

Department for Transport

# Manston Airport Assessor's Report

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ARUP



Images on front cover:

Freight liner landing at Manston Airport by Colin Cook

Manston Airport aerial view by James Stewart

Uploading Equine Visitors by US Department Agriculture

Ramsgate Ferry Terminal by Colin Smith

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Abbreviation	Definition
ANPS	Airports National Policy Statement, <i>New runway capacity and infrastructure at airports in the South East of England</i>
ASA	Alan Stratford and Associates Limited
ATM	Air Transport Movements
CAA	Civil Aviation Authority
CATM	Cargo Air Transport Movements
CAGR	Compound annual growth rate
CCC	Climate Change Committee
CFC	Customer Fulfilment Centres
CILT	Chartered Institute of Logistics and Transport
CO <sub>2</sub>	Carbon Dioxide
DCO	Development Consent Order
DfT	Department for Transport
EMA	East Midlands Airport
ExA	Examining Authority
ExA Report	Examining Authority's Report of Findings and Conclusions and Recommendation to the Secretary of State for Transport (18 October 2019)
GDP	Gross Domestic Product
HGV	Heavy Goods Vehicle
IATA	International Air Transport Association
ICAO	International Civil Aviation Organisation
IP's	Interested Parties
MAG	Manchester Airports Group
NO <sub>x</sub>	Nitrogen Oxide
NDC	National Distribution Centres
SAATM	Single African Air Transport Market
SMA	Save Manston Airport
SoM	Statement of Matters
TDC	Thanet District Council

# 1 Introduction

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## 1.1 Introduction to the Application

RiverOak Strategic Partners (the Applicant) proposes to reopen and develop Manston Airport into a dedicated air freight facility able to handle at least 10,000 Cargo Air Transport Movements (CATM) per year whilst also offering passenger, executive travel, and aircraft engineering services. Manston Airport had previously closed to aircraft on 15 May 2014, before then it serviced a mix of freight, scheduled and charter flights. It has subsequently been utilised as a reserve lorry park as part of Operation Stack and then for Operation Brock as part of the planning for 'in the event of a no deal Brexit'. Manston Airport is located in Thanet, Kent and is owned by the Applicant.

## 1.2 Application Process

An application (the Application) for the proposed redevelopment of Manston Airport (the Proposed Development) was submitted by the Applicant to the Planning Inspectorate (PINS) on 17 July 2018 under section 37 of the Planning Act 2008.

The Application was examined by the Examining Authority (ExA). The Examination commenced on 9 January 2019 and following a series of issue-specific and open floor hearings concluded on 9 July 2019.

The ExA submitted its report, the Examining Authority's Report of Findings and Conclusions and Recommendation to the Secretary of State for Transport<sup>1</sup> (ExA Report), to the Department for Transport on 18 October 2019. The ExA's recommendation was as follows:

*The Examining Authority recommends that the Secretary of State should not grant development consent. If however the Secretary of State decides to give consent, then the Examining Authority recommends that the Order should be in the form attached at Appendix D to this report, subject to the Secretary of State's consideration of the recommended actions listed in Annex E.*

Subsequently the Secretary of State for Transport approved the Application on 9 July 2020.

Following this an appeal to the High Court was lodged against the decision to approve the Application by local resident Jennifer Dawes. The Department for Transport consented to judgment on the basis that the decision letter did not give adequate reasons to enable the reader to understand why the Secretary of State disagreed with the ExA's Report on the issue of need for the Development. Following an Order of the High Court made on 15 February 2021 the decision of

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<sup>1</sup> The Planning Inspectorate, (18 October 2019). Manston Airport Examining Authority's report of Findings and Conclusions and Recommendation to the Secretary of State.

the Secretary of State dated 9 July 2020 to grant the application for the Proposed Development was quashed.

The Secretary of State for Transport must now re-determine the Application. A team led by Arup and including MDS Transmodal and CEBR has been appointed as an Independent Assessor to consider the need case for the Proposed Development to inform the Secretary of State's decision on this aspect.

### **1.3 Structure of this report**

The remainder of this report is structured as follows:

- Section 2: outlines the redetermination process;
- Section 3: provides a brief summary of the site and Proposed Development;
- Section 4: describes how the policy context against which the Application is considered has changed since the Examination;
- Section 5: considers changes to the quantitative need for the Proposed Development. It comprises three main sections covering changes to demand for air freight, changes to capacity at other airports and locational factors; and
- Section 6: sets out the conclusions of this report in respect of the need case.

## 2 Redetermination Process

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### 2.1.1 Examining Authority's Conclusions in respect of the Need Case

As set out in the ExA Report, the Airports National Policy Statement<sup>2</sup> (ANPS) did not have effect in relation to the Application. As such the Examination was conducted under section 105 of the Planning Act 2008 and need was one of the principal issues examined.

Given this position, the Applicant commissioned a four-volume report, the Azimuth Report<sup>3</sup> (from aviation and business consultant Dr Sally Dixon, trading as Azimuth Associates) which set out, with supporting evidence, the need for the re-opening of Manston Airport. This was subsequently presented to and 'tested' at the Examination.

In summary, the Azimuth Report set out the vision for the re-opened Manston Airport as a specialist airport hub handling dedicated freighter air freight services and associated land-based logistics activities. The rationale for this vision, as set out in the Azimuth Report, is summarised as follows:

- That there is a significant pent-up or suppressed demand for dedicated freighter air freight services in the UK (and specifically in the South East of England);
- This demand currently cannot be met due to a lack of runway capacity at existing South East England airports; and
- As a consequence, air freight demand has to be served via bellyhold capacity on scheduled passenger services operating out of Heathrow, which itself is severely congested (leading to cargo delays). This in turn limits competition and creates barriers for new market entrants, with consequent impacts on service and pricing.

The Applicant proposed that the development of a freight-focused facility at Manston Airport would provide the capacity required to meet the pent-up or suppressed demand for dedicated freighter services, increasing competition while at the same time easing pressure on existing airport infrastructure. Further, they considered that this additional runway capacity is best located in the South East of England, being closer to the end market.

Evidence was also submitted from a number of other interested parties, including Stone Hill Park Ltd who were the land-owner at the time of the Examination. Stone Hill Park Ltd's interests in the site were acquired by the Applicant on the final day of the Examination and their representation subsequently withdrawn.

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<sup>2</sup> Department for Transport, (June 2018). Airports National Policy Statement: new runway capacity and infrastructure at airports in the South East of England.

<sup>3</sup> RiverOak Strategic Partners (July 2018). 7.4 Azimuth Report (TR020002/APP/7.4).

The ExA concluded that the levels of freight that the Proposed Development could expect to handle are modest and could be catered for at existing airports (Heathrow, Stansted, EMA, and others if the demand existed). The ExA considered that Manston appeared to offer no obvious advantages to outweigh the strong competition that such airports offer. The ExA therefore concluded that the Applicant failed to demonstrate sufficient need for the Proposed Development, additional to (or different from) the need which is met by the provision of existing airports. In particular, the ExA's Report arrived at the following conclusions:

- “The ExA was not convinced [by the Applicant's case] that there is a substantial gap between capacity and demand for general air freight within the South East at present”. It concluded that “capacity is available or could be available at other airports within the South East or at other airports within reach of the South East should the demand exist” (E.R 5.7.23);
- The ExA considered that “the predominance of bellyhold freight in the UK market as opposed to pure freight is to a large extent a by-product of the dominance of Heathrow in the UK aviation market”. “In the ExA's view air freight would still primarily be attracted to the airports with the widest possible global networks for reasons of economies of scale” (E.R 5.7.18). The ExA was also “of the opinion that general air freight would continue to be well served in the UK with spare capacity at Stansted in the short term (to 2030) and the proposed Northwest Runway at Heathrow in the longer term, and that new integrators are more likely to wish to be sited in a more central location” (E.R 5.7.24);
- The weight that the ExA placed on the Applicant's forecasts was “reduced by the lack of interview transcripts available, and of the size and sample frame of many of the interviewees, when considering the size of the forecasts generated and there was little evidence that academic and industry experts had validated the approach of the Azimuth Report” (E.R 5.7.13). Overall, “the levels of freight that the proposed development could expect to handle are modest and could be catered for at existing airports” (E.R 5.7.28); and
- The ExA considered that the changing cargo industry proposed by the Applicant appeared “to be largely based on new integrators who would offer similar comprehensive delivery patterns and structures to established integrators but with less strict time restrictions. In the view of the ExA the likely locations for such integrators were likely to be closer to the centre of the country than Manston”. A more central position within the UK than Manston “offers more potential customers; within a three hour drive from Manston only the South East and parts of the East of England can be reached, whereas most of England and Wales is within three hours of EMA” (E.R 5.7.22).

The ExA concluded “that the failure to demonstrate sufficient need weighed substantially against the case for development consent being given” (E.R 8.2.26).



## 2.2 Status of the ExA Report

Having reviewed the relevant submissions to the Examination, including those from the Applicant, Stone Hill Park Ltd and other interested parties, along with the ExA's Report to the Secretary of State, the Independent Assessor agrees with the conclusions reached by the ExA with respect to the need for the development. The ExA Report provides a robust assessment of the evidence available at the time the Examination was held and the conclusions drawn are considered to be sound.

The ExA Report therefore forms the starting point for this Assessor's Report. The purpose of this assessment is to consider the ExA Report and test whether there have been any material changes, including in respect of policy, demand and/or capacity, since its publication which would affect its conclusions in respect of the need case.

## 2.3 Statement of Matters Consultation

In accordance with rule 20(2) of the Infrastructure Planning (Examination Procedure) Rules 2010 the Secretary of State for Transport invited further representations for the purposes of his re-determination of the Application.

The Statement of Matters (SoM) consultation period ran for four weeks from 11 June 2021 until 9 July 2021. The Applicant, interested parties and other persons were provided the opportunity to make written representations in response to the SoM.

The matters on which further representations were invited were as follows:

- The extent to which current national or local policies (including any changes since 9 July 2020 such as, but not limited to, the re-instatement of the ANPS) inform the level of need for the services that the Development would provide and the benefits that would be achieved from the Development;
- Whether the quantitative need for the Development has been affected by any changes since 9 July 2019, and if so, a description of any such changes and the impacts on the level of need from those changes (such as, but not limited to, changes in demand for air freight, changes of capacity at other airports, locational requirements for air freight and the effects of Brexit and/or Covid);
- The extent to which the Secretary of State should, in his re-determination of the application, have regard to the sixth Carbon Budget (covering the years between 2033 – 2037) which will include emissions from international aviation; and
- Any other matters arising since 9 July 2019 which Interested Parties consider are material for the Secretary of State to take into account in his re-determination of the Application.

In addition, the Secretary of State made specific requests to the Applicant, Government Legal Department and the Met Office for information related to the currency of the environmental information and compulsory acquisition. These matters are not considered to be of relevance to the need case.

## 2.4 Approach to this Independent Assessment

A review of all relevant representations received through the SoM consultation has been undertaken by the Independent Assessor. With particular reference to the request set out in the SoM, the review has sought to identify any *new information or evidence* contained in the representations which addresses changes in national or local policy and changes to the *quantitative need for the Proposed Development* since July 2019 that could mean different conclusions in respect of the need case would be reached compared to those of the ExA. In this respect, this report does not seek to repeat evidence already submitted to and addressed by the ExA at the Examination.

This report sets out the findings of that assessment to inform the Secretary of State's redetermination of the Application. Any views expressed are those of the Independent Assessor and not the Department for Transport (DfT) or any other party.

### 3 The Proposed Development and the Site

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The Application Site is 296 hectares (732 acres) located entirely within the administrative area of Thanet District Council. It is 5km south of Margate and 4km west of Ramsgate.

In summary the Proposed Development includes:

- The upgrade of Runway 10/28 and re-alignment of the parallel taxiway to provide European Aviation Safety Agency compliant clearances for runway operations;
- Construction of 19 European Aviation Safety Agency compliant Code E stands for air freight aircraft with markings capable of handling Code D and F aircraft in different configurations;
- Installation of new high mast lighting for aprons and stands;
- Construction of 6,500m<sup>2</sup> of cargo facilities;
- Construction of a new air traffic control tower;
- Construction of a new airport fuel farm;
- Construction of a new airport rescue and firefighting service station;
- Development of the Northern Grass Area for airport-related businesses;
- Highway improvement works;
- Extension of passenger service facilities including an apron extension to accommodate an additional aircraft stand and increasing the current terminal size;
- An aircraft maintenance, repair and overhaul facility and end-of-life recycling facilities;
- A flight training school;
- A fixed base operation for executive travel; and
- Business facilities for aviation-related organisations.

Previously the Application Site was owned by Stone Hill Park who had alternative plans to develop the site into housing, a business park and sports village. Stone Hill Park sold the land to the Applicant in July 2020 and withdrew their opposition to the reopening of the airport.

From 1989 until the closure of the airport in 2014, the Application Site was used as a commercial airport known as Kent International Airport operating a range of services including scheduled passenger flights, charter flights, air freight and cargo, a flight training school, flight crew training, and aircraft testing.

The Application proposed that the DCO might be granted in Autumn 2019, with full reopening in year 2 which at the time of submission of the application was expected to be 2020. The determination period is roughly two years behind that

anticipated at the time of submission, and the full reopening date is therefore assumed to be approximately two years behind.

## 4 Policy

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### 4.1 Introduction

This section outlines the changes which have occurred to national and local policy since the Examination. It considers the extent to which current national or local policies inform the level of need for the services that the Proposed Development would provide and the benefits that would be achieved.

### 4.2 National Policy

#### Airports National Policy Statement

At the time of the Examination and the publication of the ExA Report, the ANPS was in effect.

The ANPS does not have effect in relation to the application to reopen and develop Manston Airport and therefore the Examination was conducted under section 105 of the Planning Act 2008 which applies to decisions in cases where no National Policy Statement has effect.

The ANPS states at that: *“The Airports NPS provides the primary basis for decision making on development consent applications for a Northwest Runway at Heathrow Airport, and will be 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 1.12)

The ANPS was therefore considered as an important and relevant consideration to the determination of the application by the ExA.

In February 2020 the ANPS was withdrawn by Government following a UK Court of Appeal ruling that the ANPS was unlawful and had no legal effect. The ANPS was subsequently reinstated on 16 December 2020 after the Supreme Court overturned the Court of Appeal's decision and ruled that the ANPS is a lawful statement of Government policy. The ANPS is therefore currently in effect and has the same status as at the time of the Examination.

The Independent Assessor also notes that since the Examination the DfT has received a number of requests to review the ANPS. The SoS recently published a letter indicating that the ANPS would not be reviewed at this time<sup>4</sup>.

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<sup>4</sup> Department for Transport, (6 September 2021). Letter: Decision on requests to review the Airports National Policy Statement under the Planning Act 2008.

## Transport Decarbonisation Plan and Jet Zero Consultation

On 14 July 2021 the Government published two documents related to the decarbonisation of transport in the UK:

- Decarbonising Transport – A Better, Greener Britain<sup>5</sup>
- Jet Zero Consultation – A consultation on our Strategy for net zero aviation<sup>6</sup>

### Transport Decarbonisation Plan

The Transport Decarbonisation Plan sets out a number of aviation related commitments. The key items of relevance to the Proposed Development are:

- Intention to consult on the Jet Zero strategy, which will set out the steps to reach net zero aviation emissions by 2050;
- Intention to consult on a target for UK domestic aviation to reach net zero by 2040;
- Intention to consult on a target for decarbonising emissions from airport operations in England by 2040.

There are no commitments specific to air freight.

### Jet Zero Consultation

The Jet Zero Consultation period runs until 8 September 2021. The overall carbon target for aviation expressed in the Jet Zero consultation document remains the 2050 net zero target, however the document sets out an interim trajectory for gross carbon emissions from aviation (based on a 'high ambition' scenario). Since these targets are expressed at the sector level, the policy position if the Strategy is confirmed would appear likely to remain broadly as it was at the time of the Examination in relation to carbon emissions from airport expansion proposals, with individual promoters needing to demonstrate that their proposal would not jeopardise the achievement of the sector-wide goal.

The Endnotes of the Jet Zero consultation document further clarify this, confirming that:

*“Beyond the horizon | The future of UK aviation | Making best use of existing runways (2018) and Airports National Policy Statement: new runway capacity and infrastructure at airports in the South East of England (2018) are the most up-to-date policy on planning for airport development. They continue to have full effect, for example, as a material consideration in decision-taking on applications for planning permission. The government is clear that expansion of any airport must meet its climate change obligations to be able to proceed.”*

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<sup>5</sup> Department for Transport, (2021). Decarbonising Transport A Better, Greener Britain.

<sup>6</sup> Department for Transport, (2021). Jet Zero Consultation, A consultation on our strategy for net zero aviation.

There is one direct reference to expansion plans as follows:

*“The industry's need to rebuild from a lower base is likely to mean that plans for airport expansion will be slower to come forward. Our analysis shows that there are scenarios that can achieve similar or greater CO2 reductions to those in the CCC's Balanced Pathway by focussing on new fuels and technology, with the knock-on economic and social benefit, rather than capping demand.”(paragraph 3.41)*

Overall the Transport Decarbonisation Plan and Jet Zero consultation material do not appear to have a material effect on the need case for the Proposed Development, however they introduce new goals around the carbon impact of airport operations and domestic aviation emissions which should be considered by the Secretary of State in any future decision.

## 4.3 Local Policy

### Thanet Local Plan

At the time of Examination, the Thanet Local Plan had been submitted to the Secretary of State for examination and given the advanced stage of preparation it was considered by the ExA to be important and relevant. The ExA noted that there had been a significant level of objections associated with matters relevant to the airport. On this basis, the ExA afforded ‘moderate weight’ to the emerging Plan.

The Thanet Local Plan<sup>7</sup> was adopted on 9 July 2020. All relevant policies in the Plan should carry more weight in the redetermination of the Application than given in the Examination because the Plan is now adopted.

The adopted Local Plan includes the following Policy:

*“Policy SP07 – Manston Airport*

*Manston Airport as identified on the Policies Map is safeguarded for airport related uses. Whether or not the DCO is confirmed, the future use and development of Manston Airport and/or other policies affected by the outcome of the DCO process will be determined through the early review of the Plan.”*

The position of the Local Plan in respect of the Application Site has changed since the Examination. The emerging Local Plan<sup>8</sup> took a neutral stance, not allocating the site for aviation use, but not allocating the site for any other use whereas the adopted plan safeguards the site for aviation use. The adopted policy also makes clear that the policy, and other related policies, will be subject to review when the outcome of the Application is known.

The ExA anticipated that the approach to the Application Site may change in the adopted version of the Plan. At the time the ExA noted that an updated policy

<sup>7</sup> Thanet District Council, (July 2020) Local Plan.

<sup>8</sup> Thanet District Council, (July 2018). Draft Local Plan to 203, Pre-submission publication version, regulation 19.

could “*potentially safeguard the site for aviation use and would allow other uses to be considered if development consent was refused*” (E.R 4.5.5). The ExA report states that if the Plan were to be changed in this way “*the ExA does not believe it would result in any conflict with the Proposed Development*” (E.R 4.5.5). Policy SP07 as adopted is consistent with that anticipated by the ExA at the time of the Examination.

Policy SP07 (Manston Airport) is important and relevant. In safeguarding the site for aviation use the policy is supportive of the Proposed Development, subject to it being acceptable in other regards.

Policy SP03 (Local Plan Review) states that within six months of the adoption of the Local Plan, Thanet District Council (TDC) shall undertake and complete a review of the Plan. TDC has completed this review and resolved to partially update the adopted Local Plan. This process is expected to conclude in 2023 meaning that the outcome of the decision on the Application can be taken into account.

The Local Plan also includes Policy SP04 (Economic Growth) and Strategic Priority 1 which are of relevance to the principle of the Proposed Development. SP04 plans for a minimum of 5,000 additional jobs in Thanet to 2031. Strategic Priority 1 seeks to create additional employment and training opportunities, to strengthen and diversify the local economy and improve local earning power and employability.

The report by York Aviation on behalf of Jennifer Dawes<sup>9</sup> considers other policies in the Plan, such as SP04, are aimed at creating 5,000 jobs in the local areas on identified employment sites, which do not include Manston Airport. The Application site is not identified as an employment site, however SP04 is supportive of all new job creation both within and outside identified employment sites.

It is concluded that the principle of the Proposed Development is supported by the adopted Local Plan, subject to it being acceptable in other regards. The adopted Local Plan does not advance the need case for the development from that presented at Examination.

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<sup>9</sup> <https://infrastructure.planninginspectorate.gov.uk/wp-content/uploads/projects/TR020002/TR020002-005743-Jenny%20Dawes.pdf>



## 5 Quantitative Need for Development

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### 5.1 Structure of this section

The Independent Assessor has reviewed the SoM representations to identify any relevant changes since July 2019 with respect to demand for air freight, capacity at other airports and location factors. Some of the issues raised in SoM representations could potentially lead to different conclusions being reached on the overall need for the development and they are considered in this section.

The structure of this section of the report is as follows:

- Changes in **demand for air freight**, including as a result of Brexit and/or Covid 19 including:
  - The impact of e-commerce and air freight, including recent changes resulting from the Covid-19 pandemic;
  - The impact of the Covid-19 pandemic on bellyhold capacity and the increased use of freighters;
  - Shift to narrow bodies aircraft;
  - Post Brexit trade;
  - Longer-term impacts of Gross Domestic Product (GDP) on freight demand; and
  - Specialised air freight as a source of resilience.
- **Changes in capacity at other airports, included:**
  - Delay to expansion of Heathrow Airport;
  - Stansted Airports planning inquiry; and
  - Developments at East Midlands Airport.
- **Locational factors**

### 5.2 Changes in Demand for Air Freight

#### 5.2.1 The impact of e-commerce on demand for Air Freight

Annex 3 of the Applicant's representation<sup>10</sup> states that the current growth in on-line retail sales has '*helped create a shift in transportation modes to favour air cargo*' (paragraph 13) and that the Covid-19 pandemic has driven and will continue to drive a sustained increase in online shopping. It indicates that this is expected to generate air freight demand from e-commerce integrators that the Proposed Development is hoping to target as outlined in the Examination.

The Applicant's representation states:

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<sup>10</sup> RiverOak Strategic Partners, (9 July 2021). Annex 3: Applicant's Submission for the redetermination of the Manston Application TR020002/RED/A3 Redetermination Document.

*“The global pandemic has rapidly accelerated the uptake of technologies such as video conferencing, online banking and online shopping, perhaps by many years or even a decade. The reasons for the increase in online shopping are clear: When traditional retail channels were forced to close or customers were less comfortable shopping in store, consumers turned to online purchasing”* (paragraph 11).

*“The UK is one of the top three online shopping nations. E-commerce retail sales here reached almost a third of all retail in May 2020, a dramatic increase as shown in Figure 5. Since online shopping has become a daily norm for millions of UK consumers, it is likely that levels will remain high, far exceeding pre-pandemic estimates”* (paragraph 12).

### **Trends in e-commerce**

The Figure 5 referred to in paragraph 12 of the Applicant's submission is a graph showing online sales as a share of all retail from May 2017 to July 2020, drawn from an online article<sup>11</sup>. The Applicant notes the rapid growth in the uptake of e-commerce in the UK since 2017, which was accelerated during 2020 by the Covid-19 pandemic, though market share fell back slightly once non-essential retail outlets re-opened.

This data reflects ONS data<sup>12</sup> which records retail sector market share for e-commerce and traditional 'bricks and mortar' retailing over the same time period. ONS data show that, measured by the value of sales, e-commerce retail's market share increased from 6.2% of all retail sales in 2009 to 19.2% by 2019. This then increased to 28% of all retail sales in 2020 as many non-essential retail outlets were forced to close due to the Covid-19 pandemic shutdown (it actually reached around 33% of all sales during the lockdown but declined slightly when outlets were allowed to re-open). The total value of retail sales grew by 38.8% between 2009 and 2020, however e-commerce sales grew by 525% over the same period. Traditional 'bricks and mortar' retail sales by value only grew by 6.5% over the same period. This marks a significant shift in shopping habits since 2009; e-commerce has gained market share over the past decade but at the expense of declining sales in the traditional bricks and mortar retail sector.

It is clear that e-commerce has been gaining market share for the past decade or more, and that the Covid-19 pandemic had a profound impact on online shopping, leading it to reach levels not previously seen.

No forecasts of future e-commerce volume or market share have been put forward through the SoM consultation. The Independent Assessor considers that the extent to which recent trends in e-commerce will persist long-term following the Covid-19 pandemic is not yet clear.

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<sup>11</sup> Smart Insights, Dave Chaffey, (6 April 2021). Forecast e-commerce growth in percentage of online retail / e-commerce sales 2017 to 2023.

<sup>12</sup> ONS, Internet sales as a percentage of total retail sales, source dataset: Retail Sales Index time series (DRSI).

## Extent to which growth in e-commerce creates a more favourable environment for air freight

It is necessary to consider whether the growth in e-commerce has created a more favourable environment for air freight than that identified by the ExA Report.

The Applicant proposes that by using air freight, e-commerce retailers are now able to move smaller but more frequent shipments from factories to fulfilment centres, providing quicker responses to consumer preferences and fluctuating demand. Similar points are made in the Kent Needs Manston Airport (KNMA) representation<sup>13</sup>.

To demonstrate the point, the Applicant provides the example of Amazon Air, claiming it now has 81 aircraft to support its supply chains, with two of those aircraft operating in mainland Europe (Boeing 737s). The implication of this trend is that additional air freight runway capacity will be required to handle growing volumes of air cargo (which will arrive in dedicated freighters in the South East).

The representation<sup>14</sup> from Cllr Rev Stuart Piper references an article from Alex Veitch of Logistics UK, which refers to the increase in online shopping activity and says that *“To support this demand, express freight airlines operate a significant number of services. (...) Logistics UK is calling on government to facilitate the movement of airfreight throughout the day and, where possible, at night to keep goods moving and reaching their end customers in good time”* (page 5). The article does not provide any specifics on the increase in express freight services - for instance the extent to which they were a substitute for bellyhold capacity rather than ‘new’ demand. Moreover, the reference to movement of freight at night is not helpful to the Applicant’s case – proposed night flight restrictions at Manston may limit its ability to serve the e-commerce market.

KNMA’s representation at section 2.4 quotes May 2021 Civil Aviation Authority (CAA) airport data which reports that the London area airports cargo volumes using cargo aircraft was 16% higher than the equivalent month in 2020, and that EMA cargo volumes were 24% higher. These figures quoted for London Airports are incorrect, with the 16% actually referring to all UK reporting airports<sup>15</sup> (London Airports were 9.9% higher in May 2021 compared with May 2020). The Independent Assessor also notes that May 2020 was a particularly low month due to the fall in international trade due to the Covid-19 pandemic. KNMA’s representation also states that the requirement for just-in-time deliveries since Brexit and the Covid-19 pandemic is now ‘greater’ than before July 2019.

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<sup>13</sup> <https://infrastructure.planninginspectorate.gov.uk/wp-content/uploads/projects/TR020002/TR020002-005587-Kent%20Needs%20Manston%20Airport%20Group.pdf>

<sup>14</sup> <https://infrastructure.planninginspectorate.gov.uk/wp-content/uploads/projects/TR020002/TR020002-005389-Stuart%20Piper.pdf>

<sup>15</sup> CAA, (May 2021) Freight by Aircraft Configuration May 2021 (a) Comparison with Previous Year Tonnes.

The Applicant, KNMA and Save Manston Airport (SMA)<sup>16</sup> cite International Air Transport Association (IATA) data from April 2021 (see Figures 2 and 3 in the Applicant's representation) showing that air freight, globally and measured in tonne-km, has recovered to pre-Covid-19 levels (following the typical V-shaped recovery). The Applicant also presents air freight tonnage regionally in Figure 4 of their representation, this illustrates that Europe has also recovered to pre-Covid-19 levels. Inventory re-stocking and intensified growth in e-commerce retail are noted as key factors driving the recovery. In contrast, passenger volumes are still a fraction of their pre-Covid-19 levels (see Figure 1 in the Applicant's representation).

Contrary to the propositions above, York Aviation on behalf of Jennifer Dawes seeks to cast doubt on the link between e-commerce and air freight:

*"Increases in e-commerce activity, however, do not necessarily lead to an increase in the volumes of air freight carried to or from UK airports. Consumers have long purchased goods made in China for example, which are transported to the UK by both air and surface modes. Even if some goods that were previously bought in physical stores are now bought online, these goods generally share the same journey from China to the UK, but rather than being shipped directly to the retailer's distribution centre for onward travel to the physical store, they are being shipped to an online retailer's distribution centre for last-mile dispatch direct to consumers. Therefore, whilst increased e-commerce activity has resulted in an increase in demand for last-mile logistics between distribution centres and consumers, there has so far been a negligible net impact in the volumes of air freight carried to and from UK airports." (paragraph 4.36)*

To assess whether the current growth in e-commerce has created a more favourable environment for air freight it is first necessary to consider recent trends in the UK air freight market and also for maritime unit load traffic passing via sea ports (air freight's effective 'competitor' for the import/export of finished consumer cargoes) alongside the identified growth in e-commerce sales.

Data from the CAA<sup>17</sup> shows total air freight volumes grew from 2 million tonnes in 2009 to just over 2.5 million tonnes by 2019, a total growth of 24% or 2.2% per annum on a compound annual growth (CAGR) basis. For reference, volumes declined to 2 million tonnes in 2020. Note that bellyhold also gained market share over the same time period as illustrated in table 1 below.

Table 1: Total tonnes lifted by cargo aircraft and bellyhold<sup>18</sup>

	2009	2014	2019	% change 2009 to 2019
Bellyhold	1,357,781	1,626,963	1,763,776	30%

<sup>16</sup> <https://infrastructure.planninginspectorate.gov.uk/wp-content/uploads/projects/TR020002/TR020002-005824-SMAa%20matter%20%20part%201%20and%20part%202.pdf>

<sup>17</sup> CAA, UK airport data.

<sup>18</sup> Ibid.

	2009	2014	2019	% change 2009 to 2019
Cargo aircraft	690,080	677,524	771,646	12%
Total air freight	2,047,861	2,304,484	2,535,422	24%

When airfreight volumes are compared to the increase in e-commerce there does not appear to be any correlation. Figure 1 below illustrates the percentage change in internet retail sales (£ millions, all sectors) between 2009 and 2020, alongside the percentage change in air freight volumes (total tonnes from all reporting UK airports) over the same time period.

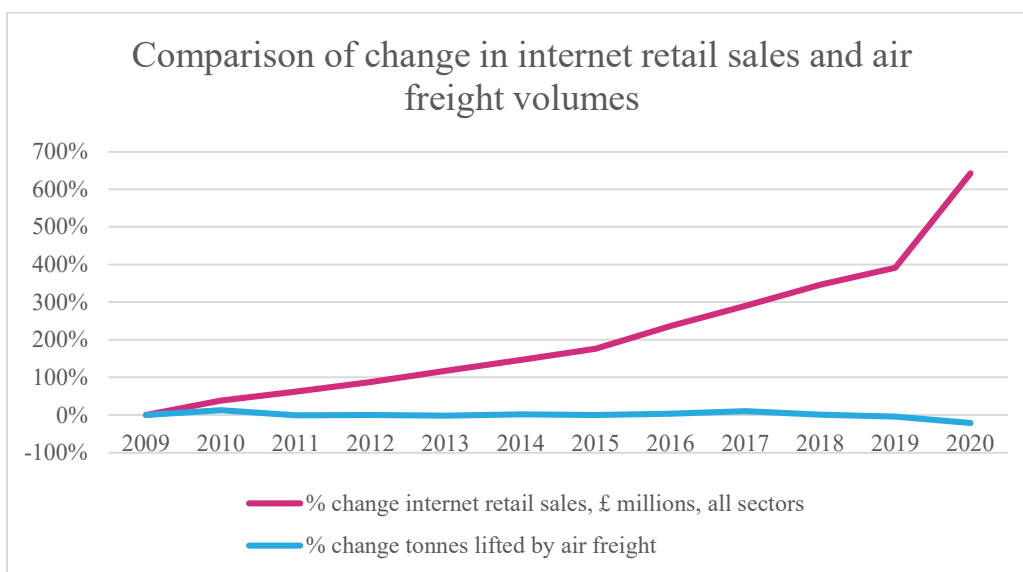


Figure 1: Change in internet retail sales and air freight volumes indexed from 2009<sup>19</sup> 20

Combining these airfreight volumes with data from DfT Port Statistics<sup>21</sup> for unit load cargo passing via sea ports in the same years (cargo in maritime containers, accompanied Heavy Goods Vehicle (HGVs) and unaccompanied trailers) shows that air freight’s market share has effectively remained unchanged over the period 2009 to 2019, at around 1.5%. As illustrated by table 2 below. Overall, sea freight is by far the dominant mode. These modes of shipping are effectively air freight’s ‘competitor’ in the movement of finished consumer cargoes.

Table 2: Percentage market share of unitised shipping and air freight<sup>22</sup>

	2009	2014	2019
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<sup>19</sup> CCA, UK airport data, Table\_13\_2\_Freight.rdl

<sup>20</sup> ONS, Retail industry statistics.

<sup>21</sup> Department for Transport (12 August 2020). Port freight annual statistics: 2019.

<sup>22</sup> Ibid and CAA, UK airport data.

Unitised shipping	98.6%	98.5%	98.5%
Air freight	1.4%	1.5%	1.5%

If the Applicant's stated position is correct (i.e. a shift in transportation modes to favour air cargo, as described), the Independent Assessor would expect to see significant gains in both volume and market share for the air freight sector over the same time period that there has been a growth in e-commerce. However, the combined airfreight and unit load seafreight market data (referenced above) shows that this is not the case; the air freight sector's market share, as noted, has remained unchanged at 1.5% since 2009. This position is explained by understanding how the main retailers (both traditional and e-commerce) have organised their supply chains in the UK.

Regardless of the sales platform, the importation transport from overseas producers and the primary inland distribution leg are broadly the same. For most consumer goods, which are of low to medium value, cargo is predominantly imported by sea freight, which is the preferred mode due to its significantly lower cost; goods from Europe will generally move in HGV trailers (both accompanied and unaccompanied) with inter-continental flows in maritime containers. This is then supplemented by the limited use of air freight, which is more expensive, for the small volumes of very high value cargoes handled, such as mobile phones. Goods are then stored in strategically located distribution centres before being drawn-down via orders placed by stores/consumers and the subsequent re-distribution to the next stage of the supply chain. For traditional 'bricks and mortar' retailers these centrally located warehouses are often termed National Distribution Centres, with re-distribution to regional storage facilities or direct to store when required (secondary distribution leg).

For e-commerce, these centrally located warehouses are often termed Customer Fulfilment Centres (CFCs), as cargo is normally despatched as individual consignments direct to end-consumers, often via the shared distribution networks of the main parcel couriers (e.g. DPD, DHL). Given the relatively short distances involved in the UK on secondary distribution legs, this is normally undertaken using double-deck HGV semi-trailers for the trunk hauls, with transfer to vans at regionally based cross-dock facilities for 'final mile' deliveries to residential properties.

In the USA (and to a lesser extent mainland Europe), the distances involved between CFCs and end-consumers are much greater. Next day delivery therefore relies on the use of air freight on the secondary distribution leg. Amazon Air, as referenced by the Applicant, is effectively replicating what the main parcel couriers undertake in the UK using road haulage (it is on secondary distribution legs rather than the primary importation flow). The Amazon Air operation undertakes in-house what was previously out-sourced to the likes of UPS and FedEx. York Aviation on behalf of Jennifer Dawes has drawn similar conclusions to those above.

The Applicant's and SMA's representations note that Amazon has located a new CFC in Dartford, suggesting that this demonstrates the dominance of the South

East for e-commerce retail (which would subsequently be served via Manston). This new CFC is part of a network of large facilities which have been developed nationally by Amazon over recent years, including at East Midlands Gateway logistics park, Doncaster iPort logistics park, Rugeley, Manchester and Deeside (North Wales).

Taking into account the above data and analysis, there is no clear evidence that the recent growth in e-commerce sales has created 'a shift in transportation modes to favour air cargo'. Consequently, the Independent Assessor does not agree with the Applicant's position that growing e-commerce sales are driving a demand for additional runway capacity (for dedicated freighters in the South East).

### **5.2.2 The impact of the Covid-19 pandemic on bellyhold capacity and the increased use of freighters**

Several representations recognise that passenger air traffic levels have fallen significantly since spring 2020, whereas reductions in freight tonnages have been relatively small and have almost recovered to pre-Covid-19 levels. As the number of long-haul passenger flights decreased, so did the available bellyhold freight capacity. This was largely replaced by an increase in the number of dedicated freight flights (some of which have been operated by passenger planes converted to accommodate freight in the main cabins by removing some/all of the seats).

Ramsgate Town Council commissioned aviation consultants Alan Stratford Associates (ASA) to support their representation<sup>23</sup>. Their submission provides a summary analysis of UK air freight market volumes 2018 to 2020 and for 2021 up to May 2021 (latest available CAA data when the SoM was issued). It notes that there was a significant fall in air freight volumes between 2019 and 2020 (-21%), though the number of CATMs increased as passenger flights (bellyhold capacity) declined due to the Covid-19 pandemic. However, it notes that recently the number of freight flights has started to decline as passenger flights have been reintroduced.

The Chartered Institute of Logistics and Transport's (CILT) representation<sup>24</sup> also notes that the anticipated recovery in passenger demand post-Covid-19 will result in the return of passenger aircraft able to carry cargo and so the recent trend to utilise dedicated cargo aircraft will reduce to a degree. However, they consider that the recovery in passenger demand, and therefore bellyhold capacity, could take three to five years, with long haul, on which most air cargo is carried, being the slowest to recover.

SMA's and Cllr Rev Stuart Piper's representations consider that the changes in bellyhold capacity as a result of the Covid-19 pandemic has demonstrated the need for dedicated freight capacity. To quote SMA:

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<sup>23</sup> <https://infrastructure.planninginspectorate.gov.uk/wp-content/uploads/projects/TR020002/TR020002-005680-Ramsgate%20Town%20Council.pdf>

<sup>24</sup> See CILT representation on the Planning Inspectorate website or: <https://tinyurl.com/5x88pf8s>

*“One effect of the Covid pandemic was the huge reduction in passenger flights which highlighted the problem of an over reliance on belly hold freight in the UK. (...) Although it is predicted that passenger flight numbers are likely to return to pre-pandemic levels within two years, the case for dedicated freighters has been strengthened and there are many situations where it is necessary to carry cargo in dedicated freighters.”* (paragraph 2.1).

Nick and Philippa Toy’s representation<sup>25</sup> states that: *“...Covid19 is unlikely to go away completely and its shadow will remain over us with regional outbreaks of variants for some time. This may well cause a longer term slow-down of airline business and thus less airliner belly-freight. The need therefore for more dedicated freight aviation will increase”* (page 1).

York Aviation on behalf of Jennifer Dawes concurs that since the start of 2020, there has been a shift to moving air freight cargo on dedicated freighters rather than bellyhold. However, they note that this is principally due to the collapse of the passenger market and the (temporary) suspension of many long-haul flights. Air freight capacity needed to be maintained, which resulted in the introduction of dedicated freighters on key routes (many airlines brought in additional capacity, including converting passenger aircraft to accommodate freight in all/part of the main cabin). The lower air freight volumes through 2020 and into 2021 overall are, according to their representation, due to lower economic growth. The report concludes that *“the temporary increase in freighter ATMs recorded at Heathrow should not be used as an indication of latent pent-up demand for freighter movements but as temporary direct replacement of lost bellyhold capacity”* (paragraph 4.18). Further, the report expects that *“as passenger services and bellyhold capacity are reinstated, the need for dedicated freighters, other than for express parcels (integrators) and specialist niche services will fall again”* (paragraph 4.24).

The 2018 Steer report is cited by SMA in support of the argument that more dedicated freight capacity is needed, however this was produced prior to the ExA Report and considered as part of the Examination. Therefore the key question is whether or not Covid-19 has altered the validity of those findings - no clear evidence has emerged to suggest that this is the case.

Moreover, the Independent Assessor considers that passenger demand and therefore bellyhold capacity is likely to recover as restrictions on international travel are lifted, restoring at least some of this capacity before Manston could be operational again. York Aviation on behalf of Jennifer Dawes states:

*“Although full reinstatement of services is not expected in 2022, most commentators expect, with effective vaccines as we are now seeing, demand and service levels could be reinstated to 2019 values by 2024, accepting that some markets may be slower to recover than others dependent on the success of the vaccine roll out country by country. However, it is clear that any effect that Covid-19 may have had on the availability of bellyhold capacity is expected to*

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<sup>25</sup> <https://infrastructure.planninginspectorate.gov.uk/wp-content/ipc/uploads/projects/TR020002/TR020002-005411-Nick%20Toy%20-%20stitched.pdf>



*have been unwound by the mid-2020s meaning that Manston could not realistically deliver a material uplift in available capacity in time to make any contribution... ” (paragraph 4.11)*

While the number of passenger flights reduced dramatically during the Covid-19 pandemic, the freight market responded through the greater use of dedicated freighter services in order to keep cargo moving in the absence of hitherto available bellyhold capacity. This position is reflected in the noticeable increase at Heathrow, from 2,700 cargo ATMs in 2019 to 24,700 cargo ATMs in 2020<sup>26</sup>. York Aviation on behalf of Jennifer Dawes also provides evidence that the UK was able to adapt to this lack of bellyhold capacity. Figure 4.2 and Figure 4.3 of their report respectively show that:

- According to CAA statistics, total freight tonnage to/from UK airports fell sharply in April 2020, but quickly recovered to levels somewhat below what was seen prior to Covid-19, though with relatively higher proportions of freight carried by freighter aircraft rather than bellyhold. York Aviation note (at paragraph 4.18) that this includes so-called ‘preighter’ operations using passenger aircraft cabins to convey cargo. Other submissions also reference these developments:
  - Ramsgate Coastal Community Team & Ramsgate Neighbourhood Plan Group’s representation<sup>27</sup> states that of the increase in cargo flights, including ‘preighter’ operations, *“Covid has demonstrated the resilience of the aviation sector and its ability to make best use of its existing capacity” (paragraph 2.5).*
  - Ramsgate Society Manston’s representation<sup>28</sup> tabulates CAA statistics on freight tonnage and ATMs in 2019 and 2020, and conclude: *“EMA and Stansted each increased the weight of cargo aircraft freight year on year. Heathrow achieved a remarkable switch by upping cargo aircraft ATMs by over 800% and in doing so to carry over four and a half times the weight of cargo compared to 2019. Overall air cargo capacity was sustained despite the almost total loss of bellyhold during 2020. This remarkable ability to respond so rapidly was only possible because there is the capacity at the airports to deal with the flights, the shift in carrier types as well as handle and despatch the freight on the ground” (page 9).*
- The lower level of air freight since May 2020 largely corresponds to the lower level of monthly GDP since, suggesting that the decline in overall air freight is explained by the level of economic activity rather than a lack of bellyhold or specialised capacity.

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<sup>26</sup> CAA, UK airport data.

<sup>27</sup> See Ramsgate Coastal Community Team & Ramsgate Neighbourhood Plan Group’s representation on the Planning Inspectorate website or: <https://tinyurl.com/3azhnm9j>

<sup>28</sup> <https://infrastructure.planninginspectorate.gov.uk/wp-content/uploads/projects/TR020002/TR020002-005750-The%20Ramsgate%20Society.pdf>

CAA data <sup>29</sup> shows that UK air freight volumes in the first five months of 2021 have yet to fully recover to pre-Covid-19 levels; this is contrary to the picture presented by the Applicant and others, though as noted their data referred to the global market rather than the UK specifically.

It has been suggested by the Applicant that the use of freighters in the absence of bellyhold demonstrates that, given the availability of additional runway capacity in the South East, freight would more readily move in dedicated freighters rather than in bellyhold on passenger flights. However, the temporary increase in the use of dedicated freighters at Heathrow does not prove that there is significant pent-up or suppressed demand for dedicated freighter air freight services in the UK (and specifically in the South East of England).

There are two main explanatory factors. Firstly, the dramatic increase of CATMs at Heathrow probably gives a false picture of the main inland origins and destinations of cargo. The most obvious explanation is that the freight market took the opportunity to operate freighters at Heathrow (in the slots currently vacated by passenger flights) as that is where the land-based handling agents, logistics forwarders and their transit shed facilities are already located i.e. the International Airlines Group World Cargo Centre and the 'horseshoe' air freight village.

Secondly, this suggestion does not accurately reflect the air freight market in the UK and its economics. Dedicated freighters are only economic when they can operate fully laden. Otherwise, it is more economic to move cargo in the bellyholds of passenger services on a marginal cost basis. Dedicated freighters are therefore primarily deployed on (and limited to) trade routes where the aircraft can operate fully laden most of the time (certainly on routes between the Far East and Europe or North America). As runway capacity is available at EMA and Stansted Airports (as concluded previously by the ExA for example at E.R 5.7.28), it is reasonable to expect that dedicated freighters (in the manner proposed for Manston) would already be operating if sufficient cargo was available. It is also the case that EMA (and to a lesser extent Stansted) are better located in relation to the main origins and destinations of cargo in the UK (also previously concluded by the ExA for example at E.R 5.6.26 and E.R 5.6.33). It is therefore down to insufficient 'critical mass' rather than capacity constraints at the airports which (partly) explains the dominance of bellyhold operations into UK airports.

Allied to this is the large network of routes (origins and destinations) operated with suitable bellyhold freight aircraft at Heathrow, one of the world's largest international hub airports. This is the other factor explaining the use of bellyhold rather than dedicated freighters. Effectively a much larger range of origins and destinations can be served more economically (conveying smaller consignments) than would be the case with dedicated freighter operations. It is also the case that passenger services will, by their nature, fly to populous destinations, which is also where manufacturing activity tends to be located or cargo consumed (the key

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<sup>29</sup> CAA, UK airport data.

origins and demand destinations for air cargo). York Aviation on behalf of Jennifer Dawes has reached similar conclusions to that outlined above.

The Independent Assessor notes that no forecasts of dedicated freighter use in the UK have been put forward through the SoM consultation.

It is concluded that the increase in dedicated freighter ATMs at Heathrow is a temporary direct replacement of the lost bellyhold capacity. Once the long-haul passenger market starts to recover, it is expected that the market will revert to the use of bellyhold freight capacity for air cargo movements.

### **5.2.3 Shift to Narrow Bodied Aircraft**

The Applicant's representation notes that there are ongoing changes to airline fleets, with older four-engined wide-body aircraft increasingly being phased out in favour of two-engined airliners with narrower bodies (which are more fuel efficient). It cites the example of Airbus, which currently has firm orders for 7,400 aircraft from the A320 series. The implication of this trend, according to the Applicant, is a reduction in bellyhold capacity on key routes, noting that the A321 has only 50m<sup>3</sup> of bellyhold space compared with 150m<sup>3</sup> on a B747; the result is no spare capacity for freight once passenger luggage is accounted for. This cargo capacity will therefore need to be replaced by dedicated freighter services.

CILT's representation also notes the withdrawal of B747 passenger fleets which had significant cargo capacity, with their replacement by smaller passenger aircraft on long haul routes which have significantly less cargo capacity. This will, it is claimed, lead to an upward trend in freight-only flights.

The Independent Assessor agrees that for environmental and cost reasons, many airlines have been slowly retiring older B747s and other four-engined aircraft (with large bellyholds), replacing them with twin-engined planes with a narrower (sleeker) body design. This process has been accelerated by the Covid-19 pandemic and related to this Airbus is no longer taking orders for new A380s, with only a handful of previous orders yet to be delivered.

Overall, while there is a reduction in bellyhold capacity, the Independent Assessor does not consider it to be that significant. The A350-9 and B787 Dreamliner, effectively the main replacement aircraft on long-haul inter-continental routes formerly operated by B747s, only has two fewer LD3<sup>30</sup> container slots when compared with a B747<sup>31</sup>. It is these routes where air cargo is typically conveyed in bellyholds. The example of the A321 aircraft, cited by the Applicant, is typically deployed on intra-continental services (i.e. within Europe or North America) and on shorter inter-continental routes where air freight is not generally conveyed.

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<sup>30</sup> LD – unit loading device. LD3s are the standard size air freight container into which cargo is secured and sealed prior to loading to aircraft.

<sup>31</sup> Data from the Lufthansa-cargo.com website.

Overall, the Independent Assessor is not of the view that there is likely to be a significant reduction in bellyhold freight capacity (once the passenger market recovers) due to the introduction of modern twin-engined aircraft.

#### 5.2.4 Post-Brexit trade

The Applicant's representation argues that Brexit will generate a shift towards long-distance trade and therefore demand for air freight:

*"The increased need to trade further afield as the recent trade deal with Australia and the government's commencement of negotiations to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (11 countries including Australia, Canada and Japan) demonstrate the expansion of destinations where trucking is not possible and where perishable and time sensitive goods and those demanded within short timescales will require air freight transportation."* (paragraph 73).

They state that this may also include increased trade with Africa, as airlines there are performing strongly:

*"Markets in Africa are also strengthening, and the continent continues to be an investment hub with several emerging economies. Improving economies in Africa are driving the continent's air cargo and logistics sectors with both in-bound and out-bound requirements including fresh produce, pharmaceuticals and natural resources. With the launch of the Single African Air Transport Market (SAATM) in January 2018, liberalisation of the aviation sector, including air cargo, will increase aviation's role as an economic driver, support social and political integration, and boost trade and tourism. IATA data for April 2021 show that airlines in African regions are posting strong volume performance. This provides huge opportunities for trade, accessibility and connectivity, with UK airports needing to be ready to respond."* (paragraph 74).

Whilst the liberalisation of the African aviation sector may increase air freight demand, the SAATM was launched over a year before the Examination, so in itself this does not represent a new development.

Several other submissions reference long-distance trading opportunities following Brexit:

- SMA: *"By leaving the EU, the UK is now free to make trade deals with countries outside the UK and recently they have done trade deals with Japan and Australia. Clearly trade flowing to and from these countries outside the EU will require an increase in air freight capacity, both belly hold and dedicated freighters, and as such increases the quantitative need for Manston"* (page 9).
- KNMA: *"with new trading partners joining the UK, the latest being Australia and Japan, the NEED for a dedicated air cargo hub is essential"* (paragraph 2.2). This submission also refers to exporters in the South East which could benefit, but does not provide examples.

- Cllr Ash Ashbee<sup>32</sup>: *“trade barriers being opened more freely following Brexit which brings with it the need for additional cargo capacity, surely it is an essential requirement for the UK to accommodate such trade to enable fast growth in its economic recovery”* (page 1).
- CILT: *“It is becoming clearly apparent from changes to post-Brexit trading arrangements that long haul freight is going to experience considerable increases and on longer journeys where maritime transit times can be very long, the benefits of air freight will be most keenly felt.”* (paragraph 2.2).

The full impact of these new trade deals is yet to be seen – and it is unclear how many such deals will be made, with which countries or blocs, and the extent to which they will liberalise trade in goods. Government modelling carried out ahead of the completion of the Free Trade Agreement with Australia estimated that under the deeper liberalisation scenario (Scenario 2), UK GDP could increase by 0.02% (within a range of 0.02% and 0.03%) or £500 million in the long run. UK exports to Australia could increase by 7.3% (a 0.3% increase in total exports) and imports from Australia could increase by 83.2% (a 0.1% increase in total imports)<sup>33</sup>. This modelling does not include impacts on trade in goods or air freight requirements. The Independent Assessor is not aware of any forecasts of the trade or air freight impact of post-Brexit trade deals more generally – which is unsurprising given the uncertainties outlined above.

Therefore, while other things being equal these trade deals can be expected to increase demand for air freight capacity, both specialised and bellyhold, current evidence on the scale of these impacts is limited.

York Aviation on behalf of Jennifer Dawes argues, however, that these post-Brexit trade deals are unlikely to generate demand for specialised air freight capacity, with any increased demand likely to be taken up by bellyhold:

*“Since the UK’s withdrawal from the European Union, the UK has forged several trade deal agreements with a range of foreign countries including Canada, Japan and Singapore. Whilst such trade deals may reduce the formalities and administration required to ship goods between nations and this may change the balance of where the UK trades with, ultimately, the volume of air freight to and from the UK will be driven by the performance of the economy. To the extent that there is greater dependence on importing goods from further afield, this will tend to reinforce the importance of bellyhold capacity as the principal means of carriage as it enables a wider network of points to be served directly rather than trying to consolidate cargo onto a small number of dedicated freight routes.”* (paragraph 4.27).

Whilst the overall performance of the economy is and will continue to be a major driver of air freight, the argument that more long-distance trade could lead to increased air freight (as transit by road and sea are less feasible for certain types of cargo) is plausible to the Independent Assessor.

<sup>32</sup> <https://infrastructure.planninginspectorate.gov.uk/wp-content/uploads/projects/TR020002/TR020002-005449-Cllr%20Ash%20Ashbee.pdf>

<sup>33</sup> Department for International Trade, (17 July 2020). Policy paper, UK-Australia free trade agreement: the UK’s strategic approach, ‘Overall impacts of an FTA with Australia’, Table 4.

York Aviation on behalf of Jennifer Dawes does, however, provide evidence that some long-distance bellyhold capacity is available. This suggests that there is not a need for further air freight capacity overall – though it does leave open the possibility that increased capacity for specialised air freight will be needed. Figure 4.5 of their report, replicated as Figure 2 below, shows that prior to the Covid-19 pandemic approximately 150,000 tonnes of bellyhold freight per month was handled at UK airports, while capacity to/from airports outside Europe and North Africa was approximately 500,000 tonnes. During the pandemic, long haul bellyhold capacity and the tonnes carried by bellyhold fell by similar levels – so even when bellyhold capacity was scarce, usage of it remained at 30-40% of the total. Ideally these figures would be available at a more geographically disaggregated level, to demonstrate the availability of capacity to and from destinations of interest (those with which Britain has made or is expected to make trade agreements) – it may be the case that bellyhold capacity utilisation varies significantly from place to place. Nevertheless, this evidence does demonstrate that long-haul bellyhold capacity is likely to recover to pre-pandemic levels as passenger traffic does, and there may be some ‘slack’ within this to accommodate increased freight demand.

**Figure 4.5: Air Freight Tonnes Handled at All UK Airports by Aircraft Type and Long Haul Bellyhold Capacity**



Source: CAA Statistics, OAG

Figure 2: Extract from Jennifer Dawes representation

Nethercourt Action Group<sup>34</sup> claim that trade with Europe has dropped dramatically since Brexit, demonstrating that there is no need for Manston to reopen:

*“There was never any need for Manston to reopen as the examiners have concluded. At the oral hearings RSP’s own expert Sally Dixon could not say whether the project was economically viable. She said it was something she had*

<sup>34</sup> <https://infrastructure.planninginspectorate.gov.uk/wp-content/uploads/projects/TR020002/TR020002-005563-Ian%20Scott%20&%20Clr%20David%20Green%20-%20combined.pdf>

*never been asked. It seemed to us her entire evidence boiled down to anecdotes one of which was a lot of freight is trucked into the UK as cargo aircraft could not find slots at UK airports. Apart from the fact the examiners found that to be untrue it is worth pointing out that trade has dropped with Europe by 40% since Brexit.” (page 6).*

It is not clear whether or not any recent drop in trade with Europe has specifically affected cross-Channel trucking. Whilst there was a 40.7% drop in exports to and 28.8% drop in imports from the EU following the end of the transition period in January 2021<sup>35</sup>, it is not correct to say that there has been a sustained 40% drop in trade with the EU. Data from Bloomberg<sup>36</sup> show the precipitous falls in EU exports and imports in January 2021. Imports have since recovered to above pre-referendum levels, but not to the higher levels which had been seen from 2016-2019 and for parts of 2020. Exports recovered much more dramatically in the first half of 2021.

The long-term impacts of Brexit and the extent to which recent figures have been affected by Covid-19 are unclear. Overall, the Independent Assessor has not seen any evidence – one way or the other – on how changed trading arrangements post-Brexit will affect long distance trade or air freight demand. There is some available capacity for long-haul bellyhold freight, which is expected to increase as passenger demand recovers.

### **5.2.5 Longer-term impacts of GDP on freight demand**

ASA on behalf of Ramsgate Town Council considers UK GDP as a major determinant of freight demand:

*“The Department for Transport (DfT) has not updated its air cargo forecasts since 9 July 2019. The fundamental driver of air cargo demand in the DfT’s forecasting model is UK Gross Domestic Product (GDP), which in turn impacts on the level of imports and exports. As a result of Covid-19, Brexit and other economic factors, government forecasts of UK GDP growth have been significantly reduced since 9 July 2019. The latest forecasts prepared by the Office for Budget Responsibility (OBR) predict that UK GDP will return to pre-Covid-19 levels by the second quarter of 2022 although the future level of growth thereafter was highly uncertain. A number of recent studies however, confirm earlier forecasts that the effect of Brexit will reduce the level of UK GDP by about 4% compared with remaining inside the EU. It should be noted that the Azimuth and Northpoint forecasts for air cargo demand at Manston have not taken account of GDP decline due to Covid-19 and it is also unclear as to how or whether the full effect of Brexit has also been incorporated in their forecasts.” (page 8).*

This is echoed by Ramsgate Town Team:

<sup>35</sup> BBC news, (12 March 2021) UK exports to European Union drop 40% in January.

<sup>36</sup> Bloomberg, Lizzy Burden and Demetrios Pogkas, (12 March 2010) U.K. Exports with the EU again above Pre-Brexit levels.

*“IATA has recently described the past year as ‘the worst year for air cargo demand since performance monitoring began’. Forecasts and predictions vary, but the combined effects of Brexit and Covid make it unlikely that there will be a significant increase in demand for dedicated air freight in the foreseeable future. The Office of Budget Responsibility predicts a 4% reduction in GDP, for example, with a resulting impact on imports and exports. This suggests now is not the time to establish a new dedicated cargo airport in East Kent.” (paragraph 2.1).*

Barry James’ representation<sup>37</sup> assembles CAA statistics on air freight, noting that:

*“...overall the tonnage flown is down 21% over the figures from 2019. Some of this decrease is down to a lower Gross Domestic product (GDP) caused from lower consumer spending due to lockdown and some of this is down to leaving the EU (Brexit). The Covid Pandemic effect is likely to be temporary. Most experts believe the economy will be back to normal by 2024 however the Brexit Effect is much harder to determine” (page 6).*

The longer term impact of the Covid-19 pandemic on GDP is uncertain. On this basis, it is reasonable that forecasts for air cargo demand at Manston have taken little or no account of it.

The long-term impact of Brexit is also uncertain, and any short-term impact has been overwhelmed by Covid-19. Nevertheless, the available forecasts, such as the OBR’s 4% GDP reduction figure referenced by Ramsgate Town Council and Ramsgate Town Team do suggest a negative impact. Post-Brexit trade deals may have a countervailing impact, but on the current estimates these are relatively small – for instance the 0.02% uplift to GDP from the trade deal with Australia, as estimated by Government modelling. Other things being equal a reduction in GDP due to Brexit would act to reduce overall air freight demand – as noted by ASA on behalf of Ramsgate Town Council this is the fundamental driver of demand in the DfT’s own modelling. The IATA’s five-year forecasts for air freight, prepared in 2018, also use GDP as a key driver of air freight volumes. They argue that:

*“The strength of demand for air freight each year depends on the broader health of global goods trade flows, as well as factors specific to air freight. These influences are captured by two key relationships:*

- 1) The relationship between global GDP growth and global goods trade growth; and,*
- 2) the relationship between global goods trade growth and that of air freight volumes.”*

They note that *“in the decades before the GFC [global financial crisis] it was usual for global goods trade to grow at around two times the pace of global GDP. (...) However, in the years since the GFC, global goods trade has only grown broadly in line with global GDP”*. Nevertheless, this one-to-one relationship still means that a fall in GDP will be matched by a corresponding fall in goods trade. Regarding the relationship between goods trade and air freight demand, they

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<sup>37</sup> <https://infrastructure.planninginspectorate.gov.uk/wp-content/ipc/uploads/projects/TR020002/TR020002-005413-Barry%20James.pdf>



report that *“On average, year-on-year growth in air freight volumes has tended to grow slightly more slowly than growth in global goods trade volumes over the past 30 years or so (around 0.95 times the pace), albeit with distinct periods of over- and under-performance.”* Noting that in recent years (since 2014) air freight growth had outpaced growth in the trade of goods, they forecast a CAGR of 4.9% in industry-wide freight tonne kilometres for the period of 2017-2022, despite forecasts CAGRs for global GDP (at Purchasing power parities exchange rates) and global goods trade being lower, at 3.8% and 3.9% respectively<sup>38</sup>.

Naturally, these forecasts have been somewhat overtaken by events with the Covid-19 pandemic. Nevertheless, the IATA's research demonstrates that there is a well-established link between GDP and air freight. The precise impact of a 4% drop in UK GDP on UK air freight demand is difficult to quantify, as these forecasts are global rather than national, and any impact would also be influenced by GDP in Britain's trading partners – but this evidence strongly suggests there would be a negative impact. More recent IATA research, from April 2021, noted that global cargo volumes were growing: *“The industry is supported by a strong economic rebound as well as favourable supply chain dynamics, notably very low inventory levels and more competitive pricing relative to container shipping in recent months.”*<sup>39</sup> This suggests that the relationship between GDP and air freight continues to hold.

### 5.2.6 Specialised air freight as a source of resilience

Nick and Philippa Toy's representation proposes that: *“The recent Covid19 pandemic also requires this country to make the very best use of all assets to ensure its economic recovery. The pandemic still continues worldwide even if the vaccination program is prevailing over it here in the UK. To extend that success worldwide we will need to export vaccines overseas, and Manston is ideally situated for such operations in this and any future world pandemics”* (page 4).

No evidence is provided, however, to demonstrate that the Proposed Development could support increased vaccine exports. It is also doubtful, in the view of the Independent Assessor, that export of Covid-19 vaccines will still be a material concern by the time Manston could be operational (assumed from 2022), so it is unlikely that it would support such operations for this pandemic.

Cllr Rev Stuart Piper suggests that *“Covid and Brexit have highlighted the potential problem of a temporary closure to the Port of Dover and the potential for future blockades. This is a major problem for perishable goods (...) Dedicated Freighters would alleviate this problem”* (page 6). The brief closure of the Port of Dover in December 2020 certainly did pose a temporary risk to the import and export of perishable goods including food and medicines.

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<sup>38</sup> IATA, (March 2018). Forecasting air freight demand, Forecasts for the 2018-2022 period, prepared by IATA Economics.

<sup>39</sup> IATA, (April 2021). Air Cargo Market Analysis Air cargo trends upwards on a favourable backdrop.

The claim that dedicated freighters would alleviate this problem is not, however, supported by evidence. Trade in relatively high-volume, low-value goods, travelling the relatively short distance to or from continental Europe, is not a natural market for air freight, a mode generally associated with high-value and/or long-distance trade. Moreover, the closure of the Port of Dover due to the 'Alpha variant' of coronavirus is an exceptional circumstance, and one unlikely to be repeated on a regular basis. There is no sign yet that Brexit has generated or will generate similar closures.

More broadly, the provision of increased freight airport capacity can provide resilience against unforeseen events which would otherwise disrupt trade through restrictions on capacity elsewhere or sudden increases in demand. These might include events such as pandemics or natural disasters which cause global disruption, isolated events like a fire or terrorist attack at another airport putting cargo handling capacity there out of action, or disruption to trade by other modes, leading to demand for air freight rather than road, rail, or sea. As an example the recent blockage and closure of the Suez Canal resulted in some sea freight being diverted to rail and air instead.

The Proposed Development could create dedicated freight capacity which provides a degree of redundancy, mitigating the impact of such events. The Independent Assessor is of the view that, other things being equal, this supports the case for the Proposed Development but is not in itself a decisive factor. Events such as these are rare by definition. Some of them (e.g. short-term disruption to trade by other modes or at other airports) would lead to short periods during which capacity at Manston Airport is well-utilised, but would not generate a sustained demand. Others (e.g. a flooded Channel Tunnel or significant damage at another airport due to terrorist attack) could generate more long-lasting or even permanent impacts – but these high consequence events carry very low probabilities.

### **5.3 Changes in Capacity at Other Airports**

The Applicant's representation advances two key arguments regarding capacity at other airports:

- Heathrow expansion has been delayed relative to expectations at the time of Examination and may not go ahead at all;
- Whilst Stansted expansion is going ahead, it will focus on the passenger market rather than freight, and evidence has emerged to support this since the time of Examination; and
- Some representations also note changes which have occurred at EMA since the publication of the ExA Report.

### 5.3.1 Changes in capacity at Heathrow Airport

The appearance of John Holland-Kaye (CEO of Heathrow Airport Ltd) at the Transport Select Committee on 6 May 2020<sup>40</sup> is cited in support of the first argument relating to the uncertainty over the expansion of Heathrow Airport. When asked about potential delays to the airport's expansion related to the Covid-19 pandemic and then-ongoing appeal to the Supreme Court (now decided in Heathrow's favour), he replied:

*"We are still pursuing the appeal to the Supreme Court for the third runway. You are absolutely right that it is a critical economic plank for the future growth of this country, supporting hundreds of thousands of jobs across the UK. As to when and whether it will be needed, we will have to see how things turn out over the next few years. If we are successful in rebuilding the UK economy, we will need it in 10 to 15 years' time. If we are not, we are all in a very different world."* (Q87 in the Select Committee Minutes)

The Applicant considers that that:

*"It is therefore no longer certain that the new runway will go ahead at all, and if it does it will not be operational until at least 2030-35, significantly increasing the gap between Manston and the Heathrow Third Runway becoming operational compared with expectations during the examination of the Manston application. In contrast, the Examining Authority appeared to agree with the case of Stone Hill Park Ltd that the Heathrow Third Runway opening in 2026 was realistic (see paragraph 5.6.15 of the Recommendation Report) and so its conclusions based on that assumption can be given little weight."* (paragraph 41)

Other submissions in favour make a similar argument:

- Thanet & East Kent Chamber Limited<sup>41</sup>: *"We see no prospect of a new runway at London Heathrow being constructed in time to enter service within the next ten years"* (paragraph 3.2).
- CILT: *"Assumptions about capacity at UK airports for cargo have also changed since 2019 due to Covid 19. For example the effects of Covid 19 on air traffic could delay considerably any progress on a third runway at Heathrow which will limit potential freight capacity at the airport in addition to the loss of belly hold capacity referred to above"* (paragraph 2.5).

In December 2020, the Supreme Court overturned the previous Court of Appeal decision blocking Heathrow's proposed third runway. The longer-term impacts of the Covid-19 pandemic on aviation demand do, however, remain uncertain. Heathrow has not yet announced a revised date for completion of the runway but say that *"Our priority remains focusing on securing a recovery for the airport from COVID-19. As such we are reflecting on the judgment and considering next*

<sup>40</sup> House of Commons, (6 May 2020) Transport Committee Oral evidence: Coronavirus: implications for transport, HC 268.

<sup>41</sup> See Thanet & East Kent Chamber Limited's representation on the Planning Inspectorate website or: <https://tinyurl.com/2ypum8kt>

*steps whilst engaging with a variety of stakeholders.*"<sup>42</sup>. York Aviation on behalf of Jennifer Dawes refer to 2033 as 'an indicative delivery date assumed by many commentators'.

A delay until at least 2030 on the opening of a third runway at Heathrow is, in the view of the Independent Assessors, likely. Further submissions discussed the implications of this for the need for the Proposed Development.

The report prepared by ASA on behalf of Ramsgate Town Council argues that *"In any event, should the third Heathrow runway not be required, this would only arise as a result of lower growth in UK air passenger and cargo traffic than originally forecasted. In these circumstances, we believe that the demand for a new cargo hub at Manston would also be substantially reduced and it would no longer be justified."* (paragraph 2.1).

Ramsgate Town Team make a similar argument in their submission: *"If expansion at Heathrow goes ahead, Government estimates are that this will provide capacity for 43,000 long haul flights per year and considerable extra capacity for cargo. If this happens, it will substantially reduce any potential demand for the Development at Manston – and if it does not, that is likely to be as a result of overall reduced demand for aviation, which likewise negates any need."* (paragraph 1.2).

Nethercourt Action Group argue that Heathrow expansion will provide a large increase in capacity once the third runway is operational, and depressed passenger demand in the interim will free up some existing capacity: *"Heathrow is currently capped at 480,000 ATM's, runway three will add capacity for another 260,000 ATMs, a 54% rise in capacity. Any lack of demand in the interim due to Covid will leave slots open for cargo flights into Heathrow if needed and a return to bellyhold when passenger flights pickup"* (page 15).

The delay to the delivery of the third runway since the Examination is a significant change with potential to improve the need case for the Proposed Development. The Independent Assessor accepts that – as outlined in John Holland-Kaye's statement to the Transport Select Committee – the extent of any further delay to Heathrow expansion is largely dependent on how overall aviation demand changes in the coming years (although future legal challenges are another possibility, and not necessarily tied to levels of demand).

The Independent Assessor concludes that if low overall aviation demand delays Heathrow expansion or stops it altogether, the lack of demand for passenger flights would free up capacity at Heathrow for more dedicated freight flights – this would reduce the potential demand for services at Manston. On balance it is concluded that the potential for Heathrow to provide additional freighter capacity in the event of a delay to expansion caused by low overall demand, combined with the identified capacity at other airports, does not materially alter the conclusions of the ExA Report. If, however, Heathrow expansion were to be prevented or substantially delayed by non-demand factors – such as successful further legal challenges on environmental or planning grounds – despite a clear need case being demonstrated in future, this would support the need case for the

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<sup>42</sup> Heathrow Airport Limited, Expansion FAQs.

Proposed Development at Manston, as capacity at other airports may not be sufficient to meet the shortfall in air freight capacity this would create. Although, given the support for Heathrow expansion in the ANPS and the recent Supreme Court decision in favour of expansion, we consider that this outcome is unlikely.

### 5.3.2 Changes in capacity at Stansted Airport

With respect to Stansted Airport, since the completion of the Examination and the publication of ExA's Report, a planning inquiry which considered Stansted Airport's plans for expansion (Appeal Ref: APP/C1570/W/20/3256619) has been completed and determined. Stansted's owners, Manchester Airport Group (MAG), had applied for consent to increase the annual passenger cap to 43 million, albeit within the existing limit of 274,000 ATMs per annum (of which not more than 16,000 could be cargo ATMs), alongside some works to the ground infrastructure (extra taxi-ways and aircraft stands). Uttlesford District Council had originally refused consent, with MAG subsequently appealing the decision.

A planning inquiry was held between January and March 2021, with PINs publishing its determination in May 2021. The appeal was granted, and while this decision now caps Stansted's CATMs at 16,000 per annum, (a reduction from 20,500) it at least provides clarity and a degree of certainty on the capacity position (which was uncertain at the time of the Examination).

In respect of capacity at Stansted Airport, the Applicant references the change in the airport's proposed CATM cap:

*“Since expansion focuses on an uplift to passenger numbers without an increase in Air Transport Movements (ATMs), Stansted Airport's owners, Manchester Airports Group (MAG), made clear that their focus is on the passenger market rather than freight. To this end, they sought permission to reduce the cargo ATM cap from 20,500 to 16,000 and maintain their overall ATM cap at 274,000, thereby increasing allowable passenger ATMs. The Examining Authority concluded at paragraph 5.6.26 of the Recommendation Report that ‘there is no clear evidence of the Applicant’s view of Stansted’s strategic choice to prioritise passengers over freight’. There is now clear evidence and so the Examining Authority’s conclusions can be given little weight on this aspect.”* (paragraph 45)

The proposed reduction in the CATM cap was in place at the time of Examination, as confirmed in a 2018 briefing note to the Secretary of State for Transport (paragraphs 5, 12)<sup>43</sup>. This cap does, however, leave some room for growth in Stansted's CATMs – in 2016 the airport handled 12,492 CATMs, as confirmed in the Environmental Statement<sup>44</sup> of their planning application (paragraph 1.3)<sup>45</sup>, and in 2017 it handled 10,126 CATMs, as noted by in the ExA's Report (paragraph 5.7.9). More recent data from the CAA demonstrates

<sup>43</sup> Head of London Airport Policy, (14 June 2018). Letter to Secretary of State, Chris Grayling MP: Aviation: London Stansted Airport Planning Application.

<sup>44</sup> The figures reported in Stansted's environmental statement vary slightly from the figures reported by the CAA for CATMs at Stansted in 2016. The latter reports 11,246 and the former 12,492.

<sup>45</sup> London Stansted Airport, 35+ Planning Application Environmental Statement Volume 1.

that there has not been a significant change in CATMs at Stansted since the Examination, with 10,406 CATMs recorded in 2020<sup>46</sup>.

Nethercourt Action Group argue that the existence of 'spare' CATMs at Stansted and their decision to reduce the cap demonstrate that there was no shortage of dedicated cargo capacity: *"Stansted had nearly 10,000 cargo ATMs prior to Covid they couldn't fill & traded 4,000 for extra passenger capacity so where is this crisis in UK airport cargo capacity that RSP talk about? (...) Even with the extra demand due to no bellyhold cargo ATMs only rose by 198 in 2020. Again disproving RSP's claim airport capacity was limiting air freight"* (page 15).

ASA on behalf of Ramsgate Town Council also consider that there is spare capacity at Stansted, even with the new 16,000 cargo ATMs per annum cap, for additional freighter flights.

The broad argument that Stansted's expansion will focus on passenger traffic rather than cargo is supported by this decision on the Stansted application. However, there remains capacity within the 16,000 consented cap. Expansion of passenger operations at Stansted will also create additional bellyhold capacity.

SMA argue that Stansted's targeting of passenger growth will result in slots for dedicated freighters becoming limited. The proposed passenger cap is 43 mppa, up from 35 mppa today. SMA points out that even using MAG's figure of 170 passengers per flight (an increase on the 162 realised in 2019), 43 mppa translates into 252,941 passenger ATMs. With an overall ATM cap of 274,000 ATMs per year, this leaves 21,059 ATMs available for cargo and other flights. In 2019, there were 15,175 other ATMs – therefore if the 43 mppa cap were met with 170 passengers per flight and the number of other ATMs were to remain unchanged, this would only leave 5,884 ATMs available for cargo, well below the consented cap and recent numbers of cargo ATMs.

Assuming that the 43 mppa limit is met or nearly met, this argument does have merit – reaching the cap would imply significant contractions in cargo and/or other ATMs. This is of course dependent on how demand for passenger flights changes following the Covid-19 pandemic – if it does not recover as expected, Stansted may not reach the mppa cap, leaving ATMs available for cargo. The Independent Assessor notes that if 16,000 CATMs and 15,175 other ATMs (as per 2019) are assumed, this leaves 242,825 ATMs for passenger flights. Using the figure of 170 passengers per flight from MAG, this translates into 41.3 mppa – therefore Stansted could reach just over 96% of its mppa cap and would still have enough ATMs remaining to meet its CATM cap and maintain the 2019 level of other ATMs.

The above calculations are quite sensitive to the assumptions made around passengers per flight. If the 2019 figure of 162 is assumed instead of MAG's figure of 170, then:

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<sup>46</sup> CAA, Airport data 2020, Table\_06\_Air\_Transport\_Movements.

- 43 mppa translates into 265,432 passenger ATMs. This would leave just 8,568 ATMs – lower than the ATMs for ‘other’ flights which took place in 2019.
- The 242,825 passenger ATMs remaining if there are 16,000 CATMs and 15,175 other ATMs translates into 39.3 mppa, 91.5% of the 43 mppa cap.

This reinforces the view that if Stansted meets or comes to close to meeting its cap on passengers per annum, it will be highly unlikely to also provide increased freight capacity in the long term.

The Applicant's representation<sup>10</sup> also states that at Stansted Airport freighter aircraft often wait to be loaded/unloaded as ground crew prioritise passenger aircraft. This issue was addressed at the Examination, with the ExA noting that Stansted Airport has a separate cargo handling area and dedicated aircraft stands for freighters away from the passenger terminal. Dedicated freighter operators are also, in the view of the Independent Assessor, likely to employ specialist ground handling agents for cargo loading/unloading. The Independent Assessor does not consider this to be significant to the need case.

Despite the uncertainty at Stansted Airport at the time of the Examination, the ExA's report concluded *‘that there remains significant freight capacity which the airport operators wish to fulfil’*. Whilst the planning consent now granted to Stansted reduces the cap on annual cargo ATMs from 20,500 to 16,000, this still leaves scope for an increase of 5,594 cargo ATMs (relative to the 10,406 in 2020). Moreover, this only refers to dedicated freight capacity. Any increase in passenger flights under the new 43 mppa cap will allow for an increase in bellyhold freight handled at Stansted. It is true that if this passenger cap is met or very nearly met, Stansted would have to keep cargo ATMs below 16,000 in order to meet its overall ATM cap – however this cap may well not be met, given the challenges facing passenger aviation post-Covid. Events since July 2019, as outlined above, therefore now appear to confirm the ExA's position – there remains significant capacity for dedicated freight movements at Stansted, and an increase in passenger flights will provide further bellyhold capacity.

### 5.3.3 Changes in capacity at East Midlands Airport

York Aviation on behalf of Jennifer Dawes refers to projections from EMA of cargo growth from 422,000 tonnes to 1.2 million tonnes, supported by new facilities (the timeframe is not specified). This projection, however, is from the airport's Sustainable Development Plan 2015, so is not new evidence since the time of Examination, and this growth was referred to in the ExA Report.

Ramsgate Society Manston highlights a new development which may support growth in air freight at EMA:

*“On 3rd March 2021 Rishi Sunak, the Chancellor, announced the designation of 8 new freeports in the UK. The East Midlands Freeport is the only inland freeport to be created. The other seven are coastal locations. The airfreight operations of EMA will be central to much of the freeport business within the ‘EMA Gateway and Industrial Cluster’ (EMAGIC) in which it is located. The status of ‘freeport’*

*conferred on EMA brings enhanced market advantage over and above any other UK airfreight location” (page 16).*

The long-term impacts of the freeport schemes are as yet unknown. Nevertheless, the Independent Assessor accepts that a more favourable regulatory environment, combined with investment in new facilities, could support the growth of EMA. The Freeport may act to reduce some of the cargo capacity headroom however freeports exist to import goods, add value, and re-export them. Therefore, some of the goods handled by EMA would not contribute to the UK's export and import requirements – though it is not possible to say how much capacity will be used in this way. None of the proposed freeports are located in or around the Application Site.

The ExA concluded that EMA has sufficient runway capacity to enable it to handle increased numbers of dedicated freighter services (given market demand). The Applicant's representation (at paragraph 52) also concedes that runway capacity at EMA is not an issue, albeit it questions the facilities available for cargo flights and the availability of aircraft stands for air freight. York Aviation on behalf of Jennifer Dawes and Nethercourt Action Group note that the airport has seen further development of its facilities and the immediate surrounding area (including widened the east apron allowing four additional cargo aircraft; expanded UPS and DHL facilities; and opening of the nearby East Midlands Gateway logistics park), while expansion land is understood to be available to the east of the airport (Nethercourt Action Group). The ExA's report concluded that capacity was available at EMA and the SoM representations do not provide any further evidence which conflicts with this position.

### 5.3.4 Other issues

Neil Craven's representation<sup>47</sup> provides evidence on the need for light aircraft facilities in East Kent:

*“A recent planning application (Application number 21/00626) has been made to Dover District Council for a change of use of farmland in East Kent to an airfield, hangars and ancillary facilities for up to 20 light aircraft plus a helipad. The argument for this is that there is apparently a lack of suitable airfields in East Kent since the closure of Manston and exacerbated by the recent closure of a small airfield (Maypole Airfield) near Canterbury. Maypole airfield also had customs facilities and could host light aircraft travelling between Kent and the Continent. The application, which is pending decision, is seemingly supported by private pilots from across the UK and the continent indicating a significant local demand for suitable ground facilities for use by private light aircraft.” (page 1)*

This is also referenced by Philip Blair<sup>48</sup>. This response indicates that there is some evidence for these facilities, however the Independent Assessor is not of the view that this weighs in favour of the Proposed Development either as well as or

<sup>47</sup> <https://infrastructure.planninginspectorate.gov.uk/wp-content/uploads/projects/TR020002/TR020002-005528-Neil%20Craven.pdf>

<sup>48</sup> <https://infrastructure.planninginspectorate.gov.uk/wp-content/uploads/projects/TR020002/TR020002-005569-Philip%20Blair.pdf>



instead of the planning application already underway. Moreover, Lydd Airport (to the south of Ashford) serves light aircraft. In 2014 it was given permission to extend its runway and build a new terminal - though this expansion has not yet gone ahead<sup>49</sup>. Fundamentally, the need case for or against the redevelopment and reopening of Manston airport – given the overarching nature of the development – rests on *cargo* demand.

## 5.4 Locational Requirements for Air Freight

One of the Applicant's key arguments for the Proposed Development, as set out in the Azimuth Report submitted to the Examination, is that demand for air freight services is strongest in London and the South East of England. Consequently, new runway capacity should be located in the South East, with Manston ideally placed to provide that new capacity. The Applicant's submission to the SoM states that the Covid-19 pandemic has 'reaffirmed the locational case' for Manston, claiming that demand for air freight is greatest in London and the South East.

To demonstrate this point, a graph of total imports and exports by UK region for 2019 is presented (Figure 12 in Annex 3 of the Applicant's representation), showing that the South East and London are the two largest regions for international trade (HM Revenue and Customs' Regional Trade in Goods is quoted as the source).

Further, CAA data is then presented showing increased air freight activity at South East airports during the Covid-19 pandemic. It also notes the increased use of dedicated freighters in 2020 and 2021 (year to date), with the fall in passenger bellyhold capacity cited as the principal reason. It claims that this demonstrates a requirement for freighter capacity in the South East (on the basis that reduced passenger flights generated spare capacity which was subsequently taken up, in part, by freighters).

The Independent Assessors have examined Figure 12 and two issues are noteworthy. Firstly, the data in the graph represents 'value of goods' rather than volume or mass (i.e. tonnes-lifted). As freight transport is concerned with moving physical commodities, volume or mass is the more appropriate measure with regards to origins and destination. When measuring by value (the more appropriate measure when consider origins and destinations), a relatively tiny number of small but very high value commodities can skew the results in favour of a particular region, thereby providing a false picture.

Secondly, and more importantly, the data in the graph does not record the origin region of exported goods or the destination region of imported cargo. The 'small print' in the description of the data on the Regional Trade in Goods website states that "*Regional Trade in Goods Statistics (RTS) data is compiled by merging trade data collected by HMRC with employment data from the Inter-Departmental Business Register (IDBR). A business' trade is allocated to a region based on the*

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<sup>49</sup> BBC news, (16 May 2014). Expansion of Kent's Lydd Airport to go ahead. Kent Online (26 November 2018). Talks with landowners delay Lydd Airport runway expansion.

*proportion of its employees employed in that region.*” This means, for example, it could lead to imported goods being allocated to one region (where the importer’s employees are located), albeit the goods are actually handled in another region by an out-sourced logistics provider. In the case of a large national retailer, imports will be distributed across each region whereas in reality the goods will be imported and stored initially at one central location.

The Independent Assessor does not therefore recognise Figure 12 from the Applicant’s representation as being an accurate record of international trade by region.

The ExA concluded that EMA (and to a lesser extent Stansted) perform better with respect to the likely origins and destinations of cargo (E.R 5.6.136 and E.R 5.6.137). They particularly noted a ‘heat map’ of cargo origins and destinations at EMA (presented in the Azimuth Report as Figure 12) and evidence from York Aviation which showed a broadly national hinterland at EMA. The new evidence presented in the SoM representations, as described, does not lead the Independent Assessor to reach a different conclusion to that previously set out in the ExA’s Report.

## 6 Conclusions on the Need Case for Development

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The ExA Report recommended that there was no need case for the Proposed Development, summarised in their Report of Findings and Conclusions:

*“Given all the above evidence, the ExA concludes that the levels of freight that the Proposed Development could expect to handle are modest and could be catered for at existing airports (Heathrow, Stansted, EMA, and others if the demand existed). The ExA considers that Manston appears to offer no obvious advantages to outweigh the strong competition that such airports offer. The ExA therefore concludes that the Applicant has failed to demonstrate sufficient need for the Proposed Development, additional to (or different from) the need which is met by the provision of existing airports.” (E.R 5.7.28)*

Overall, the Independent Assessor concludes that there have not been any significant or material changes to policy or the quantitative need case for the Proposed Development since July 2019 that would lead to different conclusions being reached (compared with the previous ExA conclusions) with respect to the need for the Manston development. In particular:

- The changes to policy, notably the withdrawal and reinstatement of the ANPS and adoption of the Thanet Local Plan, do not significantly change the policy context that was in place at the time of the Examination;
- The recent growth in e-commerce sales is not driving a demand for additional runway capacity for dedicated air freighters in the South East;
- Although there have been short term changes in the balance between bellyhold freight and dedicated freighter activity during the Covid-19 pandemic, these changes are not expected to be permanent, notwithstanding growth in e-commerce and changes to the UK's trading patterns post-Brexit;
- There is unlikely to be a significant reduction in bellyhold freight capacity (once the passenger market recovers) due to the introduction of narrow-bodied twin-engine aircraft;
- Despite the uncertainty concerning the timescale for the Heathrow Airport Third Runway, changes since July 2019 as described do not lead the Independent Assessor to reach a different conclusion on the need case for Manston Airport. East Midlands Airport has sufficient capacity to handle additional dedicated freighter services should the market demand them, while the planning determination at Stansted confirms that significant freight capacity remains available; and
- There is no new evidence to suggest a different conclusion should be drawn in respect of the locational performance of Manston compared to East Midlands Airport, and to a lesser extent Stansted, to that of the ExA Report.