originates in Liege			
	Keflavik	2				
	Liege	2	originates in Keflavik			
	Paris	1		8	8	71
Prestwick	Los Angeles	1	originates in Luxembourg, onwards to Seattle			
	Luxembourg	1	originates in New York and Houston			
	Luxembourg	1	originates in Los Angeles and Seattle			
	Paris	2	originates in Chicago			
	Seattle	1	originates in Luxembourg, onwards to Calgary	6	6	71
Amsterdam	Abu Dhabi	4				
	Abu Dhabi	1	onwards to Taipei			
	Almaty	2	onwards to Hong Kong, Delhi, Sharjah			
	Bahrain	1	onwards to Mongolia, Hong Kong, Chennai			
	Baku	2	onwards to Kuala Lumpur			

Bangalore	1	onwards to Singapore
Beijing	7	
Beirut	2	
Budapest	2	onwards to
Chengdu	4	Moscow
Chennai	1	originates Nairobi, onwards to Singapore
Chennai	1	originates in Chicago and Atlanta, onwards to Singapore
Chicago	2	originates in Doha
Chicago	7	
Chongqing	2	onwards to
Copenhagen	1	Shanghai
Copenhagen	2	originates in Nairobi, onwards to Sharjah and Singapore
Curitiba (Br)	1	onwards to Sharjah and Singapore
Dacca	1	onwards to Sao Paulo
Doha	1	originates in Nairobi, onwards to
Doha	3	Singapore
Dubai	2	originates in
Dubai	1	Chicago
Dubai	1	originates in Eldoret and
Dubai	1	Nairobi
Dubai	1	originates in
Dubai	1	Nairobi
Dubai	1	originates in Manchester, onwards to Hong Kong
Entebbe	1	onwards to Nairobi
Frankfurt	1	originates in Hong Kong
Frankfurt	1	onwards to Mumbai and Hong Kong
Gothenburg	3	onwards to Dubai
Guangzhou	5	
Harare	3	onwards to Nairobi
Heathrow	1	
Hong Kong	7	
Houston	7	

Jeddah	2		
Johannesburg	1	onwards to Dar-Es-Salaam and Nairobi	
Khartoum	2	onwards to Nairobi	
Kigali	1	onwards to Nairobi	
Kuala Lumpur	1		
Los Angeles	4		
Luxembourg	1	originates in Libreville, Brazzaville, Nairobi	
Manchester	1	onwards to Dubai and Hong Kong	
Mexico City	7		
Miami	2	onwards to Buenos Aires, Bogota, Puerto Rico and Stansted	
Miami	1	onwards to Buenos Aires, Quito and Guayaquil	
Miami	2	onwards to Santiago, Quito, Bogota and Puerto Rico	
Miami	2	onwards to Santiago, Quito and Guayaquil	
Milan	3	originates in Tokyo	
Milan	2	onwards to Moscow	
Milan	4	onwards to Tokyo	
Mongolia	2	onwards to Hong Kong and Chennai	
Moscow	2		
Moscow	2	onwards to Shanghai	
Nairobi	1		
New York	3	originates in Bahrain	
New York	1	originates in Bahrain	
New York	7		
Paris	1	onwards to Mumbai and Hong Kong	
Puerto Rico	1	onwards to Bogota	
Puerto Rico	2	onwards to Quito	
Riyadh	1		
Riyadh	2	onwards to Sharjah, Singapore and Kuala Lumpur	

	Santiago	1							
	Sao Paulo	2	onwards to Buenos Aires and Santiago						
	Sao Paulo	1	onwards to Curitiba and Santiago						
	Seattle	1							
	Seoul	7							
	Shanghai	21							
	Sharjah	1	originates in Heathrow, onwards to Singapore						
	Sharjah	2	onwards to Guangzhou						
	Sharjah	1	onwards to Muscat and Hong Kong						
	Stockholm	2	originates in Seoul						
	Stockholm	4	onwards to Seoul						
	Taipei	1							
	Tel Aviv	1							
	Tenerife	1	onwards to Sao Paulo, Quito and Bogota						
	Tenerife	3	onwards to Sao Paulo, Quito and Guayaquil						
	Tenerife		onwards to						
	Tianjin	15	Shanghai						
	Tokyo	1	originates in Frankfurt Hahn						
	Tokyo	5							
	Toronto	4							
	Tripoli	1							
	Vienna	3	onwards to						
	Vienna		Shanghai						
	Amman	1	onwards to Jeddah			221	221	221	221
Brussels	Chennai	1	originates in Los Angeles and Dallas, onwards to Singapore						
	Dammam	1							
	Dubai	3	originates in New York						
	Dubai	1	originates in Frankfurt, onwards to Hong Kong						
	Dubai	1	originates in Manchester, onwards to Hong Kong						
	Heathrow	1							
	Heathrow		originates in						
	Istanbul	1	Jeddah						
	Kolkata	1	originates in Los Angeles, onwards to Singapore						
	Kolkata		originates in						
	Milan	2	Riyadh						



	Milan	1	originates in Jeddah			
	Mumbai	1	originates in Los Angeles and Chicago, onwards to Singapore			
	New Guinea	1	onwards to Seoul			
	New York	1	originates in Jeddah			
	New York	1	originates in Jeddah, onwards to Houston			
	New York	6	originates in Dubai			
	Riyadh	1	onwards to Jeddah			
	Riyadh	1	originates in New York			
	Seoul	2	originates in New York			
	Seoul	2	originates in Dallas, onwards to Singapore			
	Sharjah	1	originates in Chicago and Dallas, onwards to Singapore			
	Sharjah	1				
	Taipei	1				
	Tianjin	1	onwards to Seoul			
	Vienna	2	originates in Riyadh		36	118
Liege	Accra	2	onwards to Lagos and Addis Ababa			
	Addis Ababa	5				
	Bahrain	11	originates in New York			
	Bucharest	1	onwards to Tel Aviv			
	Dubai	12	onwards to Hong Kong			
	East Midlands	4	onwards to Keflavik			
	Entebbe	1				
	Istanbul	5				
	Keflavik	4				
	Keflavik	1	onwards to New York			
	Lagos	2	onwards to Addis Ababa			
	Lagos	1	onwards to Ougadougou			
	Lagos	1	onwards to Port Harcourt			

	Lome	2	onwards to Congo, Addis	82	
	Luxembourg	1	Ababa		
	New York	1	originates in Tel Aviv		
	New York	2	originates in Tel Aviv		
	New York	5			
	Ougadougou	1	onwards to Congo		
	Shanghai	1			
	Shanghai	2			
	Stauliai	1			
	Lithuania	1			
	Singapore	1			
	Tel Aviv	3	originates in New York		
	Tel Aviv	1	originates in Chicago		
	Tel Aviv	6			
	Vienna	5		82	118
Luxembourg	Abidjan	1	onwards to Accra		
	Abu Dhabi	1	onwards to Taipei		
	Almaty	1	onwards to Hong Kong		
	Atlanta	1			
	Atlanta	1	onwards to Chicago		
	Atlanta	2	originates in Doha, onwards to Houston		
	Baku	1	onwards to Almaty and Shanghai		
	Baku	1	onwards to Hong Kong		
	Baku	4	onwards to Shanghai		
	Baku	1	onwards to Singapore and Hong Kong		
	Baku	1	onwards to Singapore and Kuala Lumpur		
	Baku	2	onwards to Taipei and Bangkok		
	Beijing	1	onwards to Xiamen		
	Beirut	1	onwards to Amman and Hong Kong		

Beirut	1	onwards to Amman and Istanbul
Chicago	1	onwards to Atlanta
Chicago	1	onwards to Los Angeles
Congo	1	originates in Liege, onwards to Addis Ababa
Dallas	1	
Dammam	1	onwards to Saigon and Hong Kong
Doha	1	onwards to Hanoi and Hong Kong
Doha	1	onwards to Singapore and Kuala Lumpur
Doha	1	originates in Houston
Doha	1	originates in Chicago
Dubai	1	onwards to Bangkok and Hong Kong
Dubai	1	onwards to Hong Kong
Frankfurt		
Hahn	3	originates in Shanghai
Indianapolis	1	onwards to Chicago
Indianapolis	1	onwards to Los Angeles, Calgary
Johannesburg	3	
Komatsu	2	onwards to Seoul
Kuwait	2	onwards to Hanoi and Hong Kong
Lagos	1	onwards to Port Harcourt and Kinshasa
Libreville	1	onwards to Brazzaville
Libreville	1	onwards to Kinshasa
Los Angeles	1	onwards to Seattle
Los Angeles	1	
Mexico City	1	
Mexico City	1	onwards to Guadalajara
Miami	2	onwards to Houston
Milan	1	onwards to New York and Chicago
Milan	4	





	Tblisi	1	originates in Stansted, onwards to Delhi	62	62	304	
	Tel Aviv	12					
	Zagreb	4					
Frankfurt Hahn	Almaty	1	originates in New York				
	Almaty	6	originates in New York, onwards to Shanghai				
	Amsterdam	1	onwards to Tokyo				
	Amsterdam	1	originates in Tokyo				
	Atyrau	1	onwards to Almaty				
	Baku	3					
	Beijing	3					
	Chatearoux	1	onwards to Kabul				
	Doha	2					
	Johannesburg	2					
	Milan	1	onwards to Tokyo				
	Toronto	1	onwards to Mexico City				
	Yerevan	1		24	242	304	
	Frankfurt	Abu Dhabi	5				
		Almaty	1				
Almaty		1	onwards to Guangzhou				
Almaty		1	onwards to Hong Kong				
			onwards to				
Almaty		2	Shanghai				
Amman		2					
Amsterdam		1	originates in Hong Kong and Chennai				
Atlanta		4					
Baku		1	onwards to Bangkok and Kuala Lumpur				
Baku		2	onwards to Kuala Lumpur				
			onwards to				
Bangalore		3	Chennai				
Bangalore		1	onwards to Hyderabad and Guangzhou				
Bangkok		2					
		onwards to					
Beijing	3	Shanghai					
Brussels	1	onwards to Dubai and Hong Kong					

Cairo	3	
Chicago	7	
Chicago	1	onwards to Los Angeles
Chicago	4	onwards to Mexico City
Chicago	2	onwards to Mexico City and Guadalajara
Chicago	1	originates in Stansted
Coventry	10	
		originates in Dubai, onwards to Sao Paulo
Dakar	3	
Dammam	2	onwards to Sharjah and Hong Kong
Delhi	4	onwards to Singapore and Bangkok
Delhi	1	originates in Atlanta and Stansted, onwards to Hong Kong
Detroit	2	
Doha	1	
Dubai	1	originates in Lagos and Accra
Dubai	4	originates in Sao Paulo and Dakar
Dubai	3	
Dubai	1	originates in Dusseldorf
Dubai	1	originates in Manchester, onwards to Hong Kong
East Midlands	1	
Heathrow	1	
Helsinki	1	
Hong Kong	3	
Hong Kong	1	originates in Stansted
Istanbul	6	
		onwards to Tel Aviv
Istanbul	1	
Jeddah	1	onwards to Sharjah, Hyderabad and Guangzhou
Kabul	1	
Krasnojarsk	1	
Krasnojarsk	6	onwards to Beijing and Seoul
		onwards to Seoul and Shanghai
Krasnojarsk	1	onwards to Shanghai
Krasnojarsk	y	

Krasnojarsk	7	onwards to Tokyo and Osaka
London Luton	3	
Madrid	4	
Malta	1	
Milan	1	originates in Hong Kong and Dubai
Milan	1	onwards to Dubai and Hong Kong
Milan	1	onwards to Hong Kong
Moscow	10	
Moscow	2	onwards to Tokyo
Moscow	1	onwards to Tokyo and Seoul
Mumbai	1	
Mumbai	1	onwards to
Mumbai	1	Chennai
Mumbai	3	onwards to Hong Kong
Mumbai	1	onwards to Hyderabad
Mumbai	1	originates in Amsterdam, onwards to Hong Kong
Nairobi	5	onwards to Johannesburg
New York	5	
Riyadh	3	
Riyadh	1	onwards to
Riyadh	1	Dammam
Sao Paulo	1	onwards to Sharjah and Hong Kong
Sao Paulo	3	
Sao Paulo	1	onwards to
Sao Paulo	1	Curitiba
Sao Paulo	1	onwards to Curitiba, Quito and Puerto Rico
Sao Paulo	2	onwards to Manaus, Quito and Puerto Rico
Sao Paulo	2	onwards to Montevideo and Buenos Aires
Seoul	1	originates in
Seoul	2	Vienna
Seoul	12	originates in St Petersburg



	Seoul	2	originates in Atlanta and Stansted			
	Seoul	1	originates in Moscow and Vienna			
	Shanghai	1	originates in Chicago, Atlanta and Stansted			
	Shanghai	18				
	Sharjah	2	onwards to Kolkata and Hong Kong			
	Stockholm	1	onwards to Dubai and Hong Kong			
	Stockholm	4	onwards to Seoul			
	Taipei	3				
	Tel Aviv	3	onwards to Istanbul			
	Tel Aviv		onwards to Houston			
	Toronto	1	Houston		218	242
	Toronto					304
Milan	Abu Dhabi	2				
	Almaty	1	onwards to Osaka and Hong Kong			
	Baku	1				
	Dammam	1				
	Delhi	1	originates in Paris, onwards to Hong Kong			
	Doha	2				
	Dubai	2	onwards to Hong Kong			
	Dubai	1	originates in Frankfurt, onwards to Hong Kong			
	Heathrow	5				
	Hong Kong	1	originates in Frankfurt			
	Hong Kong	2	originates in Heathrow			
	Hong Kong	1	originates in Manchester			
	Istanbul	1				
	Istanbul	2	originates in Lagos			
	Istanbul	1	originates in Tirana			
	Jeddah	1				
	Luxembourg	1	originates in Chicago and Los Angeles			
	Luxembourg	4				
	Luxembourg	1	originates in Chicago and New York			
	Madrid	1				
	Moscow	2	originates in Amsterdam			



**APPENDIX TWO**  
**NOTE BY YORK AVIATION**





## York Aviation

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### Manston Airport

#### RSP Consultation January 2018 – Further Comments on Azimuth Report “*Manston Airport – A Regional and National Asset*”

1. In this note, we comment on the revised material presented in the 4 volumes of the Azimuth Report. However, much of this report remains unchanged and the significant shortcomings identified in our earlier report<sup>1</sup> have largely not been addressed and, where new material has been added, this fails to correct the previous misinterpretations of key documents and information referred to.
2. Ultimately, Azimuth still seek to rely on our work for the Freight Transport Association and for Transport for London to justify their freighter aircraft movement forecasts despite our having made clear in our earlier report that this work cannot be interpreted in the way that Azimuth seek to do.
3. We address the new points made by Azimuth in each of the 4 volumes in turn.

#### *Azimuth Report Volume I – Demand in the South East of the UK*

##### *Section 2 – UK Airport Capacity*

4. As we pointed out at paragraphs 2.8 to 2.11 of our earlier report, almost all of the evidence presented by Azimuth to highlight the need for more airport capacity in the South East of England relates to the need for more airport capacity to meet growing passenger demand for flights to a wide range of global destinations fed by hub connecting services at Heathrow. These passenger flights also provide significant bellyhold freight capacity. Indeed, the recent non-statutory consultation material published by Heathrow Airport makes clear that, overall, the new passenger services and additional capacity made possible by the third runway will result in a doubling of freight capacity at the Airport<sup>2</sup>.
5. The reference, at paragraph 2.1.2 of the Azimuth Report, to the Secretary of State for Transport’s introduction to the new UK Aviation Forecasts in October 2017, stating that the runways at the London airports will be full at an earlier date than previously thought, needs to be seen in this context. It is clear that the reason that runway capacity is filling up more quickly than previously thought is due to growth in passenger aircraft as the actual decline in pure freighter flights is highlighted in the document at Figure 4.5<sup>3</sup> reproduced below.

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<sup>1</sup> “SUMMARY REPORT ANALYSING USE OF YORK AVIATION MATERIAL BY RIVEROAK STRATEGIC PARTNERS AND ASSESSMENT OF CAPABILITY OF MANSTON AIRPORT” submitted to PINS and made available on the Stone Hill Park website in November 2017.

<sup>2</sup> The Case for Heathrow Expansion, Heathrow Airport Ltd, January 2018.

<sup>3</sup> UK Aviation Forecasts, Department for Transport, October 2017, corrected version issued 25<sup>th</sup> January 2018.

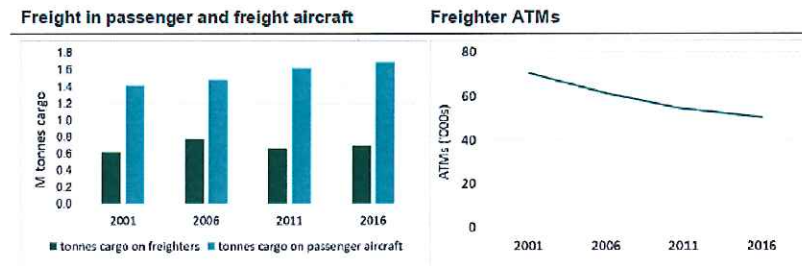


Figure 4.5 Historic freight carried at all modelled airports

6. These forecasts do not support the need for more capacity for pure freighter aircraft. The Department for Transport's (DfT) long term assumption is that there will be no growth in pure freighter aircraft movements across all UK airports, as we highlighted at paragraph 3.26 of our previous report, and this is the relevant context for considering whether there is a 'need' for Manston. Azimuth are simply wrong when they say that the DfT's assessment of the extent to which runway capacity is full "may not reflect the need for freighter aircraft going forward" as it is clear from Table 68 of the UK Aviation Forecasts report that freighter ATMs are included within the assessment.
7. Hence, Azimuth's inference from this information that there is a strong economic case for more freighter airport capacity in the South East of England is simply not correct and the evidence regarding the economic benefits of additional passenger aircraft capacity has been misapplied.

### Section 3 – Air Freight Capacity

8. Additional references have been added, at paragraphs 3.15 and 3.16 of the Azimuth report, to the prospects for growth in demand for pure freighter operations globally. However, this is not relevant to the prospects for Manston as more specific information is available of the actual trends and requirements in the UK market, where there are high levels of bellyhold capacity available at a high frequency of service negating the need for substantial additional freighter services. The UK market for freighter aircraft is analysed in detail in Section 3 of our November 2017 report. The fact that freighters carry a lower proportion of cargo to/from the UK than the global average (Azimuth paragraph 3.2.1) is a reflection of the strong global position of the UK in terms of the provision of long haul scheduled services offering passenger and freight capacity.
9. Nor does the additional information about short term shortage of freight capacity across Europe in the run-up to Christmas 2017, consequential increases in freight rates and congestion in and around the cargo centre at Heathrow (para 3.1.8), demonstrate a requirement for additional pure freighter operations to/from the UK. As noted (at para 3.2.5), there was a 10% increase in cargo handled at Heathrow in 2017 and Heathrow's current consultation on its expansion<sup>4</sup> makes clear an intention to resolve congestion issues in and around the cargo centre, improve facilities and access to accommodate 100% growth in cargo throughput.
10. As noted earlier, this section of the Azimuth report continues to place inappropriate reliance on our earlier work for Transport for London and the Freight Transport Association. As we made clear at paragraphs 2.17 to 2.28 of our earlier report, this work cannot be interpreted in the way Azimuth seek to do. It is simply wrong to state, as Azimuth do at paragraph 3.4.6 of their report that we identified "that an operational Manston Airport is the only viable option". This serious misrepresentation of our 2015 report for the Freight Transport Association, which did no more than mention that Manston had handled some freighter traffic prior to its closure, has not been corrected.

<sup>4</sup> Our Emerging Plans, Heathrow Airport Ltd, January 2018.

#### Section 4 – Air Freight Capacity in the UK

11. Section 4.1 of the Azimuth report relating to Stansted Airport has been extensively revised, noting that the Airport no longer intends to seek an increase in its annual movement limits but neglects to mention the fact that movements are reserved for freighter aircraft under the 2008 planning permission at condition ATM1: “a limit on the number of occasions on which aircraft may take-off or land at Stansted Airport of 264,000 ATMs (Air Transport Movements) during any 12 calendar month period, of which no more than 243,500 shall be PATMs (Passenger Air Transport Movements) and no more than 20,500 shall be CATMs (Cargo Air Transport Movements).” In addition, a further 10,000 of ‘other’ aircraft movements are permitted, making a total of 274,000 aircraft movements.
12. Of the 20,500 movements currently reserved for freighter aircraft, only 11,600 were used in 2016 meaning that there were almost 9,000 freighter/other aircraft movements of spare capacity at that airport alone. Whilst the recent<sup>5</sup> planning application proposes to remove the sub-caps within the overall 274,000 aircraft movements limit, the projected number of PATMs is 253,000 at 43 mppa, leaving 21,000 movements spare for cargo and ‘other’ movements. The projections<sup>6</sup> show freighter activity increasing to 16-17,000 annual movements by 2028, in part dependent on the extent to which bellyhold capacity is available with and without lifting the cap on the number of passengers that the Airport can handle. Furthermore, as made clear in the Stansted Environmental Statement<sup>7</sup>, it is expected that business aviation and other movements would be those that would be squeezed out first if the overall movement cap is reached.
13. So the inference made by Azimuth that Stansted will seek to displace freighter activity, at paragraph 4.1.5 of their report, is simply not borne out by the facts. The Stansted Airport Sustainable Development Plan 2015 makes clear that Stansted intends to increase pure freighter activity and expressly states the potential to increase from 230,000 tonnes to 400,000 tonnes of freight on dedicated aircraft<sup>8</sup>. The Planning Application Environmental Statement<sup>9</sup> makes clear that cargo carried on freighter aircraft is expected to grow substantially from around 250,000 tonnes to 340,000 tonnes by 2028, particularly taking into account the potential displacement of further freighter activity from Heathrow.

#### Section 5.3 – E-commerce

14. A section has been added to the Azimuth report regarding growth in e-commerce and the effect on demand for air freight. Of itself, this tells us nothing about the requirement for more pure freighter aircraft and may simply reflect growing demand for bellyhold capacity at economic freight rates.

#### Section 6 – Manston Airport

15. Section 6.1 of the Azimuth report adds substantial text about the history of Manston Airport, expanding on the original assertions that the failure of the Airport can be attributed by the failure of the previous owners to invest in facilities. As we noted at paragraph 2.62 of our earlier report, users of Manston previously appeared happy with the standard of service offered so there is no evidence that lack of investment was an impediment to growth, rather it was an absence of a market for more services. Furthermore, the cited investment in freight facilities at Stansted and East Midlands Airports was in response to clear demand from particular operators (e.g. DHL’s own facility at East Midlands) rather than speculatively ahead of proven demand. Despite investment in cargo facilities, Doncaster Sheffield Airport attracted only 688 air freighter movements in 2016.

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<sup>5</sup> Submitted 22.2.18

<sup>6</sup> Stansted Environmental Statement Volume 1, Table 2.4.

<sup>7</sup> Ibid, paragraph 4.60.

<sup>8</sup> Stansted Airport, Sustainable Development Plan 2015, Summary page 9.

<sup>9</sup> Stansted Environmental Statement Volume 1, Figure 4.15 and paragraph 4.59.

16. Reference has been added, at paragraph 6.2.3 of the Azimuth report, to our 2011 report on the Economic Impact of Night Flying Report for Manston where we noted that Manston could benefit from the levels of air freight growth being projected by Boeing and Airbus. It is important to recognise that these remarks were made in the context of a Government policy position which did not support the provision of any additional capacity across the London airports and whilst Manston was still operational in the market. This is not the situation today. Furthermore, at the time that this report was written, it was assumed that the decline observed in pure freighter movements to/from the UK was the result of the recession and that there would be an upturn in such movements with economic recovery. Clearly, this has not been the case and there has been a structural change in the industry towards favouring bellyhold, as we show in Section 3 of our earlier report, notwithstanding the availability of spare capacity for freighters at airports such as Stansted and East Midlands.

#### *Section 7 – Future Potential Opportunities for Manston*

17. Whilst acknowledging the responses to RSP's initial Summer 2017 consultation (paragraph 7.1.6 of the Azimuth report), it is important to note that this consultation does not represent a systematic or unbiased sample, particularly given the shortcomings in the case presented which, as highlighted earlier, placed inappropriate reliance on our work for TfL and the FTA. As in the original Azimuth report, the findings of an earlier comprehensive resident survey conducted by MORI in 2005 are referenced (paragraph 7.1.7), which Azimuth seek to construe as being supportive of growth on the basis that residents say they were little affected by noise from airport operations, including at night. Of course, at that time, the Airport was operating under the restrictions of a Section 106 Agreement which did not allow operations at night (other than for emergencies). The relevance of the views expressed need to be seen in the context of the substantial number of night movements now being projected by RSP.
18. A new Section 7.5 has been added on slot restrictions at Amsterdam, presumably to counter our questioning of why Coyne Airways would relocate from Amsterdam to Manston in our earlier report. However, Azimuth neglect to mention that the Schiphol Group is extending the runway at nearby Lelystad to accommodate overspill traffic<sup>10</sup>, primarily for leisure flights, so as to free up slots for 'Mainport' related activity at Schiphol which would include cargo services. Indeed, Schiphol Group is also investing in improving its cargo handling facilities<sup>11</sup> to provide for growth.<sup>12</sup> In any event, there is other spare airport capacity close by in continental Europe, which is more likely to be a first choice if any operations displaced from Schiphol over Manston, given the need to access European markets post-Brexit.

### ***Azimuth Report Volume II – A Qualitative Study of Potential Demand***

#### *Section 3 – Review of Air Freight Forecasting Literature*

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<sup>10</sup> <https://www.lelystadairport.nl/en/future>

<sup>11</sup> <http://www.annualreportschiphol.com/results/our-results/competitive-marketplace>

<sup>12</sup> The 80% 'Use it or Lose it' rule is not a specific provision affecting cargo operators but a general provision under the EU Slot Allocation Regulation 95/93 as amended.



19. At paragraph 3.6.4, Azimuth have added a reference to the DfT 2017 UK Aviation Forecasts but seek to dismiss the projected no growth in freighter aircraft movements as merely an assumption (see Volume III, paragraph 2.1.14), referring to the historic tonnage growth percentages cited by the DfT. Unfortunately, Azimuth have misinterpreted the percentage growth figures. The 5% growth referred to by DfT<sup>13</sup> is total growth in cargo tonnage carried across freighter and passenger aircraft combined over the period 2011 to 2016. When mail is included, tonnage growth over the 5 years has been only 3.2% and there has been negative growth in combined tonnage on freighter aircraft of -2.2%<sup>14</sup>. In contrast, the combined tonnage of freight and mail carried on passenger aircraft grew by 1.1% over the period. Azimuth's misunderstanding of the DfT data has been carried through to the forecasts in Vol III, which cover both freight and mail operations projected for Manston so invalidating the projections.

### **Azimuth Report Volume III – The Forecast**

#### *Section 2 – Review of Air Freight Forecasting Literature*

20. At paragraph 2.1.6, Azimuth refer to a peer review of the forecasting methodology by Loughborough University but this peer review has not been published, as would be normal best practice. We have set out at length in our previous report (paragraphs 2.76 to 2.87) the flaws in the approach adopted. These criticisms have not been addressed.
21. In our view, the forecasts are purely aspirational and not grounded in the evidence. At paragraph 2.1.10, Azimuth cite recent growth in freight tonnage from an IATA bulletin and capacity growth but, again, these are combined freighter and bellyhold figures and fail to take account that load factors remain low in Europe at 46.4% over the 12 months as reported by IATA<sup>15</sup>. On this basis, there is substantial potential to increase cargo tonnage flown without the need to increase aircraft movements. The comment, at paragraph 2.3.5 of the Azimuth report, that there may be instances where volume is a better measure of how full an aircraft may be rather than weight, is an issue that is likely to relate to special consignments rather than the majority of high value, low volume goods carried as air freight. Azimuth continue to rely inappropriately on combined cargo tonnage figures and projections as a proxy for expected growth in cargo aircraft movements. As made clear in our earlier report (paragraphs 2.47 to 2.48), the use of such data is not appropriate for considering the prospects for Manston as a freighter airport.
22. At paragraph 2.1.13, Azimuth cites CAA Airport Statistics for cargo growth for 2016, seeking to suggest some reversal of past trends away from freighter aircraft movements. Paragraph 2.3.6 also cites short term tonnage increases on freighter aircraft to infer a longer trend. There is danger in relying on single year figures but the data for 2017<sup>16</sup> show cargo tonnage across the London airports growing by 9.8%, in line with the UK average, but that carried on freighter aircraft growing by only 7% with a 5.7% fall in cargo aircraft movements in the London area. This tends to confirm the long term trend towards the increasing use of bellyhold capacity on the wide global network served from the main London airports.

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<sup>13</sup> In the amended version of UK Aviation Forecasts 2017.

<sup>14</sup> CAA Airport Statistics, adjusted for Belfast International data as advised by DfT.

<sup>15</sup> IATA Air Freight Analysis, November 2017, page 4.

<sup>16</sup> As at 14<sup>th</sup> Feb 2018.

23. Most significantly, in the light of this misinterpretation of short term trends, Azimuth compound the error by taking the 4%<sup>17</sup> figure for growth in cargo tonnage on freighter aircraft over a 5 year period, cited in the original DfT Aviation Forecasts 2017<sup>18</sup>, and use this as a justification for continuing to use the Boeing/Airbus forecast of 4% per annum growth in global freight tonne kilometres as the basis of forecasting freighter movements at Manston for years 10 to 20 of their forecast. Leaving aside the error inherent in using a freight tonnage forecast as the basis for forecasting freighter aircraft movements, as made clear in our earlier report, this is mathematically wrong and, in any event, the average annual growth rate in cargo tonnage on pure freighter aircraft is no more than 1% per annum based on the updated DfT growth of 5% in cargo tonnage over 5 years (see paragraph 17 above). By wrongly applying the DfT growth rates, the updated Azimuth report seeks to justify an identical forecast to that presented in their original report.

*Section 3 – Manston Airport Freight Forecast*

24. The updated Azimuth report has provided no further substantiation of the short term forecasts, nor of the forecast fleet mix, so undermining the weight which can be attached to the reliance on the short term forecasts.
25. Despite the lack of the required explanation of the derivation and make up of the forecasts in the Azimuth report, some further detail is now provided in the noise section of the updated PEIR, which sets out the details of the freight movement forecasts by airline and aircraft type (Appendix 12.3). Significantly, the fleet mix assessed for noise is not the same as contained in Azimuth Vol III. The inconsistencies are unexplained and give rise to further doubt as to the robustness of the forecast and whether it is deliverable:

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<sup>17</sup> Now revised to 5%.

<sup>18</sup> Paragraph 4.4.

	Azimuth	PEIR App 12.3
Code C	43%	41%
Code D	42%	17%
Code E	13%	37%
Code F	2%	6%

26. We have also identified several errors and discrepancies in the detailed fleet mix presented in PEIR Appendix 12.3, which includes aircraft types which do not have freighter versions, aircraft with QC counts 8 or 16 operating at night, airlines which are banned from European airspace or which no longer operate dedicated freighter flights. These basic errors reinforce the doubts expressed in our earlier report about the realism of the short term freighter movement forecasts and whether they are in practice attainable.
27. A key feature revealed by the detailed fleet mix forecasts is that an integrator operation is expected to account for 46% of the total freighter movements. Integrators operate to specific patterns linked to overnight delivery. DHL's main UK integrator base at East Midlands Airport has some 63% of all freighter aircraft movements operating within the night period, compared to 14% shown in the PEIR projections for Manston. Hence, the scale of integrator base postulated in the PEIR would require significantly more of the aircraft movements to be at night than assessed for noise purposes or permitted by the proposed quota in the Noise Mitigation Plan. The assumed split of day/night aircraft movements is simply unrealistic and either a higher number of night movements should be used for noise assessment or the forecast adjusted downwards to reflect the constraint on integrator operations.

#### Implications for Night Operations and Night Noise

28. The Noise Mitigation Plan sets out a Night Quota period from 2300-0600 and a Shoulder period from 0600-0700. The quotas proposed for each of these periods are 4,000 QC points and 2,000 QC points per annum respectively. These QC budgets can be compared to other airports where such quotas are in place:
- Luton 3,500 from 2330-0600 and 7,000 from 0600-0700
  - Heathrow (from Nov 18) 5,150 from 2330-0600
  - Gatwick (from Nov 18) 6,935
  - Stansted (from Nov 18) 7,960
29. The proposed night noise quota of 4,000 QC points is higher than the night quota for Luton Airport and not significantly lower than that for Heathrow. Local residents will be subject to a substantial amount of noise during the sensitive night period.
30. The fleet mix information provided in Section 12 of the update PEIR shows an average of 7.1 aircraft movements per night<sup>19</sup> for the 7 hour night quota period. Based on the aircraft types shown and the relevant QC points, this would amount to 3,222 annual QC points, within the 4,000 quota proposed. The proposed quota would allow up to around 9 aircraft movements per night on average, assuming the same aircraft mix, equivalent to around 3,217 annual aircraft movements in the night period. It follows, therefore, that the 2,000 quota for the shoulder hour 0600-0700 would allow 4-5 aircraft movements a day. In total, the extended 8 hour night period quotas would allow 4,826 annual aircraft movements on the basis of the fleet mix shown, i.e. 28% of all freighter aircraft activity. This could be higher if quieter aircraft were operated over time.

<sup>19</sup> The number will clearly vary day by day in practice.

## Capability of the Airport

31. We made the point in our earlier report (paragraph 2.93) that we would have expected a clear explanation of how the forecasts for aircraft movements translated into the requirements for infrastructure. This explanation has still not been provided.

### ***Azimuth Report Volume IV – The Economic and Social Impacts of Airport Operations***

#### *Section 3 – Forecasting the Socio-Economic Impact of Airports*

32. Despite the substantial errors in the assessment of socio-economic impacts identified in Section 5 of our earlier report, Azimuth have made no attempt to correct these errors and the economic impact assessment remains as in the original Summer 2017 consultation documents.
33. At Section 3.4, further reference has been added to our 2004 study into the socio-economic impact of airports for the Airports Council International Europe. We had already pointed out to Azimuth in direct correspondence<sup>20</sup> that it was inappropriate to rely on 2004 data as representative of the position in 2017, not least because of increasing efficiency of passenger and cargo handling reducing on-site employment densities. Furthermore, as is made clear in Figure 6.5 of our 2004 report<sup>21</sup>, the employment densities can vary quite widely across airports dependent on their characteristics so the use of Europe-wide averages is entirely inappropriate for the detailed assessment of the impact of a specific airport. The on-site employment estimates set out at paragraph 5.12 of our earlier report are the correct basis for assessing the employment impact of Manston as these are based on recent experience of specific comparable UK airports, where detailed analysis of the impact has been carried out, rather than on the generic Europe-wide ratios that Azimuth seek to apply. We have not factored any extraordinary assumptions regarding future automation or productivity growth into our estimates (Azimuth paragraphs 3.46-3.47) so these are conservatively based on average rates of productivity growth due to scale effects over time and general productivity in the economy.

#### *Section 4 – Employment Forecasts for Manston Airport*

34. For the reasons explained in our earlier report, the methodology used by Azimuth for deriving indirect, induced and catalytic impacts remains flawed.
35. A new section 4.3 has been added on the location of employment, referring to work by Oxford Economics (OE) for London Luton Airport<sup>22</sup>. This is used by Azimuth to justify the assertion that all on-site employment will be taken by local residents. Unfortunately, Azimuth have not realised that the way in which the employment estimates were derived by OE, using Government business statistics, only measures employment by place of employment and does not reflect the place of residence of those employees so cannot be taken as a reflection of the extent to which jobs at Manston might be taken up by local residents from Thanet.

#### *Section 5 – Training and Education*

36. New sections have been added in relation to support from East Kent College and Canterbury Christ Church University for activities that would generate jobs in East Kent. This is not specific to the RSP proposals but would also apply to employment generated through Stone Hill Park's proposals. The future of the Museums would, of course, be enhanced by Stone Hill Park's specific proposals for new facilities and a heritage aviation airport within its proposals. The prospects for a Manston Training Facility are speculative and depend, ultimately, on whether the proposals for the use of the Airport were realised in practice.

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<sup>20</sup> E-mail of 6<sup>th</sup> October 2017.

<sup>21</sup> The social and Economic Impact of Airports in Europe, York Aviation for ACI EUROPE 2004

<sup>22</sup> The Economic Impact of London Luton Airport, Oxford Economics, November 2015.

## Section 6 - Tourism

37. Section 6 is a new section on tourism which is entirely aspirational, with precedents being drawn from the experience of Southend (Azimuth paragraphs 6.4.2 to 6.4.8) following expansion of passenger flights at the Airport. The extent to which the Airport would act as an impetus to inbound tourism would depend on the actual range of destinations served, for which Azimuth provide no details. Based on Azimuth's assumption that the vast majority of passenger flights would be operated by Ryanair, precedent across other smaller UK regional airports would suggest that, in the main, such flights would be to outbound leisure destinations unlikely to attract significant numbers of inbound tourists or related to migrant labour from Eastern Europe.
38. The suggestion that Manston might support services from China (Azimuth paragraph 6.5.4) lacks any foundation; such services do not form part of the forecasts, passenger aircraft stands and the passenger terminal would not be appropriately sized to handle flights to/from China and only Heathrow and Manchester Airports in the UK manage to sustain regular flights from China at 78mppa and 28mppa respectively. The Manston catchment area would simply not be sufficient to sustain such services and it is not credible that an airport in the 1-2 mppa range (or smaller) would support regular flights to/from China.
39. Overall, the additional material added in relation to the value of tourism does not demonstrate any linkage between the re-opening of Manston Airport and the actual potential impact on tourism in Thanet and Kent.

## Section 7 – Other Socio-economic Impacts

40. Section 7 introduces new material in relation to the potential GDP impacts of the re-opening of Manston as an operational airport as well as the possible wider connectivity benefits, in particular citing 2016 research on behalf of the UK Airport Operators Association to supplement the Intervistas research originally referred to. We do not particularly dispute the relationship of employment to GDP or GVA at the national level in relation to aggregate airport employment across the whole of the UK (see Section 5 of our earlier report). However, the impact of the Airport will depend on the extent to which it can attract airlines and passengers to use it and to the local circumstances. For the reasons made clear in our earlier report (paragraphs 5.15.to 5.18), the level of socio-economic impacts as a consequence of a re-opened Manston are highly unlikely to arise to anything like the extent postulated by Azimuth.
41. In terms of the potential connectivity benefits of aviation, cited at Azimuth paragraph 7.3.6, it should be pointed out that these benefits are related to air connectivity as defined by the IATA Air Connectivity Index, which is defined as *"The index measures the number and size (in terms of passenger air traffic) of destinations served, as well as the frequency of service to each destination and the number of onward connections available from those destinations."*<sup>23</sup> In other words, such connectivity benefits would not necessarily flow from the re-opening of Manston Airport as a freight hub but would be dependent on the specific schedule of passenger flights. Given the likelihood that the majority of these would be low frequency services to mainly holiday destinations, any connectivity benefits to East Kent would be negligible. The benefits would also have to be considered in the context of the extent to which the services added to connectivity relative to the available air services at other airports made more accessible through improved road and rail connections to the area (Azimuth paragraphs 7.3.2-7.3.3).

23<sup>rd</sup> February 2018

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<sup>23</sup> Study on the Economic Impact of European Airports, Intervistas for ACI EUROPE, January 2015 Appendix H

**APPENDIX THREE**

**NOTE BY WSP**





# MEMO

<b>TO</b>	Pinsent Masons LLP	<b>FROM</b>	WSP; Aecom; Planit; GVA
<b>CC</b>	Stone Hill Park Ltd		
<b>DATE</b>	20 February 2018	<b>CONFIDENTIALITY</b>	Public
<b>SUBJECT</b>	Consultation Response to RiverOak Strategic Partners (RSP) 2018 Preliminary Environmental Information Report (PEIR) ref Former Manston Airport Site.		

## INTRODUCTION

WSP is appointed by Stone Hill Park Ltd (SHP) as SHP's Environmental advisers forming part of the Project Team (GVA Planning; Aecom Transport; and Planit Masterplanners) advising SHP on its proposed mixed use redevelopment of the former Manston Airport site and also SHP's response to RSP's proposals. We prepared the Environmental Statement, which accompanied the current May 2016 hybrid planning application (Ref: OL/TH/16/0550) to report the assessment of the likely significant effects of SHP's proposed development.

In preparation for the proposed 2018 hybrid planning application we are also preparing the Environmental Statement in accordance with the Town and Country Planning (Environmental Impact Assessment) Regulations 2017 (Statutory Instrument No.571) which came into force on the 16<sup>th</sup> May 2017. As a result of our ongoing work we are very knowledgeable about the existing conditions of the site and surrounding area and the issues associated with its redevelopment.

In that context and together with the Project Team, we have reviewed the 2018 Preliminary Environmental Information Report (PEIR) prepared by RSP and our high level observations are as follows:

## CHAPTER 6 AIR QUALITY

Para 6.1.6 confirms that the assessment makes a number of worst-case assumptions to ensure that the predicted impacts are not underestimated. It suggests that it is likely that the impacts are overestimated and the results should therefore be interpreted acknowledging that they present a worst-case scenario. However the limitations section acknowledges that it has not been possible to include the contribution from road traffic in contour plot and in fact the chapter presents little information about the traffic modelling. As a result, emissions from road traffic do not appear to have been addressed to inform the air quality assessment.

Road traffic is one of the most significant air quality impacts associated with an airport and, hence, the omission of any assessment of the effects is a major flaw. Furthermore, the spatial scope of the assessment/traffic modelling is not clear and needs to give proper consideration to impacts as a result both of airside sources of emissions and also traffic impacts over the wider area.

It is unclear to us how the EA Screening criteria can be applied to impacts from road traffic. For example, para 6.2.39 states: Following detailed dispersion modelling, no further action is required if *the proposed emissions comply with Best Available Technique (BAT) associated emission levels (AELs) or the equivalent requirements where there is no BAT AEL; and the resulting PECs won't exceed AQALs*. BAT does not apply in relation to road traffic emissions (Para 6.3.2).

Section 6.4 deals with the scope of the assessment, but as referred to above, provides little information on how the scope of impacts from road traffic has been determined - and these could occur at greater distances from the site. Para 6.1.75 of Appendix 6.3 refers to roads near the airport, but traffic flows could be affected much further from the airport. For example, the actual assessment will need to give proper consideration to the impacts as a consequence of road traffic plus airside sources with the result that non-trivial impacts could occur in the wider area.

Stone Hill Park Manston  
Project No 70038950 February



In relation to identification of ecological receptors (para 6.4.9), and in the absence of suitable traffic data, RSP has used Environment Agency guidance to define the study area for the PEIR. Given RSP is publicly stating that it intends to submit its application at the end of March 2018, this Chapter/PEIR should have been delayed until suitable traffic data was available. RSP will need to screen the data to determine the extent of the affected road network (i.e. the road network that does not have trivial changes in traffic). DMRB HA207/07 scoping criteria are usually used for this. Impacts on NO<sub>x</sub> levels, nitrogen deposition and acid deposition at designated sites with sensitive features within 200m of affected road links will need to be assessed. Other ecological receptors may be identified. It is clear that publication of this Chapter was premature.

The assessment has not used the latest emissions factors (version 8) which were issued by Defra in November 2017 (Para 6.7.3 and Appendix 6.3/ para 6.1.83.). This is another example of prematurity.

Para 6.10.51 refers to the impact at E22 (Pegwell Bay) which is at most 1.2% of the critical load. Relying on the EA/IAQM guidance, RSP state "*It can be considered insignificant and does not need to be assessed further.*" Pegwell Bay includes areas that are designated as SSSI, SAC, SPA and Ramsar, and therefore should not be ruled out, as further air quality modelling work would be required to support the current conclusion

The statement in paragraph 6.11.2 regarding the impacts from road traffic being broadly similar in each of the three assessment years (and therefore simpler to consider all assessment years together), is not justified given the inadequacies of the traffic modelling identified (indeed by RSP themselves) and the incomplete status of the traffic modelling.

The screening thresholds used to determine the roads that have an increase in traffic flows are not clearly specified within the Chapter (para 6.11.23) and therefore it is unknown if the predicted passenger increases in Year 20 would go above these thresholds. The same applies for HGV movements in the assessment years - from 9,903 in Year 2 (or ~27 per day on average) to 64,906 in Year 20 (or ~178 per day on average). Section 6.13 relates to monetisation of AQ impacts and makes the point that as the Proposed Development at Manston Airport will mainly have impacts from aircraft emissions, which have a very different source-receptor relationship from road traffic emissions, such approaches are not suitable. However we do not consider it a correct approach to play down the impact of road traffic emissions, given the location of the airport, modal split for passengers and the extent of the development on the Northern Grass area. The Chapter is, therefore, deficient.

## CHAPTER 7 – ECOLOGY AND BIODIVERSITY

The Chapter draws upon a No Significant Effects Report (NSER) (Habitats Regulations Assessment Screening) (Appendix 7.1) to provide the necessary information for the Secretary of State for Transport to undertake a Habitats Regulations Assessment (HRA). It states this Report is supported by evidence gathered from desk studies, field surveys, and air quality (AQ) and noise modelling and details the assessment process that enables the conclusion that no significant effects are likely at any European wildlife site as a result of the Proposed Development being implemented, either alone or in combination with other plans and projects. However, this is a premature conclusion given the high level PEIR document which is produced without complete data sets from ecology surveys or traffic modelling, AQ assessments etc. The result is that the discussion of effects lacks detail which is as a result of the incomplete survey data and uncertainty in the judgements provided.

This is a limitation which the PEIR accepts noting that most effects on ecology/biodiversity during the construction and operational stage are to be confirmed and conclusions reassessed through additional air quality modelling and traffic assessment.

It is worth noting that Chapter 4 (Section 4.7) notes one Natura 2000 site is situated within 10km of the Proposed Development – Thanet Coast & Sandwich Bay Special Protection Area and Ramsar Site. However this is inaccurate, as Stodmarsh Special Area of Conservation / SPA / RAMSAR, Thanet Coast SAC and Sandwich Bay SAC also lie within 10km. See Figure 7.1 Statutory designated nature conservation sites.

Table 7.7 "Potential Receptors" does not identify the potential for disturbance to birds through noise at Pegwell Bay NNR which appears contrary to the noise chapter which states that the Biodiversity chapter covers noise impacts on birds and biodiversity generally.



Page 7-35/36 concludes that the effects of displacement on the SPA golden plover population are considered not significant during the construction stage. However, a number of surveys and consultations are still required in 2018 and therefore at this stage we consider a conclusion of No Significant Effects (NSE) is problematical. Furthermore, the assessment into the effects of disturbance due to the presence of aircraft in flight is stated to be determined once further clarity has been obtained as to the locations of the flight paths, and through ongoing consultation with Natural England in early 2018 and therefore the current stated non-significant effects of displacement to golden plover by noise and visual presence from aircraft are considered premature.

Page 7-41 recognises that road traffic generated during both the construction and operational phase might also affect designated sites/priority habitats sensitive to changes in air quality, and modelling will inform the assessment of any such effects with the assessment fully reported in the ES. This appears to be contrary to Chapter 6 which appears to report the ecological effects of NOx and nitrogen/acid deposition (including from airport related traffic) on designated sites and concludes no significant effects. Again, there is further modelling to do here, so we do not see how a NSE can be concluded.

Page 7-46 notes the potential for adverse effects at Pegwell Bay where the contribution to nitrogen deposition is 1.2% of the critical load. The PEIR states that further assessment will be necessary to assess impacts so again the NSE conclusion is premature.

Page 7-64 - the assessment of operational impacts does not include an assessment of potential bird strikes other than a consideration of barn owls. It is not clear how a small area of compensation land so close to the site could offset the impact of noise. There will be a certain element of habituation by species to noise impacts, but the effects of disturbance may be greater in effect. We would expect to see a net gain/biodiversity offsetting calculation/ assessment to back this up.

In summary, the lack of survey work and assessment means it is premature to conclude No Significant Effects at Natura 2000 Sites. The current conclusion is not credible.

## **CHAPTER 9- ARCHAEOLOGY AND HISTORIC ENVIRONMENT**

The discussion in the PEIR regarding which historic buildings at the site are to be retained and which are to be demolished is lacking in detail and there are no plans to show which historic assets are proposed to be retained within the site in its context as an airfield.

Para 9.1.7 sets out the limitations and notes that 'No intrusive survey has been undertaken to date'. The Chapter suggests that further archaeological work is to be undertaken at the commencement of Phase 1, rather than prior to the submission of the DCO application. This is inconsistent with the strategy that KCC have requested SHP to follow to date.

Appendix 9.1 provides an Archaeological Desk Based Assessment (August 2017) as updated Nov 2017 and indicates that the site lies within an area of high potential for significant archaeological finds and features from all periods. It confirms that site walkover surveys were conducted on 7th and 8th of March 2017 to support the assessment and whilst the PEIR recognises that there has been an extensive programme of archaeological investigations undertaken (Table 9.6 and 9.7) within the site it does not use this information (in addition to topography, geology, and past disturbance) to set out the likely archaeological potential of the site and an assessment of likely heritage significance. Essentially the PEIR states what is known but provides no prediction on the potential for previously unrecorded remains and how important they are likely to be. Understanding of the location of the principal areas of historic settlement in relation to the site could have been set out more clearly.

Furthermore the PEIR baseline is missing a key section, which is consideration of factors affecting archaeological survival – the predicted depth of remains and past impacts (e.g. agriculture, 20th century development, notably the runway), which may have compromised survival.

The summary of effects as presented in Summary Table 9.14 appears sound and reasonable. The significance of the effect on Designated Heritage Assets within the 60DB noise contour has not been established, but this could be a significant adverse residual effect being difficult to mitigate; the PEIR should provide more information on this.



It is implied, but it could be made clearer, that the 'significance assessment' is of the residual environmental effect, i.e. following the completion of an agreed programme of prospecting, evaluation and subsequent mitigation (if required).

However, it is necessary to set out what the environmental effects are prior to the implementation of an agreed programme of prospecting, evaluation and subsequent mitigation. This is to ensure a transparent process to enable the decision-makers to understand whether the mitigation proposed is appropriate and proportionate in accordance with the heritage significance of the assets potentially affected, the nature and severity of effect, and how the assessment has arrived at the residual effect.

The mitigation measures outlined for the operational phase potentially includes timing of flights to reduce impacts upon surrounding heritage assets'. This seems highly unlikely in practical terms with the result that there could be a significant adverse residual effect. As such these are matters that could be clarified at this stage in advance of the ES to determine whether the scheme is likely to be viable and to present mitigation measures that are a realistic proposition.

## CHAPTER 11-LANDSCAPE AND VISUAL ASSESSMENT

The choice of the 5km study area is explained as being selected with regard to previous experience of undertaking LVIA's for similar types of development allied with a review of the landscape context within which the Proposed Development will operate.

Maps for the Zone of Theoretical Visibility (ZTV) were prepared for various components of the proposed development, although para 11.3.9 confirms that ZTVs for aircraft approaching, moving along and departing from the runway are screened out as has overflying of aircraft in the sky on the basis that the intermittent and transitory nature of this change alone is considered unlikely to lead to significant visual effects. However, this does not take into consideration the effect of night flights and is also in the absence of agreed flight paths.

The photographic survey has been undertaken when trees are still in full/partial leaf, which does not represent the greatest extent of potential visibility. The methodology indicates that the tables will consider this, but it is not evident in the assessment text.

The assessment relies upon both building design principles and screen and buffer planting with no information on what that planting will comprise. As these are relied upon to make the judgments in the PEIR, information should have been supplied to allow consultees to understand the conclusions reached.

It is unclear whether the images in the PEIR are verified (which would be expected for a development of this scale) and there is no information on verification methodology.

The PEIR confirms a lighting assessment has yet to be completed, including no baseline lighting survey in line with relevant guidance. The night time operation of the airport will require lighting and night-time visual effects will need to be reported as part of the Viewpoint Assessment to be completed and presented in the ES.

Tranquillity in its own right is not considered properly and a blanket assumption appears to have been made as to the effects of overflying which has not been justified. Tranquillity should be undertaken as an assessment in its own right.

Landscape mitigation proposals are not clearly described. The PEIR references, for example, planting to soften facades of the Northern Grass area development, and on Spitfire Way, but there are no plans showing this.

It is unclear if the images listed in Table 11.5 are verified – which we would expect where possible for a development of this scale. If they are verified, the methodology does not explain how this has been achieved with Panoramic images/ which part of the image is verified.

Para 11.6.14 refers to the temporal scope of the assessment but is not clear on whether if in winter or summer for all stages. The scope text is weak in explaining why a winter scenario isn't used – as clearly the visual impacts of the buildings and operations are significant



The business development on the Northern Grass area does not appear to be mentioned at para 11.6.15 in the list of potentially significant effects from the development which should be included given the potential visibility of these large structures.

It is difficult to establish if Year 1 assessment includes any development on the Northern Grass area as the phasing plans do not include the Northern Grass Area. The viewpoint assessment includes references to the southern areas of the business park construction being visible in year 1.

## CHAPTER 12 NOISE

Para 12.1.1 refers to "noise and vibration effects that could arise as a result of the reopening of Manston Airport as a dedicated airfreight facility capable of handling over 10,000 air cargo movements per year." However this does not tell you what the maximum number of ATMs the noise chapter has actually modelled. We presume the forecast number of ATMs at year 20 could amount to 17,170 freight plus 9,298 passenger = 26,468 ATMs. However, the proposed alteration is capable of far more ATM's. The noise assessment is therefore not adequately assessing the overall effect of all elements of the Proposal and there is little information related to the commercial buildings, which have the potential to generate significant levels of noise.

Para 12.4.14 confirms that the noise impact of the three routes has been considered and has been used to inform the assessment of air noise. For simplicity, however, the assessment of effects is explained as being based upon the probable route as this is considered the most likely to be operated and in EIA terms is considered to represent a realistic worst case scenario as it is stated it would not generally be acceptable to choose the overfly the population option. However, a route overflying populated areas should not be ruled out at this stage and should be assessed as a "worst case" scenario as the wording seems to suggest additional flexibility in flightpath usage which is not being assessed.

The assumptions made on noise do not assess the "worst case" of flights operating at night up to the quota limits – this should be included in the ES.

The new Noise Mitigation Plan also references a relocation policy for residential occupiers whose properties would be adversely affected by noise. This policy has not been published by RSP and the public has not had any opportunity to comment on it.

It is not clear from the PEIR how many properties would fall between the LOAEL and SOAEL, where significant adverse effects could be experienced. It cannot simply be the case that those properties experiencing SOAEL are the only properties that will experience significance adverse effects; that is an arbitrary approach.

There is no breakdown between the noise effects attributable to the airport proposal and noise attributable to the associated development (inside and outside of the airport boundary) and traffic noise associated with each element. The public and the Secretary of State will need this information to understand the effects of the Proposal as a whole.

## CHAPTER 13 SOCIO ECONOMICS

The PEIR assumes that there are no significant changes to the socio-economic baseline. This assumption is not robust as it fails to take account of the population growth and predicted background economic growth that would take place in Thanet irrespective of whether RSP's proposals are delivered.

Assumptions regarding the proportion of the workforce to be sourced from the immediately surrounding communities in Thanet appear to be highly optimistic. If workers are likely to need to move to the area for construction and operation, this is not accurately assessed in the chapter. Elsewhere, Azimuth reference construction workers staying in local hotels, which is inconsistent with the assertion that the workforce will be a local workforce.

There is a shortage of information regarding the effect of the proposed development on educational and community facilities in the area, arising as a result of the in-flow of significant numbers of construction and operational workers for the proposed development.

The case for tourism benefits arising from a primarily freight focussed airport is unclear and un-evidenced.



The socio-economic assessment does not reflect the fact that the need case is based on taking freight away from other UK airports. The effect of this diversion of trade from other UK airports and related effects on employment should be assessed.

## **CHAPTER 14 TRAFFIC AND TRANSPORT**

The use of a spreadsheet model to assess the impacts of a development of this type and scale is inappropriate and a strategic model should be used. Acknowledgement is now made that a SATURN model is being developed by Kent County Council (KCC) for Thanet but a spreadsheet model has been used ahead of this model being made available to developers. Given the scale of development a strategic model should be used and an application not made until such time as this model can be used to test the impacts of the proposed development and appropriate mitigation put forwards based upon the results of this modelling. This needs to be consulted upon.

An issue has been highlighted within the PEIR regarding double counting of HGVs within the baseline traffic counts undertaken in March 2017 as a result of congestion in the peak periods. No detail is provided on how this was ascertained. The method applied to address this was to utilise flows from neighbouring junctions. However, this may not account for locations where a junction is located between junctions that were counted and therefore the data is not robust. The full impact of this issue on the baseline traffic flows is unknown but could be significant.

The current spreadsheet based model used to assess the impacts of the development on the transport network in the PEIR has used a TEMPRO derived growth factor only to determine future levels of traffic. This is inadequate and further consideration of committed development is required.

The scope of the study remains inappropriate and does not consider effects on junctions on the Highways England network (in addition to the wider A299 and A256) and therefore it is considered that the full impact of the proposed development has not been adequately assessed within the PEIR. A more comprehensive data collection exercise would be expected to have been undertaken for a development of this scale to include junctions and links over a wider area and the junctions linking to the wider HE network.

Significant weight appears to have been placed on a Transport Assessment to inform the PEIR but it was not supplied as an Appendix. The Transport Assessment when produced will utilise the same spreadsheet based model and is therefore flawed. This will also impact noise and air quality assessments that rely upon data from this spreadsheet model.

The methodology used to assess driver delay is insufficient, does not follow the Institute of Environmental Assessment Guidance and does not adequately reflect the likely impacts of the development on the transport network. This approach should be reviewed in light of the feedback already received from Thanet District Council, PINS and KCC.

No detail has been provided on the types of mitigation required to achieve sustainable development at the Site. Travel Plans are referenced but have not been supplied.

The methodology used to derive the trip generation for the air passenger element of the proposal is flawed and would need to be refined.

More generally, the strategic route enhancements being planned for in the area, and detailed within the Thanet Transport Strategy, are likely to need to come forward in order for the commercial development proposed at the site to come forward (specifically, the New Strategic Routes Policy). This is not included in the proposals, which means RSP cannot deliver it.

In summary the transport chapter in its current form has a deficient methodology, is missing information and is incomplete. It is therefore not possible to draw any conclusions at this stage regarding the likely impacts of the development on the transport network.

## **CHAPTER 16 CLIMATE CHANGE**

No assessment has been provided on climate change, rather a proposed scope, approach and methodology is referenced.



Only freshwater measures have been incorporated within the design – we would expect consideration to be given to a wider range of measures, including in the design of buildings and systems to take account of higher temperatures.

Under climate change resilience, only the built infrastructure elements have been identified as receptors. It is recommended that staff and travellers are also considered as receptors, particularly in the context of impaired performance and health concerns.

The design life of individual assets should be included in the assessments as many are assumed elsewhere to continue beyond their design life and to function beyond the 2050s.

Emissions associated with end of life and decommissioning are not considered and should at least be considered qualitatively.

Evidence should be provided to support the selection of the three operational years and emissions scenario.

A full carbon footprint of the airport should be undertaken. Specifically, the following should be addressed:

- Clearly defined boundaries of the GHG calculation (Scope 1, 2 and 3 emissions)
- Qualitative assessment for the release of gases other than CO<sub>2</sub>, such as the oxides of nitrogen (NO<sub>x</sub>) which are not taken into account in the SET (Small Emitters Tool) proposed as the basis for the calculations.
- Datasets used to assess embodied carbon

## **CHAPTER 17 MAJOR ACCIDENTS AND DISASTERS**

No assessment has been provided on major accidents, rather a proposed scope and methodology is referenced.

In light of the likely flight paths, the study area of 1km does not appear to be wide enough and should be increased. No information is provided on the expected extent of the Public Safety Zone which is a major omission.

The chapter has not identified what sensitive land uses (e.g. schools, hospitals, residential institutions) are in proximity and may be affected by a major accident or disaster at the airport.

The future baseline does not give consideration to population changes in the area.

Incorporated measures only appear to give consideration to/address risks from fuel spillage. There is no commentary on how the security and resilience of the airport to other risks could be addressed by design.

The list of types of incidents concerned omits key risks including plane crash, drone strike, bird strike, and cyber-attacks.

There is no information on safeguarding zones around the airport - this may have implications for new facilities and commercial development on the Northern Grass area and has not been considered.

## **NO SIGNIFICANT EFFECTS REPORT (APPENDIX 7.1)**

As modelling work is ongoing in a number of areas, it is premature and unjustified to conclude No Significant Effects and entitle the report a "No Significant Effects Report".

At this stage, until assessments have actually been completed and made available, it would be prudent to prepare information in support of an appropriate assessment.

A conclusion of No Significant Effects with no consideration or information on the range of likely flight paths is also not justified.

The site plans only show the main airport boundary and no offsite mitigation proposals or traffic generation having effects over a wider area.



**Scope of the Report and Limitation of Liability**

- This report contains the results of our analysis in relation to potential air cargo demand at the former Manston Airport site (the “Work”). It has been prepared for Stone Hill Park Limited (“SHP”) in connection with the proposed application for a Development Consent Order by RiverOak Strategic Partners Limited and for no other purpose. The proposed application is for the redevelopment and reopening of Manston Airport for international air freight along with passenger, executive travel and aircraft engineering services (“the Project”). The proposed application would also, we understand, seek to compulsorily acquire the whole of the former Manston Airport site from SHP.
- We do not accept a duty of care to any person other than SHP in respect of this report.

ALTITUDE AVIATION ADVISORY LIMITED

January 2018



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# 1. Introduction

## 1.1. Objectives of the Study

1. This report has been commissioned by Stone Hill Park Limited ("SHP"), the owners of the former Manston Airport site. The site is currently subject to a proposed application for a Development Consent Order ("DCO") under the Planning Act 2008 currently promoted by RiverOak Strategic Partners Limited ("RSP"). The proposed application is for the redevelopment and reopening of Manston Airport for international air freight along with passenger, executive travel and aircraft engineering services ("the Project"). RSP contends that the Project is a Nationally Significant Infrastructure Project for airport development for air freight and hence, should fall within the Planning Act 2008. RSP's proposed application could also seek powers of compulsory acquisition over the site, allowing RSP to compel the purchase of the site from SHP's ownership to RSP's ownership. The report has been developed in this context.
2. To date, RSP has generated a range of submissions as part of the DCO pre-application process. These include reports commissioned from Azimuth Associates ("Azimuth")<sup>1</sup> and Northpoint Aviation Services ("Northpoint")<sup>2</sup>.
3. The objective of this report is to provide a review of the Azimuth and Northpoint reports. We also review other relevant documents, including two AviaSolutions reports<sup>3</sup> commissioned by Thanet District Council.
4. The Azimuth and Northpoint submissions are notable for making major assertions as fact without providing relevant supporting evidence. While we have drawn on our own extensive experience in the UK and international airport sector, we have utilised published material to support our analysis. As such, we have made efforts to limit the extent to which we rely on our own opinions, assumptions and/or calculations.
5. The focus of our analysis is the air cargo sector. We provide an evidence based assessment of key issues impacting the future development of air cargo in the UK. This comprises of:
  - Review of key historic and likely future trends in the air cargo sector.
  - Assessment of the ability of existing airports to meet future freighter and bellyhold cargo demand in the UK.
  - Appraisal of the ability of the Manston Airport site (if re-opened) to support the future development of the UK air cargo sector. Specifically, we investigate whether the site has the potential to meet the objectives specified by RSP in its proposed DCO application.
6. In this report, we do not, at this stage, undertake an in-depth review of air passenger related issues.

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<sup>1</sup> (Azimuth Associates, 2017 a), (Azimuth Associates, 2017 b), (Azimuth Associates, 2017 c)

<sup>2</sup> (Northpoint Aviation Services)

<sup>3</sup> (AviaSolutions, 2016), (AviaSolutions, 2017)

### 1.2. Structure of the Report

7. Later in this section (Section 1.3), we provide an overview of the air cargo sector for the general reader. This includes an explanation of some key terms used in our report and an overview of important market dynamics. In the appendices (sections 10 and 11), a fuller description is provided.
8. A brief overview of Altitude Aviation Advisory is presented in Section 1.4.
9. The next section of the report (Section 2) is the Executive Summary.
10. In Section 3, we review the introductory section of the Azimuth suite of reports. In particular, we review the stated aims of the Azimuth reports, and comment on whether the questions put forward by Azimuth are appropriate and sufficiently targeted to adequately support the proposed DCO application.
11. In sections 4 to 7, we present our own analysis of the UK and global cargo market, including historic trends and outlook. This is then referenced later in the report when we critique the Azimuth freight forecasts.
  - Section 4 – We provide an analysis of how the UK cargo sector has developed, and focus on individual airports that are relevant in the consideration of the future potential for Manston. We also provide a summary of Manston’s historic performance.
  - Section 5 – We investigate if there is an overall shortage of airport freight capacity in the UK, or if shortages are restricted to Heathrow only.
  - Section 6 – We provide a review of published capacity expansion plans from existing airports. This allows us to build up a picture of freight capacity at UK airports in the period to 2050.
  - Section 7 – Our forecast for UK freight demand is presented in this section. Our forecasts are compared with other published projections. We also assess whether there is likely to be any overall imbalances between demand and supply in the period to 2050.
12. In Section 8, we provide a comprehensive review of the Azimuth freight forecasts for Manston. This includes a critique of the methodology as well as the forecast projections themselves.
13. In the appendices, background material on the air freight segment and recent trends is included. There is also a case study of two major European freighter airports and further supporting analysis for some of the material in the main body of the report. We also review other related reports by Northpoint (on behalf of RSP) and AviaSolutions (on behalf of Thanet District Council).
14. Finally, a list of figures and a list of references are included at the end of the document.

### 1.3. Introduction to the Air Cargo Sector

15. Generally, products that make use of air transportation are high value and/or time critical, and can be easily packaged.
16. Whilst there are many different types of *air cargo*, at a high level, most can be categorised as either *freight*<sup>4</sup> or *mail*. Most freight can then be defined as either *general* or *express*.
  - Mail is typically letters and parcels, delivered to final destination by the postal service of a given country.
  - Express freight is typically “next-day” shipments that are collected from the shipper by close of business and are required by the consignee by close of business the following day.
  - General freight is everything else (this category is very broad, and also includes several types of low-volume specialist products such as hazardous, valuable and live animal cargo).

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<sup>4</sup> In this report, we concentrate on the freight segment (which is more relevant in the context of Manston). Where it is not meaningful to distinguish between freight and mail, we provide analysis of the air cargo segment overall.

17. Air cargo can be carried either in a dedicated aircraft (a *freighter* or *cargo only aircraft*), or in the hold of commercial passenger aircraft (when it is known as *bellyhold cargo*).
18. A freighter aircraft will be able to carry more cargo than can be carried in the bellyhold of a similarly sized passenger aircraft. Furthermore, freighter aircraft are able to handle larger individual pieces of cargo than can be loaded in the bellyhold of passenger aircraft.
19. With this exception, there is typically no aircraft driven preference from the customer as to whether cargo is shipped in a freighter or in the bellyhold of a passenger aircraft. Other sources of preference include:
  - Freighters may be the only option if there are no passenger flights offering bellyhold capacity (the number of unserved destinations has shrunk as the number of passenger flights has grown).
  - From an origin with both bellyhold and freighter capacity, a larger number of frequencies and destinations may be available via bellyhold, due to the generally more extensive schedules of passenger airlines than cargo airlines.
  - Bellyhold capacity on passenger aircraft is often significantly cheaper to provide than freighter capacity, as many of the largest fixed costs are assigned to the passenger business (e.g. aircraft operation, landing fees, fuel needed to fly the aircraft<sup>5</sup>).
20. In recent years, bellyhold has been capturing an increasing share of the overall air cargo market. This is a global development, primarily due to faster growth in passenger demand than cargo demand. Therefore, bellyhold cargo capacity has been growing ahead of cargo demand, diminishing the need for dedicated freighter aircraft.
21. The air transport of air freight is typically carried out by one of three types of operator:
  - *Cargo only airlines* (using freighters), such as Cargolux.
  - *Passenger airlines* (using bellyhold space on passenger aircraft), such as British Airways. Some passenger airlines also operate a number of freight-only aircraft (a relatively small number compared to the number of passenger aircraft they operate).
  - *Integrators*, such as DHL, use a mix of their own freighter aircraft and purchased space on passenger aircraft. A large majority of the cargo handled by integrators is express freight. Integrators have a wider role than purely air transportation; they transport freight from door-to-door using a network of vans and trucks, as well as aircraft when necessary.
22. All carriers make extensive use of trucking in order to get freight to/from an airport. *Road feeder services* use trucks to bring freight to an airport from consolidation points across the catchment region.
23. Additionally, trucks will replace flights where it makes economic sense to do so.
  - For express freight, where next day delivery is required, this typically includes destinations within ca. 500km of the airport.
  - For general freight (i.e. without next day delivery requirement), trucks may be the more economic option for any intra-regional route. Replacement of flights with trucks has become more prevalent in Europe, to the extent that Airbus comments on it in their most recent forecast.
24. In this report, we refer to the concepts of *passenger hub* and *cargo hub* airports. These are terms that can be used somewhat loosely, and on occasion can simply be used to signify a large airport. For clarity, we define here precisely what we mean by these terms.
25. First, it is useful to present the Airports Commission<sup>6</sup> definition of a passenger hub:

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<sup>5</sup> Incremental fuel needed for the uplift of cargo will typically be charged to the cargo business.

<sup>6</sup> (Airports Commission, 2015, p. 13)

*“Airlines and alliances route their traffic through one or more key airports (‘hubs’), with feeder traffic from other airports in the network (the ‘spokes’) supplementing local origin and destination traffic at the hub. For passengers, the hub-and-spoke model maximises the choice of direct destinations at the hub airport and offers potential to travel to a very wide variety of destinations on one ticket.”*

26. Although the UK has several large airports, Heathrow is the only major passenger hub in the UK. A significant proportion of its passengers are transfer or connecting passengers (changing flights at Heathrow). In contrast, Gatwick is not a major passenger hub, despite being the 8<sup>th</sup> largest airport in Europe in 2016. Its traffic primarily consists of passengers starting or finishing their air journey at Gatwick.
27. The concept of a cargo hub is similar to a passenger hub. Cargo is fed into the hub from a wide geographic area. This can be through cargo feeder flights generating *transshipment cargo* (cargo which is transferred from one aircraft to another at the cargo hub). The other source of cargo that feeds into a cargo hub is from road feeder services. These trucking routes play a similar role to flights in bringing freight from a large catchment into the airport, which is then transferred to a flight (or even onto another trucking service).
28. Major passenger hubs are frequently also acting as cargo hubs (due to the significant amount of bellyhold capacity available, the schedule connectivity, and the economies of scale). Heathrow is the UK’s largest cargo hub, despite having a relatively small number of dedicated freighter services. Frankfurt is a leading example of a major passenger hub that also has an extensive range of freighter flights.
29. The other two cargo hubs in the UK are East Midlands and Stansted. Neither airport is a passenger hub. In both cases, cargo is almost exclusively carried on dedicated freighter aircraft. *Dedicated freighter hubs* (cargo hubs at non-passenger hub airports) typically have fairly unrestricted operating conditions (e.g. 24-hour operations, slot availability) and are centrally located. Integrators usually account for a substantial share of cargo at dedicated freighter hubs.
30. These definitions are important in the context of Manston. The location of Manston on a peninsula prevents its development as a cargo hub<sup>7</sup>. Even if the airport was to successfully attract high cargo tonnage in the future (which we consider unlikely), it would merely become a large cargo airport rather than a cargo hub.
31. The final term to introduce is *freight forwarders*. These are firms specialising in arranging storage and shipping of merchandise. Freight forwarders typically provide warehousing, negotiate and book aircraft cargo space, prepare documentation, arrange insurance and track progress of freight. They also consolidate cargo, where several smaller shipments are assembled and shipped together to avail of better freight rates and security of cargo<sup>8</sup>. Freight forwarder activity is usually concentrated at major cargo hubs (whether bellyhold or dedicated freighter hubs). This is due to economies of scale benefits.

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<sup>7</sup> True cargo hubs are at the centre of their catchment area, with 360-degree connectivity (i.e. receiving road feeder services from all spokes of the wheel). Due to its location, Manston could only receive road feed from the west of the airport.

<sup>8</sup> [www.businessdirectory.com](http://www.businessdirectory.com)

### **1.5. About Altitude Aviation Advisory**

32. Altitude was formed in May 2013, and brings together a wide range of experience gained within the aviation sector. The two principals have worked in the aviation sector for a combined total of more than 50 years.
33. Team members have been involved in a diverse mix of strategic and commercial projects for a wide range of clients including airports, airlines, investors, debt providers, government and regulatory bodies. Our main service areas are airport transactions, business optimisation, traffic forecasting, route development and economic regulation.
34. Since 2013, we have worked directly for 10 different UK airports on a range of strategic, business planning and traffic forecast assignments. We have also provided due diligence support for various UK airport transactions covering 8 airports (all to financial close). In total, we have undertaken multiple projects across 13 different UK airports, either directly and/or as part of a transaction.
35. While the UK is our home market, the company has a global footprint. Our team experience encompasses over 150 airports worldwide. In 2017 alone, we have undertaken projects in Australia, Italy, USA, Russia, Denmark, Turkey, Belgium, Ireland, Serbia, Iceland, Hungary, Cyprus, and Portugal.
36. The Altitude team has considerable cargo experience. This includes previous employment working in the cargo division of a major airline and consultancy experience leading stand-alone cargo strategy projects in geographies as diverse as the UK, Eastern Europe, Middle East, and North America.



## 2. Executive Summary

### 2.1. Overview

37. We have undertaken an in-depth review of the Azimuth reports, and developed our own analysis of the future potential for freight at a reopened Manston Airport.
38. Manston has historically played a role as a niche air freight airport. We do not see potential for a more significant role in the future. This is in contrast to Azimuth. Azimuth's forecasts show the airport more than doubling its previous annual freight record in the first year of freight traffic returning. By year 18 of Azimuth's forecast, Manston is forecast to exceed the 2016 freight tonnage at East Midlands Airport (the largest dedicated freighter hub in the UK). This is simply not credible or likely.
39. We have identified significant weaknesses in the Azimuth analysis and forecasts. The following factors have not been acknowledged and/or adequately reflected:
- There is no overall shortage of freight capacity in the UK or South East specifically. While Heathrow is constrained, there is significant spare freight capacity at the established dedicated freighter hubs at Stansted and East Midlands.
  - Cargo activity in the UK has become very consolidated on the 3 cargo hubs (Heathrow, Stansted and East Midlands). All three of these airports have plans to significantly expand cargo capacity, and they forecast strong growth in cargo tonnage. Furthermore, other established passenger airports have the capability of handling much higher cargo volumes if demand existed.
  - There has been a strong trend towards bellyhold freight, with the role of dedicated freighters diminishing. The most recent (2017) Department for Transport ("DfT") forecasts to 2050 assume the number of freighter flights in the UK will remain flat at 2016 levels<sup>9</sup>.
  - Trucking is a highly integrated component of the air freight business model, and not merely a substitute for air freighter flights when airport capacity is constrained. The increasing use of truck feeder services is due to cost efficiencies and is not restricted to the UK.
  - Manston is in a poor location to serve the wider South East or UK market. Other structural disadvantages include lack of critical mass, lack of a passenger hub, and night flight restrictions. These factors have limited Manston's role to that of a niche freight airport.
40. We consider the Azimuth freight forecasts to be extremely optimistic, with negligible supporting evidence. In particular:
- Historic performance is ignored (both at Manston or more generally across the UK market – the Azimuth growth forecast for Manston would be unprecedented in a UK context).
  - There is a heavy reliance on qualitative techniques, with no substantive attempt to quantify the size of the markets Manston will be competing in, or how it would gain market share.
  - Many of the references from published studies are too generic to be meaningful or are taken out of context.
  - In making the case for Manston, Azimuth seeks to rely on reports prepared by York Aviation in 2013 and 2015. We share York Aviation's view, as set out in a parallel report commissioned by SHP, that these reports do not support Azimuth's conclusion that there would be a substantive role for Manston in the UK air freight industry.
41. Finally, we also view the Azimuth cargo air transport movement ("ATM") projections for Manston to be very optimistic and again unlikely. The projected average freight loads per flight are much lower than historic levels, and also lower than typically seen at cargo airports specialising in general freight (i.e. with

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<sup>9</sup> (Department for Transport, 2017a, p. 33)

limited integrator presence). Even if the freight forecasts were achieved (which we consider very unlikely), we would anticipate significantly lower numbers of cargo air transport movements.

### 2.2. Introduction

42. Azimuth has published four reports in support of RSP's proposed DCO application. Volume 1<sup>10</sup> aims to answer the following questions:

*“Does the UK require additional airport capacity in order to meet its political, economic, and social aims?”*

*Should this additional capacity be located in the South East of England?*

*Can Manston Airport, with investment from RiverOak, relieve pressure on the UK network and meet the requirement of a nationally significant infrastructure project?”*

43. Azimuth concludes that *“the answer to each of the above questions is overwhelmingly yes”*. However, the questions conflate different issues. The first two questions provide poor context for the third question, and are not relevant to RSP's proposals for Manston.

44. We agree that the UK needs additional airport capacity, and that it should be located in the South East of England. This is not surprising given that:

- In September 2012, the Government asked Howard Davies to chair an independent Commission to identify and recommend options to maintain the UK's position as Europe's most important aviation hub<sup>11</sup> (“the Airports Commission”).
- The Airports Commission concluded that *“a new runway in the South East is needed by 2030”*. It also *“concluded that the best answer is to expand Heathrow's runway capacity”* as *“Gatwick... is unlikely to provide as much of the type of capacity which is most urgently required: long-haul destinations in new markets. Heathrow can provide that capacity most easily and quickly. The benefits are significantly greater, for business passengers, freight operators and the broader economy<sup>12”</sup>*.
- In October 2016, the Government announced that its preferred scheme to meet the need for new airport capacity in the South East was a Northwest runway at Heathrow. This was subsequently confirmed in its revised draft Airports National Policy Statement (“ANPS”), published in October 2017. The ANPS<sup>13</sup> stated that *“The Heathrow Northwest Runway scheme delivers the greatest support for freight. The plans for the scheme include a doubling of freight capacity at the airport.”* The draft ANPS, once ratified by Parliament, will settle the “need” case for the Northwest runway at Heathrow, but no other form of airport development.

45. However, while we agree with the positive response to the first two questions, it does not automatically lead to a “yes” for the third question. The third question covers fundamentally different issues to the first two questions.

46. There are clear distinctions between different types of airport capacity. The Gatwick option would have provided more incremental runway movements than the recommended Heathrow option<sup>14</sup>. However, a key reason for recommending Heathrow was that *“It delivers more substantial economic and strategic benefits than any other shortlisted option, strengthening connectivity...<sup>15”</sup>*

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<sup>10</sup> (Azimuth Associates, 2017 a, p. 1)

<sup>11</sup> (Airports Commission, 2015, p. 37)

<sup>12</sup> (Airports Commission, 2015, p. 4)

<sup>13</sup> (Department for Transport, 2017b, p. 31)

<sup>14</sup> (Airports Commission, 2015, p. 238)

<sup>15</sup> (Airports Commission, 2015, p. 245)

47. RSP is promoting a reopened Manston Airport on the basis of providing capacity for dedicated freighter flights:
- Bellyhold freight comprises ca. 70% of UK freight (see Figure 4), a proportion that has been growing since 2004 (see Figure 5). Azimuth's freight forecasts do not assume any bellyhold freight<sup>16</sup>. We agree with this Azimuth assumption, and consider that the development of bellyhold freight at Manston is extremely unlikely.
  - Azimuth's forecasts passenger traffic of ca. 1.4 million by the 20<sup>th</sup> year of operation<sup>17</sup>. We consider these forecasts to be optimistic. However, even taking these forecasts at face value, the passenger throughput would represent less than 1% of 2016 passenger traffic at London airports.
48. Therefore, rather than asking “*Can Manston Airport, with investment from RiverOak, relieve pressure on the UK network and meet the requirement of a nationally significant infrastructure project?*”, more relevant, targeted questions would be:
- Considering planned airport expansions, will there be a need for further airport capacity in the UK for dedicated freighters?
  - Will the South East in particular require additional capacity for dedicated freighters?
  - Would a reopened Manston be well placed to effectively serve a significant proportion of the dedicated freighter market?
  - Are there other potential airport options for new dedicated freighter capacity?
49. In the rest of the Executive Summary, we address each of the sub-questions above in turn.

### **2.3. Need for Further Airport Capacity in the UK for Dedicated Freighters**

#### Current Situation

50. There is no overall shortage in UK airport capacity for dedicated freighter operations. Both of the two largest freighter hubs, East Midlands and Stansted, can accommodate significantly more freighter services than they currently operate (see Section 5.3).
51. The UK does lack available dedicated freighter capacity at its major passenger hub airport, Heathrow.
- Heathrow is also the UK's largest freight airport with ca. 65% of the UK's overall throughput (see paragraph 109).
  - Freight forwarder activity has consolidated around Heathrow on the strength of its extensive network of long haul passenger services. These services, typically using widebody aircraft, provide substantial bellyhold cargo capacity.
  - At Heathrow, only ca. 5% of freight is carried on dedicated freighters (see Figure 4). A lack of available runway slots restricts freighter activity. In the absence of operating constraints, major passenger hubs tend to also play a role as key hubs for freighter aircraft (e.g. Frankfurt). Freight services complement the connectivity provided by passenger flights, while the cargo industry benefits from economies of scale and scope from the consolidation of activity at a hub airport.
52. Where dedicated freighter flights cannot be accommodated at Heathrow (due to capacity constraints), freight customers have the following choices:
- Operate freighter flights (or use existing freighter flights) from other UK airports where capacity is available (e.g. Stansted, East Midlands).
  - Transport freight in the bellyhold of passenger flights from Heathrow (or other UK airports).

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<sup>16</sup> (Azimuth Associates, 2017 c, p. 11)

<sup>17</sup> (Azimuth Associates, 2017 c, p. 16)

- Transport freight to a major European air freight hub (e.g. Liege, Frankfurt), typically by road truck.
  - Use surface modes of transport (road, rail, water) for the whole journey (note that this is not a realistic option for most potential air freight consignments due to the distances involved and/or urgency of shipment).
53. Azimuth asserts that UK air freight has been constrained since 2000<sup>18</sup>. Furthermore, Azimuth concludes that shortage of airport capacity is leading to more trucking of freight (“*flying freight from Manston, negating the need to truck, to and from European airports for air transportation*<sup>19</sup>”).
54. We consider that these conclusions are highly simplistic:
- As discussed above, we agree there is a shortage of dedicated freighter capacity at the UK’s main passenger hub airport (Heathrow). However, freighter capacity is available at other airports. For example, both Stansted and East Midlands have expanded freighter activity significantly since 2000, and continue to have spare capacity.
  - Therefore, any shortage of air freight capacity in the UK relates specifically to Heathrow hub capacity rather than a more general lack of capacity.
  - Trucking is a highly integrated component of the air freight business model, and not merely a substitute for air freighter flights when airport capacity is constrained. The increasing use of truck feeder services is due to cost efficiencies and is not restricted to the UK (see Figure 32). We see no evidence that the growth in trucking is primarily driven by lack of Heathrow capacity for air freighter flights.
  - In any case, even if there were significant levels of trucking caused by constraints at Heathrow, this would only be reduced by the provision of more Heathrow runway capacity. As there is already spare capacity at other airports in the UK, provision of further capacity would not make any significant difference to trucking levels. There is no reason why economic decisions to truck freight rather than fly would change in the absence of new Heathrow capacity.

### Future Requirement

55. We have assessed the future demand for air freight in the UK, reflecting some notable trends:
- Increasing role of passenger aircraft in the carriage of air freight, and the relative diminishing in importance of freighter aircraft. Passenger demand has developed strongly in recent years. This has led to expansion of cargo capacity in the bellyhold of passenger aircraft outstripping growth in air freight demand (see Figure 37).
  - This trend has led to cutbacks in dedicated freighter operations from leading airlines such as Cargolux, IAG, Air France-KLM and Singapore Airlines (see paragraph 425). Airbus forecasts growth of just 42 freighters in European fleets by 2036<sup>20</sup>. In the UK, freight tonnes carried on all-freighter aircraft peaked in 2004, and has fallen from 37% of the total air freight to 30% by 2016 (see Figure 5). The most recent Department for Transport forecasts to 2050 assume the number of freighter flights in the UK will remain flat at 2016 levels<sup>21</sup>.
  - There has also been a clear move towards consolidation of air freight activity at major passenger or freight hubs<sup>22</sup>. In the UK, the leading 3 airports (East Midlands, Stansted and Heathrow) have steadily grown their share of overall UK air freight tonnes on dedicated freighter services – from 41% in 1990 to 86% in 2016 (see Figure 7). The UK bellyhold market is even more consolidated,

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<sup>18</sup> (Azimuth Associates, 2017 a, p. 8)

<sup>19</sup> (Azimuth Associates, 2017 a, p. 19)

<sup>20</sup> (Airbus, 2017a, p. 105)

<sup>21</sup> (Department for Transport, 2017a, p. 33)

<sup>22</sup> See Paragraph 24 onwards for our definition of passenger and cargo hubs. Note that the location of Manston on a peninsula prevents its development as a cargo hub. Even if the airport was to successfully attract high cargo tonnage in the future, it would merely become a large cargo airport rather than a cargo hub.

with the leading 3 airports (Heathrow, Manchester, Gatwick) achieving a combined market share of 97%+ in each year since 1996 (see Figure 11).

56. These fundamental market trends have not been recognised or have been ignored by Azimuth in its assessment of the potential for a re-opened Manston.
57. We have developed a forecast of UK air freight demand to 2050, linked to UK economic growth (see Section 7.1). We forecast a compound annual growth rate (“CAGR”) 2016-40 of 2.4%, much higher than recent growth rates (e.g. CAGR 2010-16 of 0.4%, CAGR 2000-2016 of 0.2%). This results in ca. 4.2m tonnes of demand in 2040.
58. Based on published expansion plans and various prudent assumptions (see Section 6.4), we estimate that the available air freight capacity at the leading 5 UK airports alone will be around 5m tonnes per year in 2040. This is comfortably higher than the envisaged demand levels. Furthermore, the potential freighter capacity is significantly above our freighter demand forecast, and the potential bellyhold capacity is significantly above our bellyhold demand forecast.
59. Furthermore, we do not envisage overall capacity shortages in the shorter term. Only towards 2050 could capacity start to become constrained, assuming no further development of capacity from 2040 onwards. Therefore, any business that Manston could capture would primarily be at the expense of other UK airports.

### Conclusion

60. The UK currently has sufficient overall airport capacity for air freight, albeit capacity at Heathrow is constrained.
61. Based on planned expansions at the existing major airports, we do not envisage a need for additional freight capacity to be developed in the period to 2040, or possibly 2050.
62. Therefore, there is not a compelling need for development of further airport capacity for freighter aircraft in the UK.

### **2.4. South East Requirement for Additional Dedicated Freight Capacity**

63. Cargo is less time sensitive than passengers. Therefore, an airport’s cargo catchment area is typically many times larger than its passenger catchment. This is one of the key factors that leads to the high degree of consolidation seen for air cargo.
  - For example, Leipzig Airport considers its catchment covers a 10-hour trucking radius (see Figure 38), while Liege sees its catchment as all areas within access of a full day trucking (see Figure 39).
  - East Midlands serves the whole of England and Wales, exploiting its central location in England.
  - Similarly, the extensive network of long haul flights from Heathrow means it attracts freight from the whole of Great Britain.
64. Mainly due to the hub strength of Heathrow, 78% of 2016 UK air freight was flown from airports in the South East & East of England. Heathrow and Stansted alone achieved 65% and 7% market share respectively.
65. Much of the UK’s high value manufacturing is located outside London and the South East<sup>23</sup>. In Q1 2015, only 15% of UK manufacturing jobs were located in London and South East<sup>24</sup>. Clearly, a substantial proportion of air freight using Heathrow in particular will be travelling to/from other areas of the UK.
66. We do not see a need for new air freight capacity to be located in the South East specifically. New capacity would be most usefully concentrated at existing major air freight hubs, whether in the South East

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<sup>23</sup> (Heathrow Airport, 2014, p. 19)

<sup>24</sup> (House of Commons Library, 2015, p. 7)

(Heathrow, Stansted) or outside (East Midlands). This would enable the air freight industry to continue to benefit from the economies of scale and scope flowing from market consolidation.

67. The Airports Commission negatively assessed the freight potential of Gatwick due to its location. It stated, *“Gatwick’s position to the south of London limits its effectiveness as a national freight hub<sup>25</sup>.”* This is consistent with our view that locations which can be accessed from a wide national catchment (whether in the South East or not) are more advantageous than locations in less accessible parts of the South East. We would also consider Gatwick to be a more accessible location than Manston.

### 2.5. Market Position of a Reopened Manston

68. We have argued above that there is no requirement for additional air freighter capacity in the South East, over and above developments already in the pipeline (being consented or planned) at existing airports.

69. However, even if our assessment is incorrect and further capacity is needed in the future, Manston would not be an effective solution.

70. While a re-opened Manston would contribute to overall UK freighter capacity, it clearly would not provide “hub” capacity of the type that is constrained at Heathrow.

- The inability of Manston to achieve more than 43,000 tonnes<sup>26</sup> in any single year in the period from 2000 until its 2014 closure highlights that the capacity provided at Manston was not a suitable substitute for Heathrow freighter capacity.
- In the same way, many other UK airports have material underutilised freighter capacity despite Heathrow constraints.

71. Manston’s geographical location severely restricts its ability to develop into a national dedicated freighter hub. Were Manston airport to be re-opened at some point in future, it would likely be competing directly with East Midlands and Stansted for cargo-only flights. The outlook for the airport in this scenario is poor.

72. Firstly, the location of Manston on a peninsula physically limits the size of its catchment area.

- Within a 3-hour drive, only the South East & East of England, and a small part of the Midlands, are accessible (see Figure 17).
- In comparison, most of England and Wales can be accessed within 3 hours of East Midlands Airport, while Manston’s catchment is essentially a sub-set of the Stansted catchment.
- The case studies of Liege and Leipzig, as well as the strong growth of cargo at East Midlands, indicate the importance of a large catchment area and central location. While these airports attract cargo from an extensive area, they also benefit from strong cargo demand within their immediate catchment.

73. In addition to Manston’s poor geographic location, it is also relatively far from important transport infrastructure. The motorway network is not especially close (the airport is ca. 22 miles from the M2 and 38 miles from the M20). Successful freight airports in the UK and Europe have been shown to be extremely close to the national motorway network, helping to minimise the shipper/consignee to airport transport time<sup>27</sup>.

74. Secondly, there is a consensus<sup>28</sup> in the air freight industry that the ability to handle night flights is critical for many types of air cargo (in particular for express freight, but also for other types of cargo).

- East Midlands and Stansted are both able to accommodate flights 24 hours per day.

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<sup>25</sup> (Airports Commission, 2015, p. 24)

<sup>26</sup> Average ca. 28,000 tonnes/year for the period 2000-2013 (last full year of operation). Source: CAA airport statistics.

<sup>27</sup> For example, East Midlands Airport is within 3 miles of the M1 motorway. Similarly, Stansted is less than 3 miles of the M11 motorway. The Heathrow Cargo Centre is within 3 miles of the M4, ca. 5 miles from the M25 and ca. 8 miles from the M3.

<sup>28</sup> For a typical industry comment on this issue, see paragraph 446

- Both Liege Airport and Leipzig Airport cite the ability to accept night flights, and the support of local government in doing so, as factors in their success.
- It is unclear (in the context of historic restrictions) whether or not night flights would be allowed at Manston Airport were it to reopen. However, it does seem clear that restrictions on night flying would have severe limitations for air cargo potential at the airport.

75. Finally, as noted previously, there is a clear move towards consolidation of freight activity at a few large airports. In order to be successful, Manston would need to reverse this well-established trend. It is not apparent how this could be achieved, even with markedly lower airport charges (which in turn would compromise the financial viability of the airport).

76. Therefore, even if there was a future need for additional airport capacity for freighter activity, Manston is poorly placed in both geographic and potential operational terms to service such a requirement. Other airports are in a much better position to exploit any such future opportunities.

## 2.6. Other Potential Options for New Dedicated Freight Capacity

77. Azimuth concludes that *“Manston is the only real choice for the location of a freight-focused airport in the South East of England<sup>29</sup>”*. As discussed above, we dispute the need for a new freight-focused airport, or that any such airport would need to be located in the South East. If new capacity was needed in the South East, a more central location than Manston’s position on a peninsula would be desirable.

78. Bournemouth Airport is dismissed by Azimuth on account of its location and distance from the motorway network. We agree that these are significant disadvantages but similar issues apply to Manston (with its location arguably even more compromised than Bournemouth).

- From the South West, West London and the Midlands, Bournemouth is generally more accessible than Manston.<sup>30</sup>
- Bournemouth Airport<sup>31</sup> highlights that:

*“With ample room to grow, our thriving cargo facility is expanding to meet the demands of importers and exporters from across the UK. Accommodating a huge variety of freight and passenger aircraft, Bournemouth supports cargo logistics round the clock, with the following benefits: 2271m runway, excellent good weather record, congestion free (with no slot restrictions), experienced in handling many cargo aircraft including the AN-124 Ruslan, ‘Freighter friendly’ airport management.”*

79. As discussed, the South East is not necessarily the best location for new freighter capacity. Outside the South East, Doncaster Sheffield Airport has a central UK location. It markets itself as *“the UK’s Freighter Gateway<sup>32</sup>”*:

*At the centre of the UK with easy access to the M18, M1, A1M, M62 and M180 Doncaster-Sheffield is the ideal airport for freighter operations. DSA is justifiably gaining the reputation as the most effective freighter airport in the UK. The attributes that are delivering this include.... exceptional performance record, 24 hour operation, runway 2,893m x 60m, CAT III, Class “D” controlled airspace, no slot constraints/congestion, Competitive jet fuel prices, short taxiing distances, excellent cargo reception and handling, inclusive pricing, NEQ capacity up to 9,300kg Hotac.”*

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<sup>29</sup> (Azimuth Associates, 2017 a, p. 19)

<sup>30</sup> For example, the following distances have been sourced from Google Maps for the typical fastest routing. Bournemouth Airport to Hounslow: 90 miles, Manston Airport to Hounslow: 103 miles. Bournemouth Airport to Bristol: 70 miles, Manston Airport to Bristol: 201 miles. Bournemouth Airport to Birmingham: 167 miles, Manston Airport to Birmingham: 197 miles.



80. Both these airports are currently operational, and benefit from a large site with a long runway. Doncaster Sheffield operates 24 hours a day, whilst night flights at Bournemouth can be arranged with prior notice.

81. Furthermore, Birmingham and Doncaster Sheffield have longer runways than Manston, with spare capacity to develop freighter activity. Both have superior locations than Manston.

### 2.7. Conclusion

82. It is highly unlikely that a re-opened Manston could play any significant role in serving the needs of the UK air cargo industry. There is currently no shortage of overall capacity, and future demand growth into the long term can be met with planned expansion from the leading cargo airports in the UK.

83. The Azimuth freight forecasts for Manston are summarised below:

- In Year 2 (the first year of freight traffic), tonnage is forecast to be more than double the previous Manston peak annual value.
- By Year 11, freight throughput is forecast at similar tonnage to 2016 Stansted performance. Growth from Year 2 to Year 11 is forecast at CAGR 9.7%.
- By Year 18, Manston is forecast to exceed the 2016 freight tonnage at East Midlands Airport (the largest dedicated freighter hub in the UK).

84. We consider the forecasts to be extremely optimistic, not credible or likely, with negligible supporting evidence.

- Growth in freight at Manston would be unprecedented in a UK market context, and in complete contrast to previous historic performance.
- As discussed previously, we do not expect there to be an overall shortage of freighter capacity in the UK or South East. Even if we are wrong in this assessment, Manston and other smaller airports have shown no signs of benefiting from supposed capacity shortages in recent years. Furthermore, there is demonstrable spare capacity at Stansted and East Midlands, both better established and located.
- The rationale for why Manston will be able to achieve a massive uplift on previous performance is weak. The stated advantages of using Manston were present when the airport struggled to grow freight volumes, despite investment in infrastructure and marketing (the previous owners invested £7m on new aprons and taxiways, increasing the freight capacity to 200,000 tonnes<sup>33</sup> per annum). Lack of Manston capacity was not a factor.
- As well as the forecasts ignoring historic performance, they also do not reflect the very clear market trends towards consolidation of freight at major passenger and dedicated freighter hubs. UK airports outside the major three freight hubs have seen volumes fall. There is also a trend away from freighter services towards bellyhold freight.

85. Manston previously operated as a niche air freight airport. While it could theoretically regain this role in the future, its structural disadvantages (location, lack of critical mass, lack of passenger hub, night flight restrictions etc.) will severely limit its potential. Even if reinvested, relaunched and supported, we would not expect freight volumes to be materially above historic levels, and considerably below the volumes forecast by Azimuth.

86. Finally, the forecast of freighter ATMs is simply not credible.

- By year 20, ca. 17,000 freighter flights are forecast for Manston.

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<sup>33</sup> (Wiggins Group plc, 2002, p. 16)



- This represents one-third of current UK freighter flights, in a market where the number of freighter ATMs has been contracting. This trend has been recognised by the DfT, with its 2017 forecasts to 2050 assuming the number of freighter flights in the UK will remain flat at 2016 levels<sup>34</sup>.
87. In particular, we note that York Aviation's professional opinion<sup>35</sup> is that the capability of Manston Airport is 21,000 annual air cargo aircraft movements. This capacity is more than enough to accommodate any potential a re-opened Manston Airport may have.
88. In paragraph 48, we put forward four questions in relation to RSP's proposals for Manston. These are more relevant and targeted than the broader questions posed by Azimuth in its first report<sup>36</sup>. The answers to our questions have been developed over the course of the Executive Summary of this report. We summarise our conclusions in the table below.

Question	Response
Considering planned airport expansions, will there be a need for further airport capacity in the UK for dedicated freighters?	No, planned expansions at existing airports should comfortably provide sufficient freighter capacity until 2040 and beyond.
Will the South East in particular require additional capacity for dedicated freighters?	No, Stansted is planning significant capacity growth. A third runway at Heathrow will provide additional bellyhold capacity (putting downward pressure on freighter demand). Finally, the South East market can be well served by airports more centrally located in England.
Would a reopened Manston be well placed to effectively serve a significant proportion of the dedicated freighter market?	No, a reopened Manston would only serve a niche role, similar to its historic record. It has a poor location and operating restrictions.
Are there other potential airport options for new dedicated freighter capacity?	Yes, there are many UK airports with excess freighter capacity. For example, Doncaster Sheffield Airport has a central UK location. It markets itself as the UK's freighter gateway. It benefits from a large site with a long runway, and has 24 hour operations.

*Table 1 – Summary of Analysis of Potential Future Freight Role for a Reopened Manston Airport*

89. As can be seen above, when one asks more targeted questions, the outcome is very different to that presented by Azimuth. Our overall conclusion is that the RSP proposals and the Azimuth forecasts are deeply flawed. The outlook put forward by RSP / Azimuth does not reflect market realities. We would expect freight tonnage and freight ATM outturn at a reopened Manston to be considerably below the Azimuth forecasts.

<sup>34</sup> (Department for Transport, 2017a, p. 33)

<sup>35</sup> (York Aviation, 2017)

<sup>36</sup> (Azimuth Associates, 2017 a, p. I)

### 3. Review of Azimuth Reports - Context

#### 3.1. Aims of Azimuth Report

90. This section reviews the first Azimuth report, titled *“Manston Airport: A National and Regional Aviation Asset, Volume I, Demand in the south east of the UK, March 2017”*.

91. The first Azimuth report<sup>37</sup> aims to answer the following questions:

*“Does the UK require additional airport capacity in order to meet its political, economic, and social aims?”*

*Should this additional capacity be located in the South East of England?*

*Can Manston Airport, with investment from RiverOak, relieve pressure on the UK network and meet the requirement of a nationally significant infrastructure project?”*

92. Azimuth concludes that *“the answer to each of the above questions is overwhelmingly yes”*. However, the questions conflate different issues. The first two questions provide poor context for the third question, and are not relevant to RSP’s proposals for Manston.

93. We agree that the UK needs additional airport capacity, and that it should be located in the South East of England. This is not surprising given that:

- In September 2012, the Government asked Howard Davies to chair an independent Commission to identify and recommend options to maintain the UK’s position as Europe’s most important aviation hub<sup>38</sup> (“the Airports Commission”).
- The Airports Commission concluded that *“a new runway in the South East is needed by 2030”*. It also *“concluded that the best answer is to expand Heathrow’s runway capacity”* as *“Gatwick... is unlikely to provide as much of the type of capacity which is most urgently required: long-haul destinations in new markets. Heathrow can provide that capacity most easily and quickly. The benefits are significantly greater, for business passengers, freight operators and the broader economy”*<sup>39</sup>.
- In October 2016, the Government announced that its preferred scheme to meet the need for new airport capacity in the South East was a Northwest runway at Heathrow. This was subsequently confirmed in its revised draft Airports National Policy Statement (“ANPS”), published in October 2017. The ANPS<sup>40</sup> stated that *“The Heathrow Northwest Runway scheme delivers the greatest support for freight. The plans for the scheme include a doubling of freight capacity at the airport.”* The draft ANPS, once ratified by Parliament, will settle the “need” case for the Northwest runway at Heathrow, but no other form of airport development.

94. However, while we agree with the positive response to the first two questions, it does not automatically lead to a “yes” for the third question. The third question covers fundamentally different issues to the first two questions.

95. There are clear distinctions between different types of airport capacity. The Gatwick option would have provided more incremental runway movements than the recommended Heathrow option<sup>41</sup>. However, a key reason for recommending Heathrow was that *“It delivers more substantial economic and strategic benefits than any other shortlisted option, strengthening connectivity...”*<sup>42</sup>

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<sup>37</sup> (Azimuth Associates, 2017 a, p. 1)

<sup>38</sup> (Airports Commission, 2015, p. 37)

<sup>39</sup> (Airports Commission, 2015, p. 4)

<sup>40</sup> (Department for Transport, 2017b, p. 31)

<sup>41</sup> (Airports Commission, 2015, p. 238)

<sup>42</sup> (Airports Commission, 2015, p. 245)

96. RSP is promoting a reopened Manston Airport on the basis of providing capacity for dedicated freighter flights:
- Bellyhold freight comprises ca. 70% of UK freight (see Figure 4), a proportion that has been growing in recent years (see Figure 5). The Azimuth freight forecasts do not assume any bellyhold freight<sup>43</sup>. We agree with this Azimuth assumption, and consider that the development of bellyhold freight at Manston is extremely unlikely.
  - Azimuth forecasts passenger traffic of ca. 1.4 million by the 20<sup>th</sup> year of operation<sup>44</sup>. We consider these forecasts to be optimistic. However, even taking these forecasts at face value, the passenger throughput would represent less than 1% of 2016 passenger traffic at London airports.
97. Therefore, rather than asking “*Can Manston Airport, with investment from RiverOak, relieve pressure on the UK network and meet the requirement of a nationally significant infrastructure project?*”, more relevant, targeted questions would be:
- Considering planned airport expansions, will there be a need for further airport capacity in the UK for dedicated freighters?
  - Will the South East in particular require additional capacity for dedicated freighters?
  - Would a reopened Manston be well placed to effectively serve a significant proportion of the dedicated freighter market?
  - Are there other potential airport options for new dedicated freighter capacity?
98. Over the course of this report, we address each of the sub-questions above in turn (an overview of our analysis is included in the Executive Summary).

### 3.2. Aviation Economic Contribution

99. Azimuth<sup>45</sup> refers to a study by the Centre for Economics and Business Research on the impact on trade of airport capacity shortages. Given the distinctions between different types of airport capacity<sup>46</sup>, general references to the economic impacts of airport capacity shortages have limited relevance. More relevant is whether there is or will be a shortage of airport capacity for dedicated freighter aircraft. In Section 5, we address this issue directly.
100. On a similar basis, references to a European shortage of runway capacity<sup>47</sup> in Paragraph 2.2.2 are too general to be meaningful in the context of Manston Airport. Additional capacity can only contribute to alleviating shortages if it is the right type of capacity and in the right location.

### 3.3. RSP Vision for Manston Airport

101. The RSP vision for Manston Airport<sup>48</sup> also creates misconceptions. The Azimuth report states the vision is “*To revive Manston as a successful freight-focused airport*”. This implies Manston was previously a successful freight airport. In analysing this, the following points are particularly relevant:
- Its throughput has never exceeded ca. 43,000 tonnes or more than 2.0% UK market share in a single year.
  - The airport was also chronically loss making, with major operating losses each year from 2006 until its closure (period of data availability).

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<sup>43</sup> (Azimuth Associates, 2017 c, p. 11)

<sup>44</sup> (Azimuth Associates, 2017 c, p. 16)

<sup>45</sup> (Azimuth Associates, 2017 a, p. 5)

<sup>46</sup> Passenger hub capacity, other hub capacity, freighter hub capacity, other freighter capacity, geographic location of capacity relative to demand etc.

<sup>47</sup> (Azimuth Associates, 2017 a, p. 5)

<sup>48</sup> (Azimuth Associates, 2017 a, p. 1)

- The historic volumes and financial performance clearly indicates that Manston Airport was not a viable financial proposition, despite considerable investment in freight capacity.

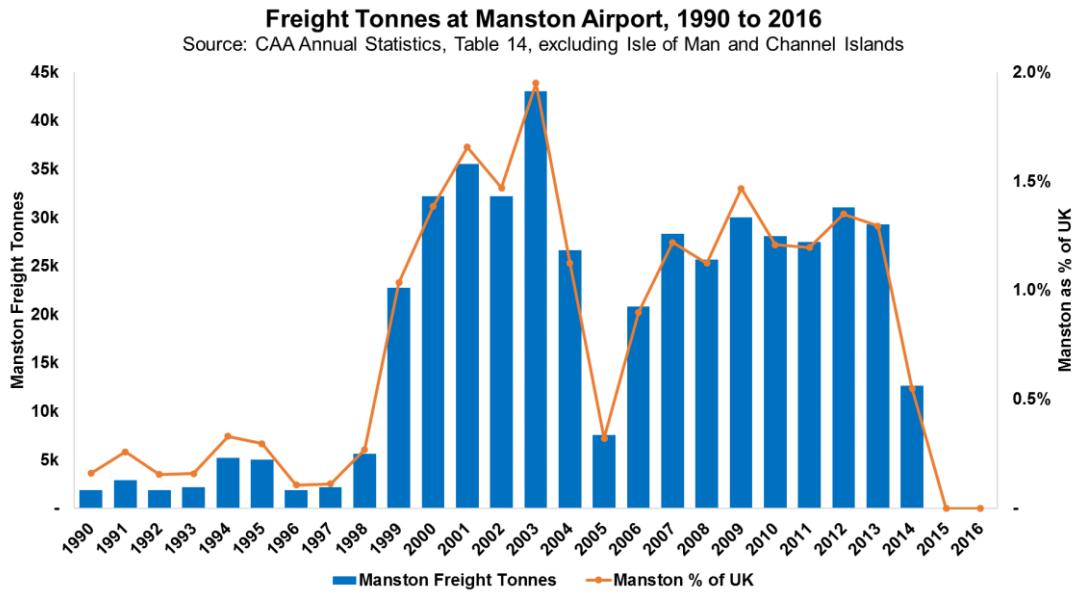


Figure 1 - Manston Airport Freight Tonnes 1990-2016

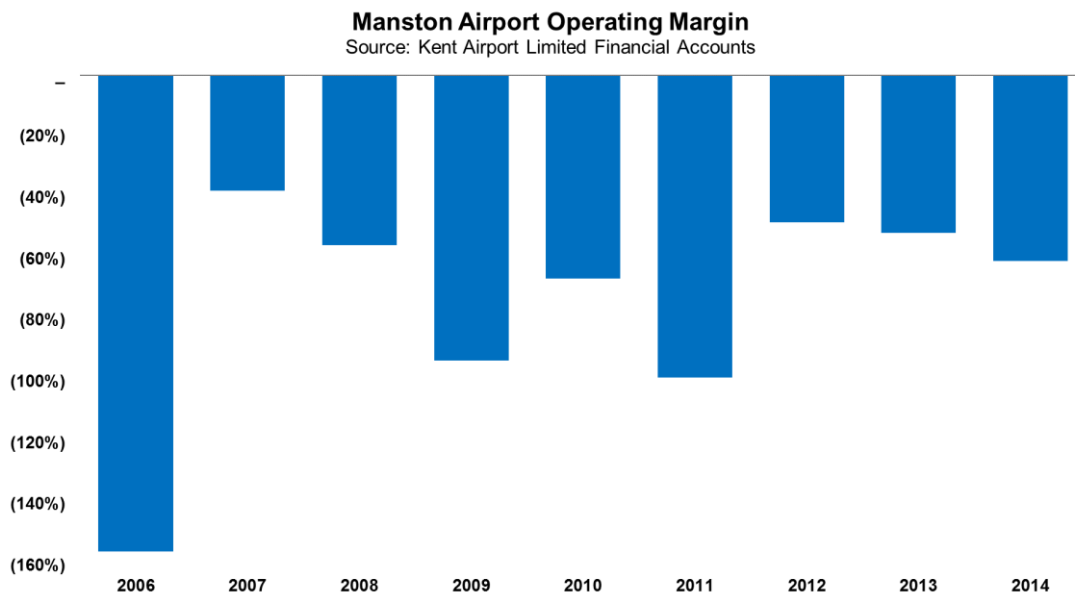


Figure 2 - Manston Airport Operating Margin (Operating Profit / Revenue) 2006-2014

102. As part of the RSP vision, it is stated that *“The only cargo hubs in the UK are East Midlands and Stansted airports, both of which focus on the integrator market. The UK needs a new hub for dedicated freighters, providing them with rapid turnaround times and the specialist security clearing ability that is currently absent at other UK airports.”*
- This description ignores Heathrow, which accounted for ca. 65% of all UK freight in 2016. It also implies, without foundation, that the focus on integrators at East Midlands and Stansted is incompatible with dedicated freighter provision.
  - Furthermore, no evidence is presented to support the assertion that other UK airports are unable (either now or in the future) to support rapid turnaround times or possess specialist security clearing ability.
103. The reported vision also comments that *“The ideal location for this is close to the main market in the South East. RiverOak’s long-term plan is to integrate Manston into the UK’s airport network, effectively providing Heathrow with its fourth runway primarily dedicated to freighter cargo.”*
- We highlight in paragraph 219 that the surface catchment area for freight is very wide, and there is no requirement for additional airport capacity for freight to be located in the South East specifically.
  - The comment about Manston acting as a fourth runway for Heathrow is evidently untenable. Manston is ca. 100 miles from Heathrow, a similar distance as Birmingham Airport. Heathrow’s existing two runways recorded ca. 473,000 air transport movements in 2016<sup>49</sup> (ca. 236,500 per runway), whereas Manston has never achieved more than 5,000 commercial air transport flights (passenger, cargo, air taxi combined) in a single year in the period since 2000.

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<sup>49</sup> CAA Airport Statistics

## 4. Development of the UK Air Cargo Industry

### 4.1. Introduction

104. This section provides an overview of the development of the air cargo sector in the UK. The aim of this section is to highlight the key trends and the characteristics of the main airport players.
105. This analysis is then referenced in the following sections when considering the future outlook for the sector, and the role a reopened Manston could conceivably play.

### 4.2. UK Air Freight Development Since 1990

106. Since 1990, the UK air freight market can be divided into two distinct periods based on the growth trends seen. The period 1990-2000 was generally one of strong growth, with CAGR of 6.9% and positive annual growth in 9 of 10 years. In contrast, the period since then (2000-2016) has been one of stagnation (CAGR 0.2%, positive annual growth in only 8 of 16 years).
107. The 11th September terrorist attack in 2001, and the global financial crisis in 2008-09 coincided with particularly poor years for the UK air freight market.
108. In 2016, 2.4m tonnes of freight tonnes was handled at UK airports. This is the first year the previous 2004 peak was (slightly) exceeded.

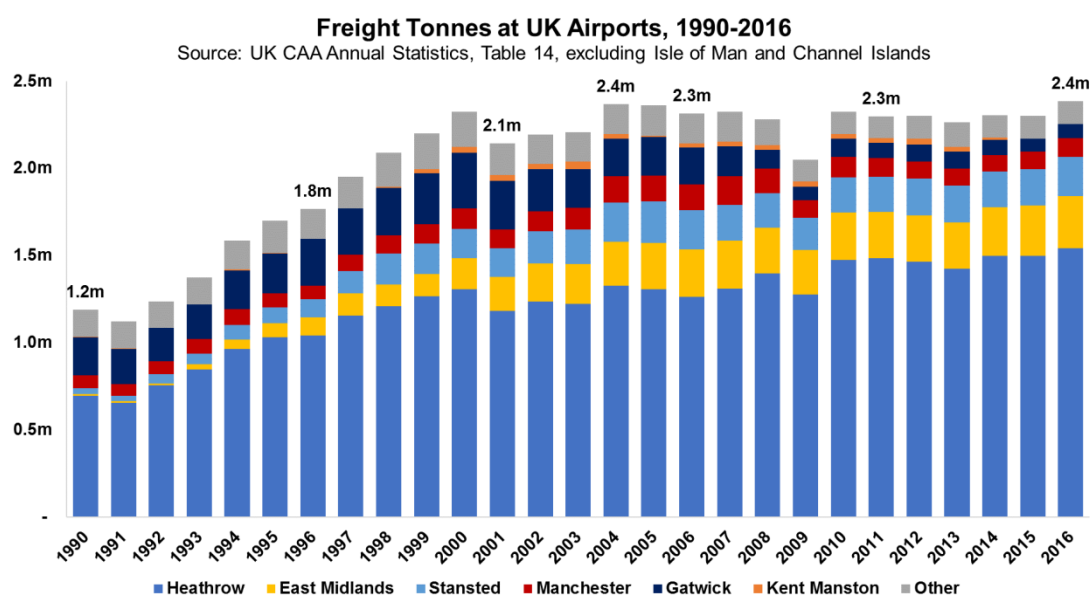


Figure 3 – Timeseries of UK freight tonnage

109. Heathrow is the airport in the UK that handles the most air freight. It has occupied this position through the entirety of the period 1990-2016. This is despite having constrained capacity (on the number of aircraft movements) through much of the period. In 2016 the airport achieved a market share of 64.6%.
110. East Midlands and Stansted are now the second and third largest airports for air freight in the UK. It has taken these airports 20+ years to reach this level, having grown from a very low market share in 1990. They had a 2016 market share of 12.6% and 9.4% respectively.
111. Manchester is the fourth largest UK airport for air freight. Note that it has grown very slowly, and continues to do so (1990-2016 CAGR of 1.6%, compared to 2.8% for UK airports excluding Manchester; 2011-2016 CAGR of 0.25%, compared to 0.77% for UK airports excluding Manchester).
112. In 2016 Gatwick was only the 5th largest UK air freight airport, having been clearly second-largest until ca. 2000.

113. Between them, these 5 airports accounted for ca. 95% of all UK air freight handled in 2016 (up from 87% in 1990).

114. Note that at no time in the period since 1990 has Manston played a significant part in the UK air freight market. Its share peaked at 2.0% in 2003, and in the 5 full years prior to its closure in 2014 (2009-13), it had an average share of 1.3%. The number of cargo ATMs only exceeded 1,000/year on a single occasion since 2000 (1,081 in 2003), averaging 462/year in the 2009-13 period (see Section 4.11).

### 4.3. UK Freighter versus Bellyhold Mix

115. At the top 5 airports in the UK, there are two distinctly different models of freight operation in place. At East Midlands and Stansted, virtually all freight is carried on cargo only aircraft (the low-cost carriers that operate passenger flights from these airports do not currently handle freight).

116. In contrast, at Heathrow, Manchester and Gatwick, less than 10% of freight is carried on cargo only aircraft (5.4%, 9.2% and 0.0% respectively).

- Overall, 29.7% of UK air freight in 2016 was carried on cargo only aircraft, with 70.3% carried in the bellyhold of passenger aircraft.

117. Despite Heathrow's low *proportion* of freight carried on cargo only aircraft, it continues to handle a significant share of the total UK freight carried on cargo aircraft<sup>50</sup>.

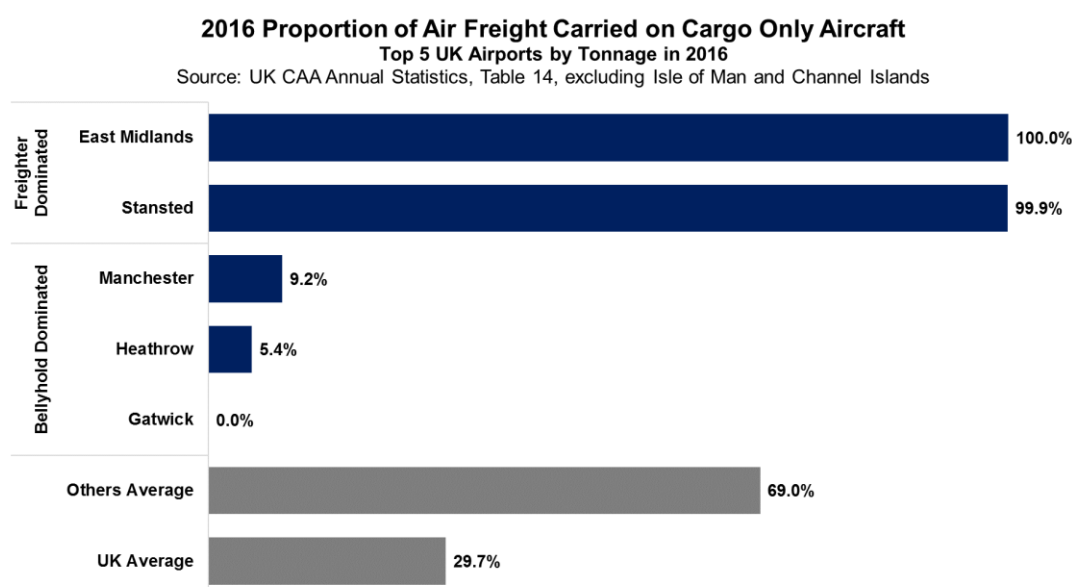


Figure 4 – Freighter/Bellyhold split at selected UK airports

<sup>50</sup> In 2016, Heathrow handled 12% of all UK freight carried on cargo only aircraft (a share it has broadly maintained since 2003).

118. Freight carried on all-cargo aircraft peaked in 2004, and has fallen significantly since while bellyhold freight has generally been growing. This is consistent with global trends highlighted in the appendix (Section 11.3) of this report.

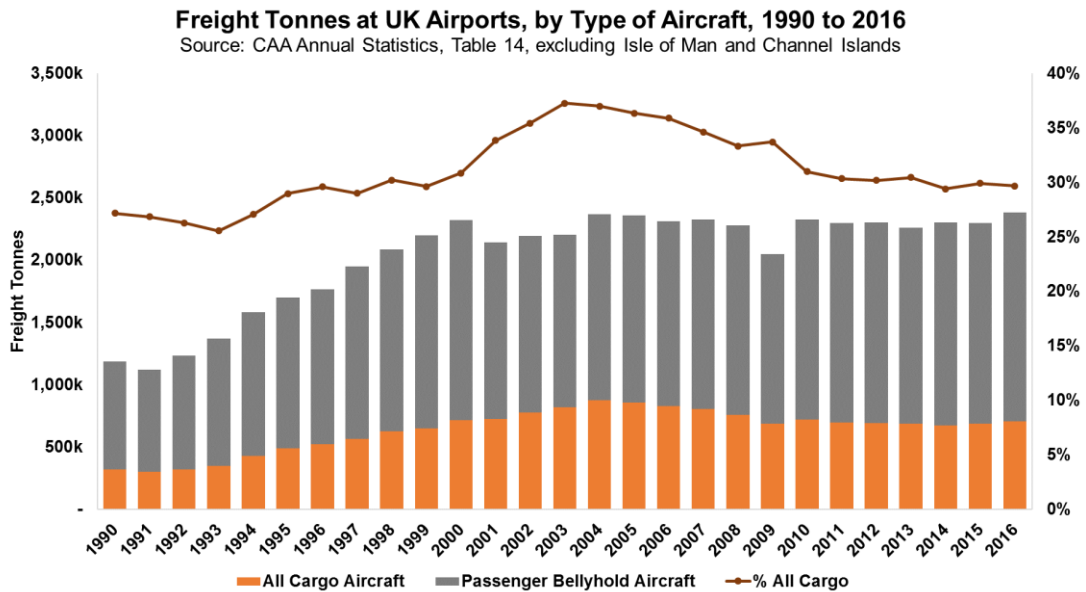


Figure 5 – Split of UK air freight between bellyhold and dedicated freighter aircraft

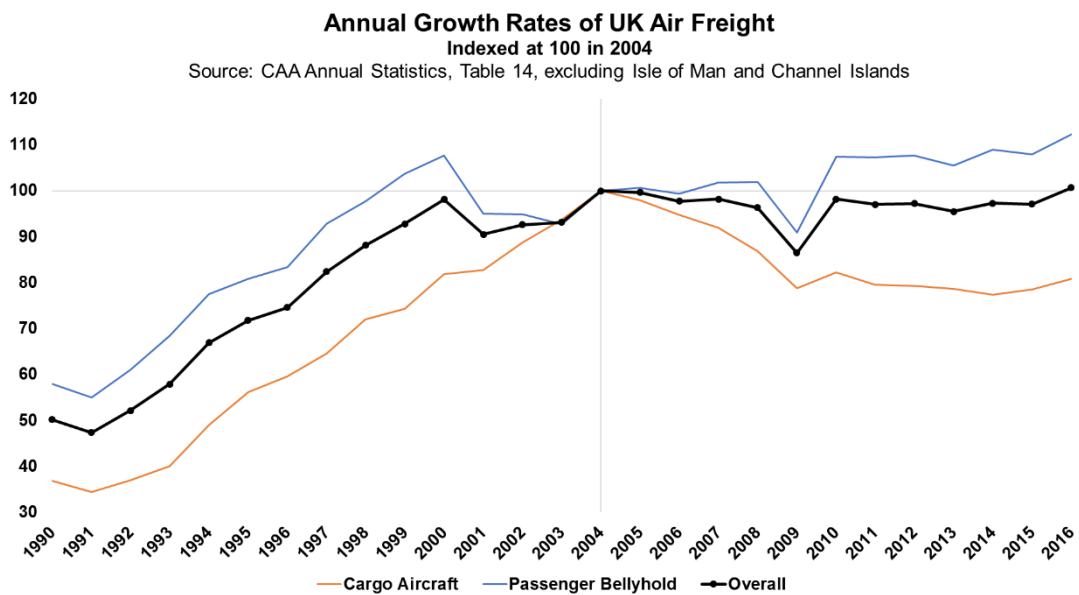


Figure 6 – Annual growth rates of UK freight



#### 4.4. UK Freight on Cargo Only Aircraft

##### Airport Consolidation

119. In 1990, there were many UK airports from which carriers operated cargo only flights. Since then, there has been a very clear trend to consolidate cargo only operations at a few airports. In 2016, the three largest airports for freight (carried on cargo only aircraft) accounted for 86% of this UK market, up from 41% in 1990.

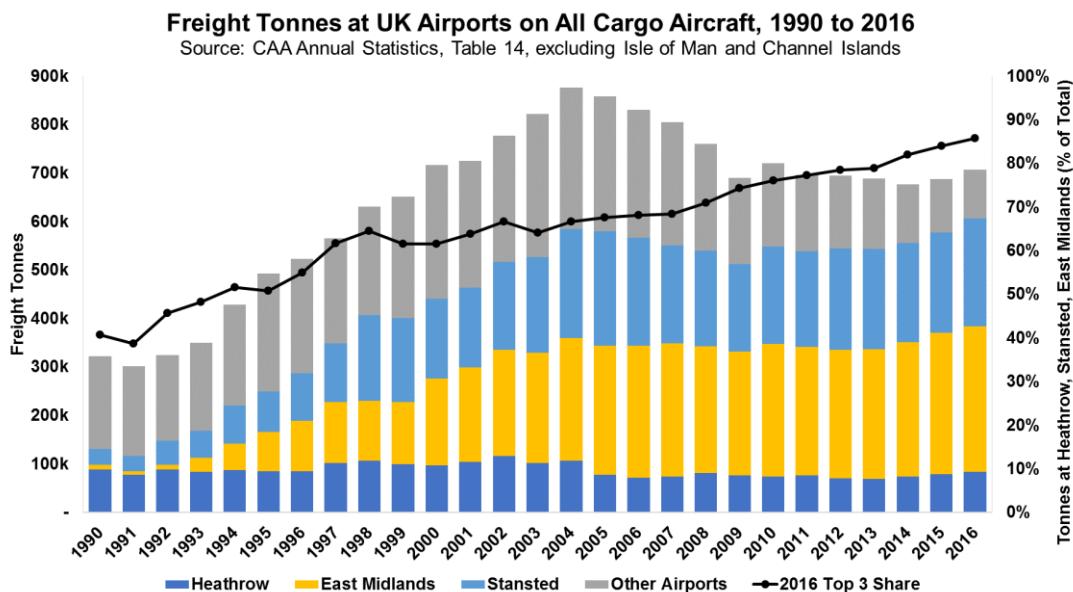


Figure 7 – Timeseries of UK freight on cargo-only aircraft

120. Historically, the following four airports have all been highly ranked in the UK for freight on cargo aircraft:

- Liverpool #5 in 1996 (peak tonnage in 1995, ca. 30,000 tonnes).
- Belfast International #4 in 2015 (ca. 38,000 tonnes in 2006).
- Prestwick #4 in 2001 (ca. 43,000 tonnes in 2001).
- Manston #4 in 2013 (ca. 43,000 tonnes in 2003).

121. However, by 2016 total freight on cargo aircraft across these airports was less than 20,000 tonnes (with Manston having shut completely).

**Freight Tonnes at Selected UK Airports on All Cargo Aircraft, 1990 to 2016**

Source: CAA Annual Statistics, Table 14, excluding Isle of Man and Channel Islands

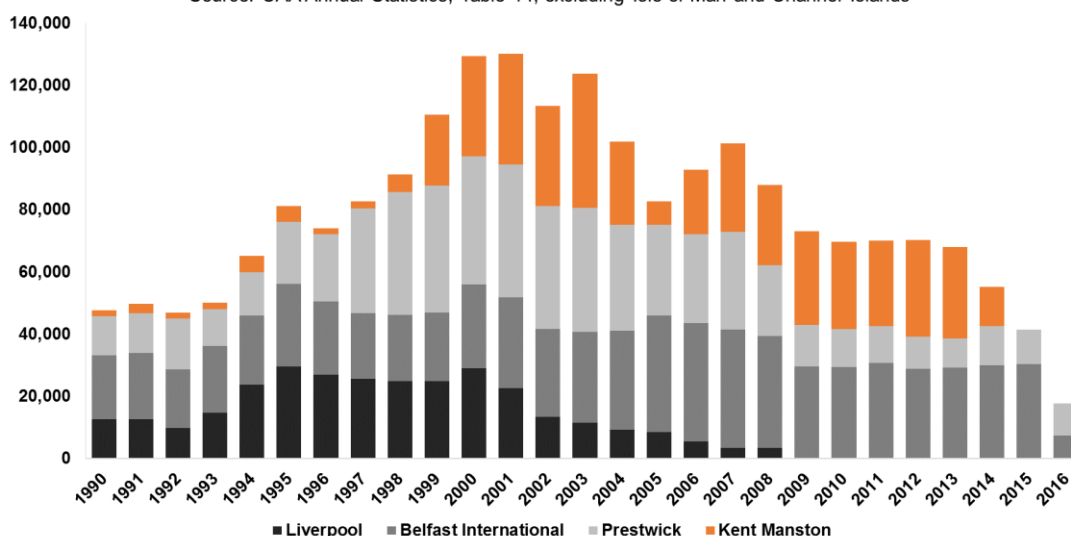


Figure 8 – Reduction of freight on cargo-only aircraft at selected airports

122. Note that none of the airports above has material capacity constraints. The trend towards consolidation of freight at a few airports is driven by cost efficiencies. It has resulted in airports which previously had significant freight volumes on all-cargo aircraft seeing their share of the market shrink/disappear.
123. In fact, of the 16 airports with more than 1,000 tonnes of freight on cargo aircraft in 1990, only 3 had higher equivalent freight volumes by 2016 (East Midlands: +290,000 tonnes, Stansted: +191,000, Luton: +4,000 tonnes, other 13 airports combined: -134,000 tonnes).
124. A similar trend can be seen when analysing the number of cargo aircraft movements; there is a sharp reduction in freighter flights from airports outside the “big three” of Heathrow, Stansted and East Midlands.
  - Total freighter flights from other airports fell by almost 75% between 2000 and 2016 (from ca. 74,000 to ca. 19,000). Birmingham is the only significant cargo airport in this category that managed any meaningful growth in cargo ATMs (from 497 in 2000 to 1,184 in 2016).
  - The number of freighter flights from the top 3 airports (Heathrow, East Midlands and Stansted) has varied relatively little over the same period.

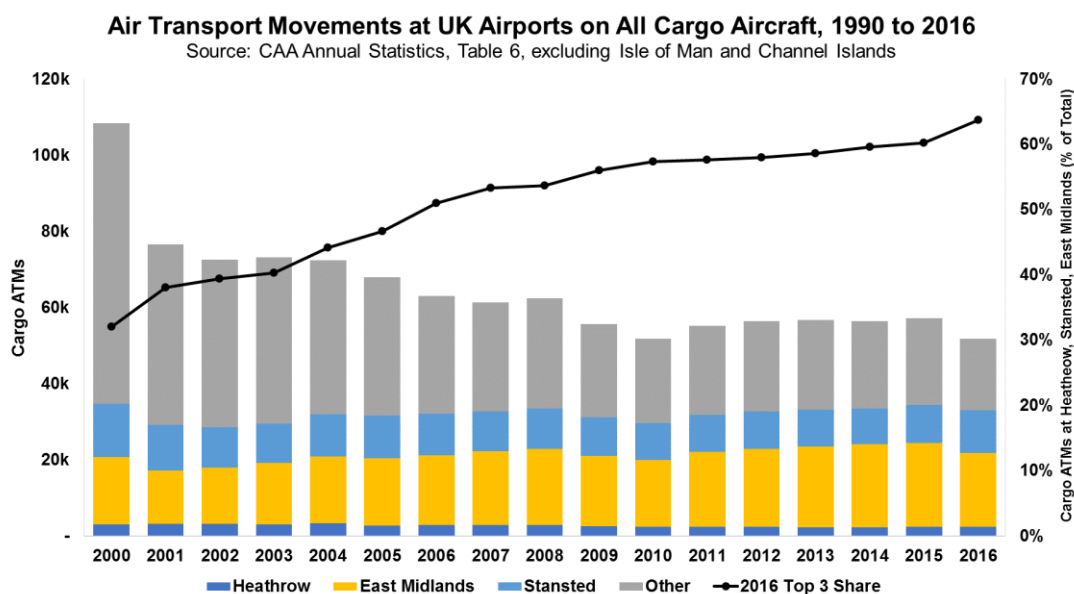


Figure 9 – Consolidation of freight on cargo-only aircraft at Heathrow, East Midlands and Stansted

125. Note that the decline in freighter movements has generally occurred at airports with limited infrastructure constraints. This indicates that airport capacity issues are not the main driver for the reduction in freighter flights at UK airports.
126. The Azimuth cargo ATM forecasts for Manston exceed 17,000 by year 20 (see Figure 25). This forecast should be seen in the following context:
- The most recent (2017) Department for Transport forecasts to 2050 assume the number of freighter flights in the UK will remain flat at 2016 levels<sup>51</sup>.
  - The Manston cargo ATM forecast is equivalent to 33% of the 2016 UK cargo ATM total, and over 80% of 2016 UK cargo ATMs if the two dedicated freighter hubs (East Midlands and Stansted) are excluded.
  - After East Midlands and Stansted, Edinburgh is the next largest UK airport in terms of cargo ATMs, with 5,195 flights in 2016 (less than one-third of the projected Manston level in year 20).
  - Since 2001, East Midlands and Stansted are the only UK airports to surpass 10,000 cargo ATMS in any single year.

<sup>51</sup> (Department for Transport, 2017a, p. 33)

Cargo-only Growth at a Regional Level

- 127. The change over time in the volume of freight carried on cargo only aircraft differs significantly by UK region. This is at least partially due to the locations of the larger airports at which freight has tended to consolidate since 2003.
- 128. For example, freight on dedicated cargo aircraft has grown substantially in the Midlands region, where East Midlands Airport has steadily developed into a major base for cargo only operations (in particular, express cargo). In contrast, freight on dedicated cargo aircraft has fallen in recent years in both the South East & East of England region and the Other UK regions.

**Freight Tonnes at UK Airports on All Cargo Aircraft, 1990 to 2016**

Source: CAA Annual Statistics, Table 14, excluding Isle of Man and Channel Islands

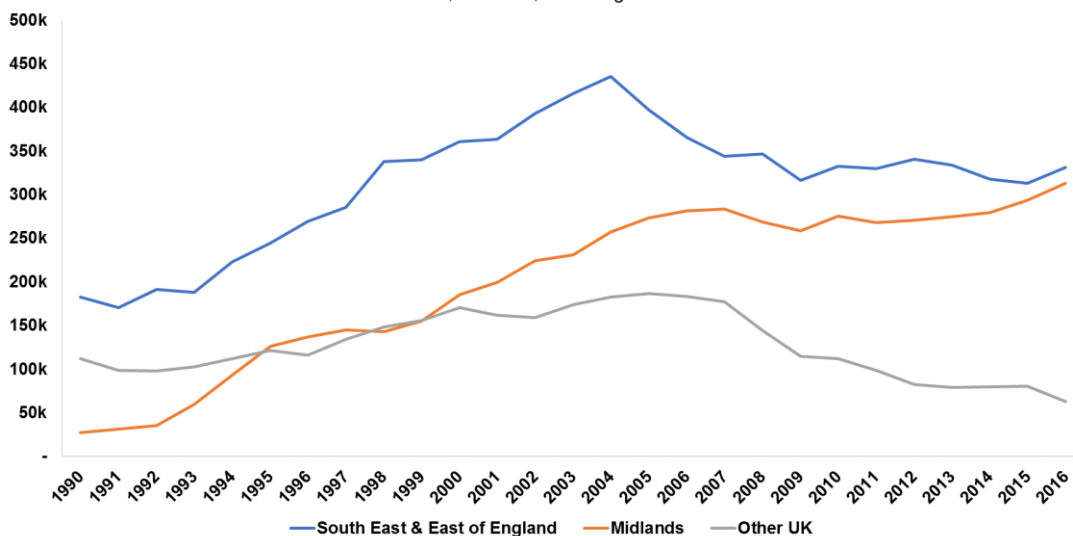


Figure 10 – Breakdown of UK freight on cargo-only aircraft, by region.

- 129. This reduction in freight on dedicated cargo aircraft in the South East & East region is sometimes attributed to shortage of suitable airport capacity. However, this does not explain the similar decline seen in the Other UK regions. Nor does it explain why this decline has not continued at the South East & East of England region airports through the period 2009-16 (through which the same constraints existed, and the decline continued at Other UK regional airports).

#### 4.5. UK Bellyhold Freight

130. Heathrow handled 87% of all UK bellyhold freight in 2016. Manchester and Gatwick are the only other airports with significant bellyhold freight; in 2016, they had bellyhold market share of 5.9% and 4.7% respectively. These three airports have been the largest three airports for bellyhold freight since 1990, and have held a bellyhold market share of 96-98% over this period.

131. Heathrow dominates this segment as a result of its extensive long-haul network operated by wide body aircraft, which have significant cargo capacity. Freight tonnage on passenger aircraft has continued to grow at Heathrow (CAGR 2006-16 2.0%) despite the airport effectively operating at full runway capacity.

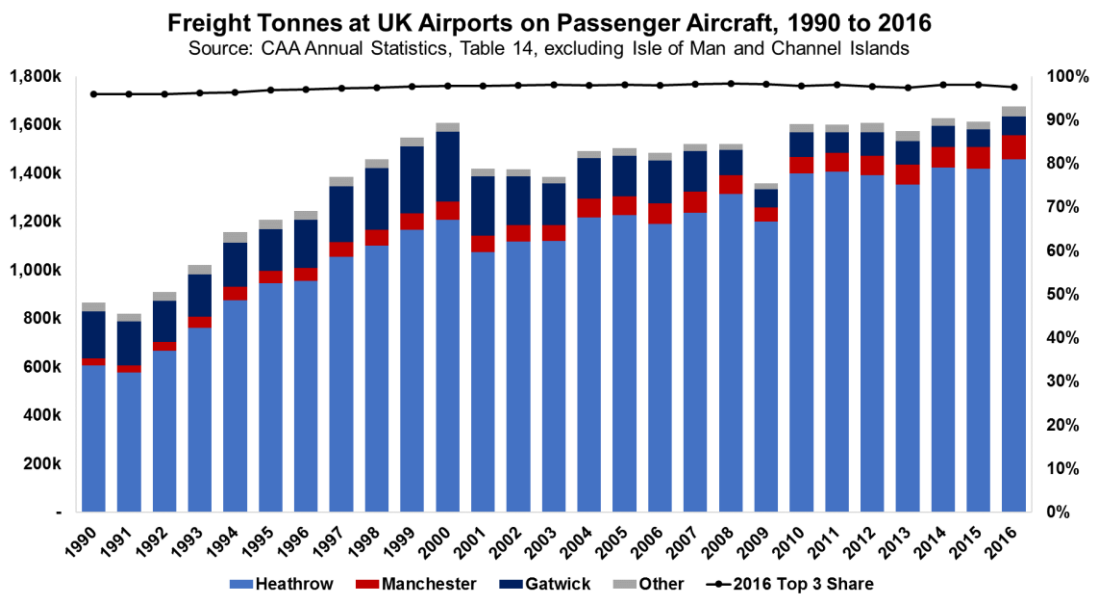


Figure 11 - Timeseries of UK freight on passenger aircraft

**4.6. UK Air Mail**

- 132. Mail is a relatively minor component of overall UK air cargo (ca. 200,000 tonnes in 2016 compared to 2.4m tonnes of air freight). For completeness, we include a brief overview of the UK air mail sector.
- 133. While volumes have fluctuated year on year, there has been no sign of sustained growth since the turn of the century (consistent with the widespread adoption of electronic communications).
- 134. As with air freight, air mail is concentrated on a small number of airports (Heathrow, East Midlands, Stansted, Edinburgh), with similar consolidation trends. Royal Mail has focussed on a small number of airports for night mail flights.

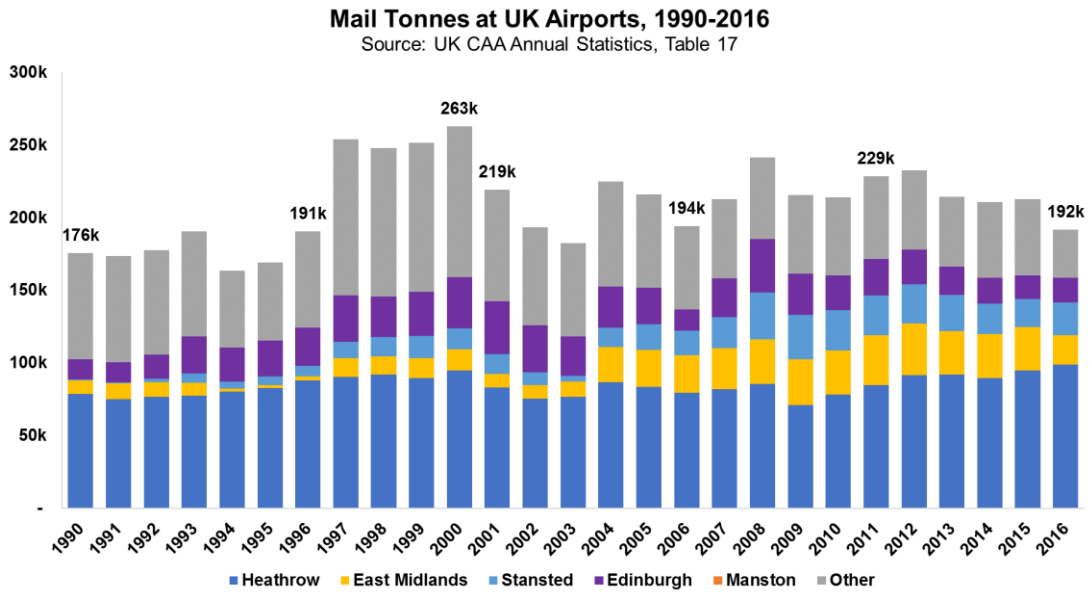


Figure 12 – Timeseries of UK Mail tonnage

#### 4.7. Heathrow

135. As previously noted, Heathrow is the largest freight airport in the UK by some margin (as well as the largest passenger airport and only major passenger hub). It dominates the UK bellyhold segment and has a significant share of UK freight carried on dedicated freighters<sup>52</sup>.
136. Despite operating very close to its air transport movement (ATM) limit for a number of years, Heathrow has managed to grow the volume of freight it handles faster than the overall UK market. It has had a higher annual growth rate than the average of other airports in the UK in 7 of 11 years over the period 2006-16, and also has a higher CAGR over that period (+2.0% compared to -2.2% at other UK airports).
137. It is likely that Heathrow cargo capacity has also been increasing through the adjustment of its mix of aircraft. There are two aspects to this:
- An increase in the proportion of ATMs allocated to widebody long haul flights, instead of narrow-body short-haul flights;
  - The tendency for new long haul aircraft types (with the notable exception of the A380) to have more space for cargo than previous models.
138. We analyse each of the above factors in turn in the following paragraphs.

##### Widebody Share of Overall Flights

139. Data from OAG shows that the widebody share of Heathrow annual ATMs has risen from 34.0% in 2007 to 38.8% in 2017. Only two years in the ten-year period 2007-17 have seen this proportion fall. The airport stated in 2016 that *"fleet size at Heathrow has not fully matured and there is further potential to upsize / densify"*<sup>53</sup>.

##### Cargo Capacity for Newer Aircraft Types

140. In general, older aircraft types have a lower cargo capacity than their newer equivalents. Of the older aircraft, the B747-400 is the most common in the UK. Likely replacements for this aircraft all have significantly higher cargo volume (given the payload available, volume is likely to be the constraining factor in the majority of markets to/from the UK). For example, the B777-9X has indicative cargo capacity of 109m<sup>3</sup> compared to just 71m<sup>3</sup> for the B747-400.
141. Further, industry sources reinforce the view that newer aircraft have a beneficial impact on cargo capacity. For example, American Airlines has commented:
- "The introduction of the 787-9 brings another more fuel-efficient aircraft type with even greater cargo capacity into the American Airlines fleet.... On routes where we operate the aircraft, our cargo customers will see notable capacity improvements"*<sup>54</sup>
142. An exception to the trend for newer aircraft to have more cargo capacity is the A380, which has less cargo capacity than a B747. However, there are no indications that there will be any material increase in the prevalence of this aircraft in the UK<sup>55</sup>.
143. Further analysis is provided in the appendices (see Section 13.1).

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<sup>52</sup> The number of cargo ATMs operated at Heathrow is fairly low (ca. 2,500 in 2016) but average loads are high.

<sup>53</sup> (Heathrow Airport, 2016a, p. 8)

<sup>54</sup> (Vance, 2016)

<sup>55</sup> See Section 13.2 in appendix

144. The following charts, based on UK CAA data, shows that Heathrow has generally been successful at increasing its average freight tonnage per ATM, helping to maintain growth despite operating near its ATM limit.

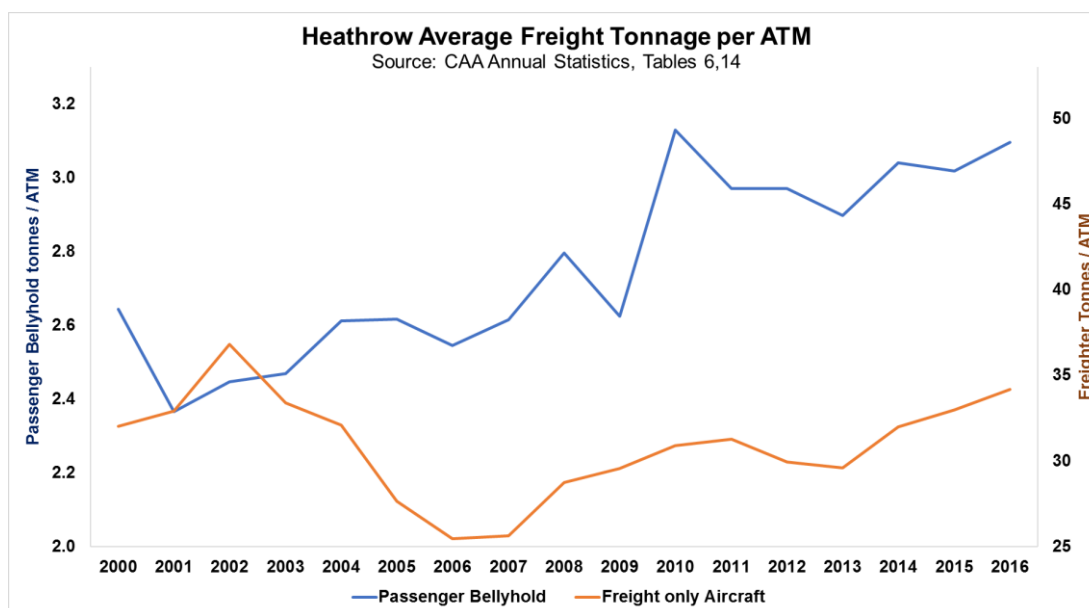


Figure 13 – Change over time of average tonnage per ATM at Heathrow

#### 4.8. East Midlands

145. East Midlands Airport has a significant freighter operation. Since 2000, it has been the largest airport in the UK for cargo-only operations by tonnage handled (circa 300,000 tonnes of freight and ca. 20,000 tonnes of mail in 2016). The number of cargo ATMs in 2016 was ca. 19,000.
146. Almost all the freight handled by the airport is carried on cargo-only aircraft<sup>56</sup>. Bellyhold freight represents a tiny minority of tonnage at the airport, as most passenger flights are operated by low-cost carriers, which do not currently carry freight.
147. The type of freight handled at East Midlands Airport is predominately express cargo, a sector of the air freight market that has shown strong growth over the past decade. East Midlands is also a significant mail handling airport in the UK<sup>57</sup>. The airport states:

*“DHL is the largest operator with services to key hubs in the USA and in Europe. UPS also link to their hubs in the USA and Europe and TNT have a smaller operation with a link to Europe”<sup>56</sup>*

148. Several of these integrators have invested significantly in operations at East Midlands Airport. For example, DHL invested £90m on infrastructure at East Midlands Airport in 2014<sup>58</sup>.
149. The appeal of East Midlands Airport to the integrators is linked to the airport’s location in the centre of England, where it is well placed to serve the whole of the UK. The ability to operate night flights is a key advantage. The airport states:

*“The express freight operators provide an international next-day delivery service. This relies on the excellent surface access connectivity (90% of England and Wales is within a 4*

<sup>56</sup> (East Midlands Airport, 2015, p. 57)

<sup>57</sup> (East Midlands Airport, 2015, p. 16)

<sup>58</sup> (DHL, 2014)



*hour (55mph) truck drive away from East Midlands Airport) along with the ability to operate aircraft at night<sup>57</sup>*

150. For express freight in particular, it is important to minimise trucking time between the shipper/consignee and the airport. As such, the location of an airport relative to warehouse locations is important. The map below highlights locations of large warehouse facilities in the UK<sup>59</sup>. A large number are seen to be near to East Midlands Airport, or on the motorway network with quick access to East Midlands Airport.

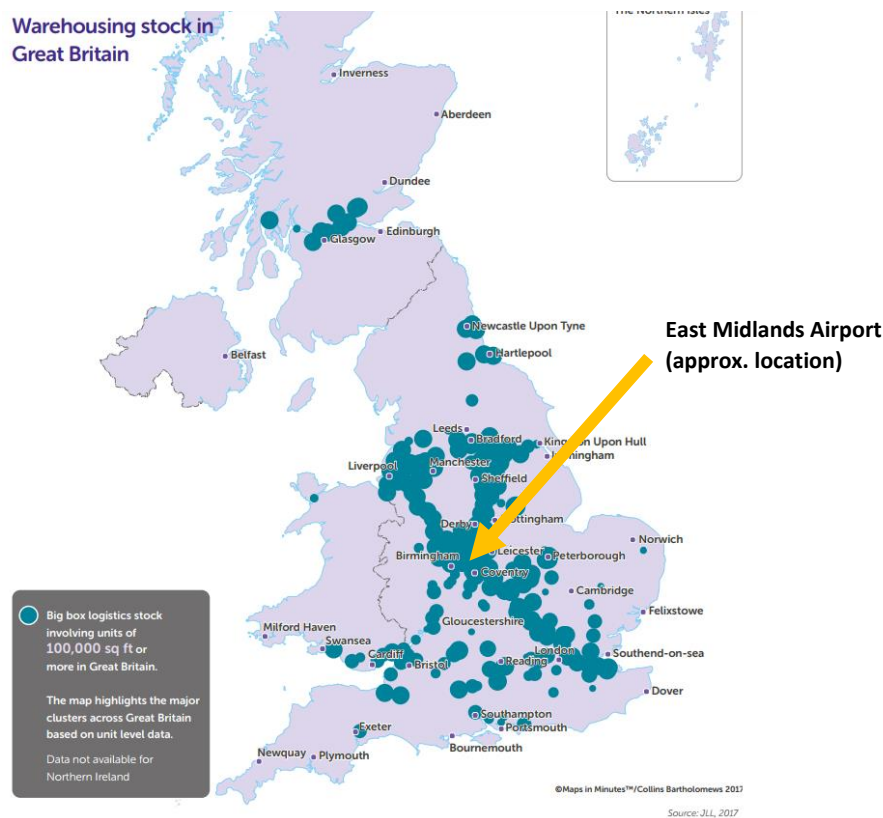


Figure 14 – Locations of large warehousing units in the UK, Source: Freight Transport Association

151. Regarding accessibility of the airport, East Midlands Airport states:

*“There are in the region of 500 HGV movements to and from East Midlands Airport every day. However because of the nature of the freight hubs at East Midlands Airport, with pure-freight aircraft flying overnight, the vast majority of these vehicle movements take place very late at night (normally after 9pm) and very early in the morning (between 2am and 5am) and as such have no impact on peak motorway traffic levels<sup>57</sup>”*

152. This pattern of utilisation fits with the airport’s traffic being weighted heavily toward express freight. By implication, we can say that the vast majority of truck movements to/from East Midlands are not impacted by peak motorway traffic levels (as they are not using the motorway network at these times).
153. The “East Midlands Gateway”, a project consisting of new warehousing and a rail freight station, is currently in development at a site next to East Midlands Airport. It is planned that the first warehouses will be occupied by September 2018. Construction of the rail station is due to begin after December 2019<sup>60</sup>.

<sup>59</sup> (Freight Transport Association, 2017, p. 74)

154. The importance of night flights to express freight has been stated before in this document, and is emphasised again by the breakdown of East Midlands ATMs, showing that ca. 64% of cargo ATMs in 2014 were at night (17,029 of 26,681)<sup>61</sup>.

### 4.9. Stansted

155. Stansted has developed to become the main airport in South East & East region for freight on all cargo aircraft. It handled ca. 223,000 tonnes of freight in 2016, with further ca. 23,000 tonnes of mail (the number of cargo ATMs in 2016 was ca. 11,000). Amongst the London airports, it handled the highest volume of dedicated freighter traffic, and was also *“the most significant hub for express freight”*<sup>62</sup>.

156. On express freight, the airport adds: *“The airport’s express freight market, anchored by key operators such as FedEx and UPS, is the second biggest in the UK”*<sup>62</sup> (behind East Midlands Airport). TNT and around ten other companies also operate weekly services from the airport.

### 4.10. Others (excluding Manston)

157. Other airports that are significant for freight in the UK are Manchester, Gatwick and Birmingham. Together with the three airports discussed above, they accounted for 96% of UK air freight (by tonnage) in 2016. As an airport in the south of the country, Gatwick is worthy of more detailed examination.

#### Gatwick

158. In 2016, Gatwick handled 3% of the UK’s air freight (ca. 80,000 tonnes). This was all in the bellyhold of passenger aircraft. However, it has previously had a share of the UK market as large as 18.5% (in 1990).

159. The proportion of Gatwick freight carried on cargo-only aircraft was between 6% and 25% over 1990-2006. In 2007, freighter share at Gatwick dropped to 1.4%, before falling close to 0% from 2012 onwards.

160. In 2008, a revised air traffic rights agreement between the UK and the USA meant that a significant number of long-haul UK-US operations switched from Gatwick to Heathrow. The loss of widebody capacity at Gatwick saw bellyhold freight fall by ca. 40% in 2008. It remained around the 2008 level in 2016.

161. Gatwick is operating reasonably close to its ATM capacity. This limits the growth potential for freight through additional passenger or freighter flights.

162. As of 2017, fewer than 10% of existing ATMs at Gatwick are used by widebody aircraft<sup>63</sup>. Thus, there is significant scope for Gatwick to increase its cargo capacity by increasing the share of widebody aircraft using the airport. To some extent this will happen naturally as passenger demand increases. Widebody share has risen in every year since 2014 (from 7.3% in 2014, to 9.4% in 2017<sup>63</sup>).

163. On routes where widebody capacity is in place at Gatwick, there is every indication that demand for freight is at least as strong as its closest competitor Heathrow; Gatwick Airport cites examples such as Emirates, Continental and Delta achieving *higher* freight tonnage per ATM at Gatwick than at Heathrow<sup>64</sup>.

164. Freight volumes at Gatwick have grown strongly in 2016 and 2017 so far. This is driven by the rapid expansion of long haul routes by a number of airlines, including Norwegian, British Airways, Cathay Pacific and WestJet. We would expect this trend to continue as more slots are deployed for long haul flights, increasing bellyhold freight capacity.

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<sup>61</sup> (East Midlands Airport, 2015, p. 111)

<sup>62</sup> (Stansted Airport, 2015b, p. 6)

<sup>63</sup> (OAG)

<sup>64</sup> (Gatwick Airport, 2015)

### 4.1.1. Manston

#### Historic Freight

165. Freight at Manston has accounted for an average of 0.8% of the UK total in the period 1990-2014 (prior to closure). Its peak share of the UK market occurred in 2003, when it reached 2.0%.

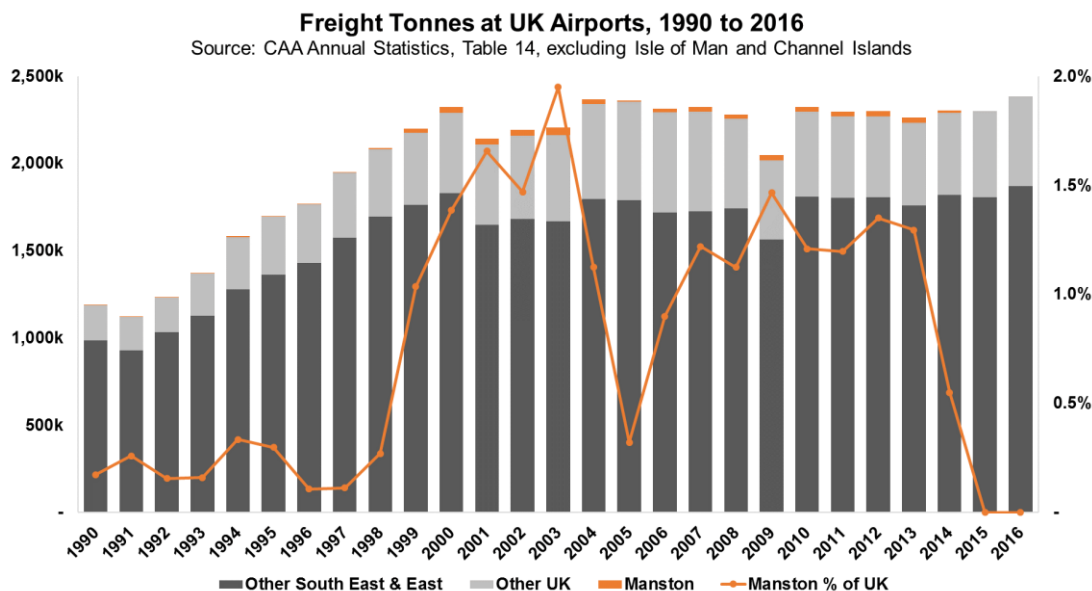


Figure 15 – Timeseries of UK freight, including that handled at Manston

166. The total number of cargo air transport movements at Manston averaged ca. 550 per year in the period 2000-14. This is equivalent to less than one aircraft rotation per day on average (peak year in 2003 was 1.5 rotations per day). Manston’s share of UK cargo ATMs briefly peaked at 1.5% in 2003. In every year since 2005, Manston cargo ATMs have accounted for less than 1% of the UK total.

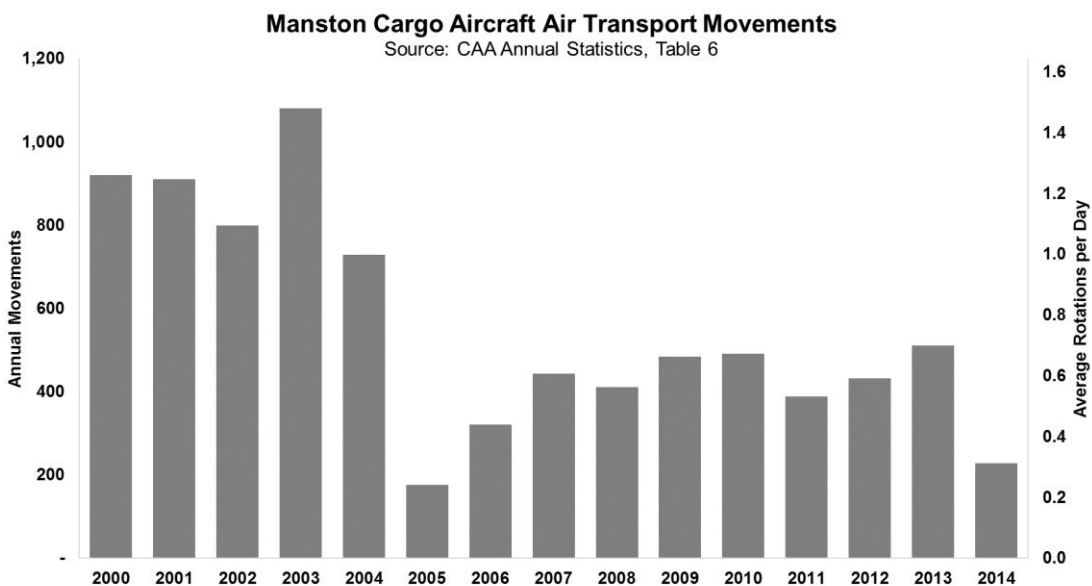


Figure 16 – Manston cargo-only aircraft movements

167. The hypothesis has been put forward that Manston previously was unsuccessful as it lacked the infrastructure to handle additional flights. However, with a peak of 1.5 rotations<sup>65</sup> per day, it seems certain that higher numbers of flights per day could have been handled if market demand was there.
168. As noted previously, the previous owners invested £7m on new aprons and taxiways, increasing the freight capacity to 200,000 tonnes<sup>66</sup>

### Competitiveness of a Reopened Manston

169. Were Manston airport to be re-opened at some point in the future, it would likely be competing directly with East Midlands and Stansted for cargo-only flights. The outlook for the airport in this scenario is poor.
170. Firstly, the location of Manston on a peninsula physically limits the size of its catchment area.
- Within a 3 hour drive, only the South East & East of England, and a small part of the Midlands, are accessible.
  - In comparison, most of England and Wales can be accessed within 3 hours of East Midlands Airport, while Manston's catchment is essentially a sub-set of the Stansted catchment.
  - The case studies of Liege and Leipzig (Section 12), as well as the strong growth of freight at East Midlands, indicate the importance of a large catchment area and central location. While these airports attract cargo from an extensive area, they also benefit from strong cargo demand within their immediate catchment.

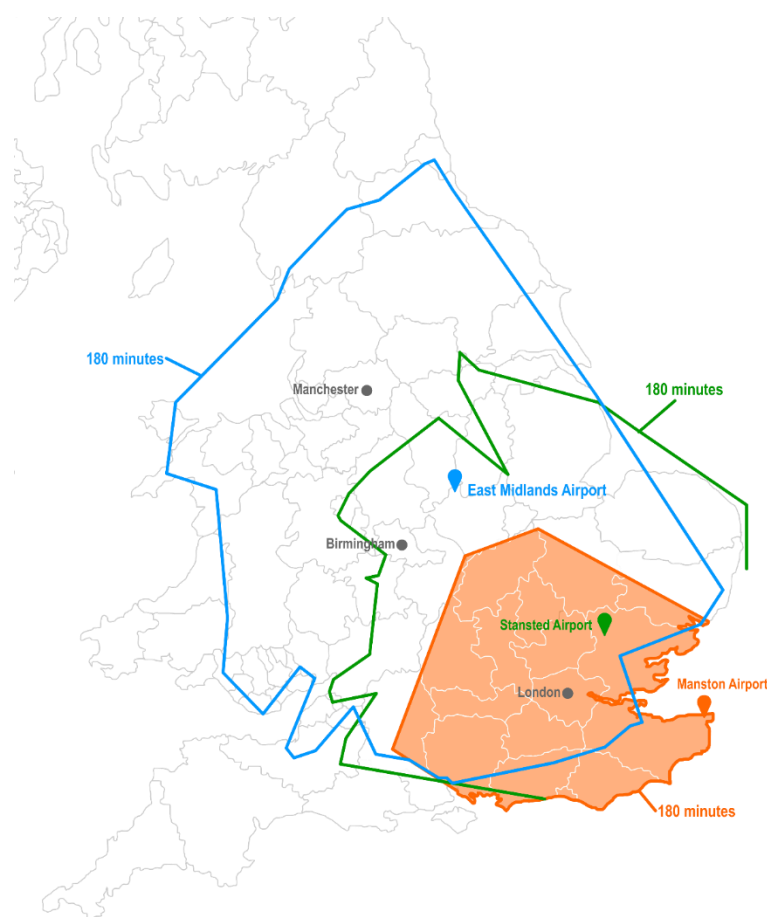


Figure 17 – 3-hr catchment region of Manston in comparison with those of East Midlands and Stansted  
Source: Altitude analysis, Google Maps (truck speed set at 55 miles per hour)

<sup>65</sup> A rotation is an aircraft turnaround at an airport, representing an arrival and a departure flight.

<sup>66</sup> (Wiggins Group plc, 2002, p. 16)

171. In addition to Manston's poor geographic location, it is also relatively far from important transport infrastructure. The motorway network is not especially close (the airport is ca. 22 miles from the M2 and 38 miles from the M20). Successful freight airports in the UK and Europe are extremely close to the national motorway network, helping to minimise the shipper/consignee to airport transport time.
172. Secondly, there is consensus in the air freight industry that the ability to handle night flights is critical for many types of air freight (in particular for express freight, but also for other types of freight).
- East Midlands and Stansted are both able to accommodate flights 24 hours per day.
  - Both Liege Airport and Leipzig Airport cite the ability to accept night flights, and the support of local government in doing so, as factors in their success (see appendices, Section 12).
173. It is unclear (in the light of historic restrictions) whether or not night flights would be allowed at Manston Airport were it to reopen. However, it does seem clear that restrictions on night flying would have severe limitations for air freight potential at the airport. Observations at other freight hubs such as East Midlands, a significant volume of freight activity takes place during night time hours, including onward (or inward) road haulage taking advantage of road capacity overnight to move freight outside of peak traffic periods. Manston's local road network is not ideally placed to accommodate large volumes of HGV traffic arriving in quiet hours
174. Finally, as noted previously, there is a clear move towards market consolidation of freight activity at a few large airports. In order to be successful, Manston would need to reverse this well-established trend. It is not apparent how this could be achieved, even with markedly lower airport charges (which in turn would compromise the financial viability of the airport).
175. Therefore, even if there was a future need for additional airport capacity for freighter activity, Manston is poorly placed to service such a requirement and better existing operational alternatives are available.

## 5. Current Freight Demand vs Supply at UK Airports

### 5.1. Context

176. Azimuth asserts that UK air freight has been constrained since 2000<sup>67</sup>. Furthermore, Azimuth concludes that shortage of airport capacity is leading to more trucking of freight (*“flying freight from Manston, negating the need to truck, to and from European airports for air transportation<sup>68”</sup>*).
177. We consider that these conclusions are highly simplistic. They do not recognise the operational needs and behaviours that underpin the freight market:
- As discussed below, we agree there is a shortage of dedicated freighter capacity at the UK’s main passenger hub airport (Heathrow). However, freighter capacity is available at other airports. For example, both Stansted and East Midlands have expanded freighter activity significantly since 2000, and continue to have spare capacity.
  - Therefore, any shortage of air freight capacity in the UK relates specifically to Heathrow capacity rather than a more general lack of capacity.
  - Trucking is a highly integrated component of the air freight business model, and not merely a substitute for air freighter flights when airport capacity is constrained. The increasing use of truck feeder services (see Figure 32) is due to cost efficiencies and is not restricted to the UK. We see no evidence that the growth in trucking is primarily driven by lack of Heathrow capacity for air freighter flights.
  - In any case, even if there were significant levels of trucking caused by constraints at Heathrow, this would only be reduced by the provision of more Heathrow runway capacity. As there is already spare capacity at other airports in the UK, provision of further capacity would not make any significant difference to trucking levels. There is no reason why economic decisions to truck freight rather than fly would change in the absence of new Heathrow capacity.
178. In the remainder of this section of our report, we provide an analysis of current UK airport capacity for freight, and whether this has constrained demand. In the following section (Section 6), we investigate the outlook for future airport capacity for freight at UK airports.

### 5.2. Literature Review

179. As noted above (see paragraph 176), Azimuth asserts that UK air freight has been constrained since 2000. Its case for Manston relies heavily on this assertion, yet no evidentially supported and reasoned justification is provided. Three references are provided.
180. The first document cited is the Air Transport White Paper from the Department for Transport<sup>69</sup>. We have not found references to air freight being constrained in this document, which in any case dates from 2003.
181. The second document is by Oxford Economics<sup>70</sup>. This report is a technical note which examines how increased airport capacity (or conversely the lack of additional new capacity) could affect air freight and the economy. The study was undertaken for Transport for London / Mayor of London, promoters of the new Thames Estuary hub airport scheme.

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<sup>67</sup> (Azimuth Associates, 2017 a, p. 8)

<sup>68</sup> (Azimuth Associates, 2017 a, p. 19)

<sup>69</sup> (Department for Transport, 2003)

<sup>70</sup> (Oxford Economics, 2013)

182. References in the Oxford Economics report to existing capacity constraints focus on Heathrow, and its forward-looking analysis is primarily in the context of the potential benefits of the proposed new hub airport. For example, on Page 8:

*“Capacity constraints at Heathrow, however, set in as early as 2005 and future cargo growth is threatened by the inability of London area airports to keep up with demand. A new hub airport for London, with enough capacity to meet demand for the next 30 to 40 years, would be particularly important for the growth of bellyhold cargo.”*

183. The Oxford Economics report also notes the divergent trends between short haul and long haul cargo in the UK. On Page 14, the factors that could explain the decline in short haul air cargo are explored.

*“In all likelihood, short-haul cargo may have fallen due to both capacity constraints at Heathrow and freight forwarders substituting road or rail transport for short-haul destinations. In addition, the cost of air cargo is higher on short-haul routes because a larger portion of the trip is spent on the ground and more time in the air is spent climbing and descending. Lastly, the lack of widebody planes on short-haul journeys make bellyhold cargo less attractive at those distances to begin with.”*

184. On Page 16, the Oxford Economics report goes on to state:

*“The fact that volumes have fallen so dramatically could be due to both capacity constraints at Heathrow and also to the substitution of air cargo on short-haul distances with rail or truck transport. Which phenomenon is more important? The opening of the Channel Tunnel in 1994 between the UK and France has made it faster and cheaper to transport cargo by road between continental Europe and the UK. In terms of truck transport, it is estimated that 97,000 tonnes of air freight actually crosses the English Channel by truck per year, as compared to 87,000 tonnes flown on bellyhold. In fact, the volume of short-haul cargo peaked around the time the Channel Tunnel opened and has declined ever since. Therefore, this hints that much of the decrease in short-haul volumes may be due to the relatively lower cost of truck transport to continental Europe rather than capacity constraints at London area airports. In other words, the generalised cost of surface transport (relative to air transport) has decreased, spurring a modal shift on short-haul routes.”*

185. The final reference is to rankings of European Union countries for the quality of air transport infrastructure<sup>71</sup>. This appears to relate to overall air transport infrastructure, and is not specific to freight. In any case, the UK is ranked reasonably highly in the most recent results (#7 out of 28 EU countries for 2015/16).

186. To summarise, the three studies quoted by Azimuth do not provide any meaningful support for the assertion that UK airport capacity for freight has been constrained for many years. The Oxford Economics study identifies constraints at Heathrow and hub capacity specifically but also highlights other factors for recent freight trends. The 2003 Air Transport White Paper and the European Union infrastructure ranking study do not address the issue directly.

187. In the next subsection of our report, we show that there is no overall shortage in UK airport capacity for dedicated freighter operations (the type of capacity a reopened Manston would potentially provide as identified by RSP).

188. In paragraph 235, as part of our review of the Azimuth forecasts for Manston, we highlight how results from a York Aviation study have been applied incorrectly.

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■ [REDACTED]

### 5.3. Analysis of Current Freight Demand vs Supply at UK Airports

189. There is no overall shortage in UK airport capacity for dedicated freighter operations. Both of the two largest airports, East Midlands and Stansted, can accommodate more freighter services than currently operating (sufficient to meet demand). Many other airports in the UK have spare capacity for freighter services.
190. In this sub-section of our report, we examine the current freight capacity at UK airports. In the following section (Section 6), we analyse future UK airport freight capacity.

#### East Midlands Airport

191. East Midlands Airport does not require slot coordination<sup>72</sup>. It is designated as a Level 2 airport, with the UK slot coordinator (Airport Coordination Limited) only providing data collection services<sup>73</sup>. IATA<sup>74</sup> defines a Level 2 airport as one “*where there is potential for congestion during some periods of the day, week or season, which can be resolved by schedule adjustments mutually agreed between the airlines and facilitator*”. In other words, the airport cannot be considered as facing significant capacity constraints.
192. The airport does not appear to have any limit on the number of overnight ATMs it can operate. Note that it *does* have limits on the amount of noise any given aircraft can make at night. There is a limit on the land area that is exposed to noise above a certain threshold, as well as a rule preventing operation of the noisiest aircraft types between 23:00 and 07:00 (as per many other UK airports including Heathrow, Gatwick, Stansted).
193. The airport appears to have established a common position with the local authority which supports operation of the airport. For example:

*“The Council will provide for the operational growth of East Midlands Airport whilst having regard to its impact on local communities and the wider environment.... Noise-sensitive development, particularly housing, will be resisted where it can be demonstrated that the noise levels associated with the airport would be detrimental to the occupiers or users of any such development”<sup>75</sup>*

194. The airport’s runway<sup>76</sup> is long enough to handle the typical large cargo aircraft flying today, including the B747-400, B747-8F and the AN-225. It can also handle the A380, which could be relevant if older examples of that model are converted to a cargo aircraft in future<sup>77</sup>.

#### Stansted Airport

195. Stansted is designated as a Level 3 coordinated airport. A process of slot allocation is required whereby it is necessary for all airlines to have a slot allocated by a coordinator. Therefore, Stansted is facing some capacity constraints in peak periods.
196. Nevertheless, there remains significant capacity available at most times of day, as shown below for the Summer 2017 scheduling season.

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<sup>72</sup> Allocation of airport “slots” to airlines by an independent body. A slot provides permission for an airline to arrive or depart an airport for a specific time at a specific weekday and for a specific period applied for.

<sup>73</sup> [REDACTED]

<sup>74</sup> (IATA, 2017c, p. 22)

<sup>75</sup> (East Midlands Airport, 2015, p. 69)

<sup>76</sup> East Midlands Airport runway length is 2,893m, compared to ca. 2,750m for Manston Airport.

<sup>77</sup> (East Midlands Airport, 2015, p. 73)



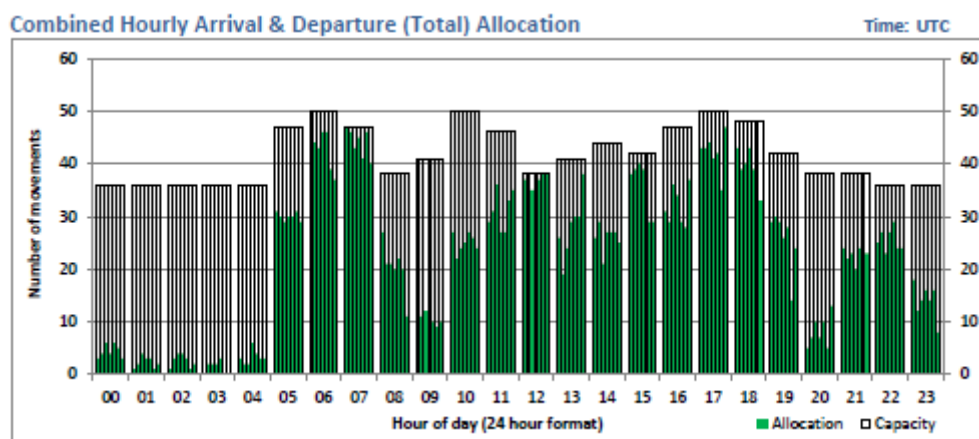


Figure 18 - Peak Week, Hourly Runway Allocation, Stansted Airport, Summer 2017. Source Airport Coordination Limited<sup>78</sup>

197. The number of cargo ATMs grew by ca. 13% in 2016 (source: Altitude analysis of CAA data), indicating that capacity constraints are not severe for freighters.
198. The airport is more tightly regulated than East Midlands Airport. Stansted’s annual number of ATMs is limited. Currently, these limits stand at 243,500 passenger aircraft ATMs and 20,500 cargo aircraft ATMs<sup>79</sup>. These limits compare to 2016 movements of ca. 153,000 passenger ATMs and ca. 11,000 cargo ATMs. The airport considers the ultimate capacity of the runway to be 285,000 ATMs<sup>80</sup>.
199. Separately, there is a quota on the overall number of ATMs allowed between the hours of 23:30-06:00 (7,000 ATMs in the summer season and 5,000 in the winter season). In 2013, the airport reports there were ca. 9,300 night ATMs in total, and that cargo aircraft ATMs take up a “sizeable proportion” of the quota<sup>80</sup>.

#### Heathrow Airport

200. The UK does lack available dedicated freighter capacity at its only major passenger hub airport, Heathrow.
  - Heathrow is also the UK’s largest freight airport with ca. 65% of the UK’s overall throughput (see paragraph 109).
201. Freight forwarder activity has consolidated around Heathrow on the strength of its extensive network of long haul passenger services. These services, typically using widebody aircraft, provide substantial bellyhold cargo capacity to a wide range of destinations.
202. At Heathrow, only ca. 5% of freight is carried on dedicated freighters (see Figure 4).
  - If more capacity for freighter services existed at Heathrow, we would anticipate much greater levels of dedicated freighter activity.
  - In the absence of operating constraints, major passenger hubs tend to also play a role as key dedicated freighter hubs (e.g. Frankfurt). Freight services complement the connectivity provided by passenger flights, while the cargo industry benefits from economies of scale and scope from the consolidation of activity.
203. Where dedicated freighter flights cannot be accommodated at Heathrow (due to capacity constraints), freight customers have the following choices:

<sup>78</sup> (Airport Coordination Limited, 2017, p. 11)

<sup>79</sup> (Stansted Airport, 2015a, p. 9)

<sup>80</sup> (Stansted Airport, 2015b, p. 29)

- Operate freighter flights (or use existing freighter flights) from other UK airports where capacity is available (e.g. Stansted, East Midlands).
  - Transport freight in the bellyhold of passenger flights from Heathrow (or other UK airports).
  - Transport freight to a major European air freight hub (e.g. Liege, Frankfurt), typically by truck.
  - Use surface modes of transport (road, rail, water) for the whole journey (note that this is not a realistic option for most potential air freight consignments due to the distances involved and/or urgency of shipment).
204. The capacity constraints at Heathrow also limit the number of passenger flights that can be operated. This in turn will have an impact on the bellyhold capacity that is available. However, it is not clear whether this is a substantial issue in relation to potential freight volumes.
- Heathrow continues to dominate the long haul passenger segment (72% of UK passengers in 2016<sup>81</sup>).
  - Where demand is available, it is typically more economic to use constrained Heathrow slots for long haul flights (compared to short haul). Heathrow's share of overall UK long haul passengers has actually grown since 2002 (from 70% to 72% in 2016). In comparison, its share of short haul passengers has dropped from 24% to 17%. This indicates that short haul services are being squeezed out of Heathrow to accommodate long haul growth (due to current capacity constraints)<sup>82</sup>.
  - Air freight is focussed on long haul markets. Less than 10% of Heathrow freight in 2016 was to/from UK and Europe<sup>83</sup>, despite accounting for 62% of passenger flights<sup>84</sup>.
  - Therefore, the extent to which constraints on Heathrow passenger flights are limiting bellyhold freight at Heathrow is difficult to establish from current publicly reported information.
205. Note that AviaSolutions<sup>85</sup> has undertaken analysis that suggests that average cargo loads at Heathrow are markedly lower than average cargo capacity.
- “At Heathrow with a significant number of wide-bodied aircraft (35%), we estimate the average belly-hold freight capacity to be 7 tonnes per ATM at LHR (2015), significantly higher than the actual freight per ATM of 3 tonnes”.*
206. This indicates there is excess bellyhold capacity at Heathrow. However, capacity may nevertheless be insufficient for demand on certain routes, directions of travel or at particular times of year, etc.

### Other Airports

207. In addition to spare capacity at East Midlands and Stansted, other South East and regional airports could also accommodate significant freight volumes if the demand was there. This is true for both freight on dedicated freighter aircraft or bellyhold freight.
208. Bournemouth Airport<sup>86</sup> highlights that:

*“With ample room to grow, our thriving cargo facility is expanding to meet the demands of importers and exporters from across the UK. Accommodating a huge variety of freight and passenger aircraft, Bournemouth supports cargo logistics round the clock, with the following benefits: 2271m runway, excellent good weather record, congestion free (with*

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<sup>81</sup> Source CAA airport statistics, Altitude calculations

<sup>82</sup> Source CAA airport statistics, Altitude calculations.

<sup>83</sup> (Heathrow Airport, 2017, p. 5)

<sup>84</sup> CAA airport statistics

<sup>85</sup> (AviaSolutions, 2016, p. 31)

<sup>86</sup> [REDACTED]

*no slot restrictions), experienced in handling many cargo aircraft including the AN-124 Ruslan, 'Freighter friendly' airport management."*

209. Bournemouth Airport has some disadvantages due to its coastal location and distance from the motorway network. However, similar issues apply to Manston (with its location arguably even more compromised than Bournemouth, given its position on a peninsula). From the South West, West London and the Midlands, Bournemouth is generally more accessible than Manston<sup>87</sup>.

210. Outside the South East, Doncaster Sheffield Airport has a central UK location. It markets itself as "*the UK's Freighter Gateway*"<sup>88</sup>:

*"At the centre of the UK with easy access to the M18, M1, A1M, M62 and M180 Doncaster- Sheffield is the ideal airport for freighter operations. DSA is justifiably gaining the reputation as the most effective freighter airport in the UK. The attributes that are delivering this include.... exceptional performance record, 24 hour operation, runway 2,893m x 60m, CAT III, Class "D" controlled airspace, no slot constraints/congestion, Competitive jet fuel prices, short taxiing distances, excellent cargo reception and handling, inclusive pricing, NEQ capacity up to 9,300kg Hotac."*

211. Both of these airports are currently operational, and benefit from a large site with a long runway. Doncaster Sheffield operates 24 hours a day, whilst night flights at Bournemouth can be arranged with prior notice.

212. Finally, there are a range of other UK airports (currently in use) that previously carried significant volumes of freight, and would be able to do so again if demand returned.

- Prestwick handled ca. 42,000 tonnes of freight in 2001, compared to only ca. 11,000 in 2016. We are not aware of any reasons why Prestwick would be unable to handle similar or higher volumes in the future (assuming demand existed).
- Similarly, Liverpool had negligible freight throughput in 2016 but has handled as high as ca. 30,000 tonnes in 1995. Again, we would assume the airport has the capacity to accommodate similar or higher volumes in the future.
- Gatwick bellyhold freight volumes have been as high as ca. 290,000 tonnes in the past, compared to ca. 80,000 tonnes in 2016. As more long haul routes are added at the airport, freight throughput is once again growing. In the 12 months ending September 2017, Gatwick added ca. 15,000 tonnes of cargo (+20.3%)<sup>89</sup>.

213. Taking all UK airports combined, the difference between peak year and 2016 freight tonnes was ca. 225,000 tonnes (freight on dedicated freighters only)<sup>90</sup>.

- This excludes airports which have closed (e.g. Manston, Plymouth), where commercial activities have been downsized (e.g. Blackpool, Coventry) and London airports (where pressure on slots may reduce the ability to recover to historic volumes should dedicated freight demand return).

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<sup>87</sup> For example, the following distances have been sourced from Google Maps for the typical fastest routing. Bournemouth Airport to Hounslow: 90 miles, Manston Airport to Hounslow: 103 miles. Bournemouth Airport to Bristol: 70 miles, Manston Airport to Bristol: 201 miles. Bournemouth Airport to Birmingham: 167 miles, Manston Airport to Birmingham: 197 miles.

<sup>88</sup> [www.therouteshop.com/profiles/doncaster-sheffield-airport/](http://www.therouteshop.com/profiles/doncaster-sheffield-airport/)

<sup>89</sup> [\[redacted\]](#)

<sup>90</sup> CAA airport statistics.

### 5.4. Conclusion

214. We conclude that there is no overall shortage of freight capacity at UK airports, whether for dedicated freighters or bellyhold freight.
- The two largest dedicated freight airports have spare capacity.
  - There is significant excess capacity at a range of other UK airports that are currently in use. These airports have seen demand reduce due to trends towards consolidation at major airports and switch to trucking.
215. We acknowledge that there is a shortage of freighter capacity at Heathrow. Slot constraints could also be having some impact on the bellyhold market, although the impact may be relatively moderate.
216. However, it is important not to conflate Heathrow constraints with the wider capacity situation. We see no evidence to support the assertion that there is a long-standing shortage of overall UK airport capacity for freight. Indeed, the evidence is to the contrary, given the reductions in freight throughput experienced by many UK airports.
217. There would be substantial benefits to adding freight capacity at Heathrow, the UK's only major passenger hub airport. It can also be argued that freight capacity at a proposed new hub airport in the Thames Estuary would also generate strong benefits if it could be delivered. This option, though, was emphatically ruled out by the Airports Commission.
218. Therefore, it is difficult to see what benefit would accrue from adding freight capacity at non-hub airports, as there is already sufficient supply at advantageous geographic locations. In particular, freight volume at Manston has never exceeded ca. 43,000 tonnes in any single year. This is despite the supposed shortage of UK airport freight capacity and despite a previous owner investing to increase Manston's capacity to 200,000 tonnes per annum.
219. From a freight perspective, we do not consider it meaningful to focus on the South East alone as a separate market. Freight is less time sensitive than passengers. Therefore, for major airports, the freight catchment area is typically many times larger than the passenger catchment area. This is one of the key factors that leads to the high degree of market consolidation seen for air freight.
- East Midlands serves the whole of England and Wales, exploiting its central location in the UK.
  - Similarly, the extensive network of long haul flights from Heathrow and its hub operation means it attracts freight from the whole of Great Britain.
  - For Europe's major freight hubs, the catchment can be even wider. For example, Leipzig Airport considers its catchment covers a 10-hour trucking radius (see Figure 38), while Liege sees its catchment as all areas within access of a full day trucking (see Figure 39). The catchment areas for these two airports are particularly wide, as a result of their wide range of air services.
220. Mainly due to the hub strength of Heathrow, 78% of 2016 UK air freight was flown from airports in the South East & East of England. Heathrow and Stansted alone achieved 65% and 7% market share respectively.
- Much of the UK's high value manufacturing is located outside London and the South East<sup>91</sup>. In Q1 2015, only 15% of UK manufacturing jobs were located in London and South East<sup>92</sup>.
  - Clearly, a substantial proportion of air freight using Heathrow in particular will be travelling to/from other areas of the UK.
221. More important is the type of airport capacity. Freight has consolidated around the three major air freight airports (Heathrow for bellyhold, while freighter activity is concentrated on East Midlands, Stansted and

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<sup>91</sup> (Heathrow Airport, 2014, p. 19)

<sup>92</sup> (House of Commons Library, 2015, p. 7)

Heathrow). This enables the air freight industry to benefit from the economies of scale and scope flowing from consolidation. These cost efficiency pressures are unlikely to reverse.

## 6. UK Capacity Outlook

### 6.1. Context

222. In the previous section, we demonstrated that there is currently no overall shortage of freight capacity at UK airports.

223. In this section of the report, we analyse the scope for developing freight capacity at existing airports, in order to meet future demand.

- We focus on the published expansion plans of the three major freight airports.
- We consider the spot years of 2029 (prior to assumed new runway opening at Heathrow in 2030), 2040 (medium term planning horizon) and 2050 (long term planning horizon).

224. We also review comments in the Azimuth report in relation to the future role of individual airports.

### 6.2. Review of Individual South East Airports

#### Heathrow Airport

225. In its final report, the Airports Commission<sup>93</sup> *“unanimously concluded that the proposal for a new Northwest Runway at Heathrow Airport... presents the strongest case.”* Heathrow is working on a timeline of a 2025 opening<sup>94</sup>. However, we consider that an assumed opening date of 2030 is more prudent, given the complexity of the planning and construction process. This aligns with the Airports Commission’s stated need for one additional runway to be in operation in the South East of England by 2030.

226. Heathrow is developing its infrastructure to increase its cargo handling capability. The airport states:

*“We are developing proposals for a complete overhaul of our cargo facilities as part of our expansion plans for an additional runway. Redevelopment of the airfield will provide an opportunity for the first time to expand the site and create new efficiencies”<sup>95</sup>*

227. The airport has commented on the factors that currently reduce its competitiveness for cargo, and has developed a strategy to address these issues:

*“Our customers have told us about the bottlenecks caused by some of the infrastructure, inefficient facilities and processes that are slower and more arduous than those of our European competitors. Our stakeholders rate us as poor for our facilities and value for money”<sup>96</sup>*

228. In its 2016 document ‘Heathrow Cargo Strategy’, Heathrow states:

*“Our cargo strategy will lift freight volumes to 3 million tonnes a year by 2040”<sup>97</sup>*

229. Based on UK CAA data for 2016, this represents CAGR of 2.7% over 2016-40. Documentation from the airport indicates that growth is likely to come from additional bellyhold capacity rather than freighter ATMs:

*“This will provide capacity at Heathrow for freight and cargo to be carried in the belly hold of passenger flights”<sup>98</sup>*

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<sup>93</sup> (Airports Commission, 2015, p. 9)

<sup>94</sup> [REDACTED] (retrieved 19<sup>th</sup> October 2017).

<sup>95</sup> (Heathrow Airport, 2014, p. 20)

<sup>96</sup> (Heathrow Airport, 2016b, p. 2)

<sup>97</sup> (Heathrow Airport, 2016b, p. 2)

<sup>98</sup> (Heathrow Airport, 2014, p. 20)

230. Azimuth<sup>99</sup> discusses Heathrow in its first report.

231. Azimuth states that *“Indeed, more than 99% of air freight at Heathrow is carried in the bellyhold of passenger aircraft”*. This is incorrect. Since 2010, the proportion of bellyhold freight at Heathrow has consistently been around 95%. A CAA report seems to be incorrectly attributed by Azimuth as a source for this figure.

232. It is also suggested that:

*“The addition of a third runway at Heathrow is unlikely to resolve the capacity issues for dedicated freighters. Since Heathrow’s passenger market has been constrained for some years, it is likely that the new runway will be used to meet this pent-up demand”*.

- This is a pessimistic viewpoint. Heathrow’s runway capacity in 2016 was 99% utilised<sup>100</sup>. With ca. 50% additional capacity on opening of a third runway, we would envisage some opportunities for additional freighter flights. Despite severe slot constraints, the number of freighter movements at Heathrow has remained stable since 2010<sup>101</sup>.
- Therefore, there is some prospect of more freighter traffic at Heathrow after the opening of the third runway. Nevertheless, we do not dispute that there will be ongoing constraints on freighter activity at Heathrow, especially in the very long term.
- Of course, the major expansion of passenger flights following the new runway opening will lead to a substantive uplift in bellyhold capacity. As previously discussed, for most types of general freight, there is no inherent market preference for bellyhold or freighter carriage (with cost often the key deciding factor, which generally favours bellyhold). Therefore, the new Heathrow runway will add a significant amount of new cargo capacity into the UK market.

233. The Azimuth report also speculates that:

*“Should Low Cost Carriers, who do not carry belly-freight for operational reasons, fill much of the additional runway capacity, Heathrow’s freight handling, in terms of tonnes per year, is unlikely to increase substantially.”*

- We view the references to low cost carriers as not relevant. Even if low cost carriers switch to Heathrow (which may depend on the level of airport charges after the new runway opens), this will have limited impact on bellyhold capacity.
- The full service short haul carriers operating at Heathrow currently contribute very little in terms of freight tonnage. Less than 10% of Heathrow freight is to/from UK and Europe<sup>102</sup>, compared to 62% of passenger flights<sup>103</sup>.
- There are several factors that cause this. In general, air freight is less competitive than trucking for shorter distances. Furthermore, the cargo carrying capacity of short haul aircraft (typically narrowbody types) is limited. Finally, air freight that is flying short distances tends to be express cargo, which is more likely to use dedicated freighter aircraft.
- Therefore, whether low cost carriers operate a significant proportion of Heathrow short haul services in the future will not have a significant impact on bellyhold availability. Similarly for long haul low cost, as these airlines typically carry bellyhold cargo (e.g. Norwegian).

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<sup>99</sup> (Azimuth Associates, 2017 a, pp. 15-16)

<sup>100</sup> 474,963 ATMs compared to cap of 480,000 (source CAA airport statistics).

<sup>101</sup> Cargo ATMS at Heathrow since 2010 were 2010: 2,414; 2011: 2,456; 2012: 2,378; 2013: 2,347; 2014: 2,332; 2015: 2,388; 2016: 2,452; (source: CAA airport statistics).

<sup>102</sup> (Heathrow Airport, 2017, p. 5)

<sup>103</sup> In 2016 Heathrow handled 477,614 aircraft movements. 295,605 of these flew Domestic or European routes [source: CAA airport statistics, Altitude analysis].

234. Azimuth also compares Heathrow processing times unfavourably to Manston Airport. We noted above (see paragraph 227) that Heathrow has a strategy to improve its process efficiency. However, the broader point is that this is not a meaningful comparison.

- Using a dedicated freighter at an unconstrained airport should nearly always be the fastest way of transporting air freight, assuming equivalent trucking time to reach the airport<sup>104</sup>.
- However, for the majority of general cargo, the time-sensitivity is in the order of days rather than hours. A bellyhold freight consignment through a major hub will typically be much cheaper. Freight can be consolidated with other freight consignments. The incremental cost of carriage for bellyhold is relatively low, meaning that rates charged are typically much more competitive than for freighters – especially if there is not enough volume to fully utilise freighter capacity.

235. Finally, Azimuth<sup>105</sup> refers to a York Aviation study, in the context of Heathrow:

*“York Aviation figures show, there will be a shortfall of slots for dedicated freighters, likely to be in the region of 45,000 by 2050”.*

- This is an incorrect reading of the York report, which York Aviation rebut in detail in its November 2017 report commissioned by SHP<sup>106</sup>.

236. In summary, the Azimuth analysis substantially underplays the potential for freight growth at Heathrow.

### Stansted Airport

237. The airport has outlined infrastructure improvements to facilitate cargo traffic growth, including the potential for more cargo handling facilities to be built, and increasing the number of stands for cargo aircraft from 16 to 24<sup>107</sup>.

238. Stansted Airport also published a ‘Sustainable Development Plan’ document in 2015 detailing the future demand it expects to handle:

*“There is potential for cargo goods volume at the airport to increase on the single runway, potentially doubling the current throughput of cargo on dedicated aircraft to around 400,000 tonnes per annum..... Further growth can be expected from belly hold cargo as the range of airlines and destinations operating from the airport increases. The current modest amount carried in the belly hold of passenger aircraft could increase to around 60,000 tonnes a year”<sup>108</sup>*

*“There is potential that cargo movements could rise to make full use of the current movement limit, however this needs to be considered against growth in passenger movements and the night quota. For planning purposes we have assumed that the number of cargo movements will be in the range of 15,000 and 18,000 per annum.... The majority of the cargo movements are expected to operate during the late evening and at night. Cargo aircraft will continue to operate during the off-peak periods between passenger movement peaks”<sup>109</sup>*

239. Note, the document is vague regarding the timescales relating to its forecast; it never states the year in which it expects demand to reach the forecast level. An assumption that the figure of 460,000 tonnes per annum is achievable by 2040 results in a CAGR of 2.7%<sup>110</sup>.

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<sup>104</sup> Although for most parts of the UK, trucking time to Heathrow will be significantly shorter than to Manston.

<sup>105</sup> (Azimuth Associates, 2017 a, p. 16)

<sup>106</sup> (York Aviation, 2017)

<sup>107</sup> (Stansted Airport, 2015b, p. 36)

<sup>108</sup> (Stansted Airport, 2015b, p. 26)

<sup>109</sup> (Stansted Airport, 2015b, p. 29)

<sup>110</sup> We believe this is a reasonable assumption, as both Stansted and East Midlands forecast are owned by MAG; MAG produced both forecast documents in the same year and using the same formatting and template; 2040 is the stated forecast year for East Midlands.



240. A plan for 15,000-18,000 cargo ATMs, when there is currently a limit of 12,000 overnight ATMs in total, possibly indicates growth of general cargo is expected.

241. Azimuth<sup>111</sup> argues that freighter services at Stansted will be forced out by passenger services.

*“However, the airport is under pressure from Ryanair to increase the number of passenger flights. Ryanair is the dominant carrier at Stansted Airport and, since the LCC model is based on fast turnarounds, the airline will not tolerate interference from cargo handling. Ryanair is increasing their offering to more distant destinations including Turkey, North Africa, Cyprus and the Middle East. For the airline to maintain four rotations per day to maximise the profitability of each aircraft, late evening and night time slots will be required. Freight carriers have traditionally used these night slots.”*

242. Azimuth continues:

*“Since the airport also has a limit on total movements, this may mean Stansted has to choose between increasing passenger movements or retaining its freight. In this case, it seems likely that Stansted’s management will preference passenger movements.”*

243. There is no foundation for a number of the points raised above. Taking the various points in turn:

- No supporting evidence is provided for the statement that Ryanair is applying pressure on the airport to increase passenger flights (especially the implication that this would be at the expense of cargo flights). The Summer 2017 peak week runway profile (Figure 18) clearly indicates significant capacity for Ryanair to expand operations.
- We do not see any reason why handling freight from dedicated freighters would have any impact on the turnaround time of Ryanair aircraft.
- Azimuth appears to have limited understanding of the low cost carrier sector. We estimate that Ryanair averaged less than 2.5 rotations per aircraft per day across its network in FY17 (based on an analysis of its financial accounts).
- Ryanair operate from airports with night curfews or with night restrictions. Across 2017, an analysis of OAG schedule data for Stansted suggests that less than 3% of Ryanair flights operate in the night time period. Stansted Airport expects that cargo aircraft will continue to operate during the off-peak periods between passenger movement peaks (see paragraph 238).
- Stansted Airport has a separate movement cap for cargo and passenger ATMs. There is also an overall ATM cap<sup>112</sup>, which is the sum of the separate passenger and cargo ATM caps. Therefore, the suggestion that Stansted will need to prioritise passenger flights over cargo flights is misplaced.
- Finally, no acknowledgement seems to have been made by Azimuth that Stansted Airport has stated that it is planning to grow freight tonnage alongside developing the passenger business (see paragraph 238).

### Gatwick Airport

244. As discussed in paragraph 212, Gatwick has previously carried bellyhold volumes of ca. 290,000 tonnes (ca. 210,000 higher than the 2016 outturn). Gatwick had lost freight volumes as traffic mix has changed, in particular following the loss of long haul services after changes to traffic distribution rules in 2008.

245. Freight volumes have been growing rapidly since 2015, helped by the recent expansion of long haul services (many by low cost carriers). As more long haul services are added at the airport, we would expect continued growth.

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<sup>111</sup> (Azimuth Associates, 2017 a, pp. 14-15)

<sup>112</sup> [REDACTED]. Note that the airport also has an overall movement cap, which comprises of passenger ATMs + cargo ATMs + 10,000 other movements.

246. Azimuth<sup>113</sup> only comments briefly on Gatwick:

- *“It has increased its annual tonnage from only 3,000 in 2014 to 73,000 tonnes in 2015.”* This is a somewhat surprising statement. Growth of this scale would merit more than a passing mention. However, the true freight tonnage in 2014 was ca. 89,000 tonnes, not 3,000 tonnes (source: CAA airport statistics).
- *“Gatwick is not a serious competitor in the freight market.”* We note that current freight throughput (year ending September 2017) was almost 90,000 tonnes, more than double the peak annual value achieved by Manston in its entire existence. It was the 5<sup>th</sup> largest UK freight airport in 2016.

### Other South East Airports

247. Azimuth<sup>114</sup> discusses the potential of other South East airports. As noted previously, we do not believe there is requirement for new freight capacity in the South East specifically. Therefore, we only briefly comment on the potential of other airfields.

- Bournemouth is only fleetingly considered by Azimuth. As highlighted in paragraph 208, we consider there to be some potential for freight development from this airport, a view shared by the airport itself.
- We also note that in its analysis of Southampton, Azimuth wrongly states that it handled 185,000 tonnes in 2015 (the correct figure is 185,000 kilogrammes or 185 tonnes). The short runway at Southampton constrains its ability to serve the freight market.

## 6.3. Review of Individual Regional Airports

### East Midlands Airport

248. East Midlands is the UK’s leading airport for dedicated freighter activity. Its central location enables it to serve a wide catchment, encompassing England, Wales and Scotland.

249. This is acknowledged by Azimuth<sup>115</sup>. However, it argues that the airport is not in a good position to serve the South East.

*“At present the airport serves a wide catchment area as shown in Figure 2. However, surface access to these geographically distant businesses, of which many are concentrated in the South East, is hampered by congestion on the UK’s road network. Therefore, total time taken to deliver from origin to final destination increases, particularly around the bottlenecks on some of the major motorways. Figure 2 clearly shows the number of businesses located in the South East, within the Manston catchment area.*

250. Earlier in the report (see paragraph 170 onwards), we provide a comparative analysis of the accessibility of East Midlands versus Manston. Given the wide catchments areas for cargo (see paragraph 219), we consider that the East Midlands is very accessible for the South East market. The M25 orbital motorway can be reached in just over 1.5 hours.

251. East Midlands Airport notes that the vast majority of vehicle movements to/from the airport take place very late at night or very early in the morning (see paragraph 151). Therefore, motorway bottlenecks alluded to by Azimuth should have a limited impact, as journeys will not be taking place during peak hours. In any case, congestion on the UK motorway system will affect all UK airports (including a reopened Manston).

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<sup>113</sup> (Azimuth Associates, 2017 a, p. 16)

<sup>114</sup> (Azimuth Associates, 2017 a, pp. 18-19)

<sup>115</sup> (Azimuth Associates, 2017 a, pp. 17-18)

252. East Midlands has a benign planning environment (see paragraph 192 onwards). Despite the relatively low level of restrictions, the airport acknowledges sensitivity to developments that will impact on night time noise:

*“Any further consideration or development at the airport related to night flights will require the application of stringent controls over night-time noise.”<sup>116</sup>*

253. East Midlands Airport has land available for development of additional cargo facilities in order to support growth:

*“The DHL Hub building opened in 2000 and it was always intended that the site would be developed in phases. Land continues to be available for phased development on the western side of the building”<sup>117</sup>*

*“Land will be reserved for the development of an integrator hub at Cargo East on land between the Pegasus Business Park and the runway/taxiway. This will enable the development of additional apron to serve the new hub operation. The building will be of a significant scale and will provide for the sortation systems required by the integrated carriers and also landside vehicle access for vans and for HGV’s”<sup>117</sup>*

*“Opportunities will be identified for incremental redevelopment and improvements to the existing Transit Sheds in Cargo East. A site for new cargo development, to the east of the current Royal Mail hub, will also be reserved. These development schemes will be made on a case by case basis and in response to operators’ requirements”<sup>118</sup>*

254. As noted in paragraph 153, a rail interchange adjacent to the airport is in development, further strengthening its market position.

255. In the ‘Sustainable Development Plan’ document referenced previously, East Midlands Airport also publishes a demand forecast for the airport.

256. This forecast assumes that freight at East Midlands continues to be carried on freight-only aircraft, and that the type of freight carried by integrators (primarily express) will grow faster than that carried by other types of carrier.

*“The forecast for future cargo tonnage is for some 618,000 tonnes in 2035 and some 700,000 tonnes in 2040.... by 2040, the number of cargo movements could grow to around 42,600. This reflects the growth of the integrated carriers and that the average freight load per cargo aircraft movement is predicted to increase from 14.4 tonnes in 2012 to 17.9 tonnes at 2040”<sup>119</sup>*

*“The future split of day and night movements is expected to be similar to that of today”<sup>120</sup>*

257. Note that the airport does not include in its forecast any significant growth of mail (as it expects “structural changes to the mail market. This is as a result of the shift from letters to parcels”<sup>119</sup>).

258. In addition to stating its forecast demand, East Midlands Airport made clear statements on its future capacity in its ‘Sustainable Development Plan’ document. It does not believe it will be constrained by 2040:

*“There are therefore no plans for the development of a second runway within the planning horizon covered by this Master Plan (2040) .... The capacity of the East Midlands Airport*

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<sup>116</sup> (East Midlands Airport, 2015, p. 69)

<sup>117</sup> (East Midlands Airport, 2015, p. 79)

<sup>118</sup> (East Midlands Airport, 2015, p. 80)

<sup>119</sup> (East Midlands Airport, 2015, p. 61)

<sup>120</sup> (East Midlands Airport, 2015, p. 111)

*runway is estimated to be between 34-36 runway movements per hour. This provides the airport with sufficient runway capacity for the foreseeable future and will be more than sufficient to accommodate an airport of a scale to handle 10 million passengers and 1.2 million tonnes of cargo annually”<sup>121</sup>*

*“the Land Use Plan identifies the land, the uses and the facilities required to support the operation of an airport capable of handling 10 million passengers annually and 1.2 million tonnes of cargo”<sup>122</sup>*

*“there will need to be a minimum of seven additional cargo stands provided including the ability to regularly park aircraft up to Code F (Boeing 747-8F) size”<sup>123</sup>*

### Other Regional Airports

259. There are a range of other regional airports with spare freight capacity which could play a larger role in the future.

- Doncaster Sheffield (see paragraph 210).
- Manchester Airport is the largest passenger airport outside the South East. It operates a two-runway system (the only UK airport with two runways except Heathrow). It has previously handled substantially more freight than currently handled.
- Similarly, Liverpool and Prestwick have previously handled much higher freight volumes than currently. Both airports have significant spare runway capacity and a large site to develop cargo infrastructure (Prestwick already has the facilities to handle specialist cargo). While Prestwick may be too far north to effectively serve the South East market, it could relieve pressure on other UK airports by capturing a larger share of freight demand to/from Scotland and the North of England. Liverpool is well connected to the UK motorway network, and the airport is owned by the operators of Liverpool Port.

### 6.4. Overall Capacity Outlook to 2040

260. We have projected the overall airport capacity for freight in 2040. For the three largest freight airports, future capacity has been sourced from the published plans described in the previous sub-section.

- While Heathrow and Stansted do not explicitly state their maximum expected future cargo capacity, we can assume each airport will have at least enough capacity to serve its predicted demand<sup>124</sup>.
- The Heathrow figure assumes the opening of the planned third runway.

261. For other airports, we assume the following:

- Gatwick has handled ca. 0.2m annual tonnes of freight as recently as 2006. We assume it has the capability (demand permitting) to handle similar volumes in the future.
- Manchester handled ca. 0.17m annual tonnes of freight in 2007, and in its 2006 Masterplan, the airport forecast cargo tonnage of 0.25m tonnes by 2015<sup>125</sup>. We assume that the airport will be able to accommodate freight up to its masterplan forecast (0.25m tonnes).

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<sup>121</sup> (East Midlands Airport, 2015, p. 73)

<sup>122</sup> (East Midlands Airport, 2015, p. 9)

<sup>123</sup> (East Midlands Airport, 2015, p. 75)

<sup>124</sup> Documentation from these airports indicates they have identified and made provision for developments of ground facilities (warehouses, stands etc...) to accommodate the forecast demand. Only Heathrow requires development of runway capacity.

<sup>125</sup> (Manchester Airport, p. 29)

- We assume that the remaining UK commercial airports (which are still fully operating) can handle freight tonnage at the level of previous peak year throughputs. This provides an assumed capacity of ca. 0.3m tonnes.
- Finally, we assume that by 2040, an additional 0.1m tonnes could be handled at airports with large sites but limited historic freight throughout (e.g. Doncaster Sheffield). This is likely to be a conservative assumption.

262. Total UK air freight capacity in 2040 is estimated to be ca. 5.4m tonnes per annum (including the impact of a new Heathrow runway). Of this, ca. 65% could be bellyhold capacity, with ca. 35% from freighters. Capacity at the three main cargo airports (Heathrow, East Midlands and Stansted) is estimated to be ca. 4.6m tonnes.

Airport	Estimated 2040 Capacity (m tonnes)	Possible Utilisation	
		Freighter	Bellyhold
Heathrow	3.00	0.09	2.91
East Midlands	1.10	1.08	0.03
Stansted	0.46	0.40	0.06
Manchester	0.25	0.03	0.23
Gatwick	0.20	0.00	0.20
Other UK	0.39	0.30	0.09
<b>Total UK</b>	<b>5.40</b>	<b>1.89</b>	<b>3.51</b>

Table 2 – Summary of estimated 2040 air freight capacity at UK airports

Source: Heathrow Airport, East Midlands Airport, Stansted Airport, Manchester Airport, UK CAA, Altitude analysis and assumptions

### 6.5. Capacity Outlook Prior to New Runway at Heathrow (2029)

263. We have also considered the potential capacity available prior to the third runway at Heathrow (assumed to open in 2030). There is limited information on the phasing of future capacity developments in the period to 2040, so this estimate has a greater reliance on our assumptions.

264. We have modelled the potential UK air freight capacity in 2029 at ca. 3.6m tonnes. This is based on the following prudent assumptions:

- No additional passenger or cargo ATMs at Heathrow compared to 2016. We assume that the airport will be able to accommodate freight growth at half the achieved annual growth rate for bellyhold tonnes/ATM recorded from 2006-16.
- We assume that the current Stansted and East Midlands capacity is at least 20% above 2016 freight outturn. We then model that the incremental capacity to be added by 2040 will be brought onstream at a constant rate.
- We model that Manchester is able to handle freight that was forecast for 2015 in its 2006 masterplan (same as 2040 assumption).
- For all other existing commercial UK airports, we assume the airports can handle historic peak values.

265. This is a deliberately cautious approach. Neither Stansted nor (especially) East Midlands face substantial freight constraints currently, and should be able to handle much higher freight volumes in the coming years.

### 6.6. Post 2040 Capacity Outlook

266. In the long term, there is the possibility of additional runway capacity in the South East. The Airports Commission stated in its final report:

*“Even with a third runway at Heathrow, capacity in the London and South East system could be highly constrained by the 2040s and, as the Commission noted in its Interim*

*Report, there would be likely to be sufficient demand to justify a second additional runway by 2050 or, in some scenarios, earlier”<sup>126</sup>*

267. The regulatory environment, particularly with regard to noise and night flying, looks likely to be a key determinant as to the overall capacity that might be available for cargo movements post-2040.

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<sup>126</sup> (Airports Commission, 2015, p. 334)

## 7. UK Demand vs Supply Outlook

### 7.1. Our Forecast for the UK Market

#### Context

268. We have assessed the future demand for air freight in the UK, reflecting some notable trends:

- Increasing role of passenger aircraft in the carriage of air freight, and the relative diminishing in importance of freighter aircraft. Passenger demand has developed strongly in recent years. This has led to expansion of cargo capacity in the bellyhold of passenger aircraft outstripping growth in air freight demand (see Figure 37).
- This trend has led to cutbacks in dedicated freighter operations from leading airlines such as Cargolux, IAG, Air France-KLM and Singapore Airlines (see paragraph 425). As of Q4 2016, 15% of widebody freighter capacity globally was in storage (see Figure 36). Airbus forecasts growth of just 42 freighters in European fleets by 2036<sup>127</sup>. In the UK, freight tonnes carried on all-freighter aircraft peaked in 2004. Since 2004, its share of total air freight has fallen from 37% (ca. 876,000 tonnes) to 30% by 2016 (ca. 708,000 tonnes, see Figure 5).
- There has also been a clear move towards consolidation of air freight activity at major passenger or freight hubs. In the UK, the leading 3 airports (East Midlands, Stansted and Heathrow) have steadily grown their share of overall UK air freight tonnes on dedicated freighter services – from 41% in 1990 to 86% in 2016 (see Figure 7). The UK bellyhold market is even more consolidated, with the leading 3 airports (Heathrow, Manchester, Gatwick) achieving a combined market share of 97%+ in each year since 1996 (see Figure 11).
- Cargo ATMs across UK airports have contracted, from ca. 108,000 in 2000 to ca. 52,000 in 2016. The most recent (2017) Department for Transport forecasts to 2050 assume the number of freighter flights in the UK will remain flat at 2016 levels<sup>128</sup>.

269. We expect these trends to continue into the long term. These fundamental market developments do not appear to have been recognised by Azimuth, or have been ignored, in its assessment of the potential for a re-opened Manston.

#### Forecast Approach

270. Air cargo forecasting is complex, with a wide variety of factors influencing long-term demand. These include:

- High-level economic factors (such as overall GDP growth of the producer and consumer countries, and exchange rates) as well as low-level economic factors (e.g. business rates and import/export taxes).
- The state of global relations and the proliferation of protectionist trade measures.
- The mix of products being traded (remembering that generally only high-value items are suitable for air freight).
- The rate of product miniaturisation (which reduces air cargo volumes/tonnages).
- Development of entirely new products (e.g. iPhone and the global uptick in air freight when a new model is released).
- Technological advances enabling mode shift to or from air freight.

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<sup>127</sup> (Airbus, 2017a, p. 105)

<sup>128</sup> (Department for Transport, 2017a, p. 33)

- Fuel prices impacting the competitiveness of air freight relative to other modes (while some products must travel by air, for others this is a preference, which is influenced by price).
271. It is also reasonable to suggest that there is less of a global focus on air cargo forecasts than, for example, air passenger forecasts. As such, there is less detailed, less well-defined, and less-robust data available upon which to base air cargo forecasts.
272. In the interests of simplicity and transparency, we have adopted a very high level econometric approach.
- Future freight growth has been linked to projections of future UK GDP growth.
  - We use the UK Office for Budgetary Responsibility long term predictions of UK GDP<sup>129</sup>. In real terms, UK GDP is anticipated to grow by CAGR 2.2% in the period 2016-40 (CAGR 2016-29: 2.2%, 2029-40: 2.3%) with CAGR of 2.4% for period 2040 to 2050.

### Forecast Results – Base Case

273. We project the size of the UK air freight market in 2040 to be ca. 4.2m tonnes per annum. This breaks down as ca. 3.1m tonnes of bellyhold demand and ca. 1.1m tonnes of freighter demand. We also project that:
- 2029: ca. 3.3m tonnes (of which ca. 0.9m tonnes of freighter demand).
  - 2050: ca. 5.1m tonnes (of which ca. 1.2m tonnes of freighter demand).
274. Key assumptions made in generating our base case forecast include:
- Low growth experienced in the last decade will not continue, with future demand elasticities only slightly below historic long-term observed ratios.
  - Future demand elasticities will decline slightly with time (also due to increasing market maturity).
275. We forecast the 2016-40 growth rate to be 2.4% CAGR. This is slightly behind the level of growth seen in the long-term historic data (between 1990 and 2016, CAGR was 2.7% CAGR). Nevertheless, we view our forecast as relatively optimistic. Our forecast growth rate is well ahead of the level of growth seen in more recent years (e.g. 2010-16 CAGR of 0.4%).
276. Our forecast growth rate is behind global forecast growth by Airbus (CAGR 2016-36 of 3.8%). This is not unexpected given that the UK is a relatively mature market, and that our forecast is for a longer period. Note also that our forecast is for tonnage, compared to flown tonne-kilometres for Airbus (as such, changes in the average sector length would influence the Airbus forecasts).

### Forecast Results – Scenario with lower demand elasticity

277. We have also produced a scenario in which we lower our forecast demand elasticities to be in line with observed ratios from the four most recent historic years (i.e. 2013-16, over which UK air freight tonnage has grown at 1.8% CAGR). GDP growth in this scenario is as per our base case.
278. This scenario results in a UK demand of 3.6m tonnes of air freight in 2040 – significantly lower than our base case forecast (see Figure 19). This highlights the strength of the market recovery we are assuming in our base case.

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<sup>129</sup> (Office for Budget Responsibility, 2017, January)



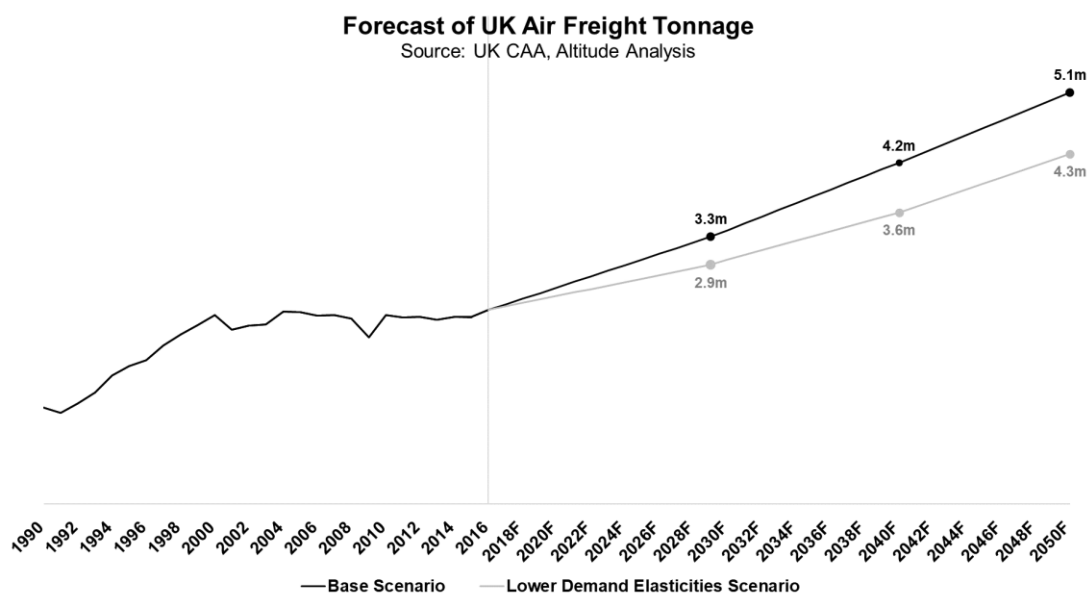


Figure 19 – Altitude forecast of UK air freight demand to 2050

## 7.2. Other UK Market Forecasts

### East Midlands Airport UK Market Forecast

279. In its 2015 ‘Sustainable Development Plan’ document, East Midlands Airport has published its assumptions for the size of the UK market in 2040. It predicts total demand of 4.4m tonnes per annum:

*“A review of the airport’s cargo forecasts has also been carried out. This assumes growth in the UK’s total air freight demand, doubling from 2012 levels (2.3 million tonnes) to 4.4 million tonnes by 2040 (combined annual growth rate of 2.3%)”<sup>130</sup>*

280. This gives an average growth rate that is similar to our forecast but from a starting point of 2014 rather than 2016. Growth in the period 2014-16 was significantly lower than 2.3%, explaining the minor differences in the 2040 projections.

### York Aviation London Airports Forecast

281. York Aviation published a report in 2015 for the Freight Transport Association and Transport for London. The report included a prediction of the volume of air freight demand in London in 2050. Note the final year of outturn data upon which this forecast is based appears to be 2013.

282. York Aviation’s forecast air freight demand at London airports is 4.2m tonnes per annum by 2050<sup>131</sup>. Using the report’s stated figure for 2013 freight tonnage at London airports (1.8m tonnes), the forecast CAGR 2013-50 is 2.3%.

283. However, while the growth rate is similar to our UK wide forecast growth, there are again differences in the starting point (achieved growth in the period 2013-2016 was lower than the average growth rate of the whole forecast period).

<sup>130</sup> (East Midlands Airport, 2015, p. 16)

<sup>131</sup> (York Aviation, 2015, p. 19)

### 7.3. Future Requirement for Freight Capacity at UK Airports

284. As indicated previously, we have compared our forecast demand with our assumed airport capacity for three spot years:
- Prior to new Heathrow runway (2029, last year before assumed new runway opening).
  - Medium term planning horizon (2040).
  - Long term planning horizon (2050).
285. For the period to 2040, the potential air freight airport capacity in the UK is comfortably higher than the volume of demand we forecast for the UK as a whole.
- In 2029, we forecast base case demand of 3.3m tonnes, compared to a conservatively modelled airport capacity of 3.6m tonnes. In practice we would anticipate that both Stansted and East Midlands capacity could be significantly higher than we have assumed. Therefore, we do not see any overall capacity shortage prior to the third runway at Heathrow.
  - By 2040, we forecast demand of 4.2m tonnes, compared to assumed airport capacity of ca. 5.4m tonnes.
286. Furthermore, the potential freighter capacity is significantly above our freighter demand forecast, and the potential bellyhold capacity is also ahead of our bellyhold demand forecast.
287. By 2050, if there is no further capacity development, demand levels are projected to approach capacity provision. This may lead to capacity constraints at preferred airports for the freight sector.
288. Based on planned expansions at the existing major airports, we do not envisage a need for additional freight capacity to be developed in the period to 2040, and possibly not until 2050.
289. Therefore, there is not a compelling need for development of further airport capacity for freighter aircraft in the UK (other than that already in the pipeline or at operational airports with identified potential future capacity).

## 8. Review of Azimuth Freight Forecasts

### 8.1. Context

290. In this section, we assess the Azimuth freight forecasts for Manston. As part of this assessment, we review in turn:

- Arguments put forward by Azimuth in Volume 1 in relation to the future potential of Manston. These arguments are then deployed later on in the Azimuth study in support of its freight forecasts.
- The discussion of forecasting approaches put forward by Azimuth in Volume II.
- The research Azimuth undertook (interviews) and their findings and conclusions (Volume II).
- The methodology adopted by Azimuth in its freight forecasts for Manston Airport, set out in Volume III.
- The Manston freights forecasts that have been developed by Azimuth (Volume III).

291. Note that there is a degree of repetition across the various Azimuth reports. To avoid excessive duplication, we review similar points only once.

### 8.2. Supporting Arguments (Volume I)

292. In this sub-section, we review the key arguments for Manston that Azimuth<sup>132</sup> deploy in Volume I of its report. We critique these points in the same order as they appear in the Azimuth report.

#### General

293. In Table 2 (P11), Azimuth outlines the leading European airports for freighter movements. In relation to the table, on Page 10 it comments that:

*“The figures highlight the reliance on belly-freight at most of the UK’s airports.... As the UK progresses with negotiations to exit the EU, the Country will find it advantageous to have sufficient capacity at airports that can handle dedicated freighters, without the need to truck to airports in mainland Europe.”*

294. We make a couple of observations:

- By Year 5 of the Azimuth<sup>133</sup> forecasts, the predicted freight throughput of Manston is already ahead of the 2014 volumes of some of the leading European airports in the table (Dublin, Rome, Frankfurt Hahn). This highlights the scale and speed of the freight growth that is forecast for Manston by Azimuth.
- The non-UK airports in the table are predominantly major passenger hubs or large passenger airports (typically primary capital city airports). The only exceptions to this are the major integrator hubs at Leipzig and Liege, and Frankfurt Hahn (one of the smaller freight airports in the sample, with lower throughput than envisaged for Manston in Year 4 of the forecasts). This illustrates the importance of “hub” capacity for freighter operations, where wide body long haul passenger flights complement dedicated freighter operations. Manston would not provide this type of capacity.

295. Azimuth also quotes Oxford Economics, Transport for London and York Aviation studies highlighting freight capacity shortages (Volume I, P1-13). We reiterate our previous comments that we do not believe there is an overall shortage of freight capacity. Azimuth ignores the context of these studies, and does not distinguish between hub capacity and freighter capacity at other airports. We refer to the November

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<sup>132</sup> (Azimuth Associates, 2017 a)

<sup>133</sup> (Azimuth Associates, 2017 c, p. 1)

2017 report by York Aviation<sup>134</sup> which clearly explains how Azimuth misrepresents the studies relied upon to the extent that York Aviation make clear that " *the York Aviation work relied upon by RSP does not, and cannot be taken to, support RSP's proposed alteration to Manston Airport and, therefore, cannot be relied upon by RSP, the Planning Inspectorate, the Secretary of State and any future appointed Examining Authority (should RSP submit the application and the Secretary of State accepts the application)*".

296. Therefore, it does not follow, as stated on Page 13, that " *It is clear from the figures presented here that the capacity available at Manston Airport is vital to the continued competitiveness of the UK.*"

297. Azimuth acknowledges the importance of integrators and freight forwarders on Page 14:

*"The RiverOak vision is to encourage integrators and freight forwarders to locate in the Manston area, have a competitive pricing structure, and build on the previous excellent cargo handling service provided by the airport."*

298. However, both integrators and freight forwarders consolidate activity at major hubs. It is not clear why they would relocate to the peripheral location of Manston. Heathrow is the major consolidation point in the South East. Even under the highly optimistic Azimuth forecasts, Manston freight throughput would remain a fraction of the Heathrow outturn volumes.

299. Page 14 of the Azimuth report outlines various advantages that Manston apparently benefits from. However, these stated advantages were insufficient to enable the airport to be viable when it was operational.

300. Page 22 raises concerns about the number of destinations served from Heathrow.

*"The Aviation Policy Framework indicates the Government's concerns over the falling number of destinations served by Heathrow Airport and the impact on connectivity. Profitable routes are operated at higher frequencies, reducing the number of destinations served (DfT, 2013, p. 28). This reduces the possibility of using bellyfreight to those destinations no longer served from Heathrow and indicates the need for dedicated freighters on those routes."*

- It is not clear that the number of destinations served from Heathrow is falling (recent trend is inconclusive).
- As discussed in paragraph 204, capacity constraints have primarily impacted short haul routes, which are less relevant for bellyhold freight. The freight tonnage per flight has been increasing at Heathrow in recent years (see Figure 13).

### BREXIT and Security Issues

301. Section 5.2 (P22-23) discusses the potential effect of BREXIT on UK aviation. We agree with the comment that " *There are many unknowns at this stage*". However, only positive outcomes (in relation to Manston) are considered. Some major assertions are made that are based on conjecture and lack logic.

302. For example, on Page 23, it is speculated that:

*"Friction at the borders between EU countries and the UK, particularly at the Channel ports, is likely to increase to meet the demands of security checks and ensuring tariffs are paid where necessary. This may serve to switch transport away from trucking to air freight, avoiding congestion at the Channel Crossings."*

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<sup>134</sup> (York Aviation, 2017, p. 9)

303. Two major assumptions are made. Firstly, that any border issues will be significant and of a permanent nature. However, this will not necessarily be the case. A news report in the Guardian<sup>135</sup> interviewed the chief executive of the Belgian port of Zeebrugge.

*“Gridlock at the border, vast motorway car parks and jobs lost: British ports have been vocal about the risks of a hard Brexit. In case Conservative MPs missed the message, the Port of Dover advertised at the party conference, warning that an extra two minutes on lorry inspections could lead to queues of 17 miles at Dover and similar “chaos in Calais and Dunkerque”.*

*Across the North Sea, continental ports are worried about the great unknowns of Brexit. One of the most exposed is the Belgian port of Zeebrugge, which does 45% of its trade with the UK. “We are vulnerable if something happens to the trade from the UK to the continent,” said port chief executive Joachim Coens. “So what I mainly hope is that we could continue having a good trade relationship with the UK... as we have been doing for centuries.”*

*However, Zeebrugge is less concerned about the resumption of customs checks – “I think we can handle that,” says Coens. The Belgian port could even take business from Calais, he suggests, because it specialises in people-free freight – “roll on, roll off” in industry jargon – removing problems about drivers having to clear UK border controls.*

*Meanwhile, Zeebrugge is fast-tracking the development of apps and scanners to further reduce paperwork. It is developing a UK-specific programme for every stage of the logistics chain, which would allow goods to clear customs even when lorries are miles from the port.”*

304. The second major assumption is that customs checks would not have a similar impact on processing times for air freight. As air freight is much more time sensitive than trucked freight, the addition of an hour (say) to processing time would have a much greater impact on air freight than trucking.
305. Even if BREXIT was to negatively impact trucked freight from Europe into the UK, it could equally impact trucked freight in the other direction. Therefore, there could be less flown freight into the UK for onward trucking distribution to other parts of Europe.
306. Azimuth continues:

*“It is also likely that increased trade will occur between Britain and more geographically distant countries. Trucking of goods to these countries will not be an option thus increasing the need for air freight, making the capacity Manston can provide nationally significant to the Nation’s airport infrastructure”.*

- This outcome is a possibility.
- It is also plausible that the UK could lose trade with other parts of the world. For example, if Japanese car manufacturers relocated assembly plants from the UK to locations within the single market, this would have a negative impact on trade and freight.

307. In summary, the impact of BREXIT is essentially unknown. No business decision or planning application can be made based on such an unknown.
308. Also on Page 23, Azimuth speculates on the impact of increasing passenger security at airports, following terrorism attacks at Brussels and Istanbul airports.

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<sup>135</sup> [REDACTED]

*“Airports are not designed to security check all visitors as they enter the airport. If required, it will cause huge delays and require passengers to arrive many hours (almost certainly at least three) before their flight. These delays impact belly-freight, making a switch to dedicated freighters more likely.”*

309. We do not see the logic in this assertion. If passengers need to arrive at the airport earlier, this will not impact aircraft turnarounds or the loading or unloading of freight. These are independent processes. Therefore, it is difficult to see how such a development would have any impact on bellyhold freight.
310. The potential positive impact of e-commerce development is discussed on Page 24. The analysis of the opportunity is anecdotal. No consideration is given to how e-commerce may be replacing other types of freight.

### Previous Manston Performance

311. Finally, on Page 26, there is some discussion on why Manston was unsuccessful, despite an efficient cargo product:

*“Manston established a reputation for speedy handling of perishable cargo, with unloading and throughput times much faster than competitor airports.”*

312. Azimuth goes on to state:

*“Since Manston suffered from a severe lack of investment, and constraints on the ground are likely to have resulted in capacity restrictions that prevented growth past the figures for cargo shown in Table 4. With only one cargo stand, aircraft were unable to exit to the runway if another aircraft taxied into the cargo area behind it. The airport had limited storage, had not invested in up-to-date handling equipment, and closed their Border Inspection Post. In spite of the lack of investment, there was considerable growth in Manston’s cargo market from 2010 until 2013. This growth strongly indicates that Manston, with the investment required would have a strong future.”*

313. We understand that there was significant investment from previous owners. In 2002, it was reported that £7m had been invested on new aprons and taxiways, increasing the freight capacity to 200,000 tonnes<sup>136</sup>). It seems unlikely that the low level of freighter activity was due to lack of capacity.
- The report states that Manston had 2,073 ATMs in 2013, its last full year of operation. This was also the busiest year for ATMs since 2005. However, CAA data indicates that only 511 flights were cargo related.
  - This is equivalent to an average of less than 1 rotation per day in its final full year. If demand was there, we would expect that the airport should have been able to handle much greater levels of freight activity.
314. The Azimuth conclusion (see above) that a reopened Manston would have a strong future is based on the *“considerable growth in Manston’s cargo market from 2010 until 2013”*. The actual growth was 1,203 tonnes (CAGR 1.4%). In fact the airport did not achieve significant growth at any stage in the last decade of operations, with the 2013 outturn only 2,680 tonnes ahead of the 2004 value.

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<sup>136</sup> (Wiggins Group plc, 2002, p. 16)

### 8.3. Approach to Forecasting (Volume II)

315. In Volume II of its reports, Azimuth<sup>137</sup> discusses at some length air freight forecasting literature and its own research methodology.

316. In the interests of brevity, we do not provide detailed comment on Azimuth's literature review. In general, we find the review is very broad, with much of the material of limited relevance (e.g. use of game theory). The approach is also somewhat academic, with minimal practical application.

317. Azimuth<sup>138</sup> concludes that:

*"...in the case of Manston Airport, closed for several years and lacking investment for many more, this approach is not appropriate. Any attempt to build an econometric model would have to establish criteria whereby a proportion of the total predicted UK air freight traffic was 'diverted' to Manston. However, deciding upon the proportion to divert to Manston raises significant problems.*

*Therefore, instead of providing a mathematical forecasting model, this review of the literature suggests a qualitative approach that aims to predict human and organisational behaviour. Indeed, the DfT (2014, p. 3) place a heavy reliance on an understanding of human behaviour in achieving realistic outputs. A qualitative approach that gathers the opinions of industry experts would allow areas of potential demand for Manston Airport to be identified. It is this type of approach that has been selected in the case of Manston Airport."*

318. We disagree with the conclusion that a purely qualitative methodology is appropriate. While qualitative approaches can be useful, they are most robust as a complement to a quantitative approach. Furthermore, qualitative approaches are typically only adopted for relatively short term forecasts.

319. The issues with a purely qualitative approach in the context of Manston Airport are:

- Assumptions are subject to bias, lack transparency and are impossible to independently verify.
- Does not identify current market size for relevant segments.
- Forecasts do not reflect historic traffic patterns.

320. In particular, we would have expected some attempt at quantification of the overall UK market size for the different freight segments assumed in the Azimuth forecasts. Otherwise, it is extremely difficult to gauge what level of market share for Manston is implied in each freight niche.

321. In describing its research methodology, Azimuth<sup>139</sup> state that:

*"It should be noted that a comparative case study approach was not deemed possible, as no airports in sufficiently similar circumstances were identified."*

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<sup>137</sup> (Azimuth Associates, 2017 b, pp. 6-25)

<sup>138</sup> (Azimuth Associates, 2017 b, p. 20)

<sup>139</sup> (Azimuth Associates, 2017 b, p. 22)

322. While no two airports are exactly alike, there are various airports with similar characteristics to Manston prior to its closure. For example, Prestwick Airport is an airport with modest passenger volumes that also accommodates dedicated freighter flights. Its peak annual freight tonnage was ca. 43,000 tonnes, almost identical to the equivalent value for Manston (source: CAA airport statistics).
- Prestwick Airport<sup>140</sup> has *“the ability to handle large pieces of specialist cargo”*.
  - It has invested in the *“latest security screening technology which ensures even long and heavy pieces of cargo can be processed quickly and securely”*.
  - A dedicated sales team has been established, *“targeting high yielding and specialist areas, whilst still delivering a high quality and cost effective service to routine loads”*. Furthermore, the *“management team also continues to promote the airport as a major UK cargo hub at key global events and trade shows and is doing significant work on evaluating the potential for the airport to become a handling consolidation point for Scotland’s perishable export industry and the local aerospace industry”*.
323. Despite this investment, the airport’s current freight throughput is well below historic levels (ca. 11,000 tonnes in 2016, source: CAA airport statistics). The airport identifies the following challenges:
- *“... the dedicated freighter only aircraft market that the Company has specialised in has been in global decline”*.
  - *“However, income per tonne has remained static over the last 3 years primarily because of the static market, increasing belly hold capacity and the overall competitive nature of the business”*.
324. We note there are many similarities to Manston. The proposed strategy for a reopened Manston has some notable areas of commonality with the current Prestwick strategy. Prestwick incurs substantial financial losses, as did Manston for many years before its closure.
325. Clearly there are some differences. The demand in Scotland will not be as strong as in the South East. However, the level of airport competition is much stronger in the South East.
326. It should also be noted that Azimuth<sup>141</sup> is forecasting ca. 341,000 tonnes of freight on dedicated freighters within 20 years of reopening. This is higher than current freighter tonnage at any UK airport. Therefore, clearly there is no equivalent case study that supports the Azimuth growth forecasts.

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<sup>140</sup> (Glasgow Prestwick Airport Limited, 2016)

<sup>141</sup> (Azimuth Associates, 2017 c, pp. 11-12)



#### 8.4. Expert Interviews and Discussion (Volume II)

327. The qualitative forecasts by Azimuth<sup>142</sup> were informed by interviews with 24 different parties.

- Only a minority of the parties interviewed appear to be airlines or freight forwarders. Many of the interviewees seem to be of limited direct relevance.
- It is not clear how much air cargo to/from the UK is transported by interviewees. With the notable exceptions of DHL and FedEx, most operators interviewed appear to be relatively small. Azimuth<sup>143</sup> comment that *“there was a wide range between 90 tonnes and 20,000 tonnes per year for the smaller shippers to vast amounts for the integrators.”*
- There is limited visibility on how much cargo these operators used to fly through Manston when it was open.

328. There is also a lack of information on the following points:

- Which airports would a re-opened Manston be capturing cargo from?
- Why do operators not use East Midlands or Stansted, given stated concerns with Heathrow?
- What are the relative economics of using Manston versus bellyhold freight at Heathrow, freighters at alternative UK airports or trucking?

329. Not all the comments support the RSP case for Manston:

- Page 30: *“... it’s not going to work if you can only fly between 10.00 and 21.00”*. This suggests the airport would need to accommodate night flights to be viable.
- Page 41: *“Integrators monopolise the freight-friendly airports such as East Midlands (DHL) and are reluctant to change their operations, preferring to cope with slot restrictions at Heathrow rather than moving to other more cost effective airports (DHL, FedEx). The explanation for this is the focus on associated fixed costs and the resources involved to make a move to another airport (FedEx)”*. This confirms that integrators (and associated high freight tonnage) will be unlikely to move to Manston. The remaining opportunities discussed are mainly in niche areas.

330. We question some of the responses from interviewees:

- On Page 42, Frankfurt is highlighted as an example of a successful cargo airport which does not have 24 hour operations. This is not a relevant comparison in the context of Manston. Frankfurt is one of Europe’s leading passenger hubs (over 60m passengers in 2016), with dedicated freighter flights complementing bellyhold provision.
- On Pages 43/44, it is hypothesised that *“With London being a major economy and with scant landing slots available for cargo, a portion of Frankfurt cargo is likely being transported from Frankfurt to London by truck. Manston could readily handle this business in a more cost effective and timely manner, with less environmental impact than trucking from Frankfurt to the UK.”*. There is simply no supporting evidence for this assertion, or consideration of the possibility that trucking may be more cost effective (and environmentally friendlier) than flying.
- On Page 46, there is speculation of the impact of Brexit. *“With the UK’s exit from the EU, more stringent border control procedures can be expected... Given increased friction at the border crossings, this market is more likely to consider moving to airfreight”*. We address this issue from paragraph 302 onwards.

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<sup>142</sup> (Azimuth Associates, 2017 b, pp. 25-46)

<sup>143</sup> (Azimuth Associates, 2017 b, p. 26)

331. In the discussion section of the Azimuth<sup>144</sup> report, a range of market opportunities for Manston are put forward. We have commented on many of these areas in depth earlier in our report. On Page 58, Azimuth discusses how future preferences may shift away from bellyhold freight.

*“Whilst the UK air freight market is currently dominated by belly-hold rather than dedicated freighters, this is the reverse of the situation in the rest of Europe. Several factors may contribute to a change to this dominant model. These include reduced capacity on aircraft such as the A380, the LCC model, which generally focuses on rapid turnarounds, which preclude the carriage of freight. In addition, many interviewees talked of freight being bumped from passenger aircraft and the negative impact this has on their business. If the market was to move away from belly-freight and towards the use of more dedicated freighters, Manston would be well placed to attract this growing market”.*

332. We disagree with this assessment:

- Trends in the UK and globally have been strongly towards bellyhold (due to passenger demand and hence belly hold capacity outstripping air cargo demand, see Appendix Section 11.3).
- The A380 is the exception. In general, newer widebody aircraft types have more bellyhold capacity than predecessors (see paragraph 140 onwards).
- There is limited freight uplift from full service passenger airlines operating short haul routes. Therefore, increased penetration of low cost carriers in this segment will not have a major impact (see paragraph 233).

333. On Page 64 of the Azimuth report, it is speculated that Manston could act as a base for Amazon, including the development of a drone hub. No supporting evidence is provided. For the locational reasons highlighted previously, Manston does not seem an obvious choice to host such activity.

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<sup>144</sup> (Azimuth Associates, 2017 b, pp. 56-66)

## 8.5. Methodology Used in Manston Forecasts (Volume III)

334. Volume III of the Azimuth<sup>145</sup> report provides freight forecasts for the first 20 years of Manston Airport (after assumed reopening).

335. In the preamble, Azimuth once again seeks to justify its qualitative approach (Page 3).

*“The second option was to take a qualitative approach focused on collecting market data. This allows base data to be derived from a method that takes account of how commodities are currently transported and how they are likely to be transported in the near future. This approach is particularly applicable in the Manston case since the airport is not currently operational. Indeed, in the short-term, any useful forecast needs to be built from the likely behaviour of potential airport users.*

*This method is confirmed by the ACI-North America, who represents local, regional and state governing bodies that own and operate commercial airports in the United States and Canada, and recommends deriving customised inputs from a detailed market assessment. This assessment should be informed by carriers, their business partners and other supporting entities in the air freight community (ACI-NA, 2013, p. 3).”*

336. We do not believe that the ACI<sup>146</sup> study provides sufficient rationale for the Azimuth forecast approach. The same ACI study states on Pages 46/47:

*“The best source of customized inputs in a forecast derives from a detailed market assessment. Carriers, their business partners, and all of the supporting entities in the air cargo community can provide meaningful input to ensure that the forecast is anchored in reality and adds clarity to the planning requirements.”*

*“Use the most reliable and current data – A correct and solid traffic basis is essential. If not available, different data sources should be consulted to establish the best possible estimates.”*

*“Typically, at least two forecast scenarios are developed to provide a range of potential future activity levels. The baseline forecast represents a continuation of the airport’s current role in the region and in the national transportation system. The baseline forecast represents the most likely scenario and will be used for future planning. An alternative scenario(s) can be used as a sensitivity analysis to assess the ability of the airport to respond to optimistic demand factors that depart from the baseline forecast.”*

337. Therefore, ACI is not advocating a completely qualitative approach.

- The Azimuth study does not provide a detailed market assessment (rather, anecdotal evidence about the size of selected niches).
- Interviews only covered a small selection of current UK operators.
- No attempt has been made to establish a solid traffic base (from which Manston could seek to capture market share).
- The ACI study suggests that historic traffic performance should inform baseline projections, rather than be disregarded. Alternative scenarios are more appropriate for the types of optimistic demand factors incorporated in the Azimuth forecasts.

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<sup>145</sup> (Azimuth Associates, 2017 c)

<sup>146</sup> (Airports Council International - North America, 2013)

338. The ACI study (Page 50) goes on to highlight the different demand data that should be considered, including segmenting tonnage by origin/destination, commodity, desired level of service<sup>147</sup> and shipment size.
339. Key factors to consider are summarised on Page 52, including regional demographics, regional employment and production, regional industrial location patterns, shifts in commodity demand and shifts in distribution practices and patterns.
340. A more balanced assessment of the ACI guidelines is that both qualitative and quantitative methods play an important role in the development of air cargo forecasts. It is not our reading that ACI proposes that a purely qualitative approach is sufficient.
341. On Page 3 of its report, Azimuth makes reference to the Airport Commission:
- “The Airports Commission also recommends using the Delphi Method, pointing out that relying on, “a single, central-point forecast would be a risky approach” (Airports Commission, 2013, p. 8).”*
- The Airports Commission developed multiple scenarios in its traffic forecasts.
  - However, despite this, only one scenario is presented in the Azimuth projection.
342. Volume III also refers to York Aviation and Transport for London analysis (Page 1). As highlighted previously and as supported by York Aviation themselves (see paragraph 235), Azimuth makes incorrect interpretations from the studies.
343. Azimuth also quotes selected secondary data in support of its forecasts. On Page 4, it quotes a one month snap shot of global freight volume growth from November 2016. In the context of long term forecasts for Manston, this is meaningless.
344. Boeing and Airbus freight forecasts are also highlighted.
- Boeing and Airbus are both leading industry bodies which regularly publish air cargo forecasts.
  - Boeing on a bi-annual basis (most recent in 2016).
  - Airbus, annually (most recent in 2017).
  - Note that both forecasts are in units of flown tonne-km – a combination of the tonnage of cargo flown and the distance it is flown for (as such, changes in the average sector length would affect the forecasts). The tonne-km forecasts include both bellyhold and cargo carried on dedicated freighters (though these are not separated in the projections).
345. Global Airbus projections are then used as the source for a simplistic annual growth for Manston for years 11-20 of the Azimuth forecast.
- There are obvious difficulties in comparing growth rates for tonnage at a UK airport (in a mature market) with global freight tonne-km projections (which include forecast growth in faster growing economies).
346. We have undertaken a more in-depth review, outlined in the paragraphs below.
347. In its latest forecast, Boeing predicts air cargo growth of 4.2% CAGR over the period 2015-35<sup>148</sup>. The most recent Airbus forecast, for the period 2016-36, gives a CAGR of 3.8%<sup>149</sup>.

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<sup>147</sup> Trade-off between the cost and the quality of service as determined by transit time, reliability and security, often compared to the same characteristics for available surface options.

<sup>148</sup> (Boeing, 2016, p. 2)

<sup>149</sup> (Airbus, 2017a, p. 101)

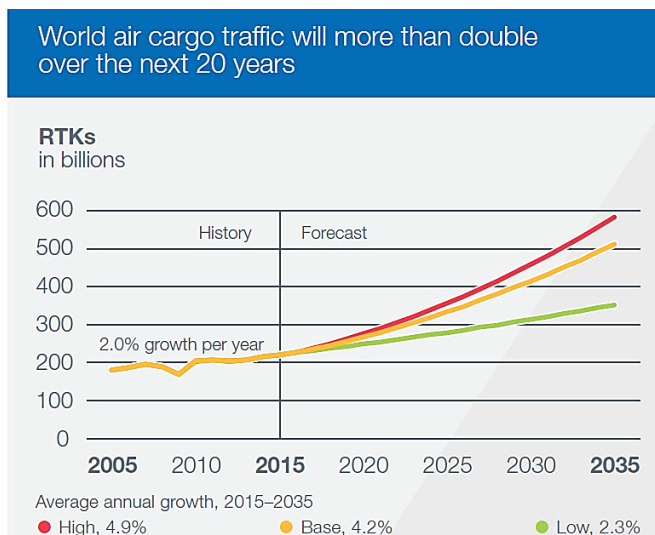


Figure 20 – Global 20-year air cargo forecast - timeseries of high, base and low forecasts

Source: Boeing

348. Boeing also provides a regional breakdown of expected growth rates<sup>150</sup>. For the flows involving Europe, most are below the global average CAGR. Growth of intra-Europe air cargo is forecast to be the lowest of any regional flow shown (2.2%). This indicates global growth projections need to be treated with caution in the context of the UK market.

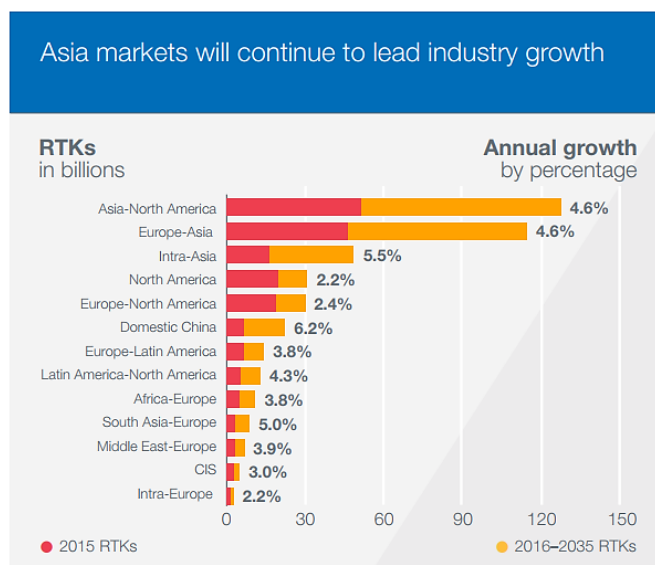


Figure 21 – Global 20-year air cargo forecast – size, and growth rates, of key flows

Source: Boeing

349. While Airbus and Boeing forecast strong growth in tonne-km in future years, it should be noted that only limited growth in freighter aircraft is envisaged for European based airlines. Airbus forecasts growth of just 42 freighters in European fleets by 2036<sup>151</sup> (Boeing does not appear to provide an equivalent number).

350. History shows that Airbus and Boeing forecasts tend to be optimistic. Boeing has reduced its 20-year forecast of growth in every iteration since at least 2010/11, while Airbus has reduced forecast growth in

<sup>150</sup> (Boeing, 2016, p. 16)

<sup>151</sup> (Airbus, 2017a, p. 105)

every iteration since at least 2012. This has resulted in lower tonne-km at the end of each forecast e.g. the 2017 version forecasts lower tonne-km for 2036 than the 2015 version forecast for 2034.

351. Similarly, the number of dedicated freighter aircraft Airbus expects to be in operation by the end of its 20-year forecast has been reduced by around one third, from ca 3,000 (based on the 2012 forecast<sup>152</sup>) to ca, 2,000 (based on the 2017 forecast<sup>149</sup>). We note this downgrading of freighter outlook has not been mentioned in the Azimuth reports, notwithstanding its use of Airbus cargo projections.
- Note the drop of one third in the number of freighters expected to be operating in future is greater than the drop in its cargo tonne-km CAGR forecast, implying increasing dependence on bellyhold capacity to meet air cargo demand. This is consistent with historic trends, highlighted previously in this report.
352. Alongside the figures discussed above, Boeing publishes high and low forecasts. These show global air cargo CAGRs of 4.9% and 2.3% respectively. Notice that the downside (-1.9ppts) is significantly larger than the upside (+0.7ppts). Notwithstanding the differences in geography and forecast units highlighted previously, our projections for the UK sit within this range (CAGR 2.5% for same time period as Boeing projection).
353. Both the consistent reductions of the forecast numbers with each new iteration, and the large potential downside (relative to upside), indicate some uncertainty for the sector in the future.

### 8.6. Manston Air Freight Forecasts (Volume III)

354. Given the lack of transparency in the Azimuth forecasts, it is not possible to undertake a detailed critique of the forecast building blocks / assumptions. The only breakdown provided is by imports and exports. There is no segmentation by carrier type, commodity type etc.
355. The freight forecasts for Manston are summarised in the chart below.
- In Year 2 (the first year of freight traffic), tonnage is forecast to be more than double the previous Manston peak annual value.
  - By Year 11, freight throughput is forecast at similar tonnage to 2016 Stansted performance. Growth from Year 2 to Year 11 is forecast at CAGR 9.7%.
  - By Year 18, Manston is forecast to exceed the 2016 freight tonnage at East Midlands Airport (the largest dedicated freighter hub in the UK).

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<sup>152</sup> (Airbus, 2012, p. 137)

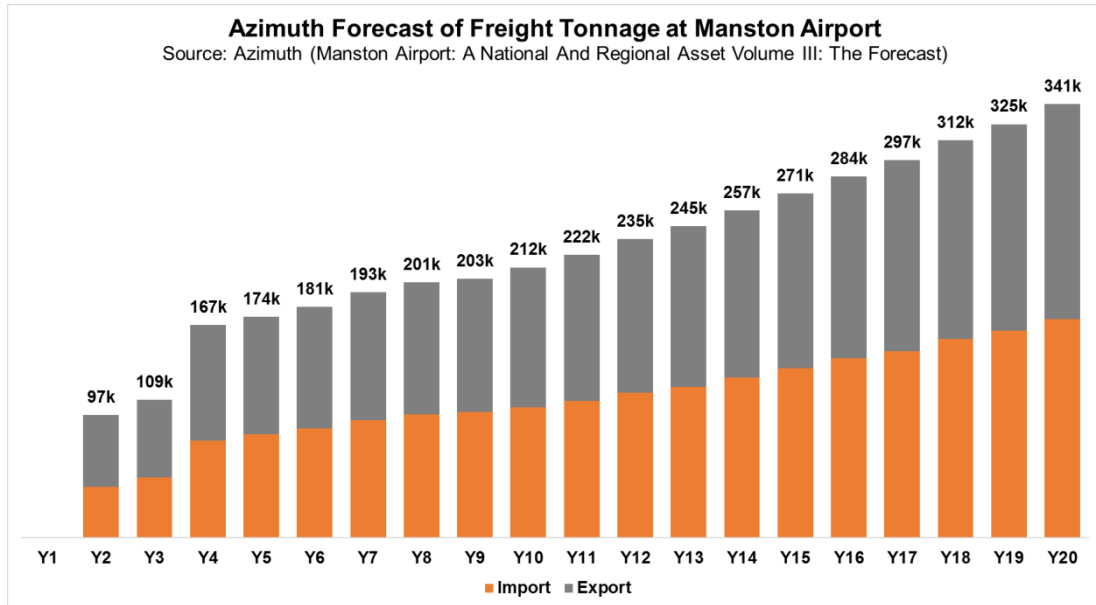


Figure 22- Azimuth Forecast of Freight Tonnage at Manston Airport

356. We have contrasted the projected air freight growth with historic Manston growth, historic UK growth and our base case demand projections for the UK.

- By year 20 of the Azimuth forecasts (assumed to be 2039), Manston freight throughput is forecast to have grown by almost 12 times the 2013 outturn (the last full year of operations). The equivalent CAGR from 2013 is 9.9%.
- This compares to our projected demand growth for the UK market of 2.3% over the same period.

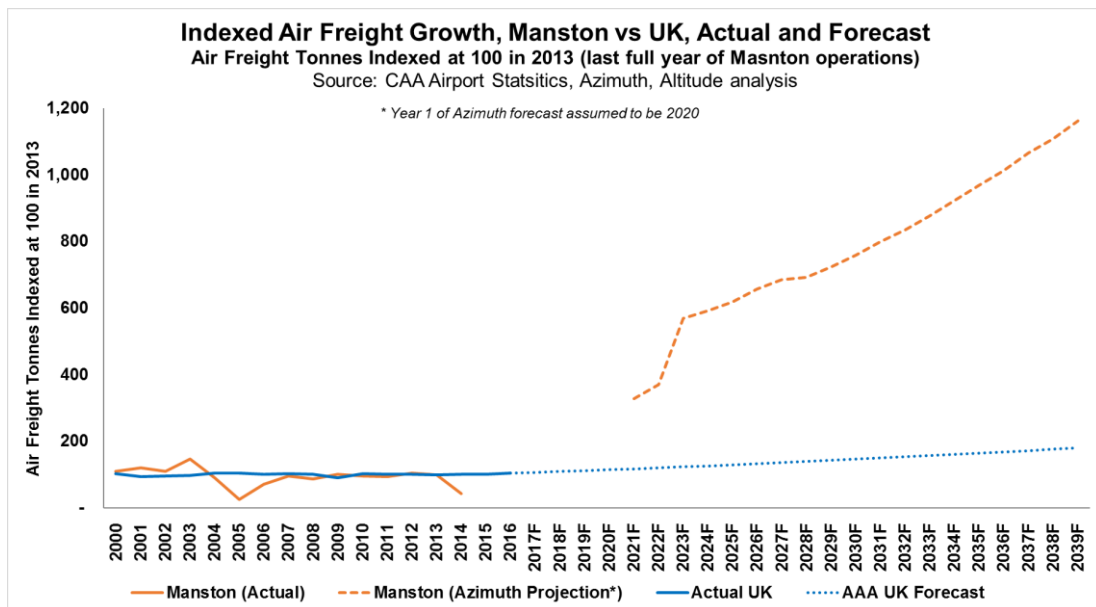


Figure 23- Azimuth Forecast Compared to Historic Growth and UK Forecast

357. We have also compared the Azimuth projections for Manston to the 2016 performance at the leading air freight airports in the European Union.

- The projected volumes for Manston by year 5 would see it comfortably within the top 20 EU airports in 2016.
- By year 20, Manston’s projected volumes would be higher than all but the 12 largest EU airports in 2016.
- 19 of the airports in the top 20 are either major/large passenger hubs or major integrator hubs. The one exception is Luxembourg, the home base of Cargolux, which is one of the largest all cargo airlines in the world with a fleet of 27 freighter aircraft<sup>153</sup>. Given that Manston is not expected to develop into either a passenger or an integrator hub, this shows the level of ambition in the Azimuth projections.

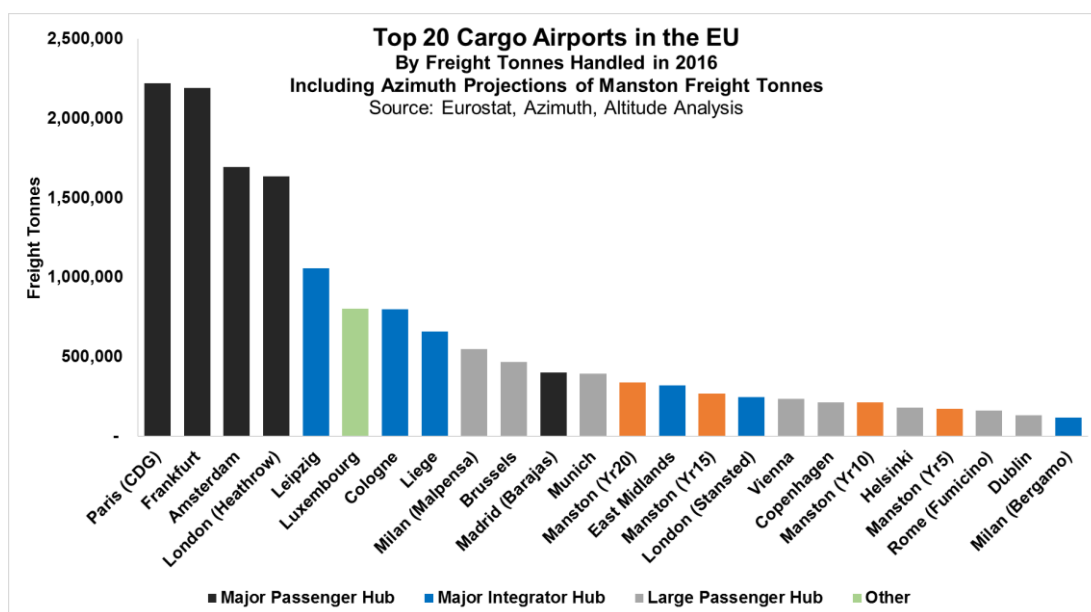


Figure 24- Azimuth Forecast Compared to EU Air Freight Benchmarks

358. Not surprisingly, we consider the forecasts to be not credible, given their extreme optimism and the negligible supporting evidence.

- Growth in freight at Manston would be unprecedented in a UK market context, and in complete contrast to previous historic performance at Manston.
- We do not expect there to be an overall shortage of freighter capacity in the UK or South East. Even if we are wrong in this assessment, Manston and other smaller airports have shown no signs of benefiting from supposed capacity shortages in recent years.
- The rationale for why Manston will be able to achieve a massive uplift on previous performance is weak at best. There is no evidence that bellyhold will not continue to dominate the UK market. The stated advantages of using Manston were present when the airport struggled to grow freight volumes, despite investment in the airport. Lack of capacity was not a material factor.
- As well as the forecasts ignoring historic performance, it also does not reflect the very clear market trends towards consolidation of freight at major passenger and dedicated freighter hubs. UK airports outside the major three freight airports have seen volumes fall.

<sup>153</sup> Ranked the 9<sup>th</sup> largest cargo airline in the world in 2016 (source: aircargonews). Source for Cargolux fleet is the Cargolux website.



359. There also seems to be a discrepancy between the methodology description and the long term forecast results. On Page 7 it is stated:

*“Therefore, from Years 11 to 20 an annual percentage growth has been applied to the figures derived for Year 10.”*

*“However, to be conservative, and in line with the Airbus forecast, a 4% uplift on the Year 10 figures has been applied to extrapolate the long-term forecast for Manston Airport. “*

360. We therefore expected that long term growth for Manston (Year 11 onwards) would be 4%. The Year 10 to Year 20 CAGR is 4.8% (adding ca. 25,000 tonnes by Year 20, compared to a 4.0% CAGR).

361. As highlighted previously, there are significant issues with using a simplistic annual growth uplift based on global manufacturer forecasts for global tonne-km. Further issues are:

- The manufacturer forecasts have a track record of optimism, and have consistently been revised down in later iterations.
- The Airbus forecast referenced has since been updated, with growth of CAGR 3.8% (lower than the forecast used by Azimuth).
- There is significant variation in growth rates for different parts of the world, with the European market more mature than average. Within the European context, the UK is one of the more mature markets. Therefore, use of a global figure is likely to significantly overstate demand growth in the UK and is not an appropriate tool for looking at demand in the UK market.
- While Airbus and Boeing forecast strong growth in tonne-km in future years, it should be noted that only limited growth in freighter aircraft is envisaged for European based airlines. Airbus forecasts growth of just 42 freighters in European fleets by 2036<sup>154</sup> (Boeing does not appear to provide an equivalent number). Therefore, demand in the most relevant segment for Manston is likely to be lower than the overall average.

362. We are also surprised to see imports and exports almost entirely balanced in the Azimuth forecasts.

- Exports were a minority of overall freight before Manston was closed. Exports accounted for between 6.0% (2010/11) and 24.3% (2004/05) in the last 11 years of operation. The average export percentage in the period 2002/03 to 2013/14 was 12.6%.
- The UK is generally an import rather than an export market for goods. HMRC<sup>155</sup> data indicates that exports accounted for 37.5% of total UK air freight to/from non-EU countries by weight in 2016.
- Therefore, the assumption that flights will be equally loaded for both inbound and outbound operations seems very optimistic.

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<sup>154</sup> (Airbus, 2017a, p. 105)

<sup>155</sup>

### 8.7. Manston Cargo ATM Forecasts (Volume III)

363. The Azimuth forecasts also include freighter ATM projections, summarised below.

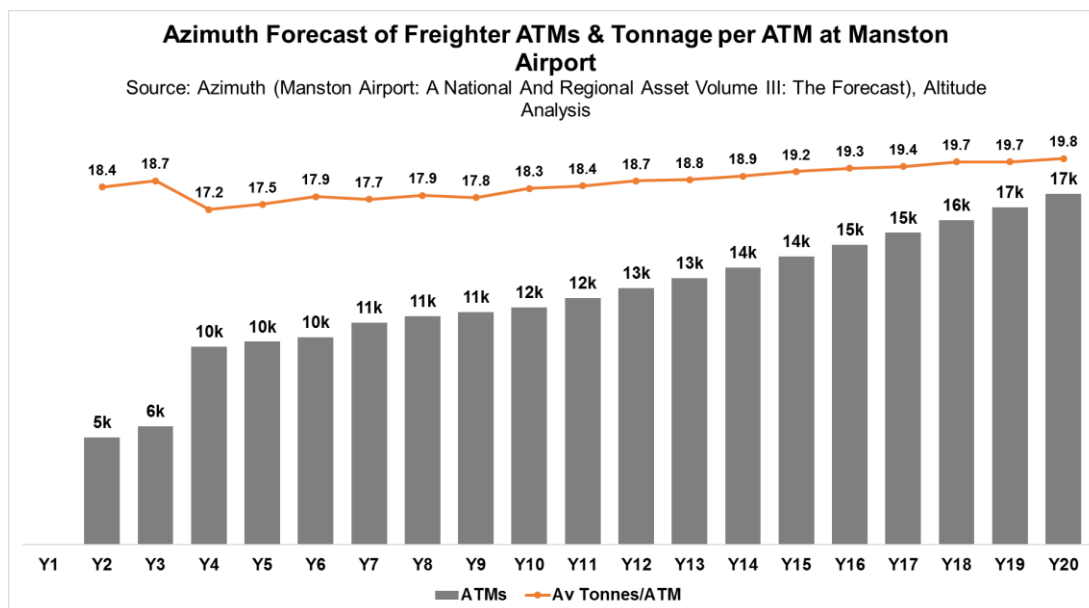


Figure 25- Azimuth Forecast of Freighter ATMs & Tonnage per ATM at Manston Airport

364. The tonnes per ATM forecast figure (ca. 17-20 tonnes) is very low compared to historic levels at Manston. In the last full 5 years of operation, the airport recorded an average of 63 tonnes per cargo ATM.

- The low figure is driven by an assumption that the most predominant cargo aircraft at Manston will be smaller Code C and Code D aircraft. We understand that this differs to the historic pattern, explaining the difference in average loads.
- The projected average load is slightly above current Stansted levels. However, given the lack of integrator operations at Manston, we would have expected the average load figure to be higher.
- As an illustration, if the average load in Year 20 was consistent with historic levels, the same forecast freight tonnage (340,000 tonnes) could be handled by ca. 5,400 cargo flights.

365. We note that York Aviation's professional opinion<sup>156</sup> is that the capability of Manston Airport is 21,000 annual air cargo aircraft movements. This figure is higher than the Azimuth's Year 20 freighter ATM forecast for Manston.

- This is despite very optimistic cargo tonnage projections and average cargo per ATM assumptions that are much lower than historic values.

<sup>156</sup> (York Aviation, 2017)

366. The cargo ATM forecasts have also been compared to leading European airports. This emphasises the extremely challenging nature of the Azimuth forecasts. By year 20, the projected cargo ATMs at Manston are higher than achieved by all but 6 EU airports in 2016. Again, it is noticeable that the leading EU airports for cargo ATMS are either major/large passenger hubs or major integrator hubs, which are not the business models proposed (or that would be realistically achievable) for Manston.

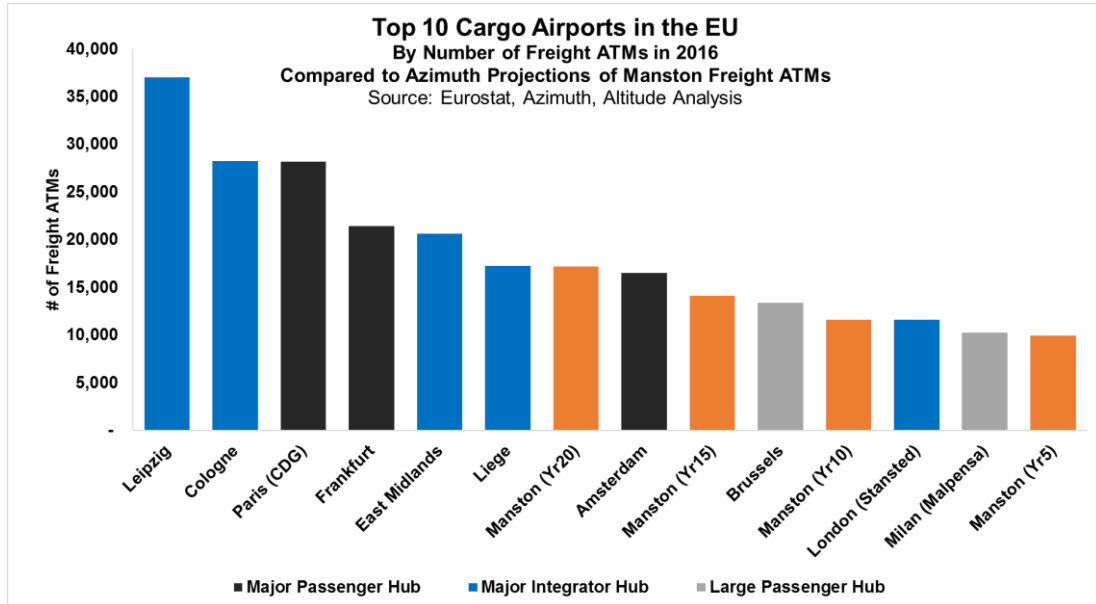


Figure 26- Azimuth Forecast Compared to EU Freighter ATM Benchmarks

367. Finally, we also compare the average air freight tonnes per cargo ATM projected for Manston with leading EU benchmarks. Note that the air freight total includes bellyhold as well as freighter cargo.

368. The projections for Manston indicate low average loads compared to the leading EU airports, with the exception of some integrator hubs (which have a higher proportion of smaller aircraft for short haul flights, reflecting the nature of the express market). This sheds further doubt on the validity of the Azimuth projections for cargo ATMs. If the average loads were higher, this would result in lower cargo ATMs for the same air freight tonnage.

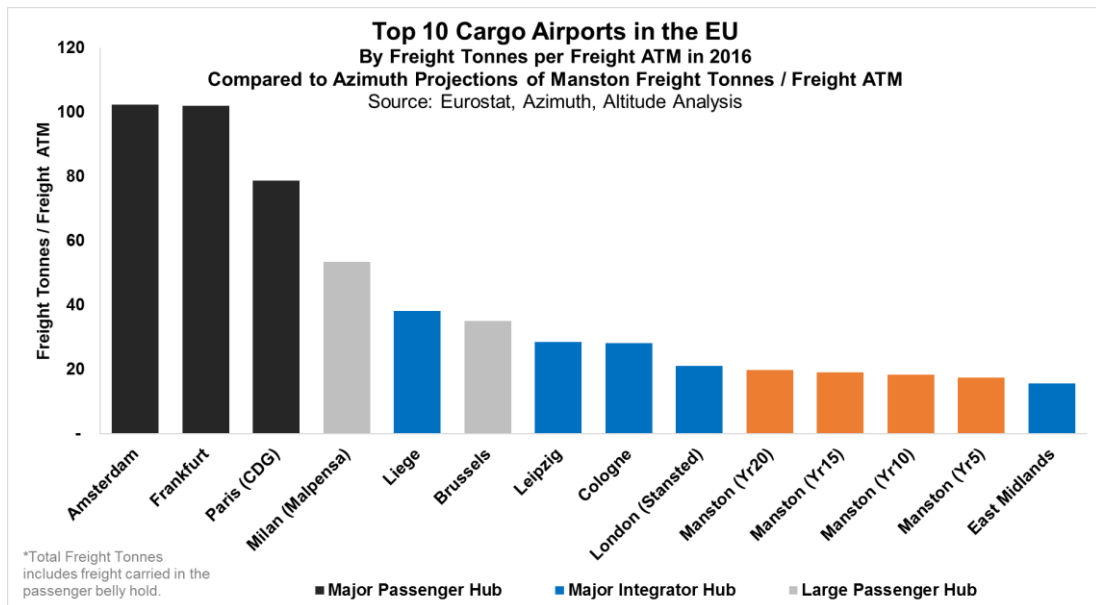


Figure 27- Azimuth Forecast Compared to EU Air Freight Tonnes per Freighter ATM Benchmarks

## 8.8. Conclusion

369. It is highly unlikely that a re-opened Manston could play any significant role in serving the needs of the UK air cargo industry. There is currently no shortage of overall capacity (beyond that identified specifically at Heathrow), and future demand growth into the long term can be met with planned expansion from the leading cargo airports in the UK.
370. Manston previously operated as a niche air freight airport. While it could theoretically regain this role in the future, its structural disadvantages (location, lack of critical mass, lack of passenger hub, night flight restrictions etc.) will severely limit its potential.
371. Our overall conclusion is that the RSP proposals and the Azimuth forecasts are deeply flawed. The outlook put forward by RSP / Azimuth does not reflect market realities. We would expect freight tonnage and freight ATM outturn at a reopened Manston to be considerably below the Azimuth forecasts. We see no realistic prospect that Manston could ever develop to reach the threshold required of a Nationally Significant Infrastructure Project, namely to increase cargo ATMs by at least 10,000/year compared to the existing capability.

## 9. Overall Conclusion

372. It is highly unlikely that a re-opened Manston could play any significant role in serving the needs of the UK air cargo industry. There is currently no shortage of overall capacity, and future demand growth into the long term can be met with planned expansion from the leading cargo airports in the UK.
373. The Azimuth freight forecasts for Manston are summarised below:
- In Year 2 (the first year of freight traffic), tonnage is forecast to be more than double the previous Manston peak annual value.
  - By Year 11, freight throughput is forecast at similar tonnage to 2016 Stansted performance. Growth from Year 2 to Year 11 is forecast at CAGR 9.7%.
  - By Year 18, Manston is forecast to exceed the 2016 freight tonnage at East Midlands Airport (the largest dedicated freighter hub in the UK).
374. We consider the forecasts to be extremely optimistic and not credible, with negligible supporting evidence.
- Growth in freight at Manston would be unprecedented in a UK market context, and in complete contrast to previous historic performance at Manston.
  - We do not expect there to be an overall shortage of freighter capacity in the UK or South East. Even if we are wrong in this assessment, Manston and other smaller airports have shown no signs of benefiting from supposed capacity shortages in recent years. Furthermore, there is demonstrable spare capacity at Stansted and East Midlands, both better established and located.
  - The rationale for why Manston will be able to achieve a massive uplift on previous performance is weak. The stated advantages of using Manston were present when the airport struggled to grow freight volumes, despite investment in infrastructure and marketing (the previous owners invested £7m on new aprons and taxiways, increasing the freight capacity to 200,000 tonnes<sup>157</sup>). Lack of Manston capacity was not a factor.
  - As well as the forecasts ignoring historic performance, they also do not reflect the very clear trends towards consolidation of freight at major passenger and dedicated freighter hubs. UK airports outside the major three freight hubs have seen volumes fall. There is also a trend away from freighter services towards bellyhold freight.
375. Manston previously operated as a niche air freight airport. While it could theoretically regain this role in the future, its structural disadvantages (location, lack of critical mass, lack of passenger hub, night flight restrictions etc.) will severely limit its potential. Even if reinvested, relaunched and supported we would not expect freight volumes to be materially above historic levels, and nowhere close to the volumes forecast by Azimuth.
376. Finally, the forecast of freighter ATMs is not credible.
- By year 20, ca. 17,000 freighter flights are forecast for Manston.
  - This represents one-third of current UK freighter flights, in a market where the number of freighter ATMs has been contracting. This trend has been recognised by the Department for Transport, with its 2017 forecasts to 2050 assuming the number of freighter flights in the UK will remain flat at 2016 levels<sup>158</sup>.
377. In particular, we note that York Aviation's professional opinion is that the capability of Manston Airport is 21,000 annual air cargo aircraft movements. We would envisage that freighter ATMs at Manston would

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<sup>157</sup> (Wiggins Group plc, 2002, p. 16)

<sup>158</sup> (Department for Transport, 2017a, p. 33)

be only a fraction of the level required under Section 23 of the Planning Act of 2003 (being at least 10,000 ATMs/year above the existing capability).

378. In paragraph 48, we put forward four questions in relation to the RSP proposals for Manston. These are more relevant and targeted than the broader questions posed by Azimuth in its first report<sup>159</sup>. The answers to our questions have been developed over the course of this report. We summarise our conclusions in the table below.

Question	Response
Considering planned airport expansions, will there be a need for further airport capacity in the UK for dedicated freighters?	No, planned expansions at existing airports should comfortably provide sufficient freighter capacity until 2040 and beyond.
Will the South East in particular require additional capacity for dedicated freighters?	No, Stansted is planning significant capacity growth. A third runway at Heathrow will provide additional bellyhold capacity (putting downward pressure on freighter demand). Finally, the South East market can be well served by airports more centrally located in England.
Would a reopened Manston be well placed to effectively serve a significant proportion of the dedicated freighter market?	No, a reopened Manston would only serve a niche role, similar to its historic record. It has a poor location and operating restrictions.
Are there other potential airport options for new dedicated freighter capacity?	Yes, there are many UK airports with excess freighter capacity. For example, Doncaster Sheffield Airport has a central UK location. It markets itself as the UK's freighter gateway. It benefits from a large site with a long runway, and has 24 hour operations.

*Table 3 – Summary of Analysis of Potential Future Freight Role for a Reopened Manston Airport*

379. As can be seen above, when one asks more targeted questions, the outcome is very different to that presented by Azimuth. Our overall conclusion is that the RSP proposals and the Azimuth forecasts are deeply flawed. The outlook put forward by RSP / Azimuth does not reflect market realities. We would expect freight tonnage and freight ATM outturn at a reopened Manston to be considerably below the Azimuth forecasts. We see no realistic prospect that Manston could ever develop to reach the threshold required of a Nationally Significant Infrastructure Project, namely to increase cargo ATMs by at least 10,000/year compared to the existing capability.

<sup>159</sup> (Azimuth Associates, 2017 a, p. I)

## 10. Appendix - Overview of the Cargo Industry

### 10.1. Modes of Transport for Transportation of Cargo

380. Air cargo makes up only a small proportion of global cargo (by tonnage). Seabury estimated that in 2016, air cargo had a share of just 1.5% of containerised air and sea trade<sup>160</sup>. For international transit in particular, sea is the dominant mode of cargo transport.
381. In many cases, cargo reaches its destination using a mix of modes. Road and rail are commonly used to collect cargo from many different shippers across a large geographic area, and bring it to a central hub for consolidation, before onward shipping by air or sea (with a similar process occurring at the other end of the air/sea journey in order to distribute cargo to consignees).
382. The different modes of transport each have inherently different costs associated with them, usually related to speed of transit and quantity of product being moved. Air (a relatively fast and relatively low-quantity mode) is more expensive than sea (a relatively slow mode capable of moving vast quantities of product at a time). Generally, products that make use of air transportation are high-value and/or time critical, and can be easily packaged.
383. Transportation of high value items by air helps businesses maximise profits by minimising the time for which its inventory is tied up in supply chains. For high value items, the benefits of being able to quickly realise the value of product inventory and reinvest can outweigh the additional cost of air transport. As such, the proportion of global trade that travels by air is much greater when measured by value (ca. 35%<sup>161</sup>), than when measured by tonnage.
384. For time critical products, the trade off between a) the cost of transport, and b) the deterioration in the value of the product with time, can be a key factor in determining what mode (or modes) to use. Products such as flowers, newspapers and some pharmaceuticals have no value if they are not available to consumers a short period after they are shipped. For these products, air is often the only viable mode of transport.
385. The nature of the cargo, or its physical size, may also influence mode choice (for example heavy plant machinery may be too large for air transport, while air transportation of many substances is restricted or prohibited).

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<sup>160</sup> (Seabury, 2017, p. 4)

<sup>161</sup> (IATA, 2017a, p. 5)

## 10.2. Types of Air Cargo

386. Whilst there are many different types of air cargo, at a high level, most can be categorised as one of general freight, express or mail.

- Mail is typically letters and parcels, delivered to final destination by the postal service of a given country.
- Express cargo is typically 'next-day' shipments that are collected from the shipper by close of business and are required by the consignee by close of business the following day.
- General freight is everything else (note that general freight is a very broad category which also includes several types of low volume specialist cargo such as hazardous, valuable and live animal freight).

387. The air cargo market is served by various different business models. These include:

- Cargo-only airlines, such as Cargolux, which operate aircraft carrying only cargo.
- Integrators, such as DHL Express, which facilitate cargo transportation from shipper through to consignee, and typically own/lease and operate the vehicles necessary to achieve this (and which carry only cargo). Integrators tend to have a focus on express cargo.
- Traditional airlines such as British Airways, which carry cargo on their passenger flights (known as bellyhold cargo). These carriers may additionally operate cargo-only flights (in which case they are known as combination carriers).
- Couriers and road hauliers, which move cargo between the shipper/consignee and the airport hubs.
- Freight forwarders, which typically help shippers to organise the transport of freight, but do not take part in actually moving it.

388. Steer Davies Gleave was commissioned by the UK Department for Transport to improve its understanding of the UK air cargo industry. Its report, 'Air Freight: Economic and Environmental Drivers and Impacts' provides a breakdown of the UK air cargo market in 2008, by type of cargo and type of carrier – see below. General cargo and specialist products accounted for 75% of the market, express for 18% and mail for 7% (all by tonnage)<sup>162</sup>.

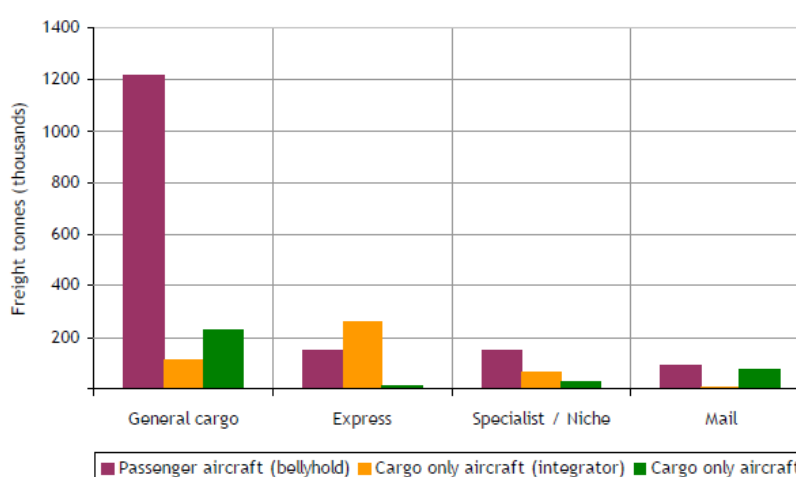


Figure 28 - UK air cargo in 2008 by type of cargo and type of carrier

Source: Steer Davies Gleave [2010], AIR FREIGHT Economic and Environmental Drivers and Impacts

<sup>162</sup> (Steer Davies Gleave, 2010, p. 47)



### Bellyhold Cargo

389. A commercial passenger aircraft has a considerable amount of space underneath the passenger cabin, used to store the checked baggage of passengers. The checked baggage generally does not utilise all this space, and some airlines choose to generate additional revenue by filling it with cargo.
390. The routes operated, the aircraft used, and flight timings are typically determined by passenger demand. However, passenger demand does not always align with cargo demand. Some routes may have very little cargo demand, while others may have much more than can be accommodated.
391. The revenue generated from bellyhold cargo can be a significant minority of overall revenue. Furthermore, carrying bellyhold cargo does not substantially increase costs (for example, the aircraft itself and the crew, the landing fees etc are incurred with or without the cargo).
392. Bellyhold cargo can therefore offer an airline a significant revenue upside opportunity, with little downside risk (as long as the airline is careful to price cargo to cover the incremental cost of carriage e.g. increased fuel burn).
393. Loading and unloading cargo from the aircraft can make very short turnaround times impossible to achieve. Therefore short haul low cost operations, which rely on very high aircraft utilisation to achieve profitability, typically do not to carry bellyhold cargo.
394. The capacity available for cargo in the bellyhold of passenger aircraft is difficult to estimate. It depends on many factors, including how many passenger and crew bags there are to accommodate (and how heavy they are, and how efficiently a given airport's staff loads those bags), the volume of fuel needed, the temperature and altitude of the departure airport, the type of engines etc. Many of these factors vary significantly from departure to departure, even if the exact same aircraft hull is used.
395. Complicating matters is that the limiting factor on the amount of cargo that can be uplifted depends on its density. One flight may depart with a bellyhold that is physically full but with spare weight capacity. Another may depart with space available in the bellyhold but not able to carry more weight. Reporting of air cargo load factor typically states only the weight used versus the overall available weight.

### Cargo Carried on Cargo Aircraft

396. A cargo aircraft (or freighter) is operated purely for cargo, and carries no commercial passengers. Most of the aircraft used are very similar to commercial passenger aircraft, with the exception that all seats and overhead storage, carpets, toilets, galleys etc. are removed from the space that is normally the passenger cabin; this space is then filled with cargo. Additionally, as there is no checked baggage, all space underneath the passenger cabin is available for cargo. For example, a 747-400 cargo aircraft can carry multiple times more freight than a 747-400 passenger aircraft.
397. As there are no commercial passengers on a freighter aircraft, the size of aircraft operated, the routes and the timings are all chosen to fit cargo demand.
398. IATA highlights the higher average yield from freight carried on cargo-only aircraft in comparison with that carried in the bellyhold of passenger aircraft:

*“At an aggregate industry level, cargo-only services have exhibited a greater sensitivity to fuel price changes. Cargo only services on average earned a premium of 10% in 2014 over belly hold services”<sup>163</sup>*

399. Note that the yield premium of freighters is not a comparison on a like for like basis. It will include, for example, the impact of freighters serving different markets.

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<sup>163</sup> (IATA, 2015, p. 5)

400. The absence of commercial passengers also means that all costs must be covered by the revenue from cargo only. The impact of this on profitability (in comparison with bellyhold cargo profitability) is demonstrated in the following illustrative example (from a 2015 Seabury presentation on air cargo trends).

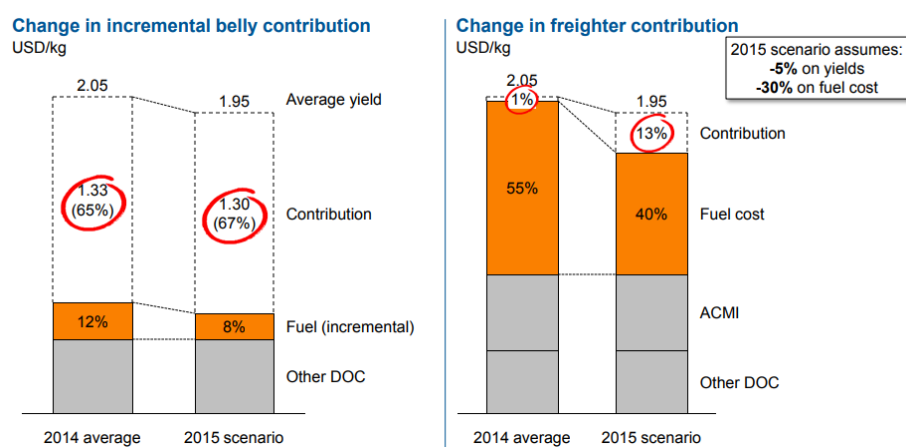


Figure 29 - Freight vs bellyhold profitability, and impact of fuel price

Source: Seabury [2015], 'Air Cargo 2015: Recent trends and impact on air cargo industry'

401. In 2015, when carrying an item on a freighter, only 13% of revenue goes to profit. Carrying the same item at the same price, but as bellyhold cargo, results in 67% of the revenue going to profit<sup>164</sup>.
402. Furthermore, it is seen that freighter profitability is more sensitive to fuel price than bellyhold cargo (fuel price reduced by 30% between 2014 and 2015; illustrative contribution increased by 12 percentage points (“ppts”) on the freighter, but only by 2ppts for the bellyhold cargo)<sup>164</sup>.
403. Whilst the current low fuel price environment means freighter profitability has increased, it also means future increases in fuel price could significantly reduce the profitability of freighter operations.
404. Another challenge for operators of freighter aircraft is that, unlike passenger demand, cargo demand can be highly directional. A freighter may be full on one sector, and carry very little on the return journey. Long haul freighters may operate circuitous routes with multiple stops (taking them literally all around the world in some cases), in order to minimise flying on sectors with low cargo demand.
405. Freighters may be scheduled (the flight operates regularly to a published timing and route), or charter services (a flight operated on a one off basis to meet irregular/unusually large demand e.g. moving Formula 1 race equipment between one race location and the next).

### Trucking

406. The air cargo industry primarily uses trucking in one of two ways. There are road feeder services, operated to move cargo between the shipper/consignee and the airport hub, and there are trucks operated between airport hubs in place of flights.
407. According to Boeing, the use of road feeder services enables carriers to “extend their networks and add scheduling flexibility”<sup>165</sup>.
408. Integrators generally operate their own road feeder services, while cargo-only and traditional airlines may use third parties (as well as accepting cargo from independent hauliers and couriers).

<sup>164</sup> (Seabury, 2015, p. 7)

<sup>165</sup> (Boeing, 2016, p. 31)

409. The book 'Moving Boxes by Air: The Economics of International Air Cargo' states that trucks operate between airport hubs in place of flights where and when "*the lower unit cost of operating trucks*"<sup>166</sup> makes it sensible to do so. For express freight, this can often be the case on shorter routes, as described by the Steer Davies Gleave report<sup>167</sup>:

*"for distances of 400 – 500km, cargo will generally go by road. For distances above this, flights will be used, except at weekends, where many packages are only required on the Monday and so can be trucked. The circa 500km cutoff is a function of the integrators next day delivery guarantee."*

410. On such routes, relatively low aircraft utilisation (air transport of express freight is typically required overnight, but not through the day) combined with the lower time benefit of air transport, makes trucks a preferable option in many cases.

411. Regarding less urgent general cargo, the same report states<sup>167</sup>:

*"Users of air freight with a requirement to send a consignment over 500 kilometres within Europe but without the need for next day delivery, will be likely to purchase a modal option other than air freight"*.

412. The lower time benefit of air transport on short routes is derived from the high proportion of the total journey time that is taken up by sorting/handling and ground-based distribution; globally, the average air cargo flight accounts for just 33% of the average air cargo shipment time<sup>168</sup>. On routes with below-average flight times, this percentage falls even lower.

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<sup>166</sup> (Morrell, 2011)

<sup>167</sup> (Steer Davies Gleave, 2010, p. 66)

<sup>168</sup> (IATA, 2017a, p. 7)

## 11. Appendix - Air Cargo Global Market Trends

### 11.1. Air Cargo Share of Global Cargo

413. While air freight had a share of 1.5% of the world’s total air and sea freight in 2016, this share has been dropping during the period since 2000 (when air freight had a share of 2.5% of the global market). This is illustrated in the chart below<sup>169</sup>. Note that over the period 2013-16, air share of the global market has stabilised at ca. 1.5%.

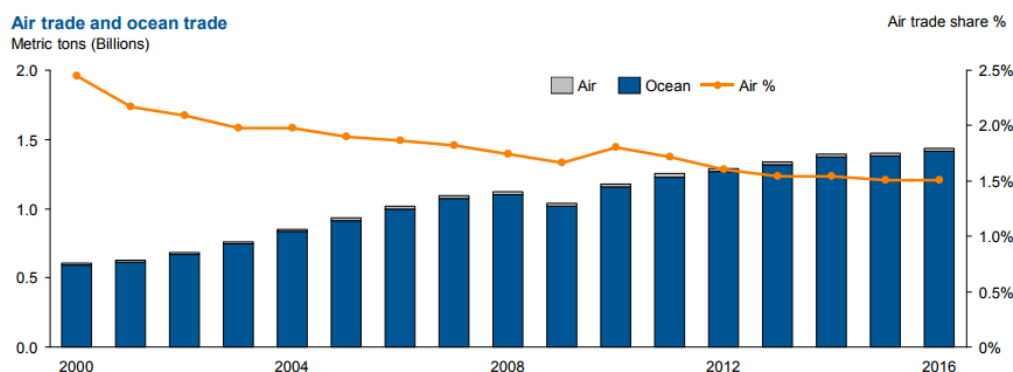


Figure 30 – Evolution of air and ocean freight tonnage with time

Source: Seabury

414. The 2008 financial crisis appears to have marked a shift in the nature of global trade. Before this point, sea and general air freight were growing strongly. In the period since 2008, growth of both has reduced dramatically (sea from 8.9% to 2.5% CAGR, general air freight from 4.3% to 0.9% CAGR). Conversely, the period since 2008 has seen rapid growth of express and mail air freight, as well as China-Europe rail (although these are from a much smaller base, particularly China-Europe rail)<sup>170</sup>.

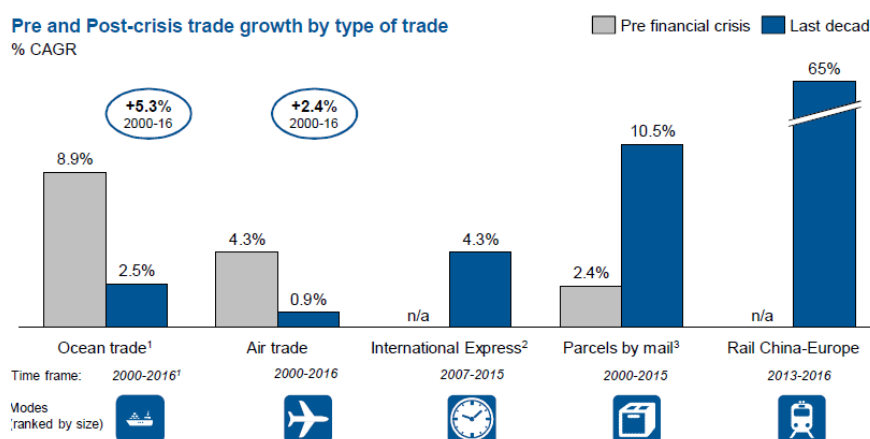


Figure 31 – Cargo growth rates by mode (pre- and post- financial crisis)

Source: Seabury

<sup>169</sup> (Seabury, 2017, p. 4)

<sup>170</sup> (Seabury, 2017, p. 23)

Trucking

415. Within Europe, the past decade has seen an increase in the use of trucking as a substitute for air transport. Referring to Europe, Boeing provides the diagram below, and states<sup>171</sup>:

*“Since 2006, airport pairs of truck flights grew 3.1 percent on average per year. Weekly frequencies of truck-flights grew 14.3 percent on average per year between 2006 and 2013, but the growth has been at pause since 2013”*

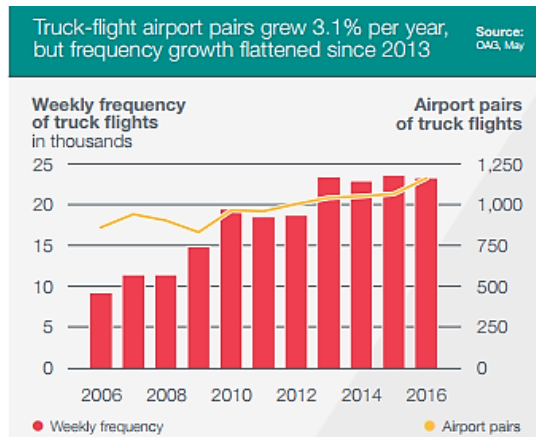


Figure 32 – Example of the growth of trucking within Europe

Source: Boeing

416. The same source also refers to a rise in ‘long haul truck-flight operations in Europe’, claiming *“their dramatic rise over the past decade has clearly contributed to a decline in growth of scheduled freight carried by air”*. Steer Davies Gleave provides data showing a similar trend over the period 2002-07<sup>172</sup>:

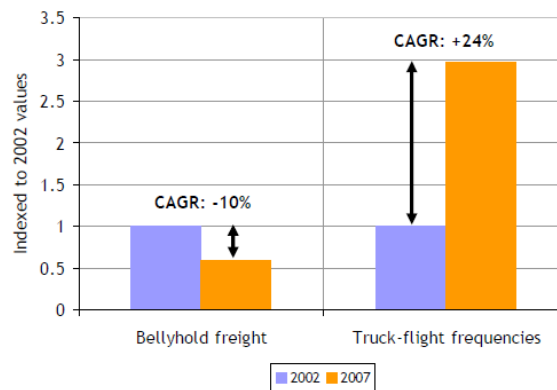


Figure 33 – Comparison of bellyhold airfreight tonnage and truck-flight frequency growth

Source: Steer Davies Gleave (2010), AIR FREIGHT Economic and Environmental Drivers and Impacts

<sup>171</sup> (Boeing, 2016, p. 32)

<sup>172</sup> (Steer Davies Gleave, 2010, p. 7)

### 11.2. Air Cargo Mix

417. Within air cargo, the low growth of general freight and the rapid growth of express and international mail is shown explicitly in the chart below<sup>173</sup>: Note that a significant proportion of the growth in general freight since 2008 occurred in 2010-11, and that growth of general freight since then has been lower (or even negative).

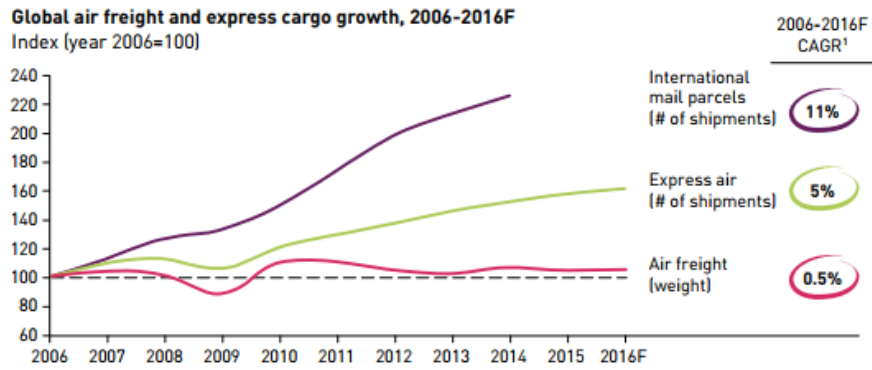


Figure 34 – Air cargo growth rates by type of cargo

Source: Seabury

418. Boeing confirms the relatively fast growth of express cargo<sup>174</sup>:

*“International express traffic continued to grow faster than the average world air cargo growth rate, expanding 7.2 percent in 2014 and 3.6 percent in 2015”.*

419. Within general freight, evolution of certain commodities has hurt air cargo volumes. For example, due to the miniaturisation of electronics, a modern laptop is significantly smaller and lighter than a personal computer from 1995, and so takes less space and weight to ship.

<sup>173</sup> (Seabury, 2016, p. 45)

<sup>174</sup> (Boeing, 2016, p. 7)

### 11.3. Bellyhold and Freighter Capacity versus Demand

420. In recent years, air cargo capacity has increased dramatically. This has been driven primarily by increased passenger demand resulting in an increase in the number of passenger aircraft (and therefore an increase in bellyhold capacity). Boeing states “lower-hold capacity increased 27 percent from 2010 to 2015... the number of large freighters in service increased by 8 percent over this same period”<sup>175</sup>. A similar trend is seen in the chart below from CAPA<sup>176</sup>:

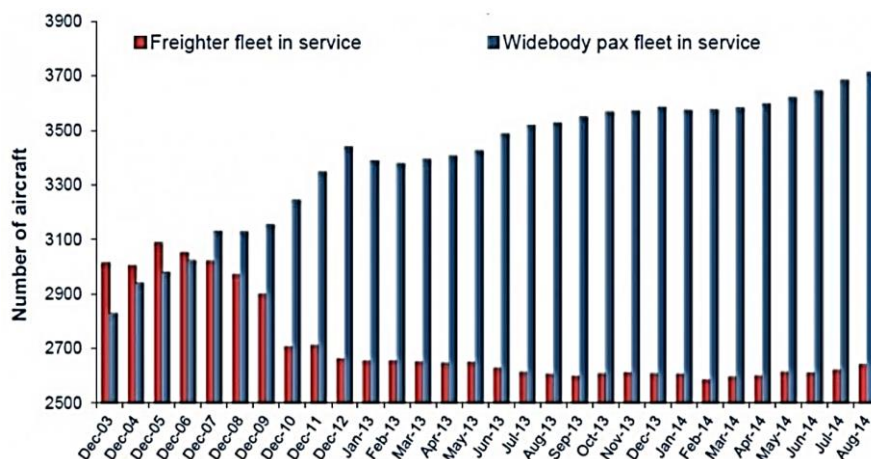


Figure 35 – Number of freighters and widebody passengers aircraft in service globally, Source: CAPA

421. The global financial crisis in 2008 had a significant impact on freighter numbers, while high fuel prices in the period 2011-14 is likely to have been a factor that kept freighter numbers depressed (see paragraph 400).

422. Whilst cargo capacity has been growing rapidly, cargo demand has not kept pace. This is illustrated by the fact that, as of Q4 2016, 15% of widebody freighter capacity globally was in storage<sup>177</sup>.

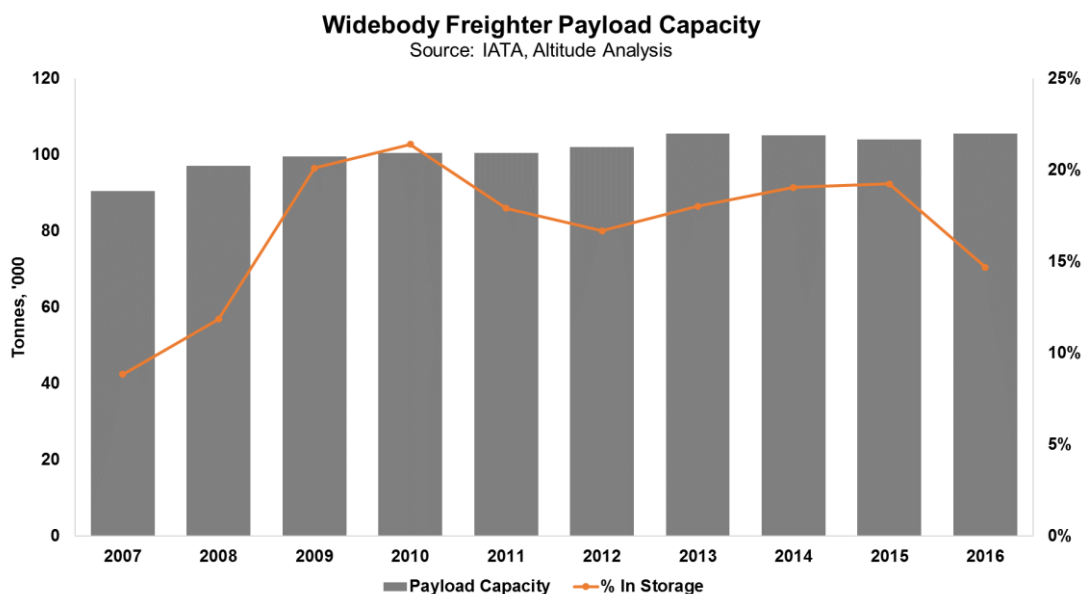


Figure 36 – Change in widebody freighter payload capacity with time

<sup>175</sup> (Boeing, 2016, p. 3)

<sup>176</sup> (CAPA, 2014c)

<sup>177</sup> (IATA, 2016, p. 3)

423. Additionally, the global average load factor achieved by airlines carrying cargo in the first 6 months of 2017 was just 45%<sup>178</sup>. Referring to bellyhold capacity, Airbus states that “cargo load factors, on average, do not exceed 30 to 40% on international routes”<sup>179</sup>.
424. The chart below from IATA<sup>180</sup> shows the growth of both passenger and freight demand; since 2008, growth of passenger demand has far exceeded growth of cargo demand. This illustrates why growth of bellyhold capacity has outstripped that of freighters, why a number of freighters are being kept in storage, and why there remains significant amounts of unused cargo capacity.

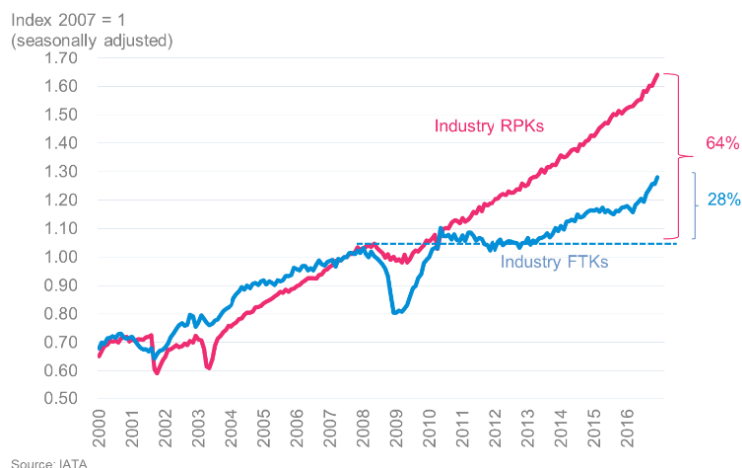


Figure 37 – Passenger growth compared with air freight growth, Source: IATA

## 11.4. Global Market Outlook

### Outlook from Selected Carriers

425. The trend towards a reduced role for dedicated freighter aircraft (see Section 3.3) is reinforced by airline developments. In the text below, we provide selected examples of airlines cutting back on usage of freighter aircraft.
426. Luxembourg based dedicated freighter operator Cargolux (also in the world’s top 10 air cargo carriers), acknowledges in its 2016 annual report the challenging operating environment it faces. The annual report also raises the possibility that dedicated freighter operators will not be viable in the future:

*“There is clearly a current oversupply of capacity in the markets, which makes for a more challenging environment for cargo operators that have to achieve a healthy level of sustainable profitability.... There has been a modal shift from air freight to sea freight over the years whilst rail freight between Asia and Europe is an additional competitive challenge.... I also do not believe that it will be beneficial for shippers and forwarders if dedicated air freight operators were to disappear from the market.”<sup>181</sup>*

<sup>178</sup> (IATA, 2017b)

<sup>179</sup> (Airbus, 2014, p. 35)

<sup>180</sup> (IATA, 2016, p. 3)

<sup>181</sup> (Cargolux, 2017, p. 7)



427. In 2014, the largest UK based combination carrier, IAG Cargo, decided to cease long haul flying using its own dedicated freighter aircraft (which had operated from Stansted).

*"IAG Cargo CEO Steve Gunning said the carrier's dedicated cargo operations "made no profitable contribution" and the end of its freighter services will make the carrier "financially stronger"”<sup>182</sup>*

428. Several other leading airlines are cautious about the prospects for the freighter segment. The following quotes are from a selection of combination carriers, all in the world's top 10 carriers of air cargo:

*"Air France-KLM Martinair Cargo is pursuing its restructuring within a difficult economic environment. Air freight is being impacted by the situation of structural industry overcapacity.... the business is progressively retiring a portion of its full-freighter fleet to refocus most of its activity on the bellies of passenger aircraft. Within the framework of the Perform 2020 plan, this full-freighter fleet will thus be progressively reduced to five aircraft by 2017”<sup>183</sup>*

*"Air France-KLM said freighters would become a "niche product" as cargo markets face continued overcapacity. Air France-KLM executive VP Erik Varwijk said slowing demand and greater belly capacity on scheduled passenger services made exclusive freighters redundant”<sup>184</sup>*

*"Emirates VP cargo commercial operations Duncan Watson said the airline does not plan to add more freighter aircraft in the foreseeable future”<sup>185</sup>*

*"Singapore Airlines Group subsidiary SIA Cargo faces another challenging year as conditions in the cargo market remain unfavourable. SIA Cargo has been unprofitable for seven of the past eight years, with losses further widening in recent quarters. Cargo capacity has been relatively flat since 2009, with additional belly space from passenger aircraft offsetting freighter reductions.... SIA Cargo is cutting its 747-400 freighter fleet in 1QCY2017, to only seven aircraft. At its peak in 2007 SIA Cargo operated 16 747-400 freighters. SIA will need to decide within the next few years whether to cut its freighter operation entirely or start investing in 747 replacements”<sup>186</sup>*

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<sup>182</sup> (CAPA, 2014b)

<sup>183</sup> (Air France-KLM Martinair Cargo, 2017)

<sup>184</sup> (CAPA, 2014a)

<sup>185</sup> (CAPA, 2016)

<sup>186</sup> (CAPA, 2017)

## 12. Appendix - Case Studies of Leading European Cargo Airports

### 12.1. Context

429. In assessing the future potential of a re-opened Manston Airport, we have undertaken a review of Leipzig and Liege airports. Both are leading airports for all-cargo operations (rather than passenger hubs providing bellyhold capacity).

430. We have identified some of the key attributes that have helped Leipzig and Liege develop major roles within the European air cargo sector.

### 12.2. Leipzig

431. Leipzig Airport handled more than 1.0m tonnes of cargo in 2016. This throughput made it one of the top 5 cargo airports in Europe<sup>187</sup>.

432. Leipzig is located in eastern Germany, ca. 100km from the Czech border and ca. 160km from the Polish border. Regarding its location, the airport states:

*“[it is] located at the very heart of the central German logistics region.... [it is] an ideally located alternative to enter the growing markets in East Europe and Asia.... Besides outstanding infrastructural connections, the region is characterised by its motivated and qualified workforce and a high level of potential with regard to available space and investment”<sup>187</sup>*



Figure 38 - Trucking isochrones from Leipzig; 6hrs (dotted), 8hrs (solid-medium) and 10hrs (solid-thick)

Source: Leipzig Airport<sup>188</sup>

433. Leipzig Airport markets its proximity to eastern Europe as a benefit due both to the increasing economic power of this region, as well as the reduced flight time to Asia (compared with airports further west).

434. The airport has published a document stating trucking times to locations in eastern and western Europe. Only one of the ten examples given is within the 500km radius often considered as the realistic limit for express cargo. Three of these trucking destinations are over 1000km from Leipzig<sup>189</sup>. This gives some indication as to the possibilities for trucking of general cargo.

<sup>187</sup> (Leipzig Airport, 2017)

<sup>188</sup> (Leipzig Halle Airport)

<sup>189</sup> (Leipzig Halle Airport, 2014, p. 10)

435. Leipzig Airport has direct access to the European motorway network, and also has direct access to the rail network making rail-air transshipment possible.

436. The airport has two 3,600m runways, and operates cargo flights 24 hours a day. It has support from politicians at several levels for 24-hour operations. For example, the President of Saxony has said:

*“Leipzig is in the second position of all hubs in Germany and this is why the state government and the city of Leipzig are convinced that 24 hours a day air traffic is necessary”<sup>190</sup>*

437. Note that this support appears to have been hard-won; the airport is reported to have spent ca. €100m on a noise control system, and is also said to be in regular communication with relevant stakeholders regarding noise<sup>190</sup>.

438. DHL is one of the Leipzig Airport’s largest customers. It decided to make the airport its European hub in 2004, began operations there in 2008, and now handles *“an average of 1,600t of cargo every day”*<sup>191</sup>. As of October 2016, DHL’s total investment on its Leipzig hub was €655 million<sup>192</sup>.

439. DHL Chief Executive Frank Appel said of Leipzig:

*“It is in an excellent location, strategically positioned in the heart of Europe and is also in an excellent position to reach Asia and that is why we decided to expand our capacities here”<sup>190</sup>*

440. DHL’s Leipzig hub manager is reported as adding other reasons for choosing Leipzig, including:

*“the excellent road and rail connections, unrestricted night flights and a pool of skilled workers”<sup>190</sup>*

441. DHL operations support two of the airport’s largest operators of scheduled cargo flights: EAT Leipzig is a wholly-owned subsidiary of DHL (it operates DHL’s parcel and express flights, as well as providing adhoc charter services), while AeroLogic is a joint venture between Lufthansa and DHL (primarily operating long haul cargo-only flights for DHL).

442. The airport is also home to Ruslan Salis, a leading air charter company offering heavy lift services for large items of freight. A relatively large number of other carriers also operate charter cargo flights from Leipzig (34 are listed on the Leipzig Airport website). This indicates the airport is able to offer a competitive proposition for a wide range of different types of air cargo.

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<sup>190</sup> (Air Cargo News, 2016a)

<sup>191</sup> (Saxony Economic Development Corporation, 2017)

<sup>192</sup> (Cargo Forwarder Global, 2016)

### 12.3. Liege

443. The airport handled 660,000t of freight in 2016, making it the 8th largest cargo airport in Europe (bigger than both East Midlands and Stansted). The majority of freight was general freight (ca. 56%), with express accounting for ca. 25%. Freight handled at Liege has grown at an average rate of 5.6% CAGR over the 4-year period 2013-16<sup>193</sup>.
444. Liege's proximity to major population centres of northern Europe means that there are "around 400 million consumers"<sup>193</sup> within easy reach of the airport. This advantageous position means that 66% of all European freight transits through the region<sup>193</sup>.
445. It has direct access to the motorway network. The airport states:

*"Motorway transport is now the solution preferred by major logistics players and those specialised in the transport of goods in Europe.... The Flexport® is less than one day by truck from the largest European cities, thus reaching around 400 million consumers. It offers the advantage of an excellent, uncongested motorway network"<sup>193</sup>*



Figure 39 - ½ day & full-day trucking isochrones from Liege airport

Source: Liege Airport<sup>193</sup>

446. Whilst Liege benefits from an advantageous geographic location, the regulatory environment in which it operates is also conducive to air cargo; the airport operates 24-hours per day, 7 days per week:
- "The other advantage at Liège is genuine 24 hour operations, an increasing rarity in Europe.... This does not just mean that the runway operates through the night but that there are no limits of any kind on the number of night slots that can be offered, and no extra charge for landing then.... This has been guaranteed by local government for 30 years and it is backed up by positive action, including purchasing and demolishing some houses under the flight path and spending heavily on noise insulation for others"<sup>194</sup>*
447. Note that when trying to construct a viable slot pair where one end of the route is a constrained airport, the ability to land at any time of day at the other airport can be particularly valuable. As more and more airports become constrained, 24-hour operation may therefore become increasingly important.
448. TNT is the main customer at Liege. Despite a recent buyout of TNT by FedEx, there appears to have been little loss of traffic to FedEx's handling facilities at other airports. This perhaps indicates that integrators are reluctant to shift location once their infrastructure investment has been made.

<sup>193</sup> (Liege Airport, 2017)

<sup>194</sup> (Air Cargo News, 2016b)

449. Other customers with significant tonnage at the airport include CAL, Ethiopian Cargo, Qatar Cargo, El Al Cargo and Icelandair Cargo. Similar to Leipzig, the diverse customer mix is indicative of the competitive proposition the airport offers.
450. The main runway is 3,690m long meaning many kinds of large cargo aircraft can take off at full capacity<sup>195</sup>. Whilst this is typically not necessary for express cargo carriers operating short-haul flights, it may be a key enabler for some long haul freighter operators.
451. Freight-only carriers also get advantages at Liege that they do not find at many other European airports. VP Commercial Steven Verhasselt said in 2016:
- “The general trend is towards belly cargo but when you are operating a freighter, you want to fly into an airport dedicated to helping that type of cargo.... If we can save you a block hour from not having to taxi or wait for passenger airlines to land first, than [sic] that is a real cost saving and more important than cheaper landing or parking rates”<sup>196</sup>*
452. TNT and CAL both switched from Cologne to Liege in the 1990’s “attracted by Liege’s strategy to focus on air freight in general and on the express business specifically”<sup>197</sup>, and are now amongst the largest of the airports customers.
453. The airport continues to expand its cargo handling facilities, with a new €4 million, 6,000m<sup>2</sup> cargo terminal due to open in 2017. It is also taking a role in the development of the 100+ hectares of land around the airport.
- For example, by forming a partnership – Land In Liege – with the land owner, which aims to “create synergies between the airport development and the development of the areas surrounding it”<sup>198</sup>.

## 12.4. Conclusions

Leipzig and Liege airports are typical – albeit leading – integrator hubs. The airports are structurally different from Manston in many regards. There is no realistic prospect for Manston to develop a similar business model. However, without the cargo volumes associated with an integrator hub (or a major passenger hub), Manston will find it very challenging to generate significantly higher cargo throughput than historically achieved.

Liege / Leipzig Feature	Situation at Manston
Located close to motorway network, maximising catchment size.	Located on an A-road, ca. 40 miles from the motorway network (M20).
Catchment contains many of Europe’s largest population centres.	Catchment is limited by the English Channel / North Sea.
24-hour operation.	Not clear but likely to be restricted.
Runway length of at least 3,600m, enabling largest aircraft to take off with full payloads.	2,750m runway, potentially limiting take-off payload for largest aircraft.
Significant investment in noise control measures.	Not clear.
Significant investment in cargo handling facilities.	Not clear.
Support from regional government.	Not clear.

Table 4 – Liege/Leipzig Structural Features vs Manston, Source: Altitude

<sup>195</sup> (Liege Airport, 2017)

<sup>196</sup> (Air Cargo News, 2016b)

<sup>197</sup> (Cargo Forwarder Global, 2017)

<sup>198</sup> (Land In Liege, 2017)

## 13. Appendix – Supporting Material

### 13.1. Assumptions made to calculate indicative cargo bellyhold capacity

454. Despite the difficulties in stating a cargo capacity for an aircraft type (see paragraphs 394-395), by making some assumptions<sup>199</sup> it is possible to generate estimated like-for-like comparison of the potential cargo capacity of different aircraft types.

Aircraft	Typical Passenger Capacity (#)	Indicative Cargo Capacity Volume (m <sup>3</sup> )	Mass (kg)	2017 ATMs, UK-World (excl Europe)
<b>Newer Aircraft Types</b>				
B777-300	350-400	116	24,000	15,000
A350-1000	350-400	112	25,000	-
B777-9X	350-400	109	30,000	-
B787-10	300-350	105	21,000	-
A350-900	300-350	95	20,000	2,100
B787-9	250-300	91	22,000	12,000
A330-900neo	250-300	84	15,000	-
B787-8	200-250	71	15,000	11,000
A330-800neo	250-300	64	22,000	-
A380	400+	57	34,000	12,000
<b>Older Aircraft Types</b>				
A340-600	350-400	109	26,000	2,000
A330-300	300-350	84	15,000	6,000
B777-200	300-350	77	22,000	3,000
B747-400	400+	71	25,000	12,000
A340-300	300-350	71	15,000	500
A330-200	200-250	64	22,000	6,000
B767-300ER	150-250	46	23,000	9,000

Note there are additional ATMs where the precise aircraft model is not known: B777: 18,000, B787: 2,000, A330: 500

Table 5 – Indicative cargo capacity of selected aircraft types

Source: Boeing, Airbus, British Airways, JAL Cargo, Qatar Cargo, Qantas Cargo, OAG, Altitude Analysis

455. The following set of assumptions are intended to enable comparison of the cargo capacity (weight and volume) of different aircraft types on a basis that is as close to like-for-like as possible.

456. They do not result in a cargo capacity that is directly comparable with airline or manufacturer stated capacities, nor with cargo capacities actually achieved by the aircraft operators in the real world.

- Seat capacity as stated by the aircraft manufacturer. Where more than one configuration is listed, the highest capacity 2- or 3-class version is assumed (single-class configurations are possible but not common for widebody aircraft, and therefore not representative of the likely average configuration).
- Passenger load factor of 100%.
- A passengers to crew ratio as close to 20 as possible (with the number of crew and the number of passengers as whole numbers).
- Passenger and crew average weight of 85kgs per person.
- An average of 1.1 hold bags per premium (F/J/W) class passenger, and 0.8 hold bags per economy (Y) class passenger/crew member.
- Average premium bag weight of 21kgs and average economy bag weight of 20kgs.
- An allowance of 1500kgs for miscellaneous items (e.g. cabin baggage).
- The maximum possible weight available for passengers/crew/bags/misc./cargo is equal to the difference between the Empty Operating Weight and Minimum Zero Fuel Weight stated by the

<sup>199</sup> See Appendix section 13.1 for detail of these assumptions

aircraft manufacturer. Where the manufacturer defines multiple weight variants, the highest MZFW version is used.

- Average bag volume of 0.18m<sup>3</sup>.
- LD3 container volume of 4.5m<sup>3</sup>, and pallet volume of 11.4m<sup>3</sup> (Source: Boeing).
- Average LD3 packing factor of 95% for passenger/crew baggage.
- Assumption that no LD3 container will contain both F/J passengers bags and W/Y passenger bags (note no similar assumption is made for transfer/OD bags).
- The hold will be configured with enough LD3 containers to fulfil the passenger/crew baggage requirement (and no more), while adhering to the publicly-known allowable hold configurations (Boeing, Airbus, Qantas Cargo, JAL Cargo, SIA and Scoot]). Note: Available cargo volume is mathematically larger if the number of LD3 units in the hold is maximised. However, the LD3 is less useful for cargo than a pallet (it is smaller, so the maximum dimensions of the freight it can hold is lower; it has a small opening through which freight must be loaded; LD3s are smaller than pallets and are not cuboids; hence they have worse volume utilisation than pallets). In our experience, airlines do not typically use a max-LD3 hold configuration, despite the reduced mathematical cargo volume inherent in substituting LD3s for pallets.
- Bulk hold volume is not included in our cargo volume estimate<sup>200</sup>.

### 13.2. Outlook for A380 in the UK Market

457. We do not believe the A380 will significantly increase in prevalence in the UK market, for the following reasons:

- The only UK airline with outstanding orders for the type is Virgin Atlantic (6 aircraft on order). However, Virgin has continually deferred this order (since 2006) and it is widely considered unlikely that deliveries of these aircraft will ever be made (a Forbes article from 2016 states “Virgin Atlantic’s ever-deferred order for six is basically dead”<sup>201</sup>).
- The other major UK carrier (British Airways) currently has no outstanding A380 orders.
- There are currently outstanding orders of just 97 aircraft; 46 of these are for a single airline, Emirates, which is not based in the UK (but serves the UK market).
- Additionally, just 2 new orders globally have been made for the aircraft since 2015<sup>202</sup>.

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<sup>200</sup> The bulk compartment is typically around 10-15m<sup>3</sup>, capable of storing loose-loaded items. At IAG Cargo, this space was primarily used for blankets and newspapers for passengers, with around 2-4m<sup>3</sup> typically made available for mail bags/express cargo. Use of this space may vary significantly airline by airline.

<sup>201</sup> (Forbes, 2016)

<sup>202</sup> (Airbus, 2017b)

## 14. Appendix – Review of AviaSolutions Report

### 14.1. Introduction

458. AviaSolutions was commissioned by Thanet District Council to investigate the commercial viability of Manston Airport. Its report<sup>203</sup>, dated September 2016, is briefly reviewed in this section of the appendix.
459. The AviaSolutions report has a fairly wide scope, including a review of the site development options, analysis of passenger potential, airport financial projections and asset condition reports. Consistent with our overall scope, we focus only on the aspects of the AviaSolutions report addressing cargo potential.
460. Northpoint was subsequently retained by RSP to critique the AviaSolutions report. We review the Northpoint report<sup>204</sup> and the subsequent response from AviaSolutions<sup>205</sup> in the next appendix section (Section 15).

### 14.2. Potential Development Scenarios

461. AviaSolutions<sup>206</sup> outlines various potential scenarios for cargo activity at Manston. It states that:

*“In the past, Manston Airport was able to attract a certain level of cargo activity, and a potential future role would be for it to again serve this market. In our assessment, we assume as a minimum that Manston attracts this previous freight, totaling 30,000 tonnes per annum.”*

462. Given cargo consolidation trends and competition from more established airports, we consider it possible that a reopened Manston may not be able to achieve historic tonnage. However, as a modelling assumption, we consider this to be reasonable.
463. AviaSolutions then puts forward two possible reasons why the scale of activity in the future could exceed historic levels:

*“The selection of the East Kent area by a major multinational manufacturing (e.g. an Asian electronics or white goods company) or retail group (e.g. Amazon) as the location of its distribution network. Such location decisions can have a significant impact on freight volumes. However the UK’s planned exit from the EU leaves makes this less likely.*

*As a consequence of their lower sensitivity to airport location, freighters are generally amongst the first category of traffic to be ‘squeezed’ out of busy airports. With the pressure on runway capacity in the South East of England, it is possible that freighters currently operating through the London airport systems might seek to move to an alternative airport.”*

464. In relation to the first possible reason, we are not aware of any firm or proposed development that would have a significant impact on freight demand. Therefore, while this a theoretical possibility, the same could apply to any location in the UK. Any future such development would be heavily contested between different UK regions, with more established and more central distribution locations likely to have an advantage.
465. The second reason suggested by AviaSolutions is investigated further in subsequent sections of the AviaSolutions report. We comment on this analysis later in this appendix.
466. AviaSolutions continues, commenting on the potential for integrator services at Manston:

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<sup>203</sup> (AviaSolutions, 2016)

<sup>204</sup> (Northpoint Aviation Services)

<sup>205</sup> (AviaSolutions, 2017)

<sup>206</sup> (AviaSolutions, 2016, p. 15)



*“We also considered the role of integrators in the air freight market. Whilst general cargo traffic tends to be more flexible about the location of the airport it uses than passenger traffic, this does not apply to the major integrated freight operators. The business model of operators such as DHL, FedEx and UPS is based on a hub and spoke principle involving both aircraft and road feeder services: the surface element of the network has a greater requirement for a central location within the market being served. We consider the geographic location of Manston precludes it from being a suitable base airport for an integrator in particular when compared to UK competitors such as East Midlands Airport.”*

This assessment of the potential for integrators is consistent with our view.

### **14.3. Cargo Analysis**

467. In Section 6 of the AviaSolutions report, more detailed analysis of the cargo market is undertaken. In assessing the key airport dynamics of the UK market<sup>207</sup>, AviaSolutions draws similar conclusions to our analysis:

*“The busiest airport for freight has consistently been Heathrow, responsible for two thirds of the country’s air freight. This position owes much to the very considerable cargo capacity in the holds of the wide-body aircraft providing the many long haul passenger services from the airport. In contrast, East Midlands’ position as the second busiest freight airport is due to its role as the centre of the UK distribution network of the integrated cargo carriers, especially DHL but also UPS and Royal Mail. Stansted is preferred by FedEx and is also used by the cargo operations of a number of airlines. These included British Airways before it discontinued its all-freighter operations in April 2014 and switched to the freighter operations of Qatar Airways.*

*It has been argued by, for example, York Aviation on behalf of the Freight Transport Association that the stagnation of growth in UK air freight market since 2000 has been caused by a lack of airport capacity in the London area and specifically at Heathrow. Whilst the lack of ATM growth at Heathrow has undoubtedly hampered the development of the national air freight market, it is also true that over this period there was adequate airport capacity available at both Stansted and Manston to support additional dedicated freighter movements. Freighter movements at Stansted decreased over the period, while Manston closed. This strongly suggests that the stagnation of UK airfreight is not a consequence of capacity constraints given the excess capacity at Stansted and Manston.”*

468. In particular, the highlighted distinction between Heathrow freighter capacity and overall UK or South East freight capacity is key. AviaSolutions further explores the dynamics of bellyhold versus freighter:

*“It is important to note that, in the UK market, only 30% of airfreight is carried on dedicated freight aircraft. This is substantially less than the global average, where approximately 56% of RTK’s are transported on freighters. In part, this disparity is due to the excellent belly-hold networks available from UK airports and in particular from Heathrow.*

*As passenger demand increases additional belly-hold capacity will enter the market. This capacity growth is unhooked from the demand scenario for belly-hold cargo and can result in excess capacity in the market. As a result airlines will often sell this belly-hold capacity using a marginal cost pricing structure. This pricing structure does not need to account for the high cost of the aircraft and must only meet the additional marginal cost that each kilogram of cargo incurs. Through the application of this pricing in the key structure, belly-*

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<sup>207</sup> (AviaSolutions, 2016, p. 27)

*hold cargo often undercuts the minimum price that can be charged on dedicated freighter operations.*

*As a result of this market dynamic, an airport focused on airfreight carried by dedicated freighters may be overly exposed to a declining or stagnant total market, or at best to a market that is not exposed to strong potential.”*

469. Again, this view of the market aligns with ours. One area of difference is in relation to the bellyhold capacity of newer aircraft. AviaSolutions asserts that:

*“However, there are some elements of the market that appear to be limiting the increase in belly-hold capacity. These include*

- *Some of the newer aircraft types have a smaller bellyhold cargo capacity than the aircraft they replace; and*
- *Low Cost Carriers (such as easyJet and Ryanair) are gaining market share but generally ignore the freight market.”*

470. As we argue in our report, most newer aircraft types have higher cargo capacity than their predecessors (see paragraph 140). Furthermore, short haul passenger flights contribute a small minority of overall freight, regardless of whether operated by full service or low cost carriers (see paragraph 233).

471. AviaSolutions undertook interviews with freight industry representatives<sup>208</sup>. The list of interviewees was not extensive, with 4 people from the air cargo sector. However, compared to the stakeholders interviewed by Azimuth, there interviews are more relevant for analysing the potential for Manston to play a national role in the UK freight sector.

472. The conclusions from the interviews are summarised below:

*“We conclude therefore that there is limited interest from the cargo industry in using a re-opened Manston Airport for air freight. The larger scheduled freighter operators are unlikely to relocate their services to the airport, particularly if the airport does not have a unique product offer. We believe it is more likely that were Manston Airport to re-open, the most likely role would be to serve smaller freight operators and the larger operators on an ad-hoc basis. There is no compelling reason to believe that the airport would be able to generate appreciably more freight activity than previously, other than in the context of a shortage of airport capacity in the London area.”*

473. This summary is consistent with our assessment of the potential market for Manston.

#### **14.4. Potential Future Freight Operations - Model**

474. The next stage of the AviaSolutions report<sup>209</sup> investigates potential demand versus supply imbalances in the South East. Not enough detail of the assumptions/workings is provided to be able to undertake a comprehensive review.

475. The approach differs from ours in some important respects:

- Demand growth rates based on trend analysis rather than linked to GDP.
- Future capacity based on assumed average loads for bellyhold and freighter flights at different airports. Future freight capacity expansion plans for airports do not seem to be explicitly taken into account.

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<sup>208</sup> (AviaSolutions, 2016, p. 29)

<sup>209</sup> (AviaSolutions, 2016, p. 30)

- Focus on South East airports rather than national demand/supply.
476. Nevertheless, despite the different methodology, the conclusions are broadly similar to our analysis.
- Demand can be fully accommodated up to 2045 in the Heathrow third runway case.
  - In all runway scenarios, demand can be fully accommodated up until 2040.
477. AviaSolutions then provides its modelling assumptions on the potential capture by Manston of unaccommodated demand:
- “For the purposes of our assessment and in recognition of RiverOak’s stated intention to develop Manston as a freight airport, we have assumed that half of the remaining unaccommodated demand is flown via Manston, with the other half going to other UK regional airports, potentially led by East Midlands and Manchester.”*
478. We consider this a generous assumption, given the strength of alternative options at established airports or from a highly developed trucking network.
479. Later in the AviaSolutions document (Section 7.3.1), the Manston freight forecasts for the Heathrow third runway scenario are presented. Freight tones are modelled at 30,000 from 2018 to 2045, before growing to 100,00 tonnes in 2050. Appendix C (Section 11.1.1) of the AviaSolutions report provides the Manston freight forecasts for the no new runway scenario (the most favourable for Manston). Again, the forecast is for 30,000 tonnes from 2018 to 2040, but growing to 80,000 tonnes in 2045 and 140,000 tonnes in 2050.
480. These figures look reasonable for the short to medium term, with some potential for modest outperformance in a growing market. In contrast, we consider the forecasts to be on the high side in the long term. Even if South East capacity by 2050 is more heavily constrained than we assume, we consider it likely that centrally located regional airports will benefit to a much greater extent than Manston.

#### **14.5. Conclusions**

481. Section 8 of the AviaSolutions report provides its overall conclusions for the freight potential at Manston:

*“Our freight interviews indicated that the demand to use the airport for freight was very limited. This, in large parts, is due to two factors; the infrastructure investments that have already been made by the industry around Heathrow and Stansted, and the geographical location of the airport. Infrastructure, and the associated knowledge, skill and supporting industry at airports such as Heathrow and Stansted, as well as the major European hubs such as Frankfurt, and Paris, would be almost impossible for Manston to replicate. The geographic location of the airport, tucked into the corner of the UK, cannot compete with airports such as East Midlands for Integrator services that are sold as fast delivery, due to the increases in surface transportation times. The interviews did however indicate that charter services and ad-hoc freighter flights would certainly return, providing some revenue income for the airport. In summary, we conclude that freight would return to the airport in limited quantities, not dissimilar to the tonnage previously processed at the airport.”*

482. These conclusions are substantially in line with our conclusions (see Section 2.7).

## 15. Appendix – Review of Northpoint Report

### 15.1. Introduction

483. In the main body of our report, we have reviewed the reports issued by Azimuth on the potential for freight development at a reopened Manston. RSP also commissioned Northpoint to review the Azimuth forecasts, the original AviaSolutions report and more generally the RSP proposals. Northpoint’s analysis was issued in a report titled *“The Shortcomings of the Avia Solutions Report and an Overview of RSP’s Proposals for Airport Operation at Manston”*.

484. In this appendix, we briefly review the Northpoint report.

- Where the Northpoint report covers similar ground to the Azimuth reports, we do not repeat our commentary from the main body of our report.
- Furthermore, our focus is on areas of the Northpoint report relating to freight. Other areas, including passenger development and financial viability, are not covered at this stage.
- Finally, we restrict our commentary to the key issues of substance. For example, Northpoint expresses strongly worded opinions on the AviaSolutions approach. While we believe this criticism is misplaced, we have separately reviewed the AviaSolutions report, and do not see the need for further comment in this appendix.

485. Our review of the Northpoint report has been undertaken in chronological order (the same order issues appear in the Northpoint report).

### 15.2. Manston Airport Benchmarks

486. Northpoint describes the business model for a reopened Manston as a *“mixed use airport offering air cargo, air passenger links and aircraft servicing and recycling<sup>210</sup>”*. Northpoint then highlights that this would be:

*“...in line with the business models of successful benchmark airports such as Alliance Fort Worth in Texas, USA; Hamilton Airport in Ontario, Canada; Bergamo in Italy; Liege in Belgium; and Leipzig in Germany.”*

487. There is no explanation of what characteristics these airports may have in common with Manston, or why these airports would be more relevant than UK examples of mixed use airports such as Prestwick.

- See paragraph 322 onwards for a review of Prestwick Airport and similarities to Manston.

488. In the appendices (Section 12), we have provided case studies of Leipzig and Liege airports. The case studies demonstrate very clearly that these airports have very little in common with Manston, and cannot be considered as relevant benchmarks using objective criteria.

489. AviaSolutions<sup>211</sup> subsequently reviewed all the airports put forward by Northpoint and concludes:

*“There are clearly structural and geographical reasons as to why each of these airports is different to the proposal for Manston Airport. As such, suggesting these are comparable benchmarks is not realistic. In order for Manston Airport to acquire the status of these airports it would need to demonstrate key elements of development, namely; commitments from key express players (DHL / UPS / FedEx / Amazon / Alibaba); an ability to operate night operations with few regulatory restrictions; and geographical advantages from nearby cities, industrial parks, and population centres.”*

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<sup>210</sup> (Northpoint Aviation Services, p. 1)

<sup>211</sup> (AviaSolutions, 2017, p. 16)

490. We agree with this assessment. The catchment, location and regulatory framework are all much less favourable at Manston, rendering any comparisons between the airports meaningless.

### 15.3. Air Cargo Forecast Methodology

491. In Section 2 of its report, Northpoint puts forward its approach to air cargo forecasting and critiques the AviaSolutions approach. The Northpoint methodology appears to be similar to the Azimuth approach, which is reviewed in Section 8 of this report. We focus our assessment of the Northpoint approach on selected key points not covered in the Azimuth forecast review.

492. Northpoint<sup>212</sup> downplays the importance of location for freight, stating that *“In order to forecast where future freight capacity might optimally be developed, it is therefore not appropriate to rely on the geography of consignee demand”*. Instead, the importance of supply side issues is stressed:

*“The effect of this is to push freight forecasting away from typical neo-classical demand/price mechanism models and any use of airport specific progression, towards supply driven modelling particularly requiring transparency about the supply factors that are used. So, for example, freight operations will be attracted either to where there is a large volume of network carriers flying international services or to where there are few night time restrictions because these are important for express freight operations, or in the case of dedicated freighters where there are no restrictions on slot availability and there is sufficient space to create efficient apron based loading and unloading operations alongside specialist handling facilities such as refrigerated storage, bonded warehouses and major logistics sheds.”*

493. Northpoint then argues that *“In the south east of England this points to a relatively small number of airports being suitable for any large-scale freight operations.”* Northpoint<sup>213</sup> sees this as an opportunity for Manston, stating that *“...there are few alternatives other than for Manston to cater for non-belly freight movements at south-east airports.”*

494. There is an inconsistency in this argument. If the geography of demand is of secondary importance, Northpoint’s focus on airport capacity in the South East is misplaced. In any case, South East airports already attract a disproportionate share of the UK’s freight demand (see Section 2.4).

495. On Pages 4 and 5 of its report, Northpoint makes a number of assertions, in support of its forecasts, which we dispute:

- *“Based on long-term growth trends in the sector, this report contends that freight capacity in the south-east will need to expand by over 100% in the next 25 years.”* No further explanation is provided for such a sweeping statement. As we have highlighted, there is spare freight capacity in the South East currently (see Section 5.3). Furthermore, the focus on South East airports only is not justified (see paragraph 219).
- *“... the expansion for Stansted and Luton for passenger services, primarily of a low-cost nature, means that there will be very few spare slots during the day and more importantly at night, that can be used by express freight carriers for dedicated freight operations.”* This assertion ignores the plans of Stansted to grow its freight volumes and to expand its freight infrastructure. It also does not consider the separate planning cap for freight flights (see paragraph 237 onwards).
- *“In this context, and keeping in mind the need for basic infrastructure requirements such as a substantive runway, good road connections and sizeable areas available for apron and shed development, there are few alternatives other than for Manston to cater for non-belly freight movements at south-east airports.”* As noted previously, we disagree with a narrow focus on the South East market. Even so, there are other options. In addition to the substantial expected freight

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<sup>212</sup> (Northpoint Aviation Services, p. 4)

<sup>213</sup> (Northpoint Aviation Services, p. 5)

capacity growth at Heathrow and Stansted, other airports such as Gatwick and Bournemouth could play a larger role in the future.

- *“Indeed, I anticipate existing volumes at Luton, Stansted and Gatwick will continue to fall as slots and space become increasingly valuable.”* The implication that volumes are falling at Stansted and Gatwick is incorrect. Both airports have enjoyed strong growth since 2015 (Gatwick especially, see paragraph 212).

496. On Page 5, Northpoint then outlines the perceived benefits of Manston:

*“Manston, in contrast, will have no foreseeable slot restrictions, an established reputation for efficient handling and if RSP’s proposals are approved, a substantial apron capable of handling several large aircraft concurrently all with excellent airside support facilities and access to dual carriageway roads to London, the M25 orbital and in the foreseeable future to a new Dartford crossing improving access to ports in Essex and in East Anglia. It is even well positioned for trans-shipping freight to trucks, which can then use Dover port or the Channel Tunnel to access the near continent.”*

497. We disagree with this assessment of the potential for Manston:

- As discussed previously (Section 4.11), Manston’s location is poor.
- The infrastructure advantages are not unique to Manston, while the potential night flight restrictions at Manston are not mentioned.
- We are unconvinced by the potential of improved access to ports. For example, Liverpool Airport currently has very limited freight volumes despite common ownership with Liverpool Port.
- Similarly, it is not clear what advantages could accrue from trans-shipping freight to trucks for onward cross-channel travel. The directional flows where this would make economic sense are not articulated.

498. In referring to the Northpoint forecasts, it is stated on Page 5 that *“They nevertheless demonstrate that, under a range of scenarios, Manston is strongly placed to attract surplus demands in the South East by offering an attractive supply side solution to the air freight industry.”* As far as we can see, only one (very optimistic) scenario is presented by Northpoint.

499. Northpoint then provides a wide range of comments on the AviaSolutions forecast methodology (Pages 6-7). AviaSolutions<sup>214</sup> refutes many of these in its follow up report. We make the following observations:

- Northpoint promotes the use of global historic trends and manufacturer forecasts in the context of Manston projections. As we also comment in relation to the Azimuth forecasts (see paragraph 361), the simplistic application of global manufacturer projections to a UK airport is problematic. The divergent freight trends in different markets caution against the application of global metric.
- Northpoint appears to suggest that, for Manston, global forecasts are more relevant than national projections. We find this puzzling. While freight is an international business, UK demand characteristics should not be disregarded.
- Northpoint also seems to argue that bellyhold capacity at Heathrow is constrained, and set to diminish due to newer aircraft types having lower bellyhold capacity than predecessors. However, as we show in Section 4.7, the average freight load for both bellyhold and freighter flights at Heathrow has been growing significantly. This suggests that spare capacity exists and/or average capacity per flight is improving. In the same section, we also highlight that – with the exception of the A380<sup>215</sup> – newer passenger aircraft typically have higher bellyhold capacity than legacy aircraft.

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<sup>214</sup> (AviaSolutions, 2017)

<sup>215</sup> As at 31<sup>st</sup> October 2017, 217 A380 aircraft were in operation with outstanding orders for a further 100. This compares to 1,744 A330/A340/A350 family aircraft in operation, plus a further 1,057 outstanding orders (source: Airbus website). In addition, there is a large

500. The Northpoint report then addresses the issue of cross-channel transshipments (Page 7 onwards). Its argument is that lack of airport capacity in the South East has led to a major increase in trucking from the UK to European airports. As we noted previously, there is not (nor has been) any overall shortage of airport capacity for freight in the South East or the UK more generally (Section 5). Furthermore, the increasing use of truck feeder services is due to cost efficiencies and is not restricted to the UK (see Figure 32).

501. AviaSolutions<sup>216</sup> also correctly points out that:

*“It is important though to note that a reverse flow also exists with continental European freight being trucked across the Channel to be flown into and out of UK airports. A lack of verifiable data on these flows hinders quantitative analysis, although the practice has existed for many years and despite this the freight industry chose not to use Manston Airport when it was open.”*

502. On Page 9, Northpoint draw inappropriate conclusions from York Aviation studies. Our comments on this in relation to Azimuth also apply here. Similarly, we find Northpoint comments on Brexit impacts speculative and one-sided.

503. Northpoint then devotes Pages 10-14 on *“The Availability of Substitutable Bellyhold Capacity”*. We disagree with the following assertions:

- *“However, Avia adduces no evidence on comparative charging rates between bellyhold and freighter carriers and therefore with Heathrow known to be one of the most expensive airports in the world, we remain sceptical that this is a material factor that would drive the re-allocation of consignments from freighters to bellyhold aircraft.”* As we illustrate in Section 4.7, Heathrow has grown its share of the UK freight market despite its relative expense. Despite high airport charges, we understand that the incremental costs of cargo carriage at Heathrow are fairly low. Therefore, where excess bellyhold capacity exists, it makes economic sense for airlines to try to fill that capacity with competitive charges for freight customers.
- *“First, just under 50% global air cargo is shipped bellyhold; the comparative figure in the UK is 70%. Since the economies of the UK’s main EU competitors are not materially different from our own, there is no logical explanation for this difference other than the shortage of slots available to integrator aircraft or dedicated freighters ...”*. There is available airport capacity for integrators / dedicated freighters (see Section 5). A much more credible explanation for the high proportion of bellyhold in the UK is Heathrow, which is Europe’s largest passenger hub airport. Heathrow provides an extensive schedule of widebody passenger flights to many of the world’s most important air freight markets. Furthermore, the geographical position and island status of the UK make it a less suitable location for freighter flights serving the wider European market (compared to say, Germany). This is especially true for flows to/from Asia.
- *“Second, there are many types of freight (e.g. time critical, heavy, large or live) for which bellyhold capacity cannot provide an acceptable substitute to dedicated freighters.”* It is correct that some types of freight are unsuitable for bellyhold. However, this segment of the market is very small and is accommodated at existing airports such as Stansted.
- *“Third, Heathrow’s principal attraction for freight forwarders, namely the range of international destinations it serves directly, is also its potential Achilles heel, because that network may not be sufficiently concentrated on certain ‘thick’ freight routes to be able to cope with the underlying demand – in other words the more complex the passenger network, the greater the likelihood it may not match the required pattern of freight distribution flows.”* We do not follow the logic of this. At any airport, there will be some routes where freight demand exceeds bellyhold supply.

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backlog of Boeing widebody orders (ca. 1,200 as at October 2017) in addition to aircraft already in operation. Therefore, the A380 is not overly significant in relation to overall bellyhold capacity.

<sup>216</sup> (AviaSolutions, 2017, p. 18)

This is not a new phenomenon, and we are not aware of any suggestions that there will not be an ongoing role for freighter aircraft in the future. Therefore, it is unclear how this factor will be a negative for Heathrow going forward.

- *“Fourth, new aircraft tend to have less bellyhold capacity than older ones and Heathrow and Stansted are the two airports where these new aircraft are most likely to be introduced.”* This point is incorrect and was addressed earlier with regards to Heathrow earlier in this section (paragraph 499). The comment in relation to Stansted is irrelevant, as Stansted bellyhold freight is negligible.
- *“And finally, it is very likely that a sizeable chunk of the available runway capacity at both airports will be taken up by Low Cost Carriers (i.e. Ryanair at Stansted and easyJet at Heathrow), and as with most Low-Cost Carriers, carrying freight does not form part of their business model.”* We have previously argued that the airline mix is much less important than the route mix. Short haul full service airlines only generate a small fraction of bellyhold freight, so any differences in airline mix within the short haul sector will have minimal impact (see paragraph 233).
- *“Hence, in the medium to long term it is hard not to see the average freight capacity per aircraft arriving at Heathrow diminishing, even if with the new runway, the total number of aircraft that can operate there increases.”* This would require a reversal of historic trends – as discussed above, the average loads per flights have been growing strongly. We would anticipate this trend to continue in the future.

504. We have a very different view of the freight outlook, both generally and specifically for Manston. No credible evidence is presented by Northpoint in support of its assessment. There are major flaws in key lines of argument, with its study exhibiting many of the same fundamental issues as the Azimuth reports.

#### 15.4. Manston Air Freight Forecasts

505. Northpoint present summary air freight forecasts in Appendix A of its report. The forecasts are even more ambitious than the Azimuth forecasts, with 472,000 tonnes projected by 2040. This figure is equivalent to two-thirds of all tonnage on freighter aircraft in the UK in 2016.

506. The building blocks to the forecast are not easy to follow. However, the following assumptions appear highly suspect:

- Stansted to see freight volumes reduce dramatically, in contrast to the airport’s own forecasts and expansion plans. It appears all this “spilled” freight is expected to divert to Manston, rather than more established UK competitors.
- Similarly, spill from Gatwick and Heathrow, despite growing long haul services at Gatwick and a new runway at Heathrow. Again, it seems all spill is expected to be captured by Manston.
- There is also a major assumption that a substantial proportion of freight can be “clawed back” from European airports. By 2040, it appears that this factor contributes 100,000 tonnes to Manston in the Northpoint forecasts. The assumption is unfounded and ignores market economic reality.

507. In Section 8.6, we concluded that the Azimuth forecasts were extremely optimistic and therefore not credible. The Northpoint forecasts are even more ambitious. Therefore, we draw similar conclusions in relation to their credibility.

508. As with the Azimuth forecasts, we also note the Northpoint cargo flight projections are high, even taking into account the projected freight tonnage.



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48 and 49, and of the 2017 EIA Regulations, as well as following guidance and advice and delivering best practice. Furthermore, we trust that given the interest to date in this proposed application and the issues involved, adequate time for consultation responses to be had regard to will be provided for by RSP otherwise there would be a legitimate concern over the adequacy of the consultation proposed.

1.3 However, from reading the Planning Inspectorate's November 2017 meeting notes with RSP, as well as receiving the BDB December Correspondence, we are concerned that the consultation to be carried out between January and February 2018 will fail to provide the necessary clarity over RSP's proposals that both our client and the public require in order to participate in a meaningful manner and for the consultation itself to be adequate.

1.4 The 22 November 2017 meeting note states that the "*Applicant summarised that the consultation materials would include an updated full Preliminary Environmental Information Report which would satisfy the 2017 Regulations and also articulate how the application has developed since the previous statutory consultation in June and July 2017.*" In order to fulfil this commitment, RSP must provide the necessary information to enable understanding of how the project meets, and is defined in accordance with, the provisions of section 23 of the 2008 Act and assessed in accordance with the 2017 EIA Regulations.

1.5 Yet the following extracts from the BDB December Correspondence would indicate that RSP is not intending to provide this fundamental information that goes to the heart of section 23 of the 2008 Act:

*"the Planning Inspectorate did indeed advise in our meeting of 2 November 2017 that the 'concerns raised by SHP should be addressed, as far as possible, within its application'. ...Please confirm whether you will only discuss extending the licence upon seeing information that PINS agree should correctly be included within our application.";* and

*"That position [i.e. the provision of information required under section 23 on both current capability and future capability post the alteration] has been consistent and...has been discussed with PINS who have agreed that our proposed approach is acceptable to them."*

1.6 Given these statements, and in order to assist SHP in participating in a helpful and meaningful manner in any forthcoming consultation, we request section 51 advice from the Planning Inspectorate as to whether the Inspectorate does "agree" that the concerns raised by SHP in its previous correspondence to the Inspectorate, and particularly the need to provide the information and assessment outlined in paragraph 1.4 above, should only be included in the proposed DCO application rather than in both the statutory consultation material and the proposed DCO application. We appreciate that the 2 November 2017 meeting was held before RSP confirmed that it was delaying its submission so as to re-consult, but it would appear that RSP is seeking to portray the discussions of that 2 November meeting as justification for not providing our client, and the public, with the necessary information required for them to consider and meaningfully participate in any future consultation.

1.7 We are, therefore, concerned that the serious concerns that we set out in our letters of 11 October 2017 and 12 November 2017 will not be adequately addressed, or addressed at all, in RSP's 2018 consultation. As we have previously noted, it is only by providing this detail that our client, and the public, can properly understand RSP's proposals and with it, whether the correct environmental assessment has been carried out and if they need to engage with and seek to influence the proposals and any minimisation or mitigation of likely significant effects.



## 2. COMPULSORY ACQUISITION

- 2.1 To enable our client to engage most effectively, it would also assist our client to understand the Planning Inspectorate's advice to RSP on what is now required to conform to legislative requirements and the spirit and intent of the 2008 Act, particularly in relation to proposed compulsory acquisition as a last resort.
- 2.2 As you are aware, an applicant should be able to demonstrate that all reasonable alternatives to compulsory acquisition (including modifications to the scheme) have been explored. The applicant will also need to demonstrate that the proposed interference with the rights of those with an interest in the land is for a legitimate purpose, and that it is necessary and proportionate.
- 2.3 We note that in your comments on the Draft Statement of Reasons, you have requested that the "Status of landowner negotiations" be provided as a standalone document. As we have previously advised, RSP has not engaged at all with our client and therefore it is evident that the reasonable alternatives to compulsory acquisition, either through the terms and extent of the proposed scheme or through dialogue, negotiation and alternative dispute resolution/mediation, have not been considered.
- 2.4 We would like to understand and seek section 51 advice from the Planning Inspectorate as to what steps we should expect the applicant to take in pre-application, particularly with regard to the statutory tests and human rights associated with compulsory acquisition and in regard to fulfilling Government guidance. This would greatly assist in guiding SHP in how best to engage effectively with any further pre-application consultation undertaken by RSP.

## 3. 2017 EIA REGULATIONS

- 3.1 With specific regard to the matters raised in the BDB November Correspondence on the EIA Directive 2014/52/EU, we would ask the Planning Inspectorate and Secretary of State to consider carefully and take their own advice on the need for compliance with UK regulations, especially where those regulations provide greater prescription than required by the Directive they are bringing into effect in English law.
- 3.2 We would therefore ask that in its deliberations, the Inspectorate looks carefully at:
- 3.2.1 Regulation 37(2) of the 2017 EIA Regulations which states "*...the 2009 Regulations continue to apply to any application for an order granting development consent..... where before the commencement of these Regulations...(a) the applicant has...*" In this context, the definition of "applicant" can only mean "*an applicant for an order granting development consent*" and not "*or a person who proposes to apply*"; and
- 3.2.2 Regarding the Directive itself, it does not matter that article 3.2 does not refer to applicant or developer for the reasons expressed in this letter, but in any event paragraph (39) of the preamble does refer to "the developer".
- 3.3 In this regard, the UK has very clearly referred to "the applicant" and that is at the discretion of the UK Government as to how to transpose the Directive.

Nothing we have seen to date in correspondence from RSP or in meeting notes with the Planning Inspectorate provides confidence or assurance that the substantive matters raised by SHP are being addressed adequately in pre-application.

SHP would appreciate a further section 51 advice meeting with the Planning Inspectorate in the first instance to take advice on how best to make effective representations about the proposed

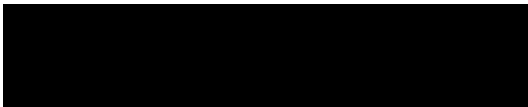


application in the forthcoming consultation to be undertaken by RSP and how best to get those representations taken in to account adequately in the pre-application process.

We confirm that we can make ourselves available for a meeting on any of 9 or 11 January 2018 and would request confirmation from the Planning Inspectorate when a section 51 advice meeting can be accommodated that will result in timely advice to inform the further consultation exercise proposed.

We look forward to hearing from you.

Yours faithfully



**Pinsent Masons LLP**





Ministry of Housing,  
Communities &  
Local Government

Councillor Robert W. Bayford  
Leader, Thanet District Council

**The Rt Hon Sajid Javid MP**

*Secretary of State for Housing, Communities and  
Local Government*

**Ministry of Housing, Communities and Local  
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23<sup>rd</sup> March 2018

Dear Councillor Bayford

## **LOCAL PLAN INTERVENTION**

Congratulations on becoming Leader of Thanet District Council earlier this month, I was pleased to see your statement that you will prioritise work on the Local Plan. However, I am writing today as a result of the Council's persistent failure over many years and under different administrations, to get a Local Plan in place, following on from the concerns I set out on 16 November 2017 about the lack of progress that had been made in plan-making. The housing White Paper set out that intervention in Local Plans will be prioritised where:

- the least progress in plan-making has been made
- policies in plans had not been kept up to date
- there was higher housing pressure; and
- intervention would have the greatest impact in accelerating Local Plan production

We also made clear that decisions on intervention will be informed by the wider planning context in each area (specifically, the extent to which authorities are working cooperatively to put strategic plans in place, and the potential impact that not having a plan has on neighbourhood planning activity). I gave the District Council the opportunity to put forward any exceptional circumstances by 31 January 2018, which, in the Council's view, justifies the failure to produce a Local Plan under the Planning and Compulsory Purchase Act 2004 regime.

I have considered carefully the Council's letter of 31 January 2018. In summary, in January 2018, the District Council resolved to reject the recommendation of officers to publish the draft Local Plan and is therefore failing to meet its deadline for publication of a Plan, in accordance with your published Local Development Scheme. The Council

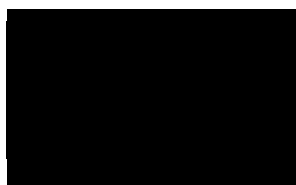
has failed to meet milestones in published Local Development Schemes at least five times since 2004.

The District Council's argument to justify this failure sets out two inter-related circumstances – the local debate over the future of Manston Airport and the need to undertake further work to identify alternative sites after the Plan failed to proceed. I consider that these are not exceptional circumstances – other authorities have dealt with uncertainty about the future of large sites.

In terms of the intervention criteria, Thanet have failed to make progress on plan-making, the policies do not appear to be up to date and there is high housing pressure. At the current time this is an authority where intervention would have the greatest impact by accelerating Local Plan production. The Council does not have an up to date Local Development Scheme, whilst I note the suggestion from your officers that your Council intends to update the scheme.

Having considered the Council's representations and the Government's policy set out in the November 2017 Written Ministerial Statement and the housing White Paper, I have decided to continue with the intervention process. As discussed at our meeting on 6 February 2018 this will involve a team of experts, led by the Chief Planner, providing me with further advice on next steps. My officials will be in contact with your officers to discuss the next steps.

My officials will also begin formal discussions on the options of inviting Kent County Council to prepare a Local Plan for Thanet and with the neighbouring authorities on the possibility of directing a Joint Plan, as part of considering whether to use my statutory powers and if so which ones.



**RT HON SAJID JAVID MP**



Baldwins Wynyard Park House, Wynyard Avenue, Wynyard, TS22 5TB

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BY E-MAIL

FOR THE ATTENTION OF [REDACTED]  
The Planning Inspectorate  
Temple Quay House  
Temple Quay  
Bristol  
BS1 6PN

29 March 2018

Dear Sirs

**THE FORMER MANSTON AIRPORT SITE – PROPOSED DCO  
RIVEROAK STRATEGIC PARTNERS LIMITED - NSIP JUSTIFICATION PAPER**

We are writing in response to the paper produced by RiverOak Strategic Partners Limited ("**RSP**") entitled "NSIP justification", which was enclosed in their letter dated 5 March 2018. We strongly disagree with the arguments set out by RSP.

We have taken legal advice from Pinsent Masons LLP (see **Enclosure 1**) and from Leading Counsel (see **Enclosure 2**), supported by technical input from York Aviation (see **Enclosure 3**) in forming our view on the submissions made by RSP.

For the reasons set out in this letter and the enclosed legal advice, we consider that RSP has failed to justify how its proposed project constitutes an NSIP within the meaning of section 23 of the Planning Act 2008 ("**PA 2008**") and it appears clear that it is not.

RSP's Justification Note is, in reality, nothing more than a belated attempt to retrofit the requirements of the PA2008 to its project.

It is the responsibility of the DCO promoter to ensure that the NSIP criteria are fully satisfied. RSP has withheld the key information on capability from statutory consultees and the public. That has served to both prejudice those affected. The fundamental weakness of its position is now exposed and the DCO application cannot proceed or be accepted as is clearly set out in the attached legal advice.

The PA2008 obviously has the potential to convey significant powers upon successful applicants, and important safeguards attaching to that include clearly demonstrating that the NSIP thresholds are met and that all the requisite information is front-loaded in the pre-application process, to allow full and proper consultation and to ensure that only those applications which are of the proper quality are accepted for examination. The purpose of the PA 2008 thresholds is, of course, to provide a consenting regime for projects which are of **national significance**. The thresholds are designed to capture only projects which are of national significance. Applications which do not meet the thresholds are properly the preserve of the Town and Country Planning Act 1990. RSP's proposals, if they wish to pursue them, though they totally lack substance, should be dealt with via that consenting route. It is obvious that the

RSP "scheme" is an artificial device designed simply to try and shoehorn its proposals into the DCO regime to try and secure compulsory acquisition powers.

As highlighted above and in the enclosed legal advice from Pinsent Masons and Counsel, the Secretary of State is unable to accept a DCO application on this basis, nor to grant a section 53 PA 2008 authorisation.

In addition to the above, previous correspondence from ourselves and Pinsent Masons on our behalf has set out why these proposals are procedurally flawed and do not comply with guidance, and why they do not constitute a project of sufficient substance that they can be properly accepted by the Secretary of State. These points remain unanswered and the Inspectorate should now advise the applicant to remove its proposed application from those notified as intended DCO applications.

We look forward to hearing from you.

Yours sincerely



on behalf of Stone Hill Park Ltd.

Enclosures: Pinsent Masons' Legal Advice, Counsel's opinion and a letter from York Aviation

cc. Richard Griffiths, Pinsent Masons LLP

# Manston Airport Proposed Development Consent Order



## Response to Applicant's NSIP Justification Note

27 March 2018

### 1. INTRODUCTION AND EXECUTIVE SUMMARY

1.1 We act for Stone Hill Park Limited ("**SH**P").

1.2 This response is further to our earlier letters to the Planning Inspectorate dated 11 October 2017, 13 November 2017 and 15 December 2017 setting out that we had no clarity as to whether RiverOak Strategic Partners Limited's ("**RSP**") prospective application for a development consent order for the redevelopment and re-opening of Manston Airport as a hub for international air freight services, which also offers passenger, executive travel and aircraft engineering services (the "**Project**"), meets the statutory definition for a Nationally Significant Infrastructure Project ("**NSIP**").

1.3 We have reviewed the note entitled "NSIP Justification" by RSP and received by the Planning Inspectorate on 8 March 2018 and which was drafted in response to the Planning Inspectorate's letter dated 20 February 2018 to RSP (the "**Justification Note**").

1.4 It is clear that the explanation proffered in the Justification Note is a wholly unsatisfactory explanation of how the Project meets the tests in section 23 of the Planning Act 2008 (as amended) (the "**PA 2008**") to be considered an NSIP.

1.5 The Justification Note is inadequate in a number of ways, including that it:

1.5.1 appears to try and "**hedge**" the position of whether the proposed development comprising the Project is "the construction of an airport" or "the alteration of an airport" (section 23(1)(a) and 23(1)(b) respectively);

1.5.2 does not address whether the proposed development is an "**alteration**" within the definition set out in section 23(6);

1.5.3 incorrectly seeks to argue that the capability of the airport site known as the former Manston Airport (the "**Airport Site**"), is zero, but then goes on to state that the capability of the Airport Site could be any of 7,300, 14,600 or 20,400 air transport movements ("**ATMs**") per year of cargo aircraft;

1.5.4 argues for the **first time** that the capability of the Airport Site as a result of the Project is between 69,350 and 97,090 per year of ATMs of cargo aircraft, raising fundamental questions about what Project RSP is actually seeking consent for and raising the fundamental point that the pre-application consultation and Preliminary Environmental Information Report published earlier in 2018 did not mention or assess capability figures in the range of between 69,350 to 97,090 per year of ATMs of cargo aircraft; and

1.5.5 reinforces the fundamental concerns as to (a) the proposed applicant's (lack of) need case; and (b) the proposed applicant's case underlying the proposal for compulsory acquisition of land when the proposals constitute a manifestly excessive capability when compared to RSP's forecast need, reinforcing the point that these proposals are clearly an artificial attempt to shoe-horn the Project as an NSIP to try and obtain compulsory acquisition powers.

1.6 Accordingly, in light of the significant issues raised and unanswered questions (which are set out in more detail in the sections which follow), it is not open to the Secretary of State either to grant a section 53 authorisation to RSP or to accept for examination an application for an order granting development consent in respect of the Project.

2. **TYPE OF NSIP**

2.1 Paragraphs 3 and 4 of the Justification Note inappropriately appear to seek to "hedge" RSP's position, referring the Project as falling within either section 23(4) and section 23(5)(b) or, in the alternative, section 23(2) and section 23(3)(b) of the PA 2008.

2.2 RSP uses phrases such as "*it is arguable that Manston is not currently 'an airport' "* and "*we consider it better to consider the project as the alteration of an airport rather than the construction of a new one.*" This clearly demonstrates that RSP has not carried out the necessary analysis with regards to the current status of the Airport Site. An applicant of a proposed application for an order granting development consent cannot apply to the Secretary of State for access under section 53 or submit an application for examination under section 37 of the PA 2008 by "hedging its bets" and referring to various provisions of the PA 2008 in order to try and shoehorn its proposals into the regime. An applicant must be definitive in why it considers its proposals constitute development for which development consent is required. If an applicant is not definitive, as in the case of RSP, then there is only one conclusion - the applicant itself simply does not know. It is not up to a third party or the Secretary of State to carry out the analysis; that is the job of the applicant. On this basis alone, the Justification Note is not a justification at all, rather it exposes the inherent failings of RSP and the Project.

2.3 References in the Justification Note to the Project potentially constituting the construction of a new airport must be disregarded for the following reasons:

2.3.1 The construction of a new airport at the Airport Site has not been:

- (a) notified to the Planning Inspectorate – the Planning Inspectorate's website refers to RSP's proposals as "*upgrade and re-opening of Manston Airport primarily as a cargo airport, with some passenger services, with a capacity of at least 12,000 air cargo movements per year*";
- (b) scoped pursuant to the Environmental Impact Assessment Regulations;
- (c) consulted upon pursuant to sections 42, 47 and 49 of the PA 2008 – the only proposal that has been consulted on by RSP is that of an "*alteration of an airport*" (see Section 1.5 of the Preliminary Environmental Information Report).

It follows that, as RSP is now asserting (even in the alternative) that it is constructing an airport and is within section 23(2) and section 23(3)(b) of the PA 2008, then:

- (i) its section 53 application must be refused, as the application has been submitted on the premise of a proposed application for an order granting development consent for an alteration of an airport under section 23(4) and section 23(5)(b); and
- (ii) any application submitted by RSP for a development consent order that references section 23(2) and section 23(3)(b) of the PA 2008 cannot be accepted given the procedural failings outlined in points

(a) to (c) above and thus section 55(3) of the PA 2008 will not be satisfied.

2.3.2 There is no doubt that the lawful planning use of the Airport Site is as an airport. The Airport Site's permitted use, evidenced by means of a certificate of lawfulness, is for civil aerodrome use (ref CD/TH/99/0377). There are no conditions limiting either passenger numbers or ATMs other than in the section 106 legal agreement for the Airport Site that sets out limitations on night-time flying until such time that a night-time flying noise policy is in place. The built development and infrastructure at the Airport Site includes the runway, air traffic control, fire station, navigational aids, aprons, stands and taxiways. Indeed, RSP objected to SHP's change of use proposals on the basis that the existing airport use and the airport safeguarding of the Airport Site should not be undermined by any change of use, even a temporary one. The reason why RSP is now clearly trying to hedge its bets by seeking to move away from solely relying on the Project involving the alteration of an airport is because it has created a problem for itself by arguing that the capability of the Airport Site is zero. See further below at section 4.

2.4 Accordingly, all references in the Justification Note to RSP's proposals amounting to the construction of an airport must be disregarded. The Secretary of State has no option, both due to the permitted planning use of the Airport Site and as result of RSP's notification of its proposals to the Planning Inspectorate, other than to consider this matter under section 23(4) and section 23(5)(b) of the PA 2008.

### 3. ALTERATION OF AN AIRPORT

3.1 The Justification Note incorrectly asserts in paragraph 5 that "to satisfy the 'alteration' definition, the project must increase the current number of air cargo movements that the airport is capable of providing by at least 10,000 per year". This articulation skips a critical stage, which is examination of the definition of "alteration" in section 23(6) of the PA 2008, which must first take place before any other discussion occurs.

3.2 The definition of "alteration" in s23(6) is as follows:

*"Alteration", in relation to an airport, includes the construction, extension or alteration of –*

*(a) a runway at the airport,*

*(b) a building at the airport, or*

*(c) a radar or radio mast, antenna or other apparatus at the airport".*

3.3 The definition is worded clearly to set out that to constitute an "alteration" within the meaning of the PA 2008, the development proposed must include either

3.3.1 construction, extension or alteration of a runway, OR

3.3.2 construction, extension or alteration of a building; OR

3.3.3 construction, extension or alteration of a radar or radio mast, antenna or other apparatus at the airport.

3.4 The development meeting this definition must (in line with section 23(4)(b)) then also have the "effect" set out in section 23(5).

- 3.5 The Justification Note jumps straight to consideration of the “*effect*”, without consideration of whether what is proposed by RSP meets the definition of “*alteration*”. It does not. RSP’s proposals include construction of a new taxiway, construction of new freight handling buildings and the installation of a range of apparatus for navigation and air traffic control, but these elements of the proposed development are not what is relied upon as having the effect of increasing the Airport Site’s capability by at least 10,000 per year of ATMs of cargo aircraft.
- 3.6 This is made clear by the supplied explanation in the Justification Note. Paragraph 10 of the Justification Note sets out RSP’s case that whilst works are proposed for the construction of an alternative parallel taxiway to the runway, that is not the critical factor constraining air traffic movements at the Airport Site, as the runway at the Airport Site is already one of the longest in the UK, and implicitly acknowledges that the forecast usage in RSP’s consultation material could already be accommodated on the existing runway and taxiway. RSP states in paragraph 14 that the current runway is “*virtually unconstrained*”. The proposed works to create a new parallel taxiway do not, therefore, produce the section 23(5) effect relied upon.
- 3.7 Paragraph 11 of the Justification Note correctly sets out that the cargo buildings proposed to be constructed also cannot be the basis of RSP’s claim that its proposals are an alteration having the prescribed effect, as the metric by which the effect is tested in section 23(5) is by an increase in cargo ATMs, and not by a measured increase in cargo tonnage that an airport is capable of handling (as it is the number of flights which the test is concerned with).
- 3.8 The “*critical factor*” identified by RSP in its Justification Note is set out in paragraph 12 (and later in the note, repeated at paragraph 15). RSP claims that the development comprised in its proposed application which would have the section 23(5) effect is the construction of a number of new aircraft stands which increase the ability of the Airport Site “*to handle aircraft simultaneously*”. Therefore, the construction of the 19 proposed new cargo stands is the “*critical factor*” to be tested both against section 23(5) and against section 23(6).
- 3.9 The construction of new cargo stands is in essence the laying of new areas of level concrete hardstanding where planes can stand whilst they are loaded and unloaded - according to EASA Guidance Material for Aerodromes Design (CS-ADR-DSN) the definition of “*aircraft stand*” means “*a designated area on an apron intended to be used for parking an aircraft*” (see the letter from York Aviation dated 27 March 2018).
- 3.10 That clearly does not meet the definition of “*alteration*” set out in section 23(6) of the PA 2008. As confirmed by York Aviation in their letter dated 27 March 2018, the construction of new cargo stands is not an alteration to a runway, and it is not the construction, extension or alteration of a “*building*”, as the laying of hardstanding is an engineering operation and cannot be characterised as being a “*building*” in its nature. It is also not the construction, extension or alteration of a radar or radio mast, antenna or other apparatus at the airport. RSP has simply not considered whether the development which it says has the claimed “*effect*” meets the definition of an alteration. RSP needs to tackle this point.
4. **CAPABILITY OF THE AIRPORT SITE**
- 4.1 Only once it has been established that the proposed development comprises an “*alteration*” within the meaning of section 23(6), which RSP has failed to do, should consideration be given to whether the Project falls within section 23(4) and section 23(5)(b) of the PA 2008. In order to determine this, the following information is required:



- 4.1.1 an explanation as to the capability of the airport in question, in this case the Airport Site, of providing air cargo transport services;
  - 4.1.2 an explanation as to why the proposed alteration would increase that capability by at least 10,000 per year of ATMs of cargo aircraft; and
  - 4.1.3 an explanation as to what the proposed "new" capability (not projected use) would be as a result of the proposed alteration.
- 4.2 Paragraph 7 of the Justification Note attempts to argue why the current capability of the Airport Site is zero. The case is predicated on:
- 4.2.1 an aerodrome certificate to start operating would be required; and
  - 4.2.2 "development" in planning terms would be required to bring the Airport Site back into use.
- 4.3 Firstly, it is clearly nonsense to argue that the need to obtain an aerodrome certificate is some form of determining criteria as to what the capability of an airport is for the purposes of the PA 2008, when the PA 2008 is planning legislation regulating the built environment. If assessing capability means looking at the licensing position and range of other consents that need to be obtained outside the development consent order regime, then that would apply equally to an applicant seeking consent either to construct an airport or to alter an airport – the applicant would need to secure the necessary licensing to be able to demonstrate that the capability required in section 23(3) and section 23(5) (as appropriate) had been met. This is an impossibility as a certificate will only be issued following inspection by CAA of the completed works. Accordingly, the reference to the Airport Site not having an aerodrome certificate in place is irrelevant for the purposes of assessing its capability for the purposes of the PA 2008.
- 4.4 Secondly, again it is clearly nonsense to state that the owner of an airport cannot count its existing infrastructure, together with any necessary permitted works to bring that infrastructure back into full use, as part of determining the airport's capability. If you cannot, then the capability of an airport would only ever be a "snapshot in time", which would be inherently uncertain for calculating "capability" in the PA 2008 sense which clearly cannot be the case when certainty and precision is required for NSIP threshold purposes. As explained above, the lawful planning use of the Airport Site does not include any constraints in terms of ATMs, save in respect of limitations on night-time flying. Should SHP decide to bring back into use the existing infrastructure, then it would do so to be able to operate within the existing ATM capability of the Airport Site. Any small scale works required to bring the airport back into use would not be a change to the permitted use or be increasing the Airport Site's capability of annual ATMs of cargo aircraft (e.g. if some limited works were required to reinstate radar on the existing mast or to reinstate approach lighting).
- 4.5 RSP obviously needs to try and make the case that the Airport Site's capability is zero as otherwise it has an inherent problem. However, it is simply not a credible argument.
- 4.6 It is contradictory to claim that the Project amounts to an alteration of an airport but then argue that the Airport Site has a zero capability. Such a proposition means the Project is, in fact, the construction of an airport. This "in the alternative" attempt in the Justification Note referring to the Project as falling within either section 23(4) and section 23(5)(b) or, in the alternative, section 23(2) and section 23(3)(b) of the PA 2008 is clearly inherently flawed. It has to be one or the other. If RSP is asserting that the Project is actually the construction of an airport, then the Secretary of State has no option but to refuse the section 53 application and also not accept for examination any application for a development consent order on the current basis.

- 4.7 RSP has made it clear at paragraph 12 of the Justification Note that RSP considers it is the construction of 19 additional aircraft stands that creates the increase in the Airport Site's capability in the annual ATMs of cargo aircraft.
- 4.8 Given the existing infrastructure at the Airport Site includes stands with the ability to accommodate collectively up to 4 cargo aircraft simultaneously, it follows from RSP's own analysis that the Airport Site must have an existing capability. This existing capability has been calculated by York Aviation as equating to at least 21,000 per year of ATMs of cargo aircraft, as previously advised.<sup>1</sup>
- 4.9 Furthermore, for RSP to now try and argue "zero capability" is contrary to the RiverOak Investment Corporation LLC ("**ROIC**") / RSP position in their appeal statement objecting to SHP's change of use applications for buildings on the airport site, ROIC at paragraphs 2.4 to 2.5 states:
- "it is likely that this phase [phase 1] will require a period of 6-12 months during which time the essential airport equipment and infrastructure will be maintained where it still exists or installed to bring it back to full use."*
- "Initially, the airport will operate using the existing infrastructure and cargo building facilities."*
- 4.10 The reference to bringing back the Airport Site to "full use" acknowledges that there is an inherent capability ("dormant" is precisely the word used by RSP in its statutory consultation on the Project earlier in 2018<sup>2</sup>), and it is clearly acknowledged that the Airport Site would be capable of operation during the initial phase using the existing infrastructure and cargo buildings, that the currently closed airport could simply be re-opened. This aligns precisely with SHP's position and clearly demonstrates that the Airport Site has a capability.
- 4.11 RSP's figures for current capability (on the basis that it is not zero) range from 7,300 to 14,600 to 20,400 per year of ATMs of cargo aircraft. Even if these capability figures were the position, which SHP's expert aviation consultants dispute, then RSP clearly does not need to construct 19 new stands to achieve its "business plan", or increase the capability of the Airport Site by at least 10,000 per year of ATMs of cargo aircraft.
- 4.12 Accordingly, to achieve RSP's stated business plan, no works are required which constitute an NSIP and the attempted mis-use of the NSIP regime is otiose.
- 4.13 It is appreciated that the test in section 23 PA 2008 is not one of projected use, but of the theoretical capability, and we look at this below in Section 5.
- 4.14 In summary, it is clear that the Airport Site must have an existing capability as otherwise RSP would be constructing an airport. This does not assist RSP given the construction of an airport is not the project before the public or the Secretary of State and would not bear scrutiny in any event. The question, then, is what is the capability of the Airport? There are four figures in play - RSP's figures ranging from 7,300 to 14,600 to 20,400 per year of ATMs of cargo aircraft, and SHP's figure of at least 21,000 per year of ATMs of cargo aircraft. With all four figures, a development consent order is not required to reach the RSP 20 year business plan.
- 4.15 This raises the clear question as to why RSP is seeking consent for 19 additional cargo stands. In truth, there is only one answer to this question, RSP is simply seeking consent for 19 additional cargo stands so that it can try and utilise the PA 2008 and take the benefit of the compulsory acquisition powers that the regime offers, with

<sup>1</sup> Paragraph 4.6, *Summary Report Analysing use of York Aviation Material by RiverOak Strategic Partners Limited and assessment of capability of Manston Airport*, York Aviation LLP, 13 November 2017

<sup>2</sup> RSP, "An Introduction to the Consultation", January 2018 paragraph 5

ROIC having failed to persuade the local authority to use its compulsory purchase powers given the paucity of its "business case".

## 5. THE CAPABILITY OF RSP'S PROJECT

5.1 Paragraphs 17 and 18 of the Justification Note are also flawed.

5.2 We agree that there is a difference between the capability of an airport, being the theoretical capability, and the projected use of an airport. This is the same in any infrastructure project. In our letter addressed to the Planning Inspectorate dated 13 November 2017, we referred to the example of a generating station that has a maximum consented "capacity" of X mega watts but in practice it operates at Y mega watts, being below its theoretical "capacity." However, in any application for development consent for that generating station, the environmental assessment must consider and assess what is being applied for – being the theoretical "capacity". This is a fundamental principle of environmental assessment.

5.3 It is unacceptable that the Justification Note at paragraphs 17 and 18 acknowledges that the Project "*has a theoretical capability that is significantly higher than its projected use*" yet states that that "*is a matter that will be set out in our application documents.*" This is unacceptable or inappropriate on a number of fronts:

5.3.1 Firstly, the Justification Note is the first time that RSP has publicly stated anywhere:

- (a) which element of the Project RSP considers gives rise to the effect of increasing by at least 10,000 per year the number of ATMs of cargo aircraft; and
- (b) by how many ATMs of cargo aircraft in its view the Project will increase the capability of the Airport Site. In this respect, paragraph 12 of the Justification Note now confirms that it is the creation of 19 cargo stands that "*equals 69,350 movements per year*" (assuming a basis that a single cargo stand can turn around five aircraft per day). Paragraph 16 of the Justification Note further sets out that increasing the turn around to seven aircraft per day would result in the Project's capability being 97,090 per year of ATMs of cargo aircraft. Although reference is made to 97,090 ATMs per year being more than RSP considers the airport would be capable of handling, it is clear from the Justification Note that RSP considers the Project to be capable of handling between 69,350 and 97,090 per year of ATMs of cargo aircraft.

Whilst these figures have all sorts of implications, it is still not clear what assumption has been made regarding the operational day - whether it is an 18 hour day without night flights or an operational day that includes night flights. This clarification remains outstanding.

In both respects, this vital information has been withheld from both statutory consultees and the public. It is telling that it was only provided by RSP to the Planning Inspectorate on 8 March 2018 in response to a direct request from the Planning Inspectorate. The Scoping Report on the Project (which was submitted by RSP's predecessor as applicant, ROIC, in June 2016) and RSP's consultation materials only refer to the generic phrase that the Project would have the effect of increasing by at least 10,000 per year the number of ATMs of cargo aircraft or the year 20 forecast of 17,171 per year of ATMs of

cargo aircraft. The Justification Note has, therefore, introduced a new annual ATM figure which brings into question what precisely is RSP applying for.

5.3.2 Secondly, if RSP's position was to be that it will be asking the Secretary of State to grant development consent without any form of cap that limits the number of ATMs per year of cargo aircraft (i.e. unrestricted capability would be anywhere between 69,350 per year of ATMs of cargo aircraft to 97,090 per year of ATMs of cargo aircraft), then any such application cannot be accepted for examination. Such an application would be for a completely different project to that which has been publicised, scoped, assessed and presented to the Planning Inspectorate, public and statutory consultees. Furthermore, the environmental assessment would be fundamentally deficient as it would not have assessed that level of annual ATMs. It would also be untenable as a realistically deliverable project;

5.3.3 Thirdly, if RSP's position is that it will be asking the Secretary of State to grant development consent with some form of cap that limits the number of ATMs per year of cargo aircraft anywhere from 17,171 per year to 69,350 per year, then again any such application cannot be accepted for examination. The Secretary of State cannot reasonably come to a conclusion on the proposals without (a) an assessment (including EIA) of the theoretical capability as that is what is being applied for in terms of the principle of development; (b) an assessment (including EIA) of the operation of the airport at the proposed capped level; and (c) without having the full views of the public and stakeholders informed by such assessments. Again, such an application would be for a different project to that which has been publicised, scoped, assessed and presented to the Planning Inspectorate, public and statutory consultees;

5.3.4 Fourthly, if RSP's position is that it will be asking the Secretary of State to grant development consent with a cap at RSP's year 20 forecast of 17,171 per year of ATMs of cargo aircraft, then the Project does not meet the section 23 test. It could not be said that RSP's "*alteration*" (even though we contend there is no such "*alteration*") would be "*expected*" to have the "*effect*" of increasing by at least 10,000 per year the number of ATMs of cargo aircraft for which the airport is capable of providing (see section 4 above).

5.4 These questions need to be answered by RSP in order for the Planning Inspectorate, the Secretary of State and the public to understand what it is that RSP is attempting to seek consent for. However, it is certainly clear that either the Project does not meet the section 23 tests or the Project is a completely different project from that which has been publicised, scoped, assessed and consulted upon. An application simply cannot be accepted.

## 6. **NEED CASE AND COMPULSORY ACQUISITION**

6.1 RSP's proposals include proposals for the compulsory acquisition of land. RSP's Justification Note reveals that the proposals are for facilities which RSP claims can deliver cargo ATM capability of up to 97,090 ATMs per annum, when the forecasts upon which RSP relies are for only 17,171 ATMs per annum. There has been no consultation or rationale given for why it would be appropriate to seek compulsory acquisition powers for an excessive scheme including 19 cargo stands when they are clearly not required in order to deliver RSP's forecast cargo ATM throughput.

6.2 What this underlines again is that RSP is attempting to misuse the PA 2008 in order try to obtain powers of compulsory acquisition over the Airport Site owned by SHP, which would not be available to RSP outside of the PA 2008 regime.

**7. CONCLUSION**

- 7.1 In respect of any application for development consent, the Secretary of State has only one option – to reject the application for examination on the basis set out above.
- 7.2 The section 53 application must also be refused on the same basis.

**Pinsent Masons LLP**

**27 March 2018**

# RE: MANSTON AIRPORT PROPOSED DEVELOPMENT CONSENT ORDER

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## LEADING COUNSEL'S ADVICE

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### INTRODUCTION

1. RiverOak Strategic Partners (RSP) are seeking to apply for a DCO under the Planning Act 2008 (PA 2008) in respect of land at the former Manston Airport owned by Stone Hill Park Ltd ('SHP'). This advice addresses the question as to whether RSP have finally satisfactorily answered the questions raised both by SHP and the Planning Inspectorate as to how the proposed development qualifies as an NSIP under the PA 2008 as matter of law based on the available facts.
2. We have seen and refer specifically to a letter dated 5 March 2018 from RSP's solicitors Bircham Dyson Bell which asserts that the "*project is unequivocally a nationally significant infrastructure project*" and that this assertion is justified in a paper attached ("*the Purported NSIP justification*"). We have also seen a response from SHP's solicitors, Pinsent Masons, which concludes that the project is not an NSIP. We do not seek to repeat those points made by Pinsent Masons but wholly endorse them and comment briefly ourselves on a few matters below.
3. We set aside for the moment the possible reasons why RSP is seeking to deploy the PA 2008 DCO process as opposed to the Town and Country Planning Act 1990, save to point out that the local planning (Thanet District Council) and potential acquiring authority explored options with a previous entity (RiverOak Investment Corptn LLC) ('RIC'). These options were rejected on the basis that RIC could not satisfy the Council it had a viable and deliverable plan or that RIC could act as a suitable indemnity partner.

### MATTERS RELIED UPON

4. The land has been an airport since 1916 but ceased to operate as such in May 2014 ([4] of the Purported NSIP justification) and the operators departed.
5. Its aerodrome certificate is no longer current.
6. There are no restrictions on numbers of (all forms ) of ATMs by way of condition on a planning permission [13].
7. It has "*one of the longest runways in the UK*" [10] which is in good condition [8]. However the Purported NSIP justification states the taxiways are "*not horizontal and have a slope which exceeds the maximum value of 1.5% (now) permitted by the*

CAA for aircraft of Code C and above" (i.e. with a wingspan of more than 24m) and which are described as "too close".

8. The effect of the taxiway configuration is that the capacity of the runway is 100,000 flights or ATMs and not 200,000 [see [10] and [14].
9. The Purported NSIP justification then states as a consequence that "*the runway is not the critical factor constraining air traffic movements*".
10. There are four stands in place currently which together with the use of the existing infrastructure (the runway apron) equate to a capacity to 'handle' 14,600 cargo movements [15].
11. The Purported NSIP justification refers to a single "*critical factor*" {sic} and which is said to be '*the number of [cargo]aircraft that can be handled simultaneously*' [12 and 15].

### **The Project**

12. RSP describes the project within its Statement of Community Consultation in section 2.2. It refers to redeveloping and reopening including "*both the use of the existing airport infrastructure and the introduction of new facilities*".
13. The only aspects of the "*new facilities*" which relate to cargo or freight are 19 new cargo stands and building "*new cargo facilities*" which are not described and which are also not referred to in the Purported NSIP justification.
14. As per York Aviation's expert advice, the creation of new cargo stands requires no more than the laying of new areas of level concrete hardstanding where aircraft can stand whilst they are loaded and unloaded.
15. The 19 cargo stands proposed are described as being able to "*handle*" at least 69,350 cargo movements per annum [12] and [15]
16. For completeness, [7] and [8] of the Purported NSIP justification refers to "*development*" and/or "*improvements*" which are said to be "*required*" "*in order to bring [the aerodrome] back into use*". No further reference however is made to this operational related development in the context of constraints to capability - indeed, they appear in effect to involve the replacements of existing facilities.

### **LEGAL FRAMEWORK & ANALYSIS**

17. In order for PINS to accept an application for the DCO as proposed and described to date they need to be satisfied that "*the development is or forms part of a nationally significant infrastructure project*" [s.31 PA 08].
18. In this instance RSP accepts that it must meet the definition under s.14(1)(i) as "*airport related development*". There is no debate that this is not a generic term but

there are specific thresholds or criteria which must be met under s.23 PA 2008 to qualify under s.14.

19. Turning to S.23 (1) there is no suggestion that ss.23 (1)(c), (7) and (8) are relied upon by RSP.
20. The Purported NSIP justification for the first time suggests that s.23(1)(a) may apply on the basis that it is said to be “*arguable*” that the use of the land does not qualify as “*an airport*” and therefore what is proposed amounts to the “*construction of an airport*”. To support this notion the proposed applicants rely upon the lapsed aerodrome certificate and what might be called, in more typical planning law terms, as a “*fallback position*” which is said to be limited by what this developer suggests needs to be permitted under the TCPA 1990 including under the General Permitted Development Order 2015/596 (‘the GPDO’).
21. The most recent formulation of the principle by the Court of appeal is in the judgment in Mansell v Tonbridge and Malling BC [2017] EWCA Civ 1314 (‘Mansell’). This confirms inter alia that permitted development rights may be relied upon in assessing what the potential lawful use of a site is based on the test of ‘real prospect’. However, the peculiar position here is that RSP are seeking to argue the fallback position is somehow constrained in terms of the likelihood this site could be used as an aerodrome or that if permission was sought for operational development consistent with the lawful use of the site it would be likely to be refused.
22. It is plainly absurd in our view to accord any weight to these arguments that the site should somehow not be treated as having a lawful use in planning terms as an airport (there is in any event a lawful development certificate ref CD/TH/99/0377 confirming lawful use of the “*airfield land and buildings for commercial civil airport use*” as noted in Pinsent Masons’ response). Lest it be suggested otherwise, there is nothing identifiable or submitted that has interrupted that lawful use including the fact that the aerodrome has ceased to operate.
23. Equally we have no hesitation in concluding that the absence of an aerodrome certificate by the CAA is not a material factor in assessing the planning status of the land given especially that the proposed DCO must be predicated on the assumption that a new certificate would be granted to a new operator. In terms of the lawful use of the land and indeed the extent of ATMs it is capable of providing services for, the absence of a certificate is in our view not relevant.
24. In addition it is not in our view appropriate for the Inspectorate to be presented with alternative arguments as to why a project is supposed to meet very specific statutory tests.



25. We turn then to what might be called the more substantive submissions or at least those which are more consistent with comments RSPs has made in the past.
26. At Purported NSIP Justification [4] RSP suggests it is *“better to consider the project as the alteration of an airport”* under s.23(1)(b), (4)(b) and (5)(b) i.e. rather than treating the project as the construction of a new airport.
27. The effect of S.23(4)(b) and 5(b) is that in order to be a development that requires a DCO within the PA 2008, an applicant must show that the development:
- (i) is an alteration of an airport
  - (ii) is in England
  - (iii) has the prescribed effect.
28. In order to amount to an *“alteration”*, s.23(6) makes it clear firstly that the development includes either the *“construction, extension or alteration of- (a) a runway at the airport, (b) a building at the airport or (c) a radar or radio mast, antenna or other apparatus at the airport”* and then secondly, that the alteration must have the prescribed effect.
29. In other words, consistent with the way S.23 sits with S.14, the PA 2008 is aimed at quite **specific** development not some ‘generic’ wide ranging redevelopment project that includes elements which might, for example, include the extension to a building at the airport but which does not have the prescribed effect.
30. The prescribed effect relevant to this proposal is identified only as the *“ increase by at least 10,000 per year the number of air transport movements of cargo aircraft for which the airport is capable of providing air cargo transport services.”*
31. The Purported NSIP justification simply ignores the first part of the test and fails to set out whether and how what is proposed meets the definition of an *“alteration”*.
32. In considering the prescribed effect the Purported NSIP justification makes a very clear statement. The only aspect of development proposed which has the relevant effect is stated to be the 19 new cargo stands.

33. From what is set out in the Purported NSIP justification, it is accepted that RSP does not propose the “*construction, extension or alteration... of the runway at the airport*” nor is there any proposal for the “*construction, extension or alteration ... a radar or radio mast*” which have the prescribed effect. That leaves only the question whether what is proposed can amount to the “*construction, extension or alteration ...a building at the airport*”.
34. The PA 2008 makes it clear that “*development*” has the same meaning as it has in TCPA 1990. To that end the 1990 Act at s.336(1) defines “*building*” as including “*any structure or erection, and any part of a building, as so defined, but does not include plant or machinery comprised in a building.*”
35. The creation of the new cargo stands as set out above clearly cannot meet that definition. The laying of hardstanding amounts to engineering operations as a matter of law.
36. It is, accordingly, our firm view therefore that RSP’s proposal is not an NSIP.
37. It is as a consequence of our firm view that in the lawful exercise of the decision making process under s.55 of the PA 2008, PINs has no discretion to accept any application by RSP purporting to be an application for an order granting development consent for the project as described. This on the basis that development consent is not required for any of the development to which the application.
38. We advise accordingly.

27 MARCH 2018

MARTIN KINGSTON QC

CELINA COLQUHOUN

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Richard Griffiths  
Partner  
Pinsent Masons LLP  
27<sup>th</sup> March 2018

Dear Richard,

### **Definition of Apron Works**

You asked us to clarify the distinction between aircraft stands or apron at an airport and a runway.

I thought that it would be helpful to set out the EASA definitions as apply to the granting of an Airport Certificate. According to EASA Guidance Material for Aerodromes Design (CS-ADR-DSN);

*“ ‘Runway’ means a defined rectangular area on a land aerodrome prepared for the landing and take-off of aircraft.”*

*“ ‘Apron’ means a defined area intended to accommodate aircraft for purposes of loading or unloading passengers, mail or cargo, fuelling, parking, or maintenance.”*

*“ ‘Aircraft stand’ means a designated area on an apron intended to be used for parking an aircraft.”*

Whilst both runways and the apron comprise of largely flat areas of hard surface suitable for the manoeuvring of aircraft, there is a very specific distinction between what is meant by a runway and what is meant by an apron or by an aircraft stand.

In the context of RSP’s proposals for Manston Airport, the construction of new freight stands cannot be considered as an alteration to the runway as there is a clear distinction between the provision of apron areas at an airport, comprising of a number of aircraft stands, and the provision of a runway.

Furthermore, the EASA guidance then goes on to outline the relationship between aircraft stands and buildings at an aerodrome at CS ADR-DSN.E.365

*“(a) The safety objective of clearance distances on aircraft stands is to provide safe separation between an aircraft using the stand and any adjacent building, aircraft on another stand and other objects.”*

It is evident that EASA requires sufficient clearance between any aircraft stand and a building at an airport. The stand itself is not a building and does not form part of the runway, rather it is an identified area on an apron and so, at best, is an engineering operation.

I hope that this clarification is sufficient for your purposes.

Yours sincerely,

Louise Congdon  
Managing Partner



# Pinsent Masons

BY E-MAIL

FOR THE ATTENTION OF RICHARD HUNT  
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10 April 2018

Dear Sirs

**THE DCO APPLICATION FOR THE AIRPORT SITE FORMERLY KNOWN AS MANSTON AIRPORT  
DCO APPLICANT: RIVEROAK STRATEGIC PARTNERS LIMITED**

We write further to our letters to you dated 11 October 2017, 13 November 2017 and 15 December 2017 sent on behalf of our client, Stone Hill Park Ltd ("SHP"), the freehold owner of the airport site formerly known as Manston Airport. You have also received correspondence from SHP directly.

In our correspondence we raised a number of material concerns and issues regarding RiverOak Strategic Partners Ltd's ("RSP") application for a development consent order ("DCO") to upgrade and re-open an airport on our client's land. SHP has also raised a number of fundamental issues in correspondence with you and they have sent you a copy of our, and Leading Counsel's, advice concerning the application not meeting the NSIP requirements set out in section 23 of the Planning Act 2008.

In your letters to us of 24 November 2017 and 21 December 2017, you stated that many of the matters raised would be for the Secretary of State to consider at the acceptance stage. Based on RSP's website, we understand that an application was submitted yesterday, following which the Planning Inspectorate has 28 days to determine whether the application is capable of being accepted for examination.

The purpose of this letter is therefore to seek confirmation that all the matters raised in our correspondence, and that of SHP directly to you, will be fully considered as part of any acceptance process. **Please can you confirm that will indeed be the case by return?**

As will be evident from the correspondence, it is clear that the application is not capable of being accepted and being examined as it is fundamentally flawed and stands no reasonable prospect of being granted.

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We would also take this opportunity to update the Planning Inspectorate on a few other matters:

**1. RSP'S CONTINUED FAILURE TO COMPLY WITH DCO COMPULSORY ACQUISITION REQUIREMENTS AND GUIDANCE**

- 1.1 It is important to note at the outset that the c.800 acres of land owned by our client forms almost the entire extent of RSP's proposed project. As such, this is a very different situation from other DCOs whereby the promoter may be seeking compulsory acquisition powers over smaller parcels of land in order to facilitate the delivery of the relevant project. In any DCO that includes compulsory acquisition powers, the onus and responsibility is clearly on the applicant to ensure that it complies with the relevant requirements and guidance, and that is even more so the case when the compulsory acquisition proposed is so enormous. There remains no credible reason given why all of our client's land is required for the purposes of the DCO, and in any event it is very clear that RSP has not complied with the guidance and the below summarises the current position.
- 1.2 Since 15 December 2016 when RSP became the applicant for the proposed DCO, RSP has made no formal attempt whatsoever to engage with our client prior to its legal adviser sending a "proforma" style letter to SHP on 9 February 2018, some 15 months later and only just before the target date for submission of its DCO application. This is clearly wholly inadequate to comply with the guidance that compulsory acquisition powers should only be sought as a matter of last resort. This "proforma" style letter appeared to our clients to be solely a box ticking exercise but our clients sought to engage nonetheless and the subsequent meetings and correspondence, all initiated by our client, appears to confirm this view. For completeness, we have enclosed correspondence sent by our client to BDB, on behalf of RSP, on 15 March 2018 and 9 April 2018, together with a letter sent by BDB to our client on 21 March 2018, as Enclosure 1 to this letter.
- 1.3 As has been made clear by SHP directly, our client has no desire to sell its land and remains entirely committed to its plans to regenerate the site for the benefit for the community. However, in initiating discussions, our client sought to understand whether RSP is serious about its proposals, rather than using the DCO process to effect a "land grab" which appears to be the position. In view of the blighting effect the proposed DCO has had, and continues to have, on our client's plans to develop the site in a way that addresses the national, regional and local need for housing and jobs, our client set out a suggestion to try and make progress and to require the applicant to show it had a serious proposition, but that has been summarily dismissed, apparently from the last meeting had with SHP because RSP has spent so much money on the DCO process to date (in our view, wholly inappropriately), and it wishes to try and see it through as a result. That is patently a failure to comply with the compulsory acquisition guidance in relation to DCOs, in particular paragraph 25.
- 1.4 It will be noted that SHP has sought a commitment from RSP that it would accept a restriction on the site preventing it from being developed for residential or non-airport related uses but that no confirmation of that has been forthcoming. Our client has made clear its very real concerns regarding the true intent behind RSP's motives (i.e. for longer term residential development of the site), and RSP's refusal to accept such a restriction adds further fuel to the fire in that regard.
- 1.5 It is clear from the lack of engagement prior to 9 February 2018, and the subsequent correspondence and discussions since then, that RSP has no real intention of seeking a voluntary agreement. The correspondence from its legal adviser continues to assume or suggest that the onus should be on SHP to set out the structure of any voluntary agreement. This is clearly wholly inappropriate, and contrary to the compulsory acquisition guidance, as it is for RSP to propose a credible offer for SHP



to consider and to demonstrate that it has the necessary resources in place to execute such an offer.

- 1.6 RSP's engagement to date is clearly not credible and goes nowhere near appropriately seeking to acquire the site by agreement and seeking compulsory acquisition powers only as a matter of last resort.
- 1.7 In short, the lack of any meaningful attempt to comply with paragraph 25 of the Guidance related to the compulsory purchase of land is a material deficiency and only one of the many reasons why any application for a DCO at this time could not satisfy the requirements of section 55 of the Planning Act 2008 (the "2008 Act").

## **2. OTHER UNRESOLVED MATTERS MEANING APPLICATION CANNOT BE ACCEPTED**

- 2.1 We also note that there were many other matters raised in our letters that have not been addressed and must be considered unresolved at the acceptance stage. Other than now undertaking a statutory consultation under the 2017 EIA regulations, the other material issues have not been addressed.
- 2.2 Our client wrote to the Planning Inspectorate on 29 March 2018, enclosing advice from us and Leading Counsel, together with a supporting note from York Aviation, setting out clearly how RSP's project does not qualify as a NSIP. This was in response to a note prepared by RSP explaining how it believed its proposed project was a NSIP. This note was only prepared by RSP after it received a direct request from the Planning Inspectorate and followed its failure to set out the capability of its plans to the public and the statutory bodies, as we and our client had been saying. The letter from our client and enclosures are included as Enclosure 2 to this letter for ease of reference.
- 2.3 We also enclose as Enclosure 3, SHP's response, as a consultee under section 42 of the 2008 Act, to RSP's statutory consultation of January/February 2018. In addition to setting out the inadequacy of the consultation, the response further demonstrates that the matters raised in our letters of 2017, and which are relevant to whether an application can be accepted for examination, have not been addressed by the applicant.
- 2.4 SHP's response includes an update note from York Aviation that confirms that Azimuth's forecasts (on which consultees were invited to rely upon) remain based on a wilful misinterpretation of the work carried out by York Aviation for the Freight Trade Association and for Transport for London. This is despite the manifest errors in Azimuth's work being brought to Azimuth and RSP's attention in November 2017. As the Secretary of State would be asked to place reliance on forecasts that remain built on a direct and wilful misrepresentation of York Aviation's work – this is not a simple matter of a disagreement between experts – it is imperative that this matter is considered at the acceptance stage. Further, we would also be obliged if the Planning Inspectorate would please confirm that it has appointed, or intends to appoint, a suitably qualified and experienced aviation adviser to assist it in assessing the applicant's case as the Council's independent expert evidence and our client's own expert evidence is so clear that the application cannot be considered "satisfactory" for section 55 of the 2008 Act acceptance purposes. In this case, the Azimuth position rests on the York Aviation work which has been shown to be wilfully misinterpreted by Azimuth.

## **3. OVERALL**

- 3.1 We consider that any application for a DCO to be submitted in the form currently proposed by RSP would be manifestly incapable of acceptance under section 55 of



the 2008 Act for the reasons set out above and in our previous letters. In summary, these reasons include:

- 3.1.1 RSP's failure to demonstrate that its proposed project constitutes a NSIP within the meaning of section 23 of the Planning Act 2008;
- 3.1.2 RSP's failure to disclose to the public and statutory consultees the capability of its plans, and consequential and misleading impact that this has on the adequacy of the consultation, including the proposals it consulted on in January and February 2018;
- 3.1.3 RSP's failure to provide an explanation and justification, as required by the guidance, as to which elements of its proposed project explain and which components of its plans are claimed to be (i) the NSIP (or part of an NSIP) and (ii) associated development;
- 3.1.4 RSP's failure in inviting consultees to place reliance on work - the Azimuth report – that is built on the misrepresentation of previous work of York Aviation, which fatally undermines the whole supporting evidence base and need case;
- 3.1.5 RSP's failure to comply with Compulsory Acquisition legislative and guidance requirements; and
- 3.1.6 Other material deficiencies in the PEIR and consultation materials set out in our response to the section 42 consultation.

We would be grateful if you could review this letter and the Enclosures in the course of dealing with the application submission as part of assessing whether the application can be accepted.

Yours faithfully

**Richard Griffiths**  
Partner  
for Pinsent Masons LLP

# AA02

## Dormant company accounts (DCA)



Companies House

You can use the WebFiling service to file dormant company accounts online.  
Please go to [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)

**What this is for**  
You may use the AA02 'Dormant company accounts' (DCA) for accounting periods beginning on or after 6<sup>th</sup> April 2008. Please read the guidance in Section 6 before completion.

**What this is NOT for**  
You cannot use the AA02 accounting period begins 6<sup>th</sup> April 2008.

FRIDAY



LD6 06/04/2018 #10  
COMPANIES HOUSE

### 1 Company details

Company number

Company name in full

→ **Filing in the DCA**  
Please complete in typescript or in bold black capitals.  
All fields are mandatory unless specified or indicated by \*

### 2 Date of balance sheet

Date of balance sheet

### 3 Accounts

	Current Year	Previous Year
Called up share capital not paid	£ 1	£
Cash at bank and in hand	£	£
<b>Net assets</b>	£ 1	£
<b>Issued share capital</b>		
Number of shares		
Class of shares		
<input type="text" value="1"/>	<input type="text" value="ORDINARY"/>	of <input type="text" value="£ 1"/> each
		<input type="text" value="1"/>
	Shareholders' fund	£ 1
		£

### Statements

For the below year ending the company was entitled to exemption from audit under section 480 of the Companies Act 2006 relating to dormant companies.

For the year ending

#### Directors' statements:

- The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476, and
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime

Please tick the box if during the year the company acted as an agent for a person.



AA02

Dormant company accounts (DCA)

**4** Date of approval of accounts ①

Approval of accounts 04 04 2018

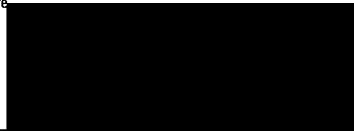
① Please insert the date the accounts were approved by the board of directors

**5** Director's signature and name ②

Signature

Signature

X



X

② Please insert the director's signature and director's name.

Director's name

ANTHONY FREUDMANN

**6** Guidance

This guidance is on preparing dormant company accounts for a company limited by shares where its only transaction is the issue of subscriber shares and the company is not a subsidiary: for financial years beginning on or after 6<sup>th</sup> April 2008.

- a. The attached template for dormant company accounts is only suitable for those companies limited by shares which have never traded and where the only transaction entered into the accounting records of the company is the issue of subscriber shares.
- b. Shares may be fully paid, partly paid or unpaid: Any paid element should be shown as "Cash at Bank and in hand", Any unpaid element shown as "Called up share capital not paid".
- c. Dormant companies acting as an agent for any person must state that they have so acted in Section 3.
- d. A fee or penalty raised on the company for the payment of an annual return fee, change of name fee, reregistration fee, or late filing penalty may be omitted from the company records and this DCA—if the payment was made by a third party without any right of reimbursement.
- e. The company directors are responsible for preparing and filing accounts at Companies House that comply with the requirements of the Companies Act and failure to do so may result in prosecution. Should you have any doubt about the company's entitlement to file dormant accounts, or the preparation of those accounts, you should seek professional advice.
- f. This guidance only advises on the preparation of abbreviated dormant accounts which can be filed at Companies House. It does not advise on the preparation of full accounts for the members.

**Please Note:**

The total of Net Assets should equal the total of Shareholders' Funds.

- The DCA is only suitable for dormant companies where the company's only transaction is one mentioned in 'a' above and the company is not a subsidiary.
- Do not use the DCA if your company is a charity or is limited by guarantee or has no shares.
- Do not use the DCA if preparing accounts in accordance with International Accounting Standards (IAS).

AA02

## Dormant company accounts (DCA)

**Presenter information**

You do not have to give any contact information, but if you do it will help Companies House if there is a query. The contact information you give will be visible to searchers of the public record.

Contact name

Company name

CALDER &amp; CO

Address

16 CHARLES II STREET

Post town

LONDON

County/Region

Postcode

S W 1 Y 4 N W

Country

DX

Telephone

020 7839 6655

**Checklist**

**We may return dormant company accounts completed incorrectly or with information missing.**

**Please make sure you have remembered the following:**

- The company name and number match the information held on the public Register.
- You have entered the date of the balance sheet in Section 2.
- You have completed Section 3 correctly.
- You have entered the date of approval of the accounts in Section 4.
- A Director has signed the DCA and printed their name.
- You have read the guidance in Section 6.

**Important information**

Please note that all this information will appear on the public record.

**Where to send**

You may return the DCA to any Companies House address, however for expediency we advise you to return it to the appropriate address below:

**For companies registered in England and Wales:**

The Registrar of Companies, Companies House,  
Crown Way, Cardiff, Wales, CF14 3UZ.  
DX 33050 Cardiff.

**For companies registered in Scotland:**

The Registrar of Companies, Companies House,  
Fourth floor, Edinburgh Quay 2,  
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.  
DX ED235 Edinburgh 1  
or LP - 4 Edinburgh 2 (Legal Post).

**For companies registered in Northern Ireland:**

The Registrar of Companies, Companies House,  
Second Floor, The Linenhall, 32-38 Linenhall Street,  
Belfast, Northern Ireland, BT2 8BG.  
DX 481 N.R. Belfast 1.

**Further information**

For further information, please see the guidance notes on the website at [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk) or email [enquiries@companieshouse.gov.uk](mailto:enquiries@companieshouse.gov.uk)

**Dormant company accounts are available in an alternative format. Please visit the forms page on the website at [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)**

From: Pinsent Masons LLP - **Response to, and observations on, Section 51 Advice and PINS meeting note dated 11 May 2018**

Received:16/07/2018

Dear Sirs,

Please see the attached opinion from Pinsent Masons LLP which we ask is taken into consideration in respect of the s53 application that remains extant and which also responds to the s51 advice contained in the PINS meeting notes dated 11 May 2018 and 22 June 2018, in relation to the DCO application for the Airport Site formerly known as Manston Airport.

Please confirm receipt of this email.

Kind regards, Richard

**Richard Griffiths**  
Partner  
for Pinsent Masons LLP

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[Richard.Griffiths@pinsentmasons.com](mailto:Richard.Griffiths@pinsentmasons.com)  
[www.pinsentmasons.com](http://www.pinsentmasons.com) [www.Out-Law.com](http://www.Out-Law.com)



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## **Manston Airport Assessment of Current Capability**

1. Our Summary Report of November 2017 contained an assessment of the current capability of Manston Airport on the basis that the site has an existing Lawful Use as an aerodrome/airport and previously operated without limit on its activities, save in respect of limitations on regular night flying operations pending agreement to a Night-time Flying Policy with the local planning authority. This assessment was made on the basis that the facilities at the Airport necessary for the operation of air freight activity could be 'made good' without the necessity for further planning approval and we assessed the overall capability as being of the order of 21,000 freighter aircraft movements a year. It should be noted that no account has been taken of permitted development rights beyond maintenance and repair in these considerations.
2. We have subsequently made a further inspection of the site (being the land as shown on RSP's Site Location Plan published with the PEIR in 2018<sup>1</sup>) to assess the current condition of the facilities and what would be required to bring the Airport back into effective operational use and to deliver a capability for handling aircraft movements by freighter aircraft.

### **Analysis of Requirements**

#### ***Aerodrome Certificate***

3. Because Manston has a runway length of greater than 800 metres and freighter aircraft movements would be considered commercial air transport movements<sup>2</sup>, delivering a capability for freighter aircraft movements would require the Airport to be certificated. An EASA<sup>3</sup> Certificate replaces the previous CAA Aerodrome Licence. Whilst the certification process is distinct from the planning process, certification does require physical infrastructure to be suitable for the intended operational use of the Airport. Hence, the condition of the infrastructure is relevant to the certification process and the assessment of capability as an EASA Certificate would be required to allow operations to commence.
4. Under the EASA Certification Process, which is undertaken on a risk assessment basis rather than a rigid adherence to the defined standards, we consider that it is reasonable to assume that certification could be achieved based on previous operational standards, subject to the submission of a safety case, as it can clearly be demonstrated that the Airport was able to operate safely when previously in use. Prima facie, the capability would be the same as when the Airport was previously operational.

#### ***Air Traffic Control***

5. The Air Traffic Control Tower is still in situ on site. The equipment within the Control Tower could easily be replaced without need for physical modification of the building to provide a capability to handle freighter aircraft movements in line with the capability of the runway and taxiway infrastructure (see below).

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<sup>1</sup> PEIR Figure 3.1

<sup>2</sup> [REDACTED]

<sup>3</sup> European Aviation Safety Agency.

From: Pinsent Masons LLP – **Advice prepared by York Aviation**  
Received: 18/07/2018

Dear Sirs

Further to the email sent on Monday by my colleague Richard Griffiths (in respect of the s53 application that remains extant and responding to the s51 advice contained in the PINS meeting notes dated 11 May 2018 and 22 June 2018 in relation to the DCO application for the Airport Site formerly known as Manston Airport), please find attached for your reference a copy of the advice prepared by York Aviation referred to in our note.

We confirm that these materials have been sent to Messrs Bircham Dyson Bell as the solicitors acting for RSP.

We should be grateful if you could confirm safe receipt of this email and its attachment.

Yours faithfully

**Kate Jones**  
Senior Associate  
for Pinsent Masons LLP

**D:** [+44 20 7490 9681](tel:+442074909681) **M:** [+44 7795 286 990](tel:+447795286990) **I:** [819681](tel:+447819681)

[Kate.Jones@pinsentmasons.com](mailto:Kate.Jones@pinsentmasons.com)

[www.pinsentmasons.com](http://www.pinsentmasons.com) [www.Out-Law.com](http://www.Out-Law.com)

### **Fire Station**

6. The Fire Station is still in situ on site, albeit new doors would be required. All other fire-fighting requirements were present on the site prior to closure, e.g. water supply. The key requirement that would determine the size and frequency of aircraft which could use the Airport would be the fire category, which is principally determined by the number and capacity of the fire engines and the level of staffing. These could easily be reinstated to the required level, defined by the type of aircraft expected to use Manston and set out as part of the Airport's Emergency Plan under EASA rule, using the existing building.

### **Navigational Aids**

7. The Airport would require a number of navigational aids to be reinstated:

*Radar* – The radar tower is still in place at Manston and it would be possible to reinstall a radar. However, this is not likely to be required and a radar service could be bought in. Manston previously supplied a radar service to Southend and the cabling is still in place. Southend now has its own radar installed and could supply the necessary radar service to Manston without the need for an on-site radar.

*Lighting* – The approach lighting fixtures and cabling are still in place and could be brought back into operational use (as acknowledged by RSP in its statutory consultation materials<sup>4</sup>), albeit some lighting fittings were taken down for safe keeping but could easily be re-installed. Runway lighting is still in place but is likely to need some maintenance attention.

*Navigational Equipment* – Modern aircraft now fly under satellite navigation (GNSS<sup>5</sup>) and all pilots operating under instrument flight rules will be required to be able to use GNSS by 2020. In future, airports are unlikely to require traditional instrument landing systems, particularly when operating at relatively low levels of aircraft movements. Hence, to the extent that some of the navigational aids are no longer present at the Airport, this is unlikely to be an impediment to achieving the assessed capability of the Airport for freighter aircraft movements.

### **Runway**

8. The full runway length is still available but the runway is likely to require some maintenance of its surface to remove the vehicle markings laid down for 'Project Stack'.
9. The runway itself could have a theoretical capability for of the order of 50 aircraft movements per hour if other facilities were provided to the equivalent level. Hence, the runway itself does not constitute any limitation on the capability of the Airport, as acknowledged by RSP in their NSIP Justification<sup>6</sup>.

### **Taxiways**

10. We previously assessed the configuration of the taxiways as potentially limiting the capability of the runway to around 20 to 24 aircraft movements per hour ('the runway movement rate'), taking into account the need for aircraft to back track on the runway before take-off and after landing and taking into account the infringement of the existing taxiway within the runway strip. This runway movement rate is far in excess of that required to support the capability of the aprons (see below).
11. We do not consider that any additional works would be required to reconfigure the taxiways in order to fully comply with stated EASA standards prior to bringing the existing facilities back into operational use and to provide capability in line with our assessment. It is our assessment that any limitations inherent in the configuration of the taxiways would not impede the achievement of a runway movement rate required to service the number of aircraft stands available nor act as an impediment to certification in any event.

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<sup>4</sup> PEIR, paragraph 3.3.27

<sup>5</sup> Global Navigation Satellite System.

<sup>6</sup> Manston Airport Development Consent Order, NSIP Justification, paragraph 14.

12. The taxiways are generally in a good state of repair but may require some minor maintenance work to ensure that the surfaces are up to the required standard (as in the usual course of the operation and maintenance of an airport).

#### ***Aprons***

13. The existing freight apron (adjacent to the freight sheds) could accommodate between 2 and 3 freighter aircraft simultaneously, dependent on size. The passenger apron could accommodate up to 3 smaller aircraft simultaneously. These aprons are still intact but would require some maintenance treatment (as in the usual course of the operation and maintenance of an airport) to their surface to bring them back into operational use. We have assessed the capability the two apron areas based on them being able to handle 4 freighter aircraft simultaneously as further explained below.

#### ***Security and Fencing***

14. The security fence is still in place and a vehicle control point exists to the rear of the freight sheds on Spitfire Way. These facilities would enable the security requirements to be met without additional development and would permit the full existing capability to be exploited.

#### ***Fuel Supply***

15. The existing fuel tanks are still in place and could be used. However, given the low number of aircraft movements envisaged and the expected level of fuel uplift, the alternative would be to store fuel within bowsers on site to meet the requirements of the aircraft numbers that the aprons are capable of handling.

#### ***Cargo Handling Facilities***

16. The cargo handling sheds are still in situ and could provide sufficient capacity to handle a substantial tonnage of air freight for import or export. In addition, there are hangar buildings that could be converted to warehousing if required. The freight sheds would require re-fitting with internal racking and equipment and the re-provision of internal office accommodation. However, as with the previous Manston operations, we would envisage a high proportion of any air freight to be taken off-site immediately in bonded trucks so limiting the amount of storage required. The availability of cargo sheds would not be any impediment on the capability of the Airport associated with the number of freighter aircraft stands.

#### **Conclusion**

17. In our original report, we assessed the capability based on the combined freight and passenger aprons being able to accommodate 4 freighter aircraft simultaneously (see paragraphs 4.2 to 4.7 of our report) as referred to above. This is ultimately the limiting factor in assessing the capability of the Airport, as agreed by RSP<sup>7</sup>.
18. Our assessment took into account that there would be a variable mix of aircraft over the day so, at some times with small freighter aircraft in use, the aprons could accommodate 6 or more aircraft, whilst at other times of the day, when larger aircraft are in use, the limit on simultaneous use of the apron might only be 2 aircraft, giving a capability of 4 aircraft on average. We assessed the capability based on 2½ hours average stand occupancy per movement, consistent with typical freighter operations in the UK, resulting in each aircraft stand having a capability of 7 aircraft turnarounds during the daytime hours, equivalent to 14 aircraft movements a day.
19. Without prejudice as to our view on the likely usage of Manston if re-opened, based on the information provided in RSP's noise assessment, the mix of freighter aircraft that RSP expects to use Manston comprises the following:

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<sup>7</sup> Manston Airport Development Consent Order, NSIP Justification, paragraph 15.

<b>Aircraft Code</b>	<b>Share Year 6</b>	<b>Share Year 20</b>
B – Small turboprop	26%	24%
C – Large turboprop – small jet	11%	17%
D – Medium narrowbody jet	28%	17%
E – Widebody Jet	28%	37%
F – Large Widebody Jet	7%	6%
Source: RSP PEIR Table A12.3.37		

This table illustrates that a mix of aircraft types is expected to use Manston and it is not appropriate to assess capability simply by reference to the largest aircraft types only (Code E and F).

20. Overall, RSP's own fleet mix (set out above) confirms that our previous basis of assessing the capability of the Airport for freighter aircraft movements was reasonable in assuming an average simultaneous stand occupancy of 4 aircraft of mixed sizes, giving a capability 56 freighter aircraft movements per day. This equates to 20,440 daytime freighter aircraft movements a year and, with a small allowance for some movements at night, of the order of 21,000 annual movements by freighter aircraft represents the capability of the Airport. This would be equivalent to 3 aircraft movements per hour using the runway and taxiways, well within their capability, confirming that the number and size of stands is the limitation not the runway or the taxiways.
21. This assessment does not appear to be disputed by RSP<sup>8</sup> but, to the extent that a greater number of large aircraft was placed in the mix, the capability could be lower but, in any event, no less than 10,220 annual freighter aircraft movements.
22. It is, nevertheless, equally likely that there could be a greater proportion of freighter aircraft movements by the smaller aircraft types and, on this basis, the capability could be of the order of 30,000 annual aircraft movements.
23. On balance, we consider, therefore, a figure of 21,000 annual movements by freighter aircraft to represent a sensible and realistic assessment of capability of Manston.
24. Based on our assessment of the condition of the facilities still in place, we do not consider there to be any practical limitation on that capability being achieved without the need for substantive development or, as we understand it based upon advice from planning specialists, development or works that would require formal planning permission.

YAL/17.07.18

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<sup>8</sup> Manston Airport Development Consent Order, NSIP Justification, paragraphs 16 and 17.